

**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> , ¹ |) | |
| |) | |
| Debtors. |) | (Joint Administration Requested) |
| |) | |

DEBTORS' PREPACKAGED JOINT CHAPTER 11 PLAN OF REORGANIZATION

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Dated: December 10, 2010

¹ 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); 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); Comprehensive Medical Imaging, Inc. (2473); 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.

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DEBTORS' PREPACKAGED JOINT CHAPTER 11 PLAN OF REORGANIZATION

InSight Health Services Holdings Corp. and the other Debtors in the above-captioned Chapter 11 Cases respectfully propose the following prepackaged joint chapter 11 plan of reorganization for the resolution of outstanding Claims against, and Interests in, the Debtors pursuant to title 11 of the United States Code, 11 U.S.C. §§ 101–1532. Capitalized terms used in the Plan shall have the meanings ascribed to such terms in Article I.A hereof. Reference is made to the Disclosure Statement for a discussion of the Debtors' history, businesses, assets, results of operations and projections of future operations, as well as a summary and description of the Plan and certain related matters. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code. The material terms of the Plan have been agreed to by the Ad Hoc Noteholders Committee pursuant to the Restructuring Support Agreement.

ALL HOLDERS OF CLAIMS AND INTERESTS, TO THE EXTENT APPLICABLE, ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE PLAN PROVIDES FOR SUBSTANTIVE CONSOLIDATION OF ALL OF THE ESTATES FOR ALL PURPOSES ASSOCIATED WITH CONFIRMATION AND CONSUMMATION OF THE PLAN.

ARTICLE I. DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW

A. *Defined Terms*

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. “*Accrued Professional Compensation*” means, at any given moment, all accrued fees and expenses (including success fees) for services rendered by a Professional through and including the Confirmation Date, to the extent such fees and expenses have not been paid pursuant to the Interim Compensation Order or other order of the Bankruptcy Court and regardless of whether a fee application has been Filed for such fees and expenses. To the extent the Bankruptcy Court or any higher court denies or reduces by a Final Order any amount of a Professional's fees or expenses, then the amount by which such fees or expenses are reduced or denied shall no longer constitute Accrued Professional Compensation.

2. “*Ad Hoc Noteholders Committee*” means that certain committee of Holders of Senior Secured Notes Claims represented by the Ad Hoc Noteholders Committee Professionals.

3. “*Ad Hoc Noteholders Committee Professionals*” means Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to the Ad Hoc Noteholders Committee, and FocalPoint Securities, LLC, as financial advisor to the Ad Hoc Noteholders Committee.

4. “*Administrative Claim*” means a Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses Allowed pursuant to sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise for the period commencing on the Petition Date; (c) all fees and charges assessed against the Estates pursuant to chapter 123 of the Judicial Code; (d) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to section 503(b)(3), (4) and (5) of the Bankruptcy Code; and (e) the Noteholder Professional Fees.

5. “*Affiliate*” has the meaning set forth in section 101(2) of the Bankruptcy Code.

6. “*Allowed*” means with respect to Claims: (a) any Claim proof of which is timely Filed (or for which Claim under the Plan, the Bankruptcy Code or Final Order of the Bankruptcy Court a Proof of Claim is or shall not be required to be Filed); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated and not disputed and for which no Proof of Claim has been timely Filed; or (c) any Claim Allowed pursuant to the Plan; provided, however, that with respect to any Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been brought within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or such an objection is so brought, and the Claim shall have been Allowed for voting purposes only by a Final Order pursuant to the terms of the Plan. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed and for which no Proof of Claim is or has been timely Filed is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval or order of the Bankruptcy Court.

7. “*Ballots*” means the ballots accompanying the Disclosure Statement, upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process, and which must be actually received on or before the Voting Deadline.

8. “*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as applicable to the Chapter 11 Cases.

9. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the order of the United States District Court for the Southern District of New York, the United States District Court for the Southern District of New York.

10. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

11. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

12. “*Cash*” means the legal tender of the United States of America or the equivalent thereof, including, without limitation, bank deposits, wire transfers and checks or similar negotiable instruments.

13. “*Causes of Action*” means any claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license or franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. Cause of Action also includes: (a) any right of setoff, counterclaim or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any state law fraudulent transfer claim; and (f) any claim listed in the Plan Supplement.

14. “*Certificate*” means any instrument evidencing a Claim or an Interest.

15. “*Chapter 11 Cases*” means (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.

16. “*Claim*” means any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.
17. “*Claims Objection Bar Date*” means, as applicable, the latest of: (x) the Effective Date; (y) 180 days after the relevant Proof of Claim is Filed; or (z) such later period of limitation as may be specifically fixed by the Debtors or the Reorganized Debtors.
18. “*Class*” means a category of Holders of Claims or Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.
19. “*Collateral Agent*” means U.S. Bank National Association, in its capacity as collateral agent for the Senior Secured Notes.
20. “*Committee*” or “*Committees*” means any official committee (and any and all subcommittees thereof) appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.
21. “*Compensation and Benefit Claims*” means any and all Claims arising on account of, or relating to, the Compensation and Benefits Programs assumed pursuant to Article V.D hereof.
22. “*Compensation and Benefits Programs*” means all employment and severance agreements and policies, and all compensation and benefit plans, policies, and programs of the Debtors, and all amendments and modifications thereto, applicable to the Debtors’ employees, former employees, retirees and non-employee directors and the employees, former employees and retirees of their subsidiaries, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit agreements and plans, incentive plans, deferred compensation plans and life, accidental death and dismemberment insurance plans.
23. “*Confirmation*” means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article X.A hereof having been: (a) satisfied; or (b) waived pursuant to Article X.C hereof.
24. “*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.
25. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court on Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.
26. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
27. “*Consenting Noteholders*” means the Holders of Senior Secured Notes Claims that are parties to the Restructuring Support Agreement.
28. “*Consummation*” means the occurrence of the Effective Date.
29. “*Corporate Governance Documents*” means the (a) New Certificates of Incorporation, (b) New By-Laws, (c) Stockholders Agreement and (d) Registration Rights Agreement, each of which shall be Filed with the Bankruptcy Court pursuant to the Plan Supplement.
30. “*Creditors’ Committee*” means the official committee of unsecured creditors (including any and all subcommittees thereof) appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, if any.
31. “*Cure Claim*” means a Claim based upon the Debtors’ defaults, if any, on an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

32. “*D&O Liability Insurance Policies*” means all insurance policies for directors’, managers’ and officers’ liability maintained by the Debtors as of the Petition Date.

33. “*Debtor*” means one of the Debtors, in its individual capacity as a debtor in the Chapter 11 Cases.

34. “*Debtor Release*” means the release given by the Debtors to the Debtor Releasees as set forth in Article VIII.D hereof.

35. “*Debtor Releasees*” means, collectively, all current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals of the Debtors, in each case in their capacity as such.

36. “*Debtors*” means, collectively, the Debtors in the Chapter 11 Cases: (a) InSight Health Services Holdings Corp.; (b) InSight Health Services Corp.; (c) Comprehensive Medical Imaging Centers, Inc.; (d) InSight Health Corp.; (e) Maxum Health Services Corp.; (f) North Carolina Mobile Imaging I LLC; (g) North Carolina Mobile Imaging II LLC; (h) North Carolina Mobile Imaging III LLC; (i) North Carolina Mobile Imaging IV LLC; (j) North Carolina Mobile Imaging V LLC; (k) North Carolina Mobile Imaging VI LLC; (l) North Carolina Mobile Imaging VII LLC; (m) Open MRI, Inc.; (n) Orange County Regional PET Center – Irvine, LLC; (o) Parkway Imaging Center, LLC; (p) Comprehensive Medical Imaging, Inc.; and (q) Signal Medical Services, Inc.

37. “*Debtors in Possession*” means, collectively, the Debtors, as debtors in possession in the Chapter 11 Cases, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

38. “*DIP Agent*” means the administrative agent under the DIP Credit Agreement or any successor agent appointed in accordance thereof, as applicable.

39. “*DIP Credit Agreement*” means that certain debtor in possession credit agreement to be executed on or prior to the Petition Date by and among the Debtors, the DIP Agent, the DIP Lenders named therein and the other parties thereto, as the same may be subsequently modified, amended or supplemented, together with all instruments and agreements related thereto.

40. “*DIP Facility*” means that certain debtor in possession credit facility entered into pursuant to the DIP Credit Agreement.

41. “*DIP Facility Claims*” means any and all Claims arising under or related to the DIP Facility.

42. “*DIP Lenders*” means the DIP Agent and the banks, financial institutions and other lender parties to the DIP Credit Agreement from time to time, each in their capacity as such.

43. “*Disclosure Statement*” means the *Disclosure Statement for the Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization*, as further amended, supplemented or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, which shall have been prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law.

44. “*Disputed*” means, with respect to any Claim or Interest, any Claim or Interest that is not yet Allowed.

45. “*Distribution Agent*” means the Reorganized Debtors, or the Entity or Entities chosen by the Reorganized Debtors to make or facilitate distributions pursuant to the Plan.

46. “*Effective Date*” means the date selected by the Debtors that is a Business Day after the Confirmation Date on which the conditions as specified in the Plan, including Article X.B hereof, have been

satisfied or waived. Unless otherwise specifically provided in the Plan, anything required to be done by the Debtors on the Effective Date may be done on the Effective Date or as soon as reasonably practicable thereafter.

47. “*Entity*” means an entity as defined in section 101(15) of the Bankruptcy Code.

48. “*Equity Interest*” means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor that existed immediately prior to the Effective Date, including any Claim subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising therefrom; provided, however, that Equity Interest does not include any Intercompany Interest.

49. “*Estate*” means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

50. “*Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78oo, as amended, the rules and regulations promulgated thereunder, and any similar federal, state or local law.

51. “*Exculpated Parties*” means, collectively: (a) the Debtors; (b) the Reorganized Debtors; (c) the Debtor Releasees; (d) the Indenture Trustee; (e) the Third Party Releasees; and (f) all of the current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals of each of the foregoing Entities (whether current or former, in each case in their capacity as such).

52. “*Exculpation*” means the exculpation provision set forth in Article VIII.F hereof.

53. “*Executory Contract*” means a contract to which one or more than one of the Debtors are a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

54. “*Exit Facility*” means the new revolving credit facility to be entered into by the Debtors pursuant to the Exit Facility Agreement.

55. “*Exit Facility Agent*” means Bank of America, N.A., or such other party as identified in the Exit Facility Agreement in its capacity as administrative agent under the Exit Facility.

56. “*Exit Facility Agreement*” means that certain credit agreement to be executed on or before the Effective Date, including and incorporating any agreements, amendments, documents or supplements related thereto, all in form and substance acceptable to the Requisite Consenting Noteholders and on commercially reasonable terms for similar transactions acceptable to the Debtors and the Exit Facility Agent.

57. “*Fee Claim*” means a Claim for Accrued Professional Compensation.

58. “*File*,” “*Filed*” or “*Filing*” means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

59. “*Final Order*” means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

60. “*General Unsecured Claim*” means any unsecured Claim against any of the Debtors that is not: (a) an Administrative Claim; (b) a Priority Tax Claim; (c) an Other Priority Claim; (d) a Section 510(b) Claim; or (e) an Intercompany Claim.

61. “*Governmental Unit*” means a governmental unit as defined in section 101(27) of the Bankruptcy Code.
62. “*Holder*” means any Entity holding a Claim or an Interest.
63. “*Impaired*” means any Claim or Interest in an Impaired Class.
64. “*Impaired Class*” means an impaired Class within the meaning of section 1124 of the Bankruptcy Code.
65. “*Indemnification*” means the indemnification provision set forth in Article VIII.G hereof.
66. “*Indemnification Provision*” means each of the Debtors’ indemnification provisions currently in place whether in the bylaws, certificates of incorporation, other formation documents, board resolutions or employment contracts for the current and former directors, officers, managers, employees, attorneys, other professionals and agents of the Debtors and such current and former directors’, officers’ and managers’ respective Affiliates.
67. “*Indemnified Parties*” means, collectively, the Debtors and each of their respective current and former officers, directors, managers and employees, each in their respective capacities as such.
68. “*Indenture*” means that certain indenture by and among InSight Health Services Corp., certain Affiliates thereof, as guarantors, and U.S. Bank National Association, as trustee, dated September 22, 2005, as the same may have been amended from time to time.
69. “*Indenture Trustee*” means U.S. Bank National Association, in its capacity as trustee under the Indenture.
70. “*Intercompany Claim*” means any Claim held by a Debtor against another Debtor or any Claim held by an Affiliate against a Debtor.
71. “*Intercompany Contracts*” means any Executory Contract, Unexpired Lease, agreement, contract or lease the counterparty or counterparties to which are Debtors.
72. “*Intercompany Interest*” means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor, which is held by another Debtor or an Affiliate of a Debtor. For the avoidance of doubt, Intercompany Interests excludes Equity Interests in InSight Health Services Holdings Corp.
73. “*Interests*” means, collectively, Equity Interests and Intercompany Interests.
74. “*Interim Compensation Order*” means an order of the Bankruptcy Court allowing Professionals to seek interim compensation in accordance with the procedures approved therein, as the same may be modified by a Bankruptcy Court order approving the retention of a specific Professional or otherwise.
75. “*Judicial Code*” means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.
76. “*Lien*” means a lien as defined in section 101(37) of the Bankruptcy Code.
77. “*Management Equity Plan*” means that certain post-Effective Date Management Equity Plan, for which up to eight percent (8%) of the fully diluted New Common Stock shall be reserved, and the terms of which plan and equity grants thereunder shall be determined and implemented on or as soon as reasonably practicable after the Effective Date by the New Board or any compensation committee thereof in its discretion.

78. “*New Board*” means the board of directors of Reorganized InSight Health Services Holdings Corp. The members of the New Board shall be appointed in accordance with the New By-Laws and the Stockholders Agreement.

79. “*New By-Laws*” means the form of by-laws of each of the Reorganized Debtors, consistent with Annex 1 to the Plan Term Sheet, which form will be Filed pursuant to the Plan Supplement and which shall be in form and substance reasonably acceptable to the Requisite Consenting Noteholders.

80. “*New Certificates of Incorporation*” means the form of the certificates of incorporation or formation of each of the Reorganized Debtors, which form will be Filed pursuant to the Plan Supplement and which shall be in form and substance consistent with Annex 1 to the Plan Term Sheet and reasonably acceptable to the Requisite Consenting Noteholders.

81. “*New Common Stock*” means newly issued shares of common stock of Reorganized InSight Health Services Holdings Corp., issued on the Effective Date with a par value of \$.01 per share.

82. “*Noteholder Professional Fees*” means those fees including, but not limited to, all reasonable fees and out-of-pocket expenses incurred by each of the Indenture Trustee, the Collateral Agent and the Ad Hoc Noteholders Committee, including but not limited to the reasonable professional fees and expenses of Skadden, Arps, Slate, Meagher & Flom LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Noteholders Committee, and the professional advisors of the Indenture Trustee and the Collateral Agent, whether or not the Plan is ultimately consummated.

83. “*Other Priority Claim*” means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

84. “*Other Secured Claim*” means any Secured Claim that is not: (a) a Revolving Credit Facility Claim; (b) a Senior Secured Notes Claim; or (c) a DIP Facility Claim.

85. “*Person*” means a “person” as defined in section 101(41) of the Bankruptcy Code.

86. “*Petition Date*” means the date of commencement of the Chapter 11 Cases, which is intended to occur on or about December 10, 2010, , but, in any case, after solicitation of the Plan has commenced..

87. “*Plan*” means this *Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization*, as may be amended, supplemented or modified from time to time, including the Plan Supplement and all annexes, appendices, attachments, exhibits and/or schedules hereto or to the Plan Supplement, all of which are incorporated herein by reference.

88. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules and exhibits to the Plan, to be Filed on or before the Plan Supplement Filing Date, as amended, supplemented, or modified from time to time in accordance with the terms hereof, the Bankruptcy Code, and the Bankruptcy Rules, including: (a) to the extent known, the identity of the members of the New Board and the nature and compensation for any member of the New Board who is an “insider” under section 101(31) of the Bankruptcy Code; (b) a list of Executory Contracts and Unexpired Leases to be rejected; (c) a schedule of Causes of Action to be retained by the Reorganized Debtors; (d) the Corporate Governance Documents; (e) the Exit Facility Agreement or a description of the material terms of the Exit Facility; and (f) the Warrant Agreement.

89. “*Plan Supplement Filing Date*” means the date that is at least five (5) business days prior to the Confirmation Hearing.

90. “*Plan Term Sheet*” means that certain Chapter 11 Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement.

91. “*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

92. “*Priority Tax Claims Bar Date*” means the first Business Day that is 180 days after the Effective Date.

93. “*Pro Rata*” means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or the proportion that Allowed Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.

94. “*Professional*” means an Entity: (a) retained pursuant to a Final Order in accordance with sections 327, 363 or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 363 and 331 of the Bankruptcy Code; or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

95. “*Professional Fee Escrow Account*” means an interest-bearing account in an amount equal to the Professional Fee Reserve Amount funded and maintained by the Reorganized Debtors on and after the Effective Date solely for the purpose of paying all Allowed and unpaid Fee Claims.

96. “*Professional Fee Reserve Amount*” means the aggregate Accrued Professional Compensation through the Confirmation Date as estimated by the Professionals in accordance with Article IX.B hereof.

97. “*Proof of Claim*” means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

98. “*Record Date*” means the close of business on November 15, 2010.

99. “*Registration Rights Agreement*” means that certain agreement, as described in Annex 1 to the Plan Term Sheet, to be executed on or before the Effective Date among Reorganized Insight Health Services Holdings Corp. and the Holders of the New Common Stock, the form of which shall be Filed pursuant to the Plan Supplement and which shall be in form and substance reasonably acceptable to the Requisite Consenting Noteholders.

100. “*Rejection Damages Claim*” means a Claim arising from the rejection of an Executory Contract or Unexpired Lease.

101. “*Rejection Damages Claims Bar Date*” means the first Business Day that is 30 days after the latest of: (x) the date of entry of an order of the Bankruptcy Court approving the rejection of the relevant Executory Contract or Unexpired Lease (which such order may include the Confirmation Order); (y) the Effective Date; and (z) the effective date of rejection for the relevant Executory Contract or Unexpired Lease.

102. “*Releasing Parties*” means, collectively: (a) the Revolving Credit Facility Agent; (b) the Revolving Credit Facility Lenders; (c) the Indenture Trustee; (d) the Holders of the Senior Secured Notes; (e) the DIP Agent; (f) the DIP Lenders; (g) any and all other Holders of Claims or Equity Interests; and (h) with respect to each of the foregoing entities in clauses (a) through (f), and in clause (g) to the fullest extent permitted by law, such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such.

103. “*Reorganized Debtor*” or “*Reorganized Debtors*” means the Debtors, in each case, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

104. “*Requisite Consenting Noteholders*” means the Consenting Noteholders holding at least two thirds in amount of the Senior Secured Notes Claims.

105. “*Restructuring Support Agreement*” means that certain Restructuring Support Agreement, dated as of December 2, 2010, by and among the Debtors and certain Holders of Senior Secured Notes Claims, as may be amended from time to time in accordance with terms thereof.

106. “*Revolving Credit Agreement*” means that certain Second Amended and Restated Loan and Security Agreement, by and among InSight Health Corp. and certain of its Affiliates, as borrowers, InSight Health Services Holdings Corp. and InSight Health Services Corp., as guarantors, the Revolving Credit Facility Agent, and the Revolving Credit Facility Lenders, dated as of August 1, 2007, as the same may have been amended from time to time.

107. “*Revolving Credit Facility*” means the \$20 million secured credit facility provided under the Revolving Credit Agreement, as amended.

108. “*Revolving Credit Facility Agent*” means Bank of America, N.A., in its capacity as administrative agent under the Revolving Credit Facility.

109. “*Revolving Credit Facility Claim*” means any Claim arising under or related to the Revolving Credit Facility.

110. “*Revolving Credit Facility Lenders*” means those banks, financial institutions and other lender parties to the Revolving Credit Facility from time to time, each in their capacity as such.

111. “*SEC*” means the United States Securities and Exchange Commission.

112. “*Schedules*” means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified or supplemented from time to time.

113. “*Section 510(b) Claims*” means any Claim subject to subordination under section 510(b) of the Bankruptcy Code.

114. “*Secured*” means, when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or which is subject to setoff pursuant to section 553 of the Bankruptcy Code to the extent of the value of the creditor’s interest in the Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

115. “*Secured Claim*” means a Claim that is Secured.

116. “*Securities Act*” means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, the rules and regulations promulgated thereunder, and any similar federal, state or local law.

117. “*Securities Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78nn, as amended.

118. “*Senior Secured Notes*” means those Senior Secured Floating Rate Notes due 2011 issued under the Indenture.

119. “*Senior Secured Notes Claim*” means any Claim derived from or based upon the Indenture with respect to the Senior Secured Notes; provided that Senior Secured Notes Claims shall not include any Section 510(b) Claims.

120. “*Stockholders Agreement*” means that certain agreement, as described in Annex 1 to the Plan Term Sheet, to be executed on or before the Effective Date providing for, among other things, the rights and obligations of the Holders of the New Common Stock, the form of which shall be Filed pursuant to the Plan Supplement and which shall be in form and substance acceptable to the Requisite Consenting Noteholders.

121. “*Subplan*” means a subplan of reorganization that would be Filed by each of the Debtors in the event the Bankruptcy Court does not substantively consolidate the Debtors’ Estates.

122. “*Third Party Release*” means the release provision set forth in Article VIII.E hereof.

123. “*Third Party Releasees*” means, collectively, (a) the Debtors; (b) the Revolving Credit Facility Agent; (c) the Revolving Credit Facility Lenders; (d) the Indenture Trustee; (e) the Holders of the Senior Secured Notes; (f) the DIP Agent; (g) the DIP Lenders; and (h) with respect to each of the foregoing entities in clauses (a) through (g), such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such.

124. “*Unexpired Lease*” means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

125. “*Unimpaired*” means, with respect to a Class of Claims or Interests, a Claim or an Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

126. “*Voting Deadline*” means December 27, 2010 at 5:00 p.m. (Eastern Time).

127. “*Warrants*” means those certain warrants to acquire shares of New Common Stock representing two percent (2%), in the aggregate, of the New Common Stock, on a fully-diluted basis, as of the Effective Date (but subject to dilution on or after the Effective Date for awards under the Management Equity Plan), the terms of which shall be consistent in all material respects with the Warrant Term Sheet and further provided in the Warrant Agreement.

128. “*Warrant Agreement*” means that certain agreement providing for, among other things, the issuance and terms of the Warrants, the form and of which shall be Filed pursuant to the Plan Supplement and consistent in all material respects with the Warrant Term Sheet, and which shall be in form and substance acceptable to the Requisite Consenting Noteholders.

129. “*Warrant Term Sheet*” means that certain term sheet providing for, among other things, the issuance of the Warrants, which is attached as Annex 2 to the Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement.

B. Rules of Interpretation

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words

“herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

C. Computation of Time

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan, any agreements, documents, instruments or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control), and corporate governance matters; provided, however, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or to the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE II.

DIP FACILITY CLAIMS, ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS

A. DIP Facility Claims

Subject to the terms of the DIP Credit Agreement, in full and final satisfaction, settlement, release and discharge of and in exchange for each DIP Facility Claim, on the Effective Date, DIP Facility Claims shall be paid in full, in Cash with proceeds from the Exit Facility or shall be converted into obligations of the Debtors under the Exit Facility on a dollar-for-dollar basis.

B. Administrative Claims

1. Administrative Claims Other than Fee Claims

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Administrative Claim, each Holder of such Allowed Administrative Claim shall be paid in full, in Cash the unpaid portion of such Allowed Administrative Claim (a) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Allowed Administrative Claim or (b) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Allowed Administrative Claim.

2. Fee Claims

Professionals or other Entities asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 45 days after the Effective Date. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 45 days after the Effective Date and (b) 30 days after the Filing of the applicable request for payment of the Fee Claim. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

C. *Priority Tax Claims*

Subject to the requirements of Article IV.S hereof, except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment or has been paid by the Debtors prior to the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall receive on account of such Claim payment in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, regular installment payments in Cash: (1) of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (2) which total value shall include simple interest to accrue on any outstanding balance of such Allowed Priority Tax Claim starting on the Effective Date at the rate of interest determined under applicable nonbankruptcy law pursuant to section 511 of the Bankruptcy Code; and (3) over a period ending not later than 5 years after the Petition Date. Subject to the Priority Tax Claims Bar Date, a Priority Tax Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Priority Tax Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Priority Tax Claim.

**ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Facility Claims, Administrative Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in this Article III.

A. *Summary of Classification*

All Claims and Interests, other than DIP Facility Claims, Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in this Article III for all purposes, including voting, Confirmation and distributions pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

1. Substantive Consolidation of the Debtors

Pursuant to Article IV.B hereof, the Plan provides for the limited substantive consolidation of the Estates into a single Estate for all purposes associated with Confirmation and Consummation. As a result of the limited substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate identification of the Debtors.

2. Class Identification

The classification of Claims and Interests against the Debtors pursuant to the Plan is as follows:

| Class | Claim | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept |
| 2 | Other Secured Claims | Unimpaired | Deemed to Accept |
| 3 | Revolving Credit Facility Claims | Unimpaired | Deemed to Accept |
| 4 | Senior Secured Notes Claims | Impaired | Entitled to Vote |
| 5 | General Unsecured Claims | Unimpaired | Deemed to Accept |
| 6 | Intercompany Claims | Unimpaired | Deemed to Accept |
| 7 | Intercompany Interests | Unimpaired | Deemed to Accept |
| 8 | Section 510(b) Claims | Impaired | Deemed to Reject |
| 9 | Equity Interests in InSight Health Services Holdings Corp. | Impaired | Deemed to Reject |

B. Treatment of Claims and Interests

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

1. Class 1 Other Priority Claims

- (a) *Classification:* Class 1 consists of all Other Priority Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment for such Holder, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Other Priority Claim, each Holder of such Allowed Other Priority Claim shall be paid in full, in Cash or otherwise receive such treatment as to render such Holder Unimpaired. An Other Priority Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Other Priority Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Other Priority Claim.
- (c) *Voting:* Class 1 is Unimpaired, and Holders of Class 1 Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 Other Secured Claims

- (a) *Classification:* Class 2 consists of all Other Secured Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Secured Claim, each Allowed Other Secured Claim shall be reinstated or otherwise rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.
- (c) *Voting:* Class 2 is Unimpaired, and Holders of Class 2 Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 Revolving Credit Facility Claims

- (a) *Classification:* Class 3 consists of all Revolving Credit Facility Claims.
- (b) *Allowance:* To the extent not refinanced by the DIP Facility or otherwise paid in full as of the Effective Date, the Revolving Credit Facility Claims shall be Allowed and deemed to be Allowed Claims in the amount of \$1,652,825.00, plus interest and fees due and owing under the Revolving Credit Facility, which Allowed Claims shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaims, cross-claims, defenses, disallowance, impairment, or any other challenges under applicable law by any Entity.
- (c) *Treatment:* To the extent Revolving Credit Facility Claims are not refinanced by the DIP Facility or otherwise paid in full as of the Effective Date and except to the extent that a Holder of an Allowed Revolving Credit Facility Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Revolving Credit Facility Claim, each Holder of an Allowed Revolving Credit Facility Claim shall be paid in full, in Cash with the proceeds of the Exit Facility, reinstated or otherwise receive such treatment as to render such Holder Unimpaired.
- (d) *Voting:* Class 3 is Unimpaired, and Holders of Class 3 Revolving Credit Facility Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Revolving Credit Facility Claims are not entitled to vote to accept or reject the Plan.

4. Class 4 Senior Secured Notes Claims

- (a) *Classification:* Class 4 consists of all Senior Secured Notes Claims.
- (b) *Allowance:* The Senior Secured Notes Claims shall be Allowed and deemed to be Allowed Claims in the amount of \$293,500,000.00, plus interest and fees due and owing with respect to the Senior Secured Notes under the Indenture, which Allowed Claims shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaims, cross-claims, defenses, disallowance, impairment or any other challenges under applicable law by any Entity.
- (c) *Treatment:* Except to the extent that a Holder of an Allowed Senior Secured Notes Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Senior Secured Notes Claim, each Holder of such Allowed Senior Secured Notes Claim shall receive on or as soon as reasonably practicable after the Effective Date its Pro Rata share of 100 percent of the New Common Stock, provided that such distribution shall be subject to dilution by (i) the Management Equity Plan and (ii) the Warrants, which, on the Effective Date, shall be issued by the Reorganized Debtors to the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the Consummation of the Plan) as part of the distributions made to such Holders of Senior Secured Notes Claims under the Plan.
- (d) *Voting:* Class 4 is Impaired. Therefore, Holders of Class 4 Senior Secured Notes Claims as of the Record Date are entitled to vote to accept or reject the Plan.

5. Class 5 General Unsecured Claims

- (a) *Classification:* Class 5 consists of all General Unsecured Claims.

- (b) *Treatment:* Except to the extent that a Holder of a General Unsecured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each General Unsecured Claim, each Holder of such General Unsecured Claim shall be paid in full, in Cash, or otherwise receive such treatment as to render such Holder Unimpaired. A General Unsecured Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such General Unsecured Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such General Unsecured Claim.
- (c) *Voting.* Class 5 is Unimpaired, and Holders of Class 5 General Unsecured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 General Unsecured Claims are not entitled to vote to accept or reject the Plan.

6. Class 6 Intercompany Claims

- (a) *Classification:* Class 6 consists of all Intercompany Claims.
- (b) *Treatment:* Intercompany Claims shall be reinstated and rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.
- (c) *Voting:* Class 6 is Unimpaired, and Holders of Class 6 Intercompany Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 6 Intercompany Claims are not entitled to vote to accept or reject the Plan.

7. Class 7 Intercompany Interests

- (a) *Classification:* Class 7 consists of all Intercompany Interests.
- (b) *Treatment:* Although Intercompany Interests shall not receive any distribution on account of such Intercompany Interests, Intercompany Interests will not be cancelled and, solely to implement the Plan, will be addressed as set forth in Article IV.K hereof.
- (c) *Voting:* Class 7 is Unimpaired, and Holders of Class 7 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 7 Intercompany Interests are not entitled to vote to accept or reject the Plan.

8. Class 8 Section 510(b) Claims

- (a) *Classification:* Class 8 consists of all Section 510(b) Claims.
- (b) *Treatment:* Holders of Section 510(b) Claims will not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released and extinguished as of the Effective Date.
- (c) *Voting:* Class 8 is Impaired, and Holders of Class 8 Section 510(b) Claims are not entitled to receive or retain any property under the Plan on account of Class 8 Section 510(b) Claims. Therefore, Holders of Class 8 Section 510(b) Claims are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 8 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

9. Class 9 Equity Interests in InSight Health Services Holdings Corp.

- (a) *Classification:* Class 9 consists of all Equity Interests in InSight Health Services Holdings Corp.
- (b) *Treatment:* Holders of Equity Interests in InSight Health Services Holdings Corp. will not receive any distribution on account of such Interests, and Equity Interests in InSight Health Services Holdings Corp. shall be discharged, cancelled, released and extinguished as of the Effective Date; provided that, as set forth in Article IV.E hereof, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date.
- (c) *Voting:* Class 9 is Impaired, and Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are not entitled to receive or retain any property under the Plan on account of Class 9 Equity Interests in InSight Health Services Holdings Corp. Therefore, Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are not entitled to vote to accept or reject the Plan.

C. *Special Provision Governing Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

D. *Acceptance or Rejection of the Plan*

1. Presumed Acceptance of the Plan

Classes 1, 2, 3, 5, 6 and 7 are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

2. Voting Class

Class 4 is Impaired under the Plan, and Holders, as of the Record Date, of Claims in Class 4 are entitled to vote to accept or reject the Plan.

3. Deemed Rejection of the Plan

Classes 8 and 9 are Impaired and shall receive no distribution under the Plan and are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

E. *Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code*

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI hereof to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification; provided that such modifications shall in each case be acceptable to the Requisite Consenting Noteholders.

F. Controversy Concerning Impairment

If a controversy arises as to whether any Claims or Interests or any Class of Claims or Interests is Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. Sources of Consideration for Plan Distributions

All consideration necessary for the Reorganized Debtors to make payments or distributions pursuant hereto shall be obtained from the Exit Facility, the issuance of the New Common Stock or other Cash from the Debtors, including Cash from operations.

B. Limited Substantive Consolidation

The Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation and Consummation.

If such limited substantive consolidation of all of the Estates is ordered, then on and after the Effective Date, all assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of InSight Health Services Holdings Corp. for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor, shall be treated as one collective obligation of the Debtors. Such limited substantive consolidation shall not affect the legal and organizational structure of the Reorganized Debtors or their separate corporate existences or any prepetition or postpetition guarantees, Liens or security interests that are required to be maintained under the Bankruptcy Code, under the Plan or in connection with contracts or leases that were assumed or entered into during the Chapter 11 Cases. Any alleged defaults under any applicable agreement with the Debtors, the Reorganized Debtors or their Affiliates arising from substantive consolidation under the Plan shall be deemed cured as of the Effective Date.

In the event that the Bankruptcy Court does not order limited substantive consolidation of the Debtors, then except as specifically set forth in the Plan: (1) nothing in the Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that one of the Debtors is subject to or liable for any Claim against any other Debtor; (2) Claims against multiple Debtors shall be treated as separate Claims with respect to each Debtor's Estate for all purposes (including distributions and voting), and such Claims shall be administered as provided in the Plan; (3) the Debtors shall not, nor shall they be required to, re-solicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve limited substantive consolidation of the Debtors alter the distributions set forth in the Plan; and (4) the Debtors may File Subplans with terms substantially consistent in all applicable respects with the terms of the Plan, and the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Subplan; provided that a Holder's (a) vote to accept or reject the Plan; (b) presumed acceptance of the Plan pursuant to section 1126(f) of the Bankruptcy Code; or (c) deemed rejection of the Plan pursuant to section 1126(g) may be deemed a vote to accept or reject an applicable Subplan (as the case may be) to the extent that such Subplan does not provide such Holder with less favorable treatment than such Holder would have received if the Bankruptcy Court had ordered limited substantive consolidation as set forth herein. The Debtors' inability to confirm any Subplan or the Debtors' election to withdraw any Subplan shall not impair the confirmation of any other Subplan or the consummation of any such Subplan.

C. Exit Facility

Confirmation shall be deemed approval of the Exit Facility (including any and all transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facility, and all actions to be taken, undertakings to be made and obligations to be incurred by the Reorganized Debtors in connection

therewith, including the payment of all fees, indemnities and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Facility Agreement and such other documents as may be required or appropriate to effectuate the treatment afforded to such lenders pursuant to the Exit Facility Agreement. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs. To the extent Revolving Credit Facility Claims are not refinanced by the DIP Facility as of the Effective Date, Revolving Credit Facility Claims shall be paid in full, in Cash with the proceeds from the Exit Facility.

Upon the satisfaction or waiver of the conditions precedent to effectiveness set forth in the Exit Facility Agreement, the DIP Facility and the Revolving Credit Facility shall be refinanced and the Revolving Credit Agreement and the DIP Credit Agreement shall be deemed to have been terminated. Notwithstanding the foregoing, all obligations of the Debtors to the DIP Agent and the DIP Lenders under the DIP Credit Agreement which are expressly stated in the DIP Credit Agreement as surviving such agreement's termination shall, as so specified, survive without prejudice and remain in full force and effect.

Upon the date the Exit Facility Agreement becomes effective, (1) the Debtors and the Reorganized Debtors are authorized to execute and deliver the Exit Facility Agreement and perform their obligations thereunder including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages or indemnities, (2) the Exit Facility Agreement shall constitute the legal, valid and binding obligations of the Reorganized Debtors which are parties thereto, enforceable in accordance with their respective terms, and (3) no obligation, payment, transfer or grant of security under the Exit Facility Agreement shall be stayed, restrained, voidable or recoverable under the Bankruptcy Code or under any applicable law or subject to any defense, reduction, recoupment, setoff or counterclaim.

The Debtors and the Reorganized Debtors, as applicable, and any other Entities granting any Liens and security interests to secure the obligations under the Exit Facility Agreement are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary or desirable to establish and further evidence perfection of such liens and security interests under the provisions of any applicable federal, state, provincial or other law (whether domestic or foreign) (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order and any such filings, recordings, approvals and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such liens and security interests to third parties.

D. Issuance of New Common Stock and Other Securities

The issuance of the New Common Stock, including the shares of the New Common Stock, Warrants, options or other equity awards reserved for the Management Equity Plan (if any), is authorized without the need for any further corporate action or without any further action by a Holder of Claims or Interests. On the Effective Date, or as soon as reasonably practicable thereafter, the New Common Stock shall be issued to the Holders of Senior Secured Notes Claims. The Management Equity Plan will provide for a certain percentage of New Common Stock, not to exceed eight percent (8%) of the fully diluted New Common Stock, to be reserved for issuance as options, equity or equity-based grants in connection with the Reorganized Debtors' management equity incentive program and/or director equity incentive program. The amount of New Common Stock, if any, to be issued pursuant to the Management Equity Plan, and the terms thereof shall be determined by the New Board on or as soon as reasonably practicable after the Effective Date.

All of the shares of New Common Stock issued pursuant to the Plan and the Stockholders Agreement shall be duly authorized, validly issued and fully paid and non-assessable. Each distribution and issuance referred to in Article VI hereof shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, including, but not limited to, the Stockholders Agreement, which terms and conditions shall bind each Entity receiving such distribution or issuance.

The New Common Stock may be subject to certain transfer and other restrictions and appropriate legends pursuant to, among other things, the Stockholders Agreement and the New Certificates of Incorporation.

E. Warrants

As described in Article III.B.4 above, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date. The Warrants may be subject to certain transfer, exercise and other restrictions and appropriate legends pursuant to, among other things, the Warrant Agreement. Notwithstanding anything to the contrary in the Plan, in no event shall the terms of the Warrants cause Reorganized InSight Health Services Holdings Corp. to be required by the Securities Act or the Exchange Act, including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. The Warrant Agreement shall contain transfer, exercise and other restrictions and appropriate legends to the satisfaction of the Requisite Consenting Noteholders and consistent with the Warrant Term Sheet to ensure that the terms of the Warrants and the Warrant Agreement do not result in such registration or reporting requirements on the part of Reorganized InSight Health Services Holdings Corp.

F. Stockholders Agreement

As of the Effective Date, each person or entity that receives New Common Stock shall be deemed to be bound by the Stockholders Agreement. All participants in the Management Equity Plan and each person that receives a Warrant shall execute a joinder to the Stockholders Agreement as a condition to the receipt of any New Common Stock pursuant to exercise of such Warrant or award under the Management Equity Plan.

G. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and distribution of any securities contemplated by the Plan and all agreements incorporated herein, including the New Common Stock and the Warrants, shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution or sale of securities and the Confirmation Order shall so provide. In addition, under section 1145 of the Bankruptcy Code, any securities contemplated by the Plan and any and all agreements incorporated therein, including the New Common Stock and the Warrants, will be freely tradable by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including, without limitation, those set forth in Article IV.D, Article IV.E and Article IV.H hereof; and (4) applicable regulatory approval.

H. Listing of New Common Stock

Other than as provided in the Registration Rights Agreement, the Reorganized Debtors shall not be obligated to list the New Common Stock on a national securities exchange and shall not be required to (but may in its discretion) register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. On the Effective Date, Reorganized InSight Health Services Holdings Corp. will enter into the Registration Rights Agreement.

I. New Certificates of Incorporation and New By-Laws

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states of incorporation or formation in accordance with the corporate or other business entity laws of the respective states of incorporation or formation. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as

permitted by the laws of their respective states of incorporation or formation and their respective New Certificates of Incorporation and New By-Laws or other constituent documents.

J. Reorganized Debtors' Boards of Directors and Officers

On the Effective Date, the term of each member of the current board of directors of the Debtors shall automatically expire. The initial members of the New Board shall consist of Reorganized InSight Health Services Holdings Corp.'s Chief Executive Officer and those individuals appointed in accordance with the Stockholders Agreement and the New By-Laws, consistent with Annex 1 to the Plan Term Sheet. The Debtors shall identify the individuals proposed to serve in accordance with the preceding sentence prior to the Effective Date and, to the extent known, members of the New Board and the nature and compensation for any member of the New Board who is an "insider" under Section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The board of directors for each of the Reorganized Debtors other than Reorganized InSight Health Services Holdings Corp. and the officers for each of the Reorganized Debtors shall be identified prior to the Effective Date.

K. Corporate Existence

Except as otherwise provided herein and notwithstanding Article IV.B hereof, each Reorganized Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval. On the Effective Date, without any further corporate action, the Reorganized Debtors' organizational documents shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and shall include, pursuant to Section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities. Consequently, Intercompany Interests shall be retained, and the legal, equitable and contractual rights to which Holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan. Notwithstanding anything to the contrary herein, each non-debtor corporate entity, limited liability company, partnership or other entity, as the case may be, in which the any of the Debtors owned or controlled an equity interest as of the Petition Date shall exist after the Effective Date as a separate corporate entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Petition Date. All of the actions related to the continued corporate existence of the Reorganized Debtors set forth in this Article IV.K shall be acceptable to the Requisite Consenting Noteholders.

L. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided herein or any agreement, instrument or other document incorporated therein, on the Effective Date, all property in each Estate, all Causes of Action (except those released pursuant to the Debtor Release) and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances (except for Liens granted to secure the Exit Facility and Claims pursuant to the DIP Facility that by their terms survive termination of the DIP Facility). On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims, Interests or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

M. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the Indenture, and any other Certificate, share, note, bond, indenture, purchase right, option, warrant

or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such agreements, Certificates, notes or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan), shall be cancelled as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, Certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; provided that, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan as provided herein.

On the Effective Date, except to the extent otherwise provided herein, any indenture relating to any of the foregoing, including the Indenture, shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder shall be fully released and discharged.

N. Restructuring Transactions

Subject to the consent of the Requisite Consenting Noteholders on the form of the restructuring transactions contemplated herein, on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, certificates of incorporation, operating agreements, bylaws or other documents containing terms that are consistent with or reasonably necessary to implement the terms of the Plan and that satisfy the requirements of applicable law; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any property, right, liability, duty or obligation on terms consistent with the terms of the Plan; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the Reorganized Debtors determine are necessary or appropriate, including any filings that may be required by applicable law.

Immediately upon and after entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may (and shall be authorized to) consummate, and take all actions as may be necessary or appropriate to effect and consummate, the sale of certain of the Debtor's assets related to the Debtors' Northern California business (as described in the Disclosure Statement), upon terms acceptable to the Debtors and the Requisite Consenting Noteholders, to the extent not consummated on or before the Confirmation Date or authorized by prior order of the Bankruptcy Court.

O. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (1) adoption or assumption, as applicable, of Executory Contracts and Unexpired Leases; (2) selection of the New Board and all other directors and officers for the Reorganized Debtors; (3) the execution of and entry into the Exit Facility Agreement; (4) the distribution of the New Common Stock and Warrants as provided herein; (5) adoption and implementation of the Management Equity Plan; and (6) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors.

On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors (including, any vice-president, president, chief executive officer, treasurer or chief financial officer thereof), as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities,

certificates of incorporation, operating agreements and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including: (1) the Exit Facility; (2) the issuance of the New Common Stock and Warrants; and (3) any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.O shall be effective notwithstanding any requirements under nonbankruptcy law. All of the foregoing corporate actions set forth in this Article IV.O shall be acceptable to the Requisite Consenting Noteholders.

P. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the managers, officers and members of the boards of directors thereof, including, without limitation, the New Board, are authorized to and may issue, execute, deliver, file or record such contracts, securities, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization or consents except for those expressly required pursuant to the Plan.

Q. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by Article IV.N hereof; or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

R. Employee and Retiree Benefits

Except as otherwise provided herein, on and after the Effective Date, the Reorganized Debtors may: (1) honor, in the ordinary course of business, any contracts, agreements, policies, programs and plans for, among other things, compensation (other than equity-based compensation related to Equity Interests in InSight Health Services Holdings Corp.), health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance and accidental death and dismemberment insurance for the directors, officers and employees of any of the Debtors who served in such capacity at any time; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date; provided, however, that the Debtors' or Reorganized Debtors' performance under any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program or plan that has expired or been terminated before the Effective Date. Nothing herein shall limit, diminish or otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action or other rights with respect to any such contracts, agreements, policies, programs and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

S. D&O Liability Insurance Policies

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume and assign to the Reorganized Debtors all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary

contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers and managers upon terms reasonably acceptable to the Reorganized Debtors and the Requisite Consenting Noteholders.

T. Indemnification Provisions

Notwithstanding anything herein to the contrary the Reorganized Debtors, as of the Effective Date, shall assume all Indemnification Provisions. All Indemnification Provisions in place on and prior to the Effective Date for current and former officers, directors, managers and employees of the Debtors and their subsidiaries and such current and former officers', directors', managers' and employees' respective Affiliates shall survive the Effective Date for all Claims related to or in connection with, without limitation, any actions, omissions or transactions occurring prior to the Effective Date.

U. Preservation of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to the Debtor Release provided by Article VIII.D hereof), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors or Reorganized Debtors have released any Person or Entity on or prior to the Effective Date (pursuant to the Debtor Release or otherwise), the Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after or as a consequence of the Confirmation or Consummation.

V. Priority Tax Claims & Administrative Claims Bar Dates

Priority Tax Claims Bar Date. Notwithstanding anything herein to the contrary, any Creditor holding (1) a Priority Tax Claim or (2) a Claim that may otherwise be a Priority Tax Claim or Claim for escheatment or unclaimed property but for the fact that such Claim arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim on account of such Claim, and such Proof of Claim must be Filed with the Bankruptcy Court on or before the Priority Tax Claims Bar Date. All (1) Priority Tax Claims or (2) Claims that may otherwise be Priority Tax Claims or Claim for escheatment or unclaimed property but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII.A and Article VIII.H hereof.

Administrative Claims Bar Date. All requests for payment of an Administrative Claim must be Filed with the Notice, Claims and Solicitation Agent and served upon counsel to the Debtors or Reorganized Debtors, as applicable, on or before the date that is 30 days after the Effective Date. The Reorganized Debtors may settle and pay any Administrative Claim in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court. In the event that any party with standing objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

**ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided herein or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have assumed each Executory Contract and Unexpired Lease to which it is a party (including all D&O Liability Insurance Policies), unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to reject Filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease to be rejected pursuant to the Plan Supplement, which shall be reasonably acceptable to the Requisite Consenting Noteholders. The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions or rejections described above as of the Effective Date.

Notwithstanding the foregoing paragraph, after the Effective Date, the Reorganized Debtors shall have the right to terminate, amend or modify any intercompany contracts, leases, or other agreements without approval of the Bankruptcy Court.

B. Payments Related to Assumption of Executory Contracts and Unexpired Leases

With respect to any Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant hereto (including pursuant to Article V.A hereof) or otherwise, Cure Claims shall be satisfied, pursuant to section 365(b) of the Bankruptcy Code, by payment of the Cure Claims in Cash on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding: (1) the amount of any Cure Claim; (2) the ability of the Reorganized Debtors to provide adequate assurance of future performance (within the meaning of section 365(b) of the Bankruptcy Code), if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption, the Cure Claims shall be paid following the entry of a Final Order resolving the dispute and approving the assumption of such Executory Contracts or Unexpired Leases; provided, however, that the Debtors or the Reorganized Debtors may settle any dispute regarding the amount of any Cure Claim without any further notice to or action, order or approval of the Bankruptcy Court.

C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive or any continuing obligation of a counterparty to provide warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

D. Compensation and Benefit Programs

Subject to the provisions of the Plan, all Compensation and Benefits Programs shall be treated as Executory Contracts under the Plan and deemed assumed on the Effective Date pursuant to the provisions of

sections 365 and 1123 of the Bankruptcy Code, except for any prepetition employee equity or equity-based incentive plans, and any provisions set forth in the Compensation and Benefits Programs that provide for rights to acquire Equity Interests in InSight Health Services Holdings Corp. Any and all Compensation and Benefit Claims (including, but not limited to, Claims relating to the Debtors' supplemental employee retirement program) are Unimpaired and entitled to full payment.

E. Intercompany Contracts, Contracts and Leases Entered into After the Petition Date

On and after the Effective Date, the Debtors may continue to perform under Intercompany Contracts, contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business.

F. Modifications, Amendments, Supplements, Restatements or Other Agreements

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority or amount of any Claims that may arise in connection therewith.

G. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided herein.

H. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

I. Rejection Damages Claims Bar Date

Notwithstanding anything herein to the contrary, any Creditor holding a Rejection Damages Claim must File a Proof of Claim on account of such Claim, and such Proofs of Claim must be Filed with the Bankruptcy Court on or before the Rejection Damages Claims Bar Date. All Rejection Damages Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Rejection Damages Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII.A and Article VIII.H hereof.

ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or, if a Claim is not an Allowed Claim on the Effective Date, on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII hereof. Except as otherwise provided herein, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

B. Distribution Agent

Except as otherwise provided herein, all distributions under the Plan shall be made by the Reorganized Debtors as Distribution Agent or by such other Entity designated by the Reorganized Debtors as a Distribution Agent on the Effective Date. A Distribution Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. In the event that a Distribution Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Distribution Agent.

C. Rights and Powers of Distribution Agent

1. Powers of the Distribution Agent

The Distribution Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

In addition to the services authorized by any order of the Bankruptcy Court authorizing the retention and employment of BMC Group, Inc. as notice and claims agent for the Debtors, BMC Group, Inc. is authorized and empowered to perform the following services: (a) assist the Debtors and their advisors with the administrative management, reconciliation and resolution of claims; (b) facilitate or perform distributions; and (c) assist the Debtors with all analyses and/or collections of avoidance actions pursuant to chapter 5 of the Bankruptcy Code.

2. Expenses Incurred on or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Distribution Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Distribution Agent shall be paid in Cash by the Reorganized Debtors.

D. Distributions on Account of Claims Allowed After the Effective Date

1. Payments and Distributions on Disputed Claims

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be made on a date determined by the

Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim and shall be deemed to have been made on the Effective Date.

Notwithstanding the foregoing paragraph: (a) Disputed Administrative Claims with respect to liabilities or obligations incurred by the Debtors in the ordinary course of business during the Chapter 11 cases or assumed by the Debtors prior to the Effective Date that become Allowed Administrative Claims after the Effective Date shall be paid or performed (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Allowed Administrative Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Allowed Administrative Claim; and (b) Disputed Priority Tax Claims for which valid Proofs of Claim have been Filed on or before the Priority Tax Claims Bar Date that become Allowed Priority Tax Claims after the Effective Date, unless otherwise agreed, shall be paid in accordance with Article II.C.

2. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtors or the Reorganized Debtors, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

E. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions in General

Except as otherwise provided herein, the Reorganized Debtors or the Distribution Agent, as the case may be, shall make distributions to Holders of Allowed Claims at the address for each such Holder as indicated on the Debtors' books and records as of the date of any such distribution; provided, however, that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors and the Distribution Agent; and provided, further, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim Filed by that Holder.

Distributions of any notes, certificates or other instruments, if any, evidencing the obligations of the Reorganized Debtors under the Revolving Credit Facility shall be made to the Revolving Credit Facility Agent for the benefit of the Revolving Credit Facility Lenders, in accordance with the terms hereof. Such distributions shall be deemed completed when made to the Revolving Credit Facility Agent, and neither the Debtors nor the Reorganized Debtors shall have any additional or further obligations to make distributions under the Plan to the Revolving Credit Facility Lenders.

Distributions of the New Common Stock shall be made to the Indenture Trustee for the benefit of the Holders of Senior Secured Notes Claims, in accordance with the terms hereof. Such distributions shall be deemed completed when made to the Indenture Trustee, and neither the Debtors nor the Reorganized Debtors shall have any additional or further obligations to make distributions under the Plan to the Holders of Senior Secured Notes Claims.

2. Minimum Distributions

The Reorganized Debtors shall not be required to make partial distributions or payments of fractions of shares of New Common Stock, and such fractions shall be deemed to be zero.

3. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Distribution Agent has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months

from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

F. Compliance with Tax Requirements and Allocations

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including reserving sufficient cash or taking necessary draws under the DIP Facility to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support and other spousal awards, liens and encumbrances.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

G. Setoffs

The Debtors and the Reorganized Debtors may withhold (but may not set off except as set forth below in this Article VI.G or as provided by Article VIII.I) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant hereto on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims, equity interests, rights, and Causes of Action that the Debtors or the Reorganized Debtors may possess against any such Holder, except as specifically provided herein.

H. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim (*i.e.*, from the third party and under the Plan) exceeds the amount of such Claim as of the date of any such distribution under the Plan.

2. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

**ARTICLE VII.
PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS**

A. *Prosecution of Objections to Claims*

The Debtors, subject to the reasonable consent of the Requisite Consenting Noteholders, or the Reorganized Debtors, as applicable, shall have the exclusive authority to File, settle, compromise, withdraw or litigate to judgment any objections to Claims, other than Fee Claims, as permitted under the Plan. From and after the Effective Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim without notice to or action, order or approval of the Bankruptcy Court. The Debtors reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law.

B. *Procedures Regarding Disputed Claims*

Except as otherwise provided herein (including, without limitation, by Article IV.V and Article V.I hereof), Holders of Claims shall not be required to File a Proof of Claim, and no parties should File a Proof of Claim. Instead, the Debtors intend to make distributions, as required by the Plan, in accordance with the books and records of the Debtors; provided that the Debtors and the Reorganized Debtors, as applicable, reserve all rights to object to any Claim for which a Proof of Claim is Filed by the Claims Objection Bar Date.

For the avoidance of doubt, in accordance with by Article IV.V and Article V.I hereof: (1) Holders of Rejection Damages Claims must File a Proof of Claim with respect to such Claims by the Rejection Damages Claims Bar Date; and (2) Holders of Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim with respect to such Claims by the Priority Tax Claims Bar Date.

Unless disputed by a Holder of a Claim or otherwise provided herein, the amount set forth in the books and records of the Debtors shall constitute the amount of the Allowed Claim of such Holder. If any such Holder of a Claim disagrees with the Debtors' books and records with respect to the Allowed amount of such Holder's Claim, such Holder must so advise the Debtors in writing, in which event the Claim will become a Disputed Claim. The Debtors intend to attempt to resolve any such disputes consensually or through judicial means outside the Bankruptcy Court. Nevertheless, the Debtors may, in their discretion, File with the Bankruptcy Court (or any other court of competent jurisdiction) an objection to the allowance of any Claim or any other appropriate motion or adversary proceeding with respect thereto, and the Debtors reserve the right to compromise, settle, withdraw or litigate to judgment any objections to Claims for which a Proof of Claim is Filed.

Any Debtor or Reorganized Debtor, as applicable, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of

whether such Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. Each of the aforementioned objection, estimation and resolution procedures are cumulative and are not exclusive of one another.

C. Allowance of Claims and Interests

Except as expressly provided herein, no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed under the Bankruptcy Code and under the Plan or unless and until the Bankruptcy Court enters a Final Order in the Chapter 11 Cases allowing such Claim under section 502 of the Bankruptcy Code. Except as expressly provided in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), the Reorganized Debtors after the Effective Date will have and retain any and all rights and defenses held by the Debtors with respect to any Claim as of the Petition Date.

D. No Distributions Pending Allowance

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on account of such Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

E. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan, including, without limitation, Article VI.D. The Distribution Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim and shall be deemed to have been made on the Effective Date, without any interest to be paid on account of such Claim.

**ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS**

A. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release and discharge, effective as of the Effective Date, of all Claims, Interests and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Interests in the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim or Interest based upon such Claim, debt, right or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Interest based upon such Claim, debt, right or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order

shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

B. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal or equitable subordination relating thereto. Subject to the requirements of section 1129(b) of the Bankruptcy Code (as applicable), no Holder of a Section 510(b) Claim shall receive any distribution on account of such Section 510(b) Claim, and all Section 510(b) Claims shall be extinguished.

C. Compromise and Settlement of Claims, Interests and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and Holders of Claims and Interests and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

D. Debtor Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE (SUCH THAT THE REORGANIZED DEBTORS WILL NOT RECEIVE ANY CLAIM OR CAUSE OF ACTION RELEASED HEREUNDER), FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, INCLUDING: (1) THE DISCHARGE OF DEBT AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT HERETO; AND (2) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MANAGERS AND ADVISORS IN FACILITATING THE EXPEDITIOUS IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED HEREBY, EACH OF THE DEBTORS DISCHARGE AND RELEASE AND SHALL BE DEEMED TO HAVE PROVIDED A FULL DISCHARGE AND RELEASE TO EACH DEBTOR RELEASEE AND TO EACH THIRD PARTY RELEASEE (AND EACH SUCH DEBTOR RELEASEE AND THIRD PARTY RELEASEE SO RELEASED SHALL BE DEEMED FULLY RELEASED AND DISCHARGED BY THE DEBTORS) AND THEIR RESPECTIVE PROPERTY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, FROM ANY AND ALL CAUSES OF ACTION, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, INCLUDING (1) THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY THIRD PARTY RELEASEE OR DEBTOR RELEASEE, THE RESTRUCTURING OF CLAIMS AND

INTERESTS BEFORE OR DURING THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN AND DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENT OR OTHER DOCUMENTS AND (2) THOSE THAT ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR THAT ANY HOLDER OF A CLAIM OR AN EQUITY INTEREST OR OTHER ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT ON BEHALF OF ANY OF THE DEBTORS OR ANY OF THEIR ESTATES; PROVIDED, THAT THE FOREGOING “DEBTOR RELEASE” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CAUSES OF ACTION OF ANY DEBTOR: (1) ARISING UNDER THE EXIT FACILITY; OR (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

E. Third Party Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, AS SUCH LAW MAY BE EXTENDED OR INTERPRETED SUBSEQUENT TO THE EFFECTIVE DATE, EACH OF THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A THIRD PARTY RELEASEE) SHALL PROVIDE A FULL DISCHARGE AND RELEASE (AND EACH ENTITY SO RELEASED SHALL BE DEEMED RELEASED BY THE RELEASING PARTIES) TO THE THIRD PARTY RELEASEES AND THE DEBTOR RELEASEES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, DEMANDS, RIGHTS, AND CAUSES OF ACTION (OTHER THAN UNIMPAIRED CLAIMS, CLAIMS RELATING TO UNIMPAIRED CLAIMS, AND THE RIGHTS TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS DELIVERED THEREUNDER), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, INCLUDING THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES OR THE PLAN; PROVIDED, HOWEVER, THAT THE FOREGOING “THIRD PARTY RELEASE” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF ANY RELEASING PARTY: (1) ARISING UNDER THE EXIT FACILITY; OR (2) EXPRESSLY SET FORTH IN AND REINSTATED OR PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS

RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

F. Exculpation

The Exculpated Parties shall neither have nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with, or related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Consummation of the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, however, that the foregoing "Exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party shall be entitled to rely upon the reasonable advice of counsel concerning his, her or its duties pursuant to or in connection with the Plan or any other related document, instrument or agreement.

G. Indemnification

Subject to the occurrence of the Effective Date, the obligations of the Debtors and Reorganized Debtors, as the case may be, to indemnify, defend, reimburse or limit the liability of directors, managers, officers, employees, attorneys, other professionals and agents who were directors, managers, officers, employees, attorneys, other professionals and agents of the Debtors or the Reorganized Debtors, as the case may be, on or after the Petition Date against any claims or causes of action as provided in the certificates of incorporation, bylaws or other organizational documents, each in place as of the Petition Date, or applicable state law, shall survive confirmation of the Plan, remain unaffected thereby and not be discharged, irrespective of whether such indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before or after the Petition Date.

H. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES THAT: (1) HAVE BEEN DISCHARGED PURSUANT TO ARTICLE VII.A HEREOF; (2) HAVE BEEN RELEASED PURSUANT TO ARTICLE VII.D HEREOF; (3) HAVE BEEN RELEASED PURSUANT TO ARTICLE VII.E HEREOF; OR (4) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VII.F HEREOF, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING OR ENFORCING ANY LIEN, CLAIM OR ENCUMBRANCE OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY

OBLIGATION DUE FROM ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES UNLESS SUCH HOLDER HAS FILED A MOTION REQUESTING THE RIGHT TO PERFORM SUCH SETOFF ON OR BEFORE THE CONFIRMATION DATE, AND NOTWITHSTANDING ANY INDICATION IN A PROOF OF CLAIM OR INTEREST OR OTHERWISE THAT SUCH HOLDER ASSERTS, HAS OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO SECTION 553 OF THE BANKRUPTCY CODE OR OTHERWISE; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES RELEASED OR SETTLED PURSUANT TO THE PLAN.

I. Setoffs

Except as otherwise provided herein, each Reorganized Debtor pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim (other than DIP Facility Claims) or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any Claims, rights and Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such Claims, rights and Causes of Action that such Reorganized Debtor may possess against such Holder.

J. Release of Liens

Except as otherwise provided herein or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

**ARTICLE IX.
ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS**

A. Professional Fee Escrow Account

On the Effective Date, the Reorganized Debtors shall fund the Professional Fee Escrow Account with Cash equal to the Professional Fee Reserve Amount for all Professionals. The Professional Fee Escrow Account shall be maintained in trust solely for the Professionals with respect to unpaid fees or expenses or for whom fees or expenses have been held back pursuant to the Interim Compensation Order. Such funds shall not be property or be deemed property of the Reorganized Debtors. The Reorganized Debtors shall cause Accrued Professional Compensation to be paid in Cash to such Professionals from the Professional Fee Escrow Account when such Claims are Allowed by a Bankruptcy Court order; provided that the Debtors' or the Reorganized Debtors' liability for Accrued Professional Compensation shall not be limited nor be deemed to be limited to the funds available from the Professional Fee Escrow Account. When all Allowed Fee Claims have been paid in full, amounts remaining in the Professional Fee Escrow Account, if any, shall be paid to the Reorganized Debtors.

B. Professional Fee Reserve Amount

On or before the Effective Date, the Professionals shall estimate their Accrued Professional Compensation prior to and as of the Confirmation Date and shall deliver such estimate to the Debtors and the Requisite Consenting Noteholders. If a Professional does not provide an estimate, the Reorganized Debtors may estimate the unpaid fees and expenses of such Professional. The total amount so estimated as of the Confirmation Date shall comprise the Professional Fee Reserve Amount; provided, however, that such estimate shall not be considered an admission or limitation with respect to the fees and expenses of such Professional.

C. Post-Confirmation Date Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors or the Reorganized Debtors, as the case may be. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order, or approval of the Bankruptcy Court; provided, however, that counsel to the Ad Hoc Noteholders Committee shall receive notice before any payments being made to Professionals for services rendered or expenses incurred after the Confirmation Date through the Effective Date.

D. Payment of Fees and Expenses of the Ad Hoc Noteholders Committee Professionals

Notwithstanding any provision in the Plan to the contrary, Debtors or Reorganized Debtors shall promptly pay in Cash in full the Noteholders Professional Fees including the reasonable and documented fees and expenses of Skadden, Arps, Slate, Meagher & Flom LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Noteholders Committee, and the legal counsel and financial advisor of the Indenture Trustee and the Collateral Agent, whether or not the Plan is ultimately consummated. All amounts distributed and paid to the foregoing parties pursuant to the Plan shall not be subject to setoff, recoupment, reduction or allocation of any kind.

ARTICLE X.

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation

It shall be a condition to Confirmation hereof that the following conditions shall have been satisfied unless waived pursuant to the provisions of Article X.C hereof:

1. the Disclosure Statement in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders shall have been approved by the Bankruptcy Court; and
2. the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders.

B. Conditions Precedent to Consummation

It shall be a condition to Consummation of the Plan that the following conditions shall have been satisfied unless waived pursuant to the provisions of Article X.C hereof:

1. the Confirmation Order (a) shall have become a Final Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and (b) shall include a finding by the Bankruptcy Court that the New Common Stock and Warrants to be issued on the Effective Date

will be authorized and exempt from registration under applicable securities laws pursuant to section 1145 of the Bankruptcy Code, and there shall have been no entry of any other court order prohibiting any transactions contemplated by the Plan from occurring;

2. the Exit Facility Agreement, which shall be in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders, shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof;
3. the Plan, including any amendments, modifications, or supplements thereto shall be acceptable to the Debtors and the Requisite Consenting Noteholders;
4. the Plan Supplement, including any amendments, modifications, or supplements thereto shall be acceptable to the Debtors and the Requisite Consenting Noteholders;
5. all actions, documents, certificates and agreements necessary to implement this Plan shall be in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws;
6. the Bankruptcy Court shall have entered the Confirmation Order, which shall authorize the rejection by the Debtors of the Unexpired Leases and Executory Contracts set forth in the Plan Supplement; and
7. all conditions precedent in the Restructuring Support Agreement shall have been satisfied or waived in accordance with the terms thereof.

C. Waiver of Conditions

The conditions to Confirmation of the Plan and to Consummation of the Plan set forth in this Article X may be waived by the Debtors (with the consent of the Requisite Consenting Noteholders) without notice to or action, approval or order of the Bankruptcy Court.

D. Effective Date

The Effective Date shall be the first Business Day upon which all of the conditions specified in Article X.B hereof have been satisfied or waived.

E. Effect of Non-Occurrence of Conditions to Consummation

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects, and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders or any other Entity in any respect.

**ARTICLE XI.
MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN**

A. Modification and Amendments

Except as otherwise specifically provided herein, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan; provided, however, that such modifications shall be acceptable to the Requisite Consenting Noteholders. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and

Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend or modify materially the Plan with respect to such Debtor, one or more times, after Confirmation and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; provided, however, that such alterations, amendments, modifications, remedies or reconciliations shall be acceptable to the Requisite Consenting Noteholders. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with this Article XI.

B. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

C. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date, subject to the consent of the Requisite Consenting Noteholders; provided, that such consent shall not be required if the Debtors determine that proceeding with Confirmation of the Plan would be inconsistent with the exercise of their fiduciary duties under applicable law. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor or any other Entity.

**ARTICLE XII.
RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of or related to the Chapter 11 Cases and the Plan including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority, Secured or unsecured status or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount or allowance of Claims or Interests;
2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
3. resolve any matters related to: (a) the assumption, assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including Rejection Damages Claims, Cure Claims pursuant to section 365 of the Bankruptcy Code or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired.

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;
5. adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
6. adjudicate, decide or resolve any and all matters related to Causes of Action;
7. adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;
8. enter and implement such orders as may be necessary or appropriate to execute, implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan or the Disclosure Statement, except as otherwise provided in the Confirmation Order;
9. enter and enforce any order for the sale of property pursuant to sections 363, 1123 or 1146(a) of the Bankruptcy Code;
10. resolve any cases, controversies, suits, disputes or Causes of Action that may arise in connection with the Consummation, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
11. issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;
12. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the discharge, releases, injunctions, exculpations and other provisions contained in Article VIII and enter such orders as may be necessary or appropriate to implement such discharge, releases, injunctions, exculpations and other provisions;
13. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VI.H.1;
14. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
15. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;
16. adjudicate any and all disputes arising from or relating to distributions under the Plan;
17. consider any modifications of the Plan to cure any defect or omission or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
18. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;
19. hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

20. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
21. hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
22. enforce all orders previously entered by the Bankruptcy Court;
23. hear any other matter not inconsistent with the Bankruptcy Code; and
24. enter an order concluding or closing the Chapter 11 Cases.

**ARTICLE XIII.
MISCELLANEOUS PROVISIONS**

A. Immediate Binding Effect

Subject to Article X.B and notwithstanding Bankruptcy Rules 3020(e), 6004(h) or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents, which shall be in form and substance acceptable to the Requisite Consenting Noteholders, as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as the Debtors or the Reorganized Debtors, as applicable, may deem necessary or advisable to effectuate the provisions and intent of the Plan.

C. Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

D. Dissolution of Committees

On the Effective Date, the Creditors' Committee (if any) and any and all other Committees (if any) shall dissolve, and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases.

E. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

F. Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries or guardian, if any, of each Entity.

G. Service of Documents

After the Effective Date, any pleading, notice or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

| Reorganized Debtors | Counsel to the Reorganized Debtors |
|--|---|
| InSight Health Services Holdings Corp. 26250 Enterprise Court, Suite 100 Lake Forest, California 92630 Attn: Legal Department | Kirkland & Ellis LLP 300 North LaSalle Street Chicago, Illinois Attn: James H.M. Sprayregen, P.C.; Ryan Blaine Bennett; and Paul Wierbicki |

After the Effective Date, the Debtors may, in their sole discretion, notify Entities that, in order to continue to receiving documents pursuant to Bankruptcy Rule 2002, such Entities must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Reorganized Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

H. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

I. Entire Agreement

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

J. Nonseverability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court or otherwise to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' or Reorganized Debtors' consent and the consent of the Requisite Consenting Noteholders; and (3) nonseverable and mutually dependent.

K. Conflicts

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control; provided, however, that if there is a conflict between this Plan and a Plan Supplement document, the Plan Supplement document shall govern and control.

[Remainder of page intentionally left blank.]

Dated: December 10, 2010

InSight Health Services Holdings Corp. (for itself and each of the Debtors)

By: /s/ Keith S. Kelson

Name: Keith S. Kelson

Title: Executive Vice President and
Chief Financial Officer

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

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

**DEBTORS' DISCLOSURE STATEMENT FOR THE DEBTORS' PREPACKAGED
JOINT CHAPTER 11 PLAN OF REORGANIZATION**

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Proposed Counsel to the Debtors and Debtors in Possession

Dated: December 10, 2010

¹ 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.

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 and Signal Medical Services, Inc. (collectively, the “Debtors”) are sending you this document, and the accompanying materials (this “Disclosure Statement”) because you may be a creditor entitled to vote to approve the Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization, as the same may be amended from time to time (the “Plan”).² The Debtors are commencing the solicitation of your vote to approve the Plan (the “Solicitation”) before the Debtors File voluntary cases under Chapter 11 of Title 11 of the United States Code, as amended (the “Bankruptcy Code”).

The Debtors may File voluntary reorganization cases under Chapter 11 of the Bankruptcy Code, to implement the Plan (the “Chapter 11 Cases”). Because the Chapter 11 Cases have not yet been commenced, this Disclosure Statement has not been approved by the Bankruptcy Court as containing “adequate information” within the meaning of section 1125(a) of the Bankruptcy Code. If the Debtors File the Chapter 11 Cases, they will promptly seek an order of the Bankruptcy Court (a) approving this Disclosure Statement as having contained “adequate information,” (b) approving the solicitation of votes as having been in compliance with section 1126(b) of the Bankruptcy Code and (c) confirming the Plan. The Bankruptcy Court may order additional disclosures.

DISCLOSURE STATEMENT FOR THE DEBTORS’ JOINT CHAPTER 11 PLAN OF
REORGANIZATION

DATED DECEMBER 10, 2010

SPECIAL NOTICE REGARDING FEDERAL AND STATE SECURITIES LAWS

Neither this Disclosure Statement nor the Plan has been Filed with or reviewed by the Bankruptcy Court, and the securities to be issued on or after the Effective Date will not have been the subject of a registration statement filed with the United States Securities and Exchange Commission (the “SEC”) under the United States Securities Act of 1933, as amended (the “Securities Act”), or any securities regulatory authority of any state under any state securities law (“Blue Sky Law”). The Debtors are relying on section 4(2) of the Securities Act, and similar Blue Sky Law provisions to exempt from registration under the Securities Act and Blue Sky Law the offer to Holders of Senior Secured Notes Claims of new securities prior to the filing of the Chapter 11 Cases, including without limitation in connection with the Solicitation. After the filing of the Chapter 11 Cases, the Debtors are relying on the exemption from the Securities Act, and equivalent state law registration requirements, provided by section 1145(a) of the Bankruptcy Code, to exempt from registration under the Securities Act and Blue Sky Law the offer and sale of New Common Stock and Warrants under the Plan.

Each Holder of a Senior Secured Notes Claim or authorized signatory for the beneficial owner of a Senior Secured Notes Claim (the “Beneficial Holders”) will be requested to certify on its Ballot whether (a) such Holder or Beneficial Holder is an Accredited Investor, as that term is defined by Rule 501 of Regulation D of the Securities Act or (b) that such holder has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its participating in the Plan and is capable of bearing the economic risks of such investment, including a complete loss of its investment.

The Plan has not been approved or disapproved by the SEC or any state securities commission and neither the SEC nor any state securities commission has passed upon the accuracy or adequacy of the information contained herein. Any representation to the contrary is a criminal offense. Neither the Solicitation nor this

² Unless otherwise defined in this Disclosure Statement, all capitalized terms used, but not otherwise defined, in this Disclosure Statement shall have the meanings ascribed to them in the Plan.

Disclosure Statement constitutes an offer to sell or the solicitation of an offer to buy securities in any state or jurisdiction in which such offer or solicitation is not authorized.

This Disclosure Statement and the information set forth herein is confidential. This Disclosure Statement contains material non-public information concerning the Debtors and their respective securities. Each recipient hereby acknowledges that (a) it is aware that the federal securities laws of the United States prohibit any person who has material non-public information about a company, which is obtained from the company or its representatives, from purchasing or selling securities of such company or from communicating the information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities and (b) is familiar with the United States Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), and the rules and regulations promulgated thereunder, and agrees that it will not use or communicate to any person under circumstances where it is reasonably likely that such person is likely to use or cause any person to use, any confidential information in contravention of the Securities Exchange Act or any of its rules and regulations, including Rule 10b-5.

The deadline to accept or reject the Plan is 5:00 p.m. (prevailing Eastern Time) on December 27, 2010 (the "Voting Deadline"), unless the Debtors, in their sole discretion, and from time to time, extend the Voting Deadline. To be counted, the Ballot or Master Ballot indicating acceptance or rejection of the Plan must be received by BMC Group, Inc., the Debtor's notice and claims agent ("BMC" or the "Notice and Claims Agent"), no later than the Voting Deadline.

The Debtors cannot assure you that the Disclosure Statement, including any exhibits to the Disclosure Statement, that is ultimately approved by the Bankruptcy Court in the Chapter 11 Cases (a) will contain any of the terms described in this Disclosure Statement or (b) will not contain different, additional or material terms that do not appear in this Disclosure Statement. The Debtors urge each Holder of a Claim or Interest (i) to read and consider carefully this entire Disclosure Statement (including the Plan and the matters described under Article IX of this Disclosure Statement, entitled "Plan-Related Risk Factors And Alternatives To Confirming And Consummating The Plan" and (ii) to consult with its own advisors with respect to reviewing this Disclosure Statement, the Plan and each of the proposed transactions contemplated thereby prior to deciding whether to accept or reject the Plan. You should not rely on this Disclosure Statement for any purpose other than to determine whether to vote to accept or reject the Plan.

If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all Holders of Claims against, and Holders of Interests in, the Debtors (including, without limitation, those Holders of Claims or Interests who do not submit Ballots to accept or reject the Plan or who are not entitled to vote on the Plan) will be bound by the terms of the Plan and the transactions contemplated thereby.

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Proposed Counsel to the Debtors and Debtors in Possession

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EXHIBITS

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ARTICLE I INTRODUCTION³

The Debtors are sending you this Disclosure Statement because the Debtors are asking you to vote on approval of the Plan. A copy of the Plan is attached hereto as Exhibit A.⁴ This Disclosure Statement describes certain aspects of the Plan, including the treatment of Holders of Claims and Interests, and also describes certain aspects of the Debtors' operations, financial projection and other related matters.

The Debtors are making the statements and financial information contained in this Disclosure Statement as of the date hereof, unless otherwise specified. Holders of Senior Secured Notes Claims reviewing this Disclosure Statement should not infer that, at the time of their review, the facts set forth herein have not changed since the date set forth on the cover page of this Disclosure Statement. Holders of Senior Secured Notes Claims entitled to vote to accept the Plan must rely on their own evaluation of the Debtors and their own analysis of the terms of the Plan, including, but not limited to, any risk factors cited herein, in deciding whether to vote to accept or reject the Plan.

The contents of this Disclosure Statement may not be deemed as providing any legal, financial, securities, tax or business advice. The Debtors urge each Holder of a Claim or Interest to consult with its own advisors with respect to any such legal, financial, securities, tax or business advice in reviewing this Disclosure Statement, the Plan and each of the proposed transactions contemplated thereby. Furthermore, the Bankruptcy Court's approval of the adequacy of disclosure contained in this Disclosure Statement does not constitute the Bankruptcy Court's approval of the merits of the Plan.

Moreover, this Disclosure Statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation or waiver. Rather, Holders of Claims and Interests should construe this Disclosure Statement as a statement made in settlement negotiations related to contested matters, adversary proceedings and other pending or threatened litigation or actions.

Holders of Claims and Interests are encouraged to read and carefully consider this entire Disclosure Statement, including the Plan and the matters described under Article XI of this Disclosure Statement entitled "Plan-Related Risk Factors And Alternatives To Confirming And Consummating The Plan" prior to deciding whether to accept or reject the Plan.

The Debtors have not authorized any party to give any information about or concerning the Plan other than that which is contained in this Disclosure Statement. The Debtors have not authorized any representations concerning the Debtors or the value of their property other than as set forth in this Disclosure Statement. Claimants should not rely upon any information, representations or other inducements made to obtain acceptance of the Plan that are other than, or inconsistent with, the information contained herein and in the Plan.

The Debtors' management has reviewed the financial information provided in this Disclosure Statement. Although the Debtors have used their best efforts to ensure the accuracy of this financial information, the financial information contained in, or incorporated by reference into, this Disclosure Statement, other than the financial statements included in the Debtors' annual report, has not been audited.

The Debtors recommend that potential recipients of New Common Stock or Warrants consult their own counsel concerning the securities laws consequences concerning the transferability of the New Common Stock or Warrants.

³ This introduction is qualified in its entirety by the more detailed information contained in the Plan and elsewhere in the Disclosure Statement.

⁴ As set forth in this Disclosure Statement, all Holders of Senior Secured Notes Claims who are entitled to vote on the Plan will receive this Disclosure Statement. All other Holders of Claims and Interests will receive a notice of the Disclosure Statement, which will provide details on how to obtain copies of this Disclosure Statement.

This Disclosure Statement summarizes certain provisions of the Plan, certain other documents and certain financial information. The Debtors believe that these summaries are fair and accurate; however, you should read the Plan in its entirety. In the event of any inconsistency or discrepancy between a description contained in this Disclosure Statement and the terms and provisions of the Plan or the other documents or financial information to be incorporated herein by reference, the Plan, or such other documents, as applicable, shall govern for all purposes.

The Debtors are providing the information in this Disclosure Statement solely for purposes of soliciting the votes of Holders of Senior Secured Notes Claims entitled to vote to accept or reject the Plan or object to Confirmation. Nothing in this Disclosure Statement may be used by any Entity for any other purpose.

All exhibits to this Disclosure Statement are incorporated into and made a part of this Disclosure Statement as if set forth in full herein.

The Plan constitutes a motion seeking entry of an order substantively consolidating the Chapter 11 Cases as described and for the purposes set forth in the Plan.

A. PURPOSE AND EFFECT OF THE PLAN.

The primary purpose of the Plan is to effectuate the restructuring and substantial de-leveraging of the Debtors' capital structure to bring it into alignment with the Debtors' present and future operating prospects and to provide the Debtors with greater liquidity. The Plan will allow the Debtors to continue their businesses in the ordinary course and, notably provides for full payment of the Debtors' General Unsecured Claims. Presently, based on the current outlook, the funds expected to be generated by the Debtors' operation of their businesses and other sources will not be sufficient to meet the Debtors' current debt service requirements and satisfy their current debt obligations unless the restructuring is consummated. The Debtors believe that the restructuring will reduce uncertainty with respect to its future and better position them to develop and maintain new customers. The material terms of the Plan have been agreed to by the Ad Hoc Noteholders Committee pursuant to the Restructuring Support Agreement.

1. Limited Substantive Consolidation.

The Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation and Consummation.

If such limited substantive consolidation of all of the Estates is ordered, then on and after the Effective Date, all assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of InSight Health Services Holdings Corp. for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor, shall be treated as one collective obligation of the Debtors. Such limited substantive consolidation shall not affect the legal and organizational structure of the Reorganized Debtors or their separate corporate existences or any prepetition or postpetition guarantees, Liens or security interests that are required to be maintained under the Bankruptcy Code, under the Plan or in connection with contracts or leases that were assumed or entered into during the Chapter 11 Cases. Any alleged defaults under any applicable agreement with the Debtors, the Reorganized Debtors or their Affiliates arising from substantive consolidation under the Plan shall be deemed cured as of the Effective Date.

In the event that the Bankruptcy Court does not order limited substantive consolidation of the Debtors, then except as specifically set forth in the Plan: (1) nothing in the Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that one of the Debtors is subject to or liable for any Claim against any other Debtor; (2) Claims against multiple Debtors shall be treated as separate Claims with respect to each Debtor's Estate for all purposes (including distributions and voting), and such Claims shall be administered as provided in the Plan; (3) the Debtors shall not, nor shall they be required to, re-solicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve limited substantive consolidation of the Debtors alter the distributions set forth in the Plan; and (4) the Debtors may File Subplans with terms substantially consistent in all applicable respects with the terms of the Plan, and the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied

separately with respect to each Subplan; provided that a Holder's (a) vote to accept or reject the Plan; (b) presumed acceptance of the Plan pursuant to section 1126(f) of the Bankruptcy Code; or (c) deemed rejection of the Plan pursuant to section 1126(g) may be deemed a vote to accept or reject an applicable Subplan (as the case may be) to the extent that such Subplan does not provide such Holder with less favorable treatment than such Holder would have received if the Bankruptcy Court had ordered limited substantive consolidation as set forth in the Plan. The Debtors' inability to confirm any Subplan or the Debtors' election to withdraw any Subplan shall not impair the confirmation of any other Subplan or the consummation of any such Subplan.

2. Class Entitled to Vote.

As set forth in Article III of the Plan, the Class 4 Claims are Impaired and, therefore, Holders of these Claims are entitled to vote on the Plan. All other Classes of Claims are not entitled to vote on the Plan. The voting Class is comprised of the following Claims:

- **Class 4 Senior Secured Notes Claims** consist of the secured Claims arising out of the Debtors Senior Secured Notes.

3. Restructuring Transactions.

The Plan contemplates the following restructuring transactions (described in greater detail in Article IV below, "The Joint Plan"):

- On the Effective Date, Holders of Senior Secured Notes Claims will convert \$293.5 million (plus accrued interest thereon) in Senior Secured Notes Claims into all of the New Common Stock in the Reorganized Debtors.
- Holders of General Unsecured Claims will be paid in full in Cash or receive such other treatment as to render such Holder Unimpaired.
- The Reorganized Debtors intend to enter into the Exit Facility.
- Warrants shall be issued by the Reorganized Debtors to the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the Consummation of the Plan) as part of the distributions made to Holders of Senior Secured Notes Claims under the Plan.

In connection with developing the Plan, the Debtors reviewed their current business operations and compared their prospects as an ongoing business enterprise with the estimated recoveries of Holders of Allowed Claims and Interests in a liquidation under chapter 7 of the Bankruptcy Code. As a result, the Debtors concluded that the recovery for Holders of Allowed Claims and Interests would be maximized by continuing to operate as a going concern. The Debtors believe that their businesses and assets have significant value that would not be realized in a liquidation, either in whole or in substantial part. Consistent with the liquidation analysis described herein, the value of the Debtors' assets would be considerably greater if the Debtors operate as a going concern instead of liquidating. Moreover, the Debtors believe that any alternative to Confirmation of the Plan, such as liquidation or attempts by another party in interest to File a plan of reorganization, would not be feasible, or result in significant delays, litigation and additional costs, and ultimately would lower the recoveries for Holders of Allowed Claims and Interests. Accordingly, the Debtors strongly recommend that you vote to accept the Plan, if you are entitled to vote.

4. Warrants.

As part of the distributions made to Holders of Senior Secured Notes Claims, and as described more fully in Article III.B.4 of the Plan, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date. The Warrants are those certain warrants to acquire shares of New Common Stock representing in the aggregate two percent (2%) of the New Common Stock, on a fully-diluted basis, as of the Effective Date (but subject to dilution on or after the Effective Date for awards under the Management

Equity Plan), the terms of which shall be consistent in all material respects with and further provided in the Warrant Agreement, which shall be in form and substance acceptable to the Requisite Consenting Noteholders. The Warrants shall be exercisable pursuant to a cashless exercise at any time from the Effective Date until the third anniversary of the Effective Date at a strike price equal to a Reorganized InSight Health Services Holdings Corp. enterprise value of \$215 million; provided, however, that no Warrant shall be exercisable if such exercise would result in a number of holders of New Common Stock that could cause Reorganized InSight Health Services Holdings Corp. to be a reporting company under the Exchange Act or would require Reorganized InSight Health Services Holdings Corp. to register the underlying New Common Stock under the Securities Act, as determined by the New Board. The Warrants may be subject to certain transfer, exercise and other restrictions and appropriate legends pursuant to, among other things, the Warrant Agreement.

Reorganized InSight Health Services Holdings Corp. shall not be required to (but may) register the Warrants or any New Common Stock provided upon exercise of the Warrants with the SEC or other similar regulatory authority.

The Warrant Agreement shall be included in the Plan Supplement and shall be consistent in all material respects with the Warrant Term Sheet and shall be in form and substance acceptable to the Requisite Consenting Noteholders. The Warrant Term Sheet is attached as Annex 2 to the Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement attached hereto as **Exhibit H**. Notwithstanding anything to the contrary in the Plan, in no event shall the terms of the Warrants cause Reorganized InSight Health Services Holdings Corp. to be required by the Securities Act or the Exchange Act, including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. The Warrant Agreement shall contain transfer, exercise and other restrictions and appropriate legends to the satisfaction of the Requisite Consenting Noteholders and consistent with the Warrant Term Sheet to ensure that the terms of the Warrants and the Warrant Agreement do not result in such registration or reporting requirements on the part of Reorganized InSight Health Services Holdings Corp.

5. Stockholders Agreement.

The Debtors plan to execute the Stockholders Agreement, as described in Annex 1 to the Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement attached hereto as **Exhibit H**. The Stockholders Agreement shall be executed on or before the Effective Date providing for, among other things, the rights and obligations of the Holders of the New Common Stock. As of the Effective Date, each person or entity that receives New Common Stock shall be deemed to be bound by the Stockholders Agreement. All participants in the Management Equity Plan and each person that receives a Warrant shall execute a joinder to the Stockholders Agreement as a condition to the receipt of any New Common Stock pursuant to exercise of such Warrant or award under the Management Equity Plan.

6. Management Equity Plan.

The Plan provides for a post-Effective Date Management Equity Plan, the terms of which and the amount of New Common Stock to be issued thereunder, if any, shall be determined and implemented on or as soon as reasonably practicable after the Effective Date by the New Board or any compensation committee thereof in its discretion. Up to eight percent of fully diluted New Common Stock shall be reserved for the post-Effective Date Management Equity Plan.

B. OVERVIEW OF CHAPTER 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, Chapter 11 promotes equality of treatment for similarly situated creditors and similarly situated Equity Interest Holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a Chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the bankruptcy commencement date (the "Petition Date"). The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan is the principal objective of a Chapter 11 case. The Bankruptcy Court’s confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or Equity Interest Holder of a debtor and any other person or entity as may be ordered by the Bankruptcy Court, in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the Bankruptcy Court confirming a plan provides for the treatment of the debtor’s debt in accordance with the terms of the confirmed plan.

A “prepackaged” plan of reorganization is one in which a debtor seeks approval of a plan of reorganization from affected creditors before filing for bankruptcy. Because solicitation of acceptances takes place before the bankruptcy filing, the amount of time required for the bankruptcy case is often less than in more conventional bankruptcy cases. Greater certainty of results and reduced costs are other benefits generally associated with prepackaged bankruptcy cases.

C. SUMMARY OF CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS AND INTERESTS UNDER THE PLAN.

All Holders of Claims and Interests other than Holders of Class 4 Senior Secured Notes Claims, Class 8 510(b) Claims and Class 9 Equity Interests in InSight Health Services Holdings Corp. are Unimpaired under the Plan. Holders of Senior Secured Notes Claims will receive New Common Stock under the Plan. In addition, as part of the distributions made to Holders of Senior Secured Notes Claims, and as described more fully in Article III.B.4. of the Plan, the Holders of existing common stock in InSight Health Services Holdings Corp on the Effective Date (immediately prior to the consummation of the Plan) shall receive their pro rata share of the Warrants from the Reorganized Debtors on the Effective Date. The following chart summarizes distributions to Holders of Allowed Claims and Interests under the Plan.⁵ The recoveries set forth below are projected recoveries and may change based upon changes in Allowed Claims and proceeds available.

| Class | Claim/Equity Interest | Status | Estimated Recovery of Allowed Claims and Interests Under the Plan | Estimated Recovery of Allowed Claims Under Chapter 7 Liquidation |
|--------------|----------------------------------|---------------|--|---|
| 1 | Other Priority Claims | Unimpaired | 100% | 100% |
| 2 | Other Secured Claims | Unimpaired | 100% | 100% |
| 3 | Revolving Credit Facility Claims | Unimpaired | 100% | 100% |
| 4 | Senior Secured Notes Claims | Impaired | 43.0% | 22.3% ⁶ |
| 5 | General Unsecured Claims | Unimpaired | 100% | 2.5% |
| 6 | Intercompany Claims | Unimpaired | 100% | 2.5% |
| 7 | Intercompany Interests | Unimpaired | 100% | 0% |

⁵ This chart is only a summary of the classification and treatment of Allowed Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Allowed Claims and Interests.

⁶ Projected recoveries set forth in the above chart are based upon an estimated valuation and midpoint of the range of chapter 7 liquidation values provided in the Liquidation Analysis attached hereto as **Exhibit D**.

| | | | | |
|---|--|----------|----|----|
| 8 | Section 510(b) Claims | Impaired | 0% | 0% |
| 9 | Equity Interests in InSight Health Services Holdings Corp. | Impaired | 0% | 0% |

D. PARTIES ENTITLED TO VOTE ON THE PLAN.

Under the provisions of the Bankruptcy Code, not all parties in interest are entitled to vote on a Chapter 11 plan. For example, Holders of Claims and Interests not Impaired by the Plan are deemed to accept the Plan under section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the Plan. Holders of Claims or Interests Impaired by the Plan and receiving no distribution on account of their Claims or Interests under the Plan are not entitled to vote because they are deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code.

The following sets forth the Classes that are entitled to vote on the Plan and the Classes that are not entitled to vote on the Plan:

| Class | Claim/Equity Interest | Status | Voting Rights |
|-------|--|------------|------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept |
| 2 | Other Secured Claims | Unimpaired | Deemed to Accept |
| 3 | Revolving Credit Facility Claims | Unimpaired | Deemed to Accept |
| 4 | Senior Secured Notes Claims | Impaired | Entitled to Vote |
| 5 | General Unsecured Claims | Unimpaired | Deemed to Accept |
| 6 | Intercompany Claims | Unimpaired | Deemed to Accept |
| 7 | Intercompany Interests | Unimpaired | Deemed to Accept |
| 8 | Section 510(b) Claims | Impaired | Deemed to Reject |
| 9 | Equity Interests in InSight Health Services Holdings Corp. | Impaired | Deemed to Reject |

For a detailed description of the Classes of Claims and Interests, as well as their respective treatment under the Plan, see Article III of the Plan.

E. SUMMARY OF SOLICITATION PACKAGE AND VOTING INSTRUCTIONS.

The following materials constitute the solicitation package (the “Solicitation Package”):

- the appropriate Ballot or Master Ballot, as applicable, and applicable voting instructions (the “Voting Instructions”);
- a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement with all exhibits, including the Plan.

The voting Class, Class 4, entitled to vote to accept or reject the Plan was served by overnight delivery and by facsimile or electronic mail of this Disclosure Statement with all exhibits, including the Plan and the Solicitation Package. Additional paper copies of these documents may be requested from the Notice and Claims Agent by writing to BMC Group, Inc., P.O. Box 3020, Chanhassen, MN 55317-3020, or calling (888) 909-0100. The Solicitation Package is also available at the Debtors' website, www.bmcgroup.com/insight. All parties entitled to vote to accept or reject the Plan shall receive by electronic mail, facsimile and a paper copy of a Ballot or Master Ballot, as applicable.

The Debtors, have engaged BMC as the Notice and Claims Agent to assist in the balloting and tabulation process. The Notice and Claims Agent will, among other things, answer questions, provide additional copies of all Solicitation Package materials and generally oversee the solicitation process.

Only the Holders of Class 4 Senior Secured Notes Claims are entitled to vote to accept or reject the Plan. Unless otherwise permitted by the Debtors, to be counted, Ballots or Master Ballots must be received by the Notice and Claims Agent by 5:00 p.m. (prevailing Eastern Time) on December 27, 2010, the Voting Deadline; provided, that Holders of Claims who cast a Ballot prior to the time of filing of any of the Debtors' chapter 11 petitions shall not be entitled to change their vote or cast new Ballots after the Chapter 11 Cases are commenced. VOTING INSTRUCTIONS ARE ATTACHED TO EACH BALLOT. PLEASE SEE ARTICLE V BELOW ENTITLED "SOLICITATION AND VOTING PROCEDURES" FOR ADDITIONAL INFORMATION.

Unless the Debtors, in their discretion decide otherwise, any Ballot or Master Ballot received after the Voting Deadline shall not be counted. The Notice and Claims Agent will process and tabulate Ballots or Master Ballots for the Class entitled to vote to accept or reject the Plan and will File a voting report (the "Voting Report") as soon as practicable after the Petition Date.

For answers to any questions regarding solicitation procedures, parties may contact the Notice and Claims Agent directly, at (888) 909-0100, with any questions related to the solicitation procedures applicable to their Claims and Interests.

The Plan Supplement will be Filed by the Debtors at least five (5) business days prior to the Confirmation Hearing (the "Plan Supplement Filing Date"). When Filed, the Plan Supplement will be available in both electronic and hard copy form, although the Debtors will not serve paper or CD-ROM copies. Details about how to access the Plan Supplement will be provided in the notice sent to all parties in interest at the commencement of the Chapter 11 Cases.

Any Ballot or Master Ballot that is properly executed, but fails to clearly indicate an acceptance or rejection, or that indicates both an acceptance and a rejection of the Plan, shall not be counted.

All Ballots and Master Ballots are accompanied by Voting Instructions. It is important to follow the specific instructions provided with each Ballot and Master Ballot.

The Debtors are relying on section 4(2) of the Securities Act and similar Blue Sky Law provisions to exempt from registration under the Securities Act and Blue Sky Law the offer to Holders of Senior Secured Notes Claims of new securities prior to the filing of the Chapter 11 Cases, including without limitation, in connection with the Solicitation. After the filing of the Chapter 11 Cases, the Debtors are relying on the exemption from the Securities Act, and equivalent state law registration requirements, provided by section 1145(a) of the Bankruptcy Code, to exempt from registration under the Securities Act and Blue Sky Law the offer and sale of New Common Stock and Warrants under the Plan.

F. THE CONFIRMATION HEARING.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan.

Following commencement of the Chapter 11 Cases, the Debtors intend to schedule promptly a Confirmation Hearing and will provide notice of the Confirmation Hearing to all necessary parties. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

G. CONFIRMING AND CONSUMMATING THE PLAN.

It is a condition to Confirmation of the Plan that the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders. Certain other conditions contained in the Plan must be satisfied or waived pursuant to the provisions of Article X of the Plan.

Following Confirmation, the Plan will be consummated on the day that is the first Business Day after the Confirmation Date on which: (1) the Confirmation Order (a) shall have become a Final Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and (b) shall include a finding by the Bankruptcy Court that the New Common Stock and Warrants to be issued on the Effective Date will be authorized and exempt from registration under applicable securities laws pursuant to section 1145 of the Bankruptcy Code; and (2) all conditions specified in Article X of the Plan have been (a) satisfied or (b) waived pursuant to Article X.C of the Plan (the "Effective Date").

For further information, see Article X of the Plan, entitled "Conditions Precedent to Confirmation and Consummation of the Plan."

H. RISK FACTORS.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLASS 4 CLAIM SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX, ENTITLED "PLAN RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMING AND CONSUMMATING THE PLAN."

I. RULES OF INTERPRETATION.

The following rules for interpretation and construction shall apply to this Disclosure Statement: (1) capitalized terms used in the Disclosure Statement and not otherwise defined shall have the meanings ascribed to such terms in Article I of the Plan; (2) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (3) unless otherwise specified, any reference in this Disclosure Statement to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions; (4) unless otherwise specified, any reference in this Disclosure Statement to an existing document, schedule or exhibit, whether or not Filed, shall mean such document, schedule or exhibit, as it may have been or may be amended, modified or supplemented; (5) any reference to an Entity as a Holder of a Claim or Interest includes that Entity's successors and assigns; (6) unless otherwise specified, all references in this Disclosure Statement to Articles are references to Articles of this Disclosure Statement or to this Disclosure Statement; (7) unless otherwise specified, all references in this Disclosure Statement to exhibits are references to exhibits in this Disclosure Statement; (8) the words "herein," "hereof," and "hereto" refer to this Disclosure Statement in its entirety rather than to a particular portion of this Disclosure Statement; (9) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Disclosure Statement; (10) unless otherwise set forth in this Disclosure Statement, the rules of construction set forth in Bankruptcy Code § 102 shall apply; (11) any term used in capitalized form in this Disclosure Statement that is not otherwise defined in this Disclosure Statement or the Plan but that is used in the Bankruptcy Code or the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") shall have the meaning assigned to such term in the Bankruptcy Code or the Bankruptcy Rules, as applicable; (12) all references to statutes, regulations, orders, rules of courts and the like shall mean as amended from time to time, unless otherwise stated; (13) in computing any period of time prescribed or allowed, the provisions of Bankruptcy Rule 9006(a) shall apply, and if the date on which a transaction may occur pursuant to this Disclosure Statement shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day; and (14) unless

otherwise specified, all references in this Disclosure Statement to monetary figures shall refer to currency of the United States of America.

ARTICLE II BACKGROUND

A. THE DEBTORS' CORPORATE HISTORY, BUSINESS OPERATIONS AND CAPITAL STRUCTURE.

1. The Debtors' Business Operations.

The Debtors are a provider of diagnostic imaging services through a network of fixed-site centers and mobile facilities. The Debtors' services are noninvasive procedures that generate representations of internal anatomy on film or digital media, which are used by physicians for the diagnosis and assessment of diseases and disorders.

The Debtors serve a diverse portfolio of customers, including healthcare providers, such as hospitals and physicians and payors, such as managed care organizations, Medicare, Medicaid and insurance companies. The Debtors operate in more than 30 states including the following targeted regional markets: Arizona, certain markets in California, the Carolinas, Florida, New England and the Mid-Atlantic states. The Debtors generated approximately 68% of their total revenues from MRI services during fiscal year 2010, as well as provided a comprehensive offering of diagnostic imaging services, including PET/CT, CT, mammography, bone densitometry, ultrasound and x-ray.

As of November 15, 2010, the Debtors' network consisted of approximately 62 fixed-site centers and 104 mobile facilities. This combination allows the Debtors to provide a full range of imaging services to better meet the varying needs of their customers. The Debtors' fixed-site centers include freestanding centers and joint ventures with hospitals and radiology groups. The Debtors' mobile facilities provide hospitals and physician groups access to imaging technologies when such hospitals lack either the resources or patient volume to provide their own imaging services or require incremental capacity. The Debtors do not engage in the practice of medicine or provide medical care services to patients. Instead they contract with radiologists who review the images produced by the Debtors' diagnostic equipment and provide their evaluation to the patient's physicians who provide the patient's care. The radiologists are not employees of the Debtors.

The Debtors' business is made up of three reportable segments: wholesale services, retail services and other operations. In the Debtors' wholesale services segment the Debtors generate revenue principally from 98 mobile units and 17 fixed sites. In the Debtors' retail services segment the Debtors generate revenues principally from 49 fixed-site centers and 5 mobile units. In the Debtors' other operations segment, the Debtors generate revenues principally from agreements with customers to provide management services and technical solutions. During fiscal year 2010, approximately 49% of the Debtors' revenues were generated from retail services, approximately 50% were generated from wholesale services and approximately 1% was generated from other operations.

The Debtors' principal executive offices are located at 26250 Enterprise Court, Suite 100, Lake Forest, California 92630, and their telephone number is (949) 282-6000. Additionally, the Debtors' internet address is www.insighthealth.com.

The Debtors file annual, quarterly and special reports and other information with the SEC, including an Annual Report on Form 10-K for the fiscal year ended June 30, 2010 and a Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010, filed with the SEC on September 24, 2010 and November 15, 2010, respectively. The Debtors' most recently filed annual report is attached hereto as **Exhibit F**, and the Debtors' most recently filed quarterly report is attached hereto as **Exhibit G**. The public may read and copy any materials the Debtors file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

Holder are encouraged to carefully consider the information contained in the Debtors' filings with the SEC because they contain important business and financial information regarding the Debtors. The Annual Report on Form 10-K filed with the SEC on September 24, 2010 contains audited financial statements of the Debtors for the

last three fiscal years. Holders may request a copy of any of the Debtors' filings at no cost by contacting the Debtors' Investor Relations Department at the Debtors' principal executive offices.

a. Business Segments.

(i) Wholesale Services.

The Debtors' wholesale services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to the Debtors' healthcare provider customers, such as hospitals. Hospitals, physician groups and other healthcare providers can access the Debtors' diagnostic imaging technology through their network of 98 mobile facilities and 17 fixed-site centers currently serving their wholesale customers. The Debtors currently have contracts with approximately 200 hospitals, physician groups and other healthcare providers. The Debtors enable hospitals, physician groups and other healthcare providers to benefit from their imaging equipment without investing their own capital directly. Interpretation services are generally provided by the hospital's radiologists or physician groups and not by the Debtors. The Debtors' wholesale services revenue is generated primarily from fee-for-service arrangements and fixed-fee contracts billed directly to their wholesale customers. The Debtors handle the billing and collections for their wholesale services internally at a relatively low cost, and they do not bear the direct risk of collections from third party-payors or patients.

After reviewing the needs of the Debtors' customers, route patterns, travel times, fuel costs and equipment utilization, the Debtors' field managers implement planning and route management to maximize the utilization of their mobile facilities while controlling the costs to transport the mobile facilities from one location to another. The Debtors generally enter into one to five year-term contracts with their mobile customers under which the Debtors assume responsibility for billing directly to patients and payors, and collections. The Debtors' mobile customers directly pay a contracted amount for services, regardless of whether they are reimbursed.

The Debtors' mobile facilities provide a significant advantage for establishing long-term arrangements with hospitals, physician groups and other healthcare providers and expanding their fixed-site business. The Debtors establish mobile routes in selected markets with the intent of growing with their customers. Additionally, the Debtors' mobile facilities provide the flexibility to (1) supplement fixed-site centers operating at or near capacity until volume has grown sufficiently to warrant additional fixed-site equipment or centers and (2) test new markets on a short-term basis prior to establishing new mobile routes or opening new fixed-site centers.

(ii) Retail Services.

The Debtors' retail services consist of centers (primarily fixed-sites) that primarily generate revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, such as Medicare, Medicaid, insurance companies and health maintenance organizations. As noted above, the Debtors do not provide health services directly to patients. The Debtors simply provide imaging services that patient's physicians use in administering the patient's care. The Debtors' retail operations are paid for by the patients or their insurance.

The Debtors have primarily outsourced the billing and collections for their retail services to Dell Perot Systems, and the Debtors bear the direct risk of collections from third-party payors and patients. The Debtors' retail services centers provide a full range of diagnostic imaging services to patients, physicians, insurance payors and managed care organizations. Of the Debtors' 49 fixed-site retail services centers, approximately 15 offer MRI services. The remaining fixed-site centers are multi-modality sites typically offering MRI and one or more of CT, PET/CT, x-ray, mammography, ultrasound, nuclear medicine, bone densitometry and nuclear cardiology. The Debtors' five mobile units within their retail services are single modality units offering MRI services. Diagnostic services are provided to a patient upon referral by a physician. Physicians refer patients to the Debtors' retail services centers based on the Debtors' service reputation, equipment, breadth of managed care contracts and convenient locations. The Debtors' retail services centers provide the equipment and technologists for the procedures, contract with radiologists to interpret the procedures and bill payors directly. The Debtors have contracts with managed care organizations for their retail services centers, which often last for a period of multiple years because (1) they do not have specific terms or specific termination dates or (2) they contain annual "evergreen" provisions that provide for the contract to automatically renew unless either party terminates the contract. In addition to their independent facilities, the Debtors enter into joint ventures with hospitals and radiology

groups. Such joint ventures allow the Debtors to charge a management and billing fee for supporting their day-to-day operations.

(iii) Other Operations.

Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. In addition to the Debtors' traditional offerings of equipment and management services, the Debtors believe that they have the ability to offer packaged technology solutions to hospitals and other medical imaging services providers. Besides the Debtors' traditional offerings, these customers would have a broad spectrum of systems and services, including, but not limited to, image archiving and Picture Archiving Communication System (PACS) services, patient registration portals, radiology information systems, receivables and collections management services and financial and operational tools. The Debtors launched this offering of solutions in fiscal year 2010 and recently extended a contract with an existing customer, implemented a new contract and have three additional contracts with implementation dates within the Debtors' first fiscal quarter of 2011.

b. Sales and Marketing.

The Debtors engage in sales and marketing activities to obtain new sources of revenues, expand business relationships, grow revenues at existing facilities and maintain present business alliances and contractual relationships. Sales and marketing activities for the Debtors' fixed operations include educating physicians on new applications and uses of the technology and customer service programs. In addition, the Debtors seek to leverage their core market concentration to continue to develop contractual relationships with managed care payors to increase patient volume. Sales and marketing activities for the Debtors' mobile business include direct marketing to hospitals and developing leads through current customers, equipment manufacturers and other vendors. In addition, marketing activities for the Debtors' mobile operations include contacting referring physicians associated with hospital customers and educating physicians.

c. Customers and Contracts.

The Debtors' revenues are primarily generated from retail services and wholesale services. The Debtors' fixed-site centers primarily generate retail services revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, which the Debtors refer to as their retail operations. With respect to the Debtors' retail operations they bear the direct risk of collections from third-party payors and patients. Wholesale services revenues are generally earned from services billed to a hospital, physician group or other healthcare provider, which include fee-for-service arrangements in which revenues are based upon a contractual rate per procedure and fixed fee contracts, which the Debtors refer to as their wholesale operations. With respect to their wholesale operations the Debtors do not bear direct risk of collections from third-party payors or patients. Wholesale services revenues are primarily earned through mobile facilities pursuant to contracts with a term from one to five years. A significant number of the Debtors mobile contracts will expire each year. The Debtors expect that some high volume customer accounts will elect not to renew their contracts and instead will purchase or lease their own diagnostic imaging equipment and some customers may choose an alternative services provider.

d. Diagnostic and Other Equipment.

As of September 23, 2010, the Debtors owned or leased 223 diagnostic imaging systems, with the following classifications: 3.0 Tesla MRI, 1.5 Tesla MRI, 1.0 Tesla MRI, Open MRI, PET, PET/CT, CT and other technology. The Debtors are aware of no substantial technological changes; however, should such changes occur, the Debtors may not be able to acquire the new or improved systems.

The Debtors continue to evaluate the mix of their diagnostic imaging equipment in response to changes in technology and to any overcapacity in the marketplace. The Debtors improve their equipment through upgrades, disposal and/or trade-in of older equipment and the purchase or execution of leases for new equipment in response to market demands.

Several large companies presently manufacture MRI (including Open MRI), PET/CT, CT and other diagnostic imaging equipment, including General Electric Healthcare, Hitachi Medical Systems, Siemens Medical Systems, Toshiba American Medical Systems and Phillips Medical Systems. The Debtors have acquired systems that were manufactured by each of the foregoing companies. The Debtors enter into individual purchase orders for each system that they acquire, and do not have long-term purchase arrangements with any equipment manufacturer. The Debtors maintain good working relationships with many of the major manufacturers to better ensure adequate supply as well as access to those types of diagnostic imaging systems which appear most appropriate for the specific imaging facility to be established.

e. Information Systems.

The Debtors' internal information technology systems allow the Debtors to manage their operations, accounting and finance, human resources, payroll, document imaging and data warehousing. The Debtors' primary operating system is the InSight Radiology Information System, or IRIS, the Debtors' proprietary information system. IRIS provides front-office support for scheduling and administration of imaging procedures and back office support for billing and collections. Additional functionality includes workflow, transcription and image management. The Debtors have recently purchased new billing system software to substantially replace the billing and collection component of IRIS and they expect to implement the new software in late calendar year 2010.

f. Employees.

As of November 2010, the Debtors had approximately 1,300 hourly and 270 salaried employees. None of the Debtors' employees is covered by a collective bargaining agreement.

g. Competition.

The market for diagnostic imaging services in which the Debtors operate, is highly competitive and fragmented, with only a few national providers. The Debtors compete principally on the basis of service reputation, equipment, breadth of managed care contracts and convenient locations. The Debtors' operations must compete with hospitals, physician groups and certain other independent organizations, including equipment manufacturers and leasing companies that own and operate imaging equipment. The Debtors will continue to encounter substantial competition from hospitals and independent organizations, including Alliance Healthcare Services, Inc., Radnet, Inc., Diagnostic Health Corporation, MedQuest, Inc., Shared Imaging and Otter Tail Corporation doing business as DMS Imaging. Some of the Debtors' direct competitors may have access to greater financial resources and have less debt in relation their operating profit.

Certain hospitals, particularly the larger or more financially stable hospitals, have and may be expected to directly acquire and operate imaging equipment on-site as part of their overall inpatient servicing capability. Historically, smaller hospitals have been reluctant to purchase imaging equipment, but some have chosen to do so with attractive financing offered by equipment manufacturers. Some physician practices have also established diagnostic imaging centers or purchased imaging equipment for their own offices, and the Debtors anticipate that others will as well. In addition, attractive financing from equipment manufacturers, as well as attractive gross margins, have caused hospitals and physician groups who have utilized mobile services from the Debtors and the Debtors' competitors to purchase and operate their own equipment. Although reimbursement reductions and reduced access to credit may dissuade physician groups from operating their own equipment, the Debtors expect that some high volume customer accounts will continue to elect not to renew their contracts and instead acquire their own diagnostic imaging equipment.

2. Investments and Transactions with Partnerships.

The Debtors have a minority ownership interests in six partnerships or limited liability companies, which they refer to as partnerships. The Debtors own between 24% and 50% of these partnerships, and provide certain management services pursuant to contracts or as a managing general partner. These partnerships are accounted for under the equity method. In total, the Debtors hold interests in 16 joint ventures, of which they hold either a majority or minority stake.

3. Government Regulation.

The diagnostic imaging services industry in which the Debtors operate is highly regulated and changes in laws and regulations can be significant. Changes in the law or new interpretation of existing laws can have a material effect on the Debtors' permissible activities, the relative costs associated with doing business and the amount of reimbursement by government and other third-party payors. The federal government and all states in which the Debtors currently operate regulate various aspects of the Debtors' business. Failure to comply with these laws could adversely affect the Debtors' ability to receive reimbursement for their services and subject them and their officers and agents to civil and criminal penalties.

4. 2007 Reorganization.

On May 29, 2007, InSight Health Services Holdings Corp. and InSight Health Services Corp. Filed voluntary petitions to reorganize their business under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (Case No. 07-10700) (the "2007 Reorganization"). The filing was in connection with a prepackaged plan of reorganization and related exchange offer. On July 10, 2007, the Delaware bankruptcy court confirmed InSight Health Services Holdings Corp. and InSight Health Services Corp.'s Second Amended Joint Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code. The plan of reorganization became effective and InSight Health Services Holdings Corp. and InSight Health Services Corp. emerged from bankruptcy protection on August 1, 2007. Pursuant to the confirmed plan of reorganization and the related exchange offer, (1) all of InSight Health Services Holdings Corp.'s then existing common stock, all options for the common stock and all of InSight Health Services Corp.'s 9.875% senior subordinated notes due 2011, or senior subordinated notes, were cancelled and (2) Holders of InSight Health Services Corp.'s senior subordinated notes and Holders of InSight Health Services Holdings Corp.'s common stock prior to the effective date received 7,780,000 and 864,444 shares of newly issued common stock, respectively, in each case after giving effect to a one for 6.326392 reverse stock split of such InSight Health Services Holdings Corp.'s common stock.

While the reorganization attempted to deleverage InSight Health Services Holdings Corp.'s and InSight Health Services Corp.'s balance sheets and improve their projected cash flow after debt service, both still have a substantial amount of debt, which requires significant interest payments. As of September 30, 2010, the Debtors had total indebtedness of approximately \$298.3 million in aggregate principal amount, including InSight Health Services Corp.'s \$293.5 million in principal amount of Senior Secured Notes.

5. Debtors' Board of Directors.

The Debtors' board of directors consists of seven members, six of which are independent, outside directors. The President and Chief Executive Officer of the Debtors is the seventh director. The Chairman of the Board is an independent director, as are the chairs of the board's Audit and Compensation Committees. The Debtors believe a structure utilizing a majority of outside, independent directors with extensive experience is the best structure to provide for effective and objective leadership. The board's Audit Committee is primarily responsible for the board's risk oversight function, although the board of directors as a whole is also actively engaged in risk oversight. The Debtors' Chief Financial Officer regularly reports to the Audit Committee and to the board with respect to credit and liquidity risks, and both the committee and the board are regularly engaged in examining management reports with respect thereto. The Debtors' Chief Executive and Chief Operational Officers report directly to the Audit Committee and the board of directors with respect to operational risks, and the committee and board are fully engaged in examining their reports and discussing such risks with them. The Debtors' Chief Compliance Officer also reports on a regular basis to the Audit Committee and to the board with respect to operational and compliance risks and actions the Debtors are pursuing to remediate such risks. The Chairman of the Audit Committee has full access to the Debtors' "Silent Whistle" reports which allows employees as well as customers to report issues seen as operational or financial irregularities.

6. The Debtors' Capital Structure.

The Debtors' principal capital structure consists of a secured Revolving Credit Facility, secured trade debt, Senior Secured Notes and equity. As of the date of this Disclosure Statement, the Debtors' total consolidated funded debt was approximately \$298.3 million, consisting primarily of a secured revolver of approximately \$1.6 million in principal amount outstanding and \$293.5 million in principal amount outstanding of Senior Secured

Notes. In addition to the Senior Secured Notes and the Revolving Credit Facility, the Debtors occasionally incur secured trade debt with equipment finance lenders. As of September 30, 2010, the Debtors owed approximately \$300,000 under such secured financing relationships. The Debtors anticipate that their post-restructuring capital structure will consist of the Exit Facility, equity held by current Holders of Senior Secured Notes, the Warrants and any equity that may be issued pursuant to the Management Equity Plan.

a. Revolving Credit Facility.

The Debtors have an asset-based Revolving Credit Facility with a commitment amount of up to \$20 million, which matures in June 2011, with the lenders named therein and Bank of America, N.A., as collateral and administrative agent. As of September 30, 2010, the Debtors had approximately \$13.5 million of availability under the credit facility, based on their borrowing base. As a result of the Debtors' current fixed charge coverage ratio, \$7.5 million of the \$13.5 million of availability under the borrowing base would be restricted in the event that the Debtors' liquidity, as defined in the credit facility agreement, falls below the \$7.5 million. Borrowings under the credit facility bear interest at a per annum rate equal to LIBOR plus 2.5%, or, at the Debtors' option, the base rate (which is the Bank of America, N.A. prime rate); however, the applicable margin will be adjusted in accordance with a pricing grid based on the Debtors' fixed charge coverage ratio, and will range from 2.0% to 2.5% per annum. In addition to paying interest on outstanding loans under the credit facility, the Debtors are required to pay a commitment fee to the lenders in respect of unutilized commitments thereunder at a rate equal to 0.50% per annum, subject to reduction based on a performance grid tied to the Debtors' fixed charge coverage ratio, as well as customary letter-of-credit fees and fees of Bank of America, N.A. At June 30, 2010, there were no borrowings outstanding under the credit facility; however, there were letters of credit of approximately \$1.6 million outstanding under the credit facility.

On September 10, 2010, the Debtors entered into the First Amendment to the Second Amended and Restated Loan and Security Agreement. The opinion of the Debtors' independent registered public accounting firm for the Debtors' fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about the Debtors' ability to continue as a going concern. The Debtors' Revolving Credit Facility requires them to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of the fiscal year. The Debtors were not able to deliver audited financial statements for their fiscal year end without such an explanatory paragraph, and as a result, were not in compliance with the Revolving Credit Facility. The Debtors executed an amendment to their revolving credit agreement with the agent, on behalf of the lenders, whereby the agent and lender have agreed to forbear from enforcing the default under the agreement and allow the Debtors full access to the revolver until December 1, 2010. If the Debtors had not remedied this noncompliance by December 1, 2010, their lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable and any outstanding letters of credit, currently \$1.6 million, would need to be cash collateralized. The amendment also reduced the total facility size from \$30 million to \$20 million and reduced the letter of credit limit from \$15 million to \$5 million and also increased the Debtors' interest rate on outstanding borrowings to prime + 2.75% or Libor + 3.75% at the Debtors' discretion. The unused line fee was increased to 0.75%. The Debtors paid a \$ 50,000 one-time fee upon execution of the amendment.

The Revolving Credit Facility is secured by certain ordinary-course accounts receivables of the Debtors, which collateral is excluded from the collateral package securing the Senior Secured Notes. The Senior Secured Notes are not secured by any lien on the Debtors' accounts receivables and related cash accounts and other assets that are collateral for the Debtors' revolving loan lenders under the Revolving Credit Facility. The Revolving Credit Facility will be replaced by the DIP Facility in the Debtors' Chapter 11 Plan.

b. Senior Secured Notes.

As of September 30, 2010, the Debtors have \$293.5 million of aggregate principal amount of Senior Secured Notes outstanding. The Senior Secured Notes mature in November 2011 and bear interest at three month LIBOR plus 5.25% per annum, payable quarterly. As of September 30, 2010, the interest rate on the Senior Secured Notes was 5.54%. If prior to the maturity of the Senior Secured Notes, the Debtors elect to redeem the Senior Secured Notes or are otherwise required to make a prepayment with respect to the Senior Secured Notes for which a redemption price is not otherwise specified in the Indenture, regardless of whether such prepayment is made voluntarily or mandatorily, as a result of acceleration upon the occurrence of an event of default or otherwise, the

Debtors are required to pay 102% of the principal amount plus accrued and unpaid interest. An open-market purchase of Senior Secured Notes would not require a prepayment price at the foregoing rates. In addition, the Indenture provides that if there is a change of control, the Debtors will be required to make an offer to purchase all outstanding Senior Secured Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. The fair value of the Senior Secured Notes as of November 18, 2010 was approximately \$25.0 million based on the quoted market price on that date.

The Senior Secured Notes are secured by a first priority lien on substantially all of the Debtors' existing and future tangible and intangible personal property including, without limitation, inventory, investment property, books and records, chattel paper, collateral accounts, securities accounts, stock instruments, partnership interests, limited liability company interests, equipment, certain real property, certain contracts and intellectual property and a cash account and proceeds related to the foregoing. The Senior Secured Notes are not secured by any lien or security interest on the Debtors' accounts receivables and related assets, cash accounts related to receivables and certain other assets that are collateral provided to the Debtors' revolving loan lender under the Revolving Credit Facility. In addition, the Senior Secured Notes are secured by a portion of the Debtors' stock.

c. Equipment Finance Notes

Pursuant to a secured equipment financing arrangement, the Debtors have secured capital lease obligations in the outstanding aggregate amount of approximately \$1.26 million. This obligation is secured by the applicable medical imaging equipment and amortized by periodic payments pursuant to the particular financing arrangement.

d. Equity.

Parent Debtor InSight Health Services Holdings Corp.'s common stock is not traded on any stock exchange but rather is traded on an over-the-counter basis under the symbol ISGT. As of the Petition Date, the Debtors had approximately 8,644,444 shares of common stock outstanding. The Debtors do not have any preferred stock outstanding.

ARTICLE III

CHAPTER 11 CASES

The following is a general summary of the Chapter 11 Cases, including the significant events leading to the Chapter 11 Cases and the anticipated events that will take place during the Chapter 11 Cases.

A. EVENTS LEADING TO THE CHAPTER 11 CASES.

As discussed above, in 2007 the Debtors completed the 2007 Reorganization, whereby both of the filing companies significantly delevered their respective balance sheets. After the 2007 Reorganization, the Debtors still had a substantial amount of debt, which required significant interest and principal payments. As of September 30, 2010, the Debtors had total indebtedness of approximately \$298.3 million in aggregate principal amount.

In recent months, a series of events placed strain on the Debtors' liquidity and their ability to satisfy commitments contained in their credit agreements, ultimately leading to the filing of the Chapter 11 Cases. The events leading to these Chapter 11 Cases are described below.

1. Recurring Losses from Operations and Capital Deficiency.

Since the 2007 Reorganization, the Debtors experienced recurring losses from operations. The Debtors' net cash from operating activities declined from a net gain of approximately \$1.5 million for the three months ended September 30, 2009, to a net loss of approximately \$3.3 million for the same period during 2010. These operating losses were caused by certain variables consisting of: (a) overcapacity and competition in the markets in which the Debtors compete; (b) reductions, limitations and delays in reimbursement by third-party payors; (c) financial instability of customers; (d) changes in the nature of commercial health care insurance arrangements, so that individuals bear greater financial responsibility through high deductible plans and consequently choose to forego the

Debtors' services; and (e) economic, political and competitive forces affecting the Debtors' business and the economy as a whole. In response, the Debtors' evaluated steps to conserve their cash, including delaying and further restricting their capital projects and selling certain assets.

2. Substantial Indebtedness and Inability to Service Debt.

The Debtors have a substantial amount of debt, which requires significant interest and principal payments. As of June 30, 2010, the Debtors had total indebtedness of approximately \$298.1 million in aggregate principal amount. Most of this indebtedness is scheduled to come due in November 2011. In addition, subject to the restrictions contained in the Indenture governing the Senior Secured Notes and in the Debtors' other debt instruments, the Debtors were able to incur additional indebtedness from time to time to finance working capital, capital projects, investments or acquisitions. As a result, the risks related to the Debtors' high level of debt intensified. The Debtors' high level of debt has important consequences, including: (a) making it difficult for the Debtors to satisfy their obligations with respect to the Senior Secured Notes and other debt; (b) limiting the Debtors' ability to obtain additional financing to fund future working capital projects, acquisitions and other general corporate requirements; (c) requiring a substantial portion of the Debtors' cash flows to be dedicated to debt service payments instead of other purposes; (d) increasing the Debtors' vulnerability to general adverse economic and industry conditions; (e) limiting the Debtors' flexibility in planning for, and reacting to, changes in the Debtors' business and the markets in which the Debtors operate; (f) placing the Debtors at a competitive disadvantage compared to their competitors that have stronger capital structures, more flexibility in operating their businesses and greater access to capital; and (g) increasing the Debtors' cost of borrowing. The Debtors have not been able to refinance their Senior Secured Notes.

3. Liquidity Reserves and Debt Service Cost Constraints.

Despite the Debtors' prepetition restructuring initiatives, ongoing challenges in the Debtors' operating environment have continued to impose material limitations on the Debtors' available liquidity. The prolonged operational losses have presented ongoing demand and pricing challenges for the Debtors, thereby reducing their liquidity. Specifically, the Debtors' revenue has declined from approximately \$240.7 million in the 11 months ended June 30, 2008 to approximately \$190.9 million in the fiscal year ended June 30, 2010. For weeks prior to the Petition Date, the Debtors actively negotiated with certain Holders of Senior Secured Notes regarding the terms and structure of a potential restructuring of their obligations under the Senior Secured Notes in an effort to reduce leverage and debt service costs and improve liquidity. On November 1, 2010, the Debtors determined not to make an approximately \$4.2 million quarterly interest payment on the Senior Secured Notes to conserve cash for operational expenses. The missed payment began the 30-day grace period under the Indenture, which time the Debtors used to continue to engage certain of the Holders of the Senior Secured Notes regarding the Debtors' proposed restructuring. After extensive negotiations throughout November 2010, the Debtors entered into a (i) Forbearance Agreement dated November 29, 2010 and (ii) Restructuring Support Agreement (together with an attached chapter 11 Plan Term Sheet), with certain of their major Holders of Senior Secured Notes, pursuant to which the Holders of Senior Secured Notes agreed to refrain from enforcing rights or remedies and from asserting any claims under or with respect to the Senior Secured Notes or the Indenture while Plan negotiations continued into December 2010. Ultimately, the Debtors, their Holders of Senior Secured Notes and the Agent under the Revolving Credit Facility agreed on the terms of a potential restructuring, which are embodied in the Debtors' Plan. The terms of the Plan are materially consistent with the terms of the Restructuring Support Agreement and Plan Term Sheet. The Debtors expect that effectuating the terms of the Plan will significantly decrease their debt service costs, thereby providing the Debtors with enhanced liquidity for other corporate purposes, including for capital investments necessary to maintain value.

4. Inability to Obtain Necessary Capital to Finance Projects and Refinance Indebtedness.

The Debtors' ability to obtain necessary capital was affected by conditions in the financial markets and economic conditions generally. Slowing growth, contraction of credit, increasing energy prices, declines in business and investor confidence and risk tolerance, increases in inflation and higher unemployment reduced investor confidence in capital markets and affected the financial markets and economic conditions generally. The Debtors were unable to obtain sufficient capital at commercially reasonable rates, and were unable to fund certain capital projects and refinance their existing indebtedness, including the Senior Secured Notes, which eroded their competitive positions in various markets and had a material adverse effect on the Debtors' financial condition.

5. Increases in Interest Rates.

An increase in prevailing interest rates had an immediate effect on the interest rates charged on the Debtors' primary debt, the Senior Secured Notes and the Revolving Credit Facility which are variable rate indebtedness. The Debtors have an interest rate hedging agreement with a notional amount to which the agreement applies of \$190 million, on which the agreement provided for a LIBOR cap of 3.0%. As a result of this contract the Debtors' exposure on variable rate indebtedness was reduced by \$190 million, or to approximately 35% of their indebtedness as of June 30, 2010. Increases in interest rates impacted the refinancing of the Debtors' existing indebtedness, including the Senior Secured Notes. The increased interest expense adversely affected the Debtors' cash flow and their ability to service their indebtedness.

B. THE PROPOSED REORGANIZATION OF THE DEBTORS.

Prepetition Negotiations with Lenders. In November 2010 after weeks of negotiations, the Debtors and their advisors engaged in weeks of negotiations with the Revolving Credit Facility Agent and the major Holders of the Senior Secured Notes. These negotiations resulted in agreement on the terms of a comprehensive balance-sheet restructuring through the Debtors' Plan.

Specifically, the Debtors entered into confidentiality agreements with Holders of Senior Secured Notes Claims, holding over 75 percent of the outstanding principal amount of the Senior Secured Notes. For weeks prior to the Petition Date, the Debtors actively negotiated with these Holders of Senior Secured Notes regarding the terms and structure of a potential restructuring of their obligations under the Senior Secured Notes. During November 2010, the Debtors engaged in discussions with certain Holders of Senior Secured Notes and the Revolving Credit Facility Agent under the Revolving Credit Facility regarding the terms of a potential restructuring and DIP Facility.

The Debtors determined not to make the November 1, 2010 interest payment on the Senior Secured Notes to conserve cash for operational expenses. During the 30-day grace period for missing the November 1, 2010 interest payment, the Debtors intensified negotiations with certain Holders of Senior Secured Notes in an effort to achieve a successful and consensual restructuring. Specifically, during November and into December 2010, the Debtors continued to negotiate with certain Holders of Senior Secured Notes and the Agent under the Revolving Credit Facility regarding the terms of a potential restructuring and the DIP Facility.

After the Debtors' missed interest payment, negotiations with certain Holders of Senior Secured Notes intensified. In December 2010, after extensive discussions with the Holders of significant percentages of the Debtors' Senior Secured Notes, and after additional discussions with the Agent regarding a proposed postpetition financing package and Exit Facility, the Debtors agreed to the terms of a Restructuring Support Agreement and chapter 11 Plan Term Sheet attached hereto as **Exhibit H** providing an outline of the chapter 11 Plan. While negotiations were ongoing, significant Holders of Senior Secured Notes and the Indenture Trustee agreed to forego from enforcing rights or remedies and from asserting any claims under or with respect to the Senior Secured Notes or the Indenture. Prior to the Petition Date, the Debtors and subject Holders of Senior Secured Notes finalized the terms of a chapter 11 Plan that is consistent with the chapter 11 Plan Term Sheet which would convert the Senior Secured Notes to 100 percent of the common equity in the reorganized Debtors. The agreed-upon Plan also (a) provides for the Reorganized Debtors to issue the Warrants to the Debtors' existing common stockholders as part of the distributions received by the Holders of Senior Secured Notes Claims and (b) fully satisfies the Allowed Claims of the Debtors' general unsecured creditors. The Debtors believe the Plan is materially consistent with the terms of the Restructuring Support Agreement.

Warrants. The Warrants enable Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) to acquire shares of New Common Stock representing in the aggregate two percent (2%) of the New Common Stock. The Warrants shall be issued by the Reorganized Debtors to the Holders of existing Common Stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan). The Warrants shall be exercisable pursuant to a cashless exercise at any time from the Effective Date until the third anniversary of the Effective Date at a strike price equal to a Reorganized InSight Health Services Holdings Corp. enterprise value of \$215 million; provided, however, that no Warrant shall be exercisable if such exercise would result in a number of holders of New Common Stock that could cause Reorganized InSight Health Services Holdings Corp. to be a reporting company under the Exchange Act or would require Reorganized InSight Health Services Holdings Corp. to register the underlying New

Common Stock under the Securities Act, as determined by the New Board. The Warrants may be subject to certain transfer, exercise and other restrictions and appropriate legends pursuant to, among other things, the Warrant Agreement. Notwithstanding anything to the contrary in the Plan, in no event shall the terms of the Warrants cause Reorganized InSight Health Services Holdings Corp. to be required by the Securities Act or the Exchange Act, including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. The Warrant Agreement shall contain transfer, exercise and other restrictions and appropriate legends to the satisfaction of the Requisite Consenting Noteholders and consistent with the Warrant Term Sheet, attached as Annex 2 to the Plan Term Sheet, to ensure that the terms of the Warrants and the Warrant Agreement do not result in such registration or reporting requirements on the part of Reorganized InSight Health Services Holdings Corp.

Solicitation. On or about December 10, 2010, prior to filing the Chapter 11 Cases, the Debtors caused a copy of the Plan, this Disclosure Statement and the appropriate Ballots to be delivered to the Holders of Class 4 Senior Secured Notes Claims. The Debtors established December 27, 2010 at 5:00 p.m. (prevailing Eastern Time) as the deadline for the receipt of votes to accept or reject the Plan; provided, that Holders of Claims or Equity Interests who cast a Ballot prior to the time of filing of any of the Debtors' chapter 11 petitions shall not be entitled to change their vote or cast new Ballots. On the Petition Date, along with the Plan and this Disclosure Statement, the Debtors intend to File a motion seeking approval of the adequacy of this Disclosure Statement, approval of the Solicitation Package and Confirmation of the Plan.

Summary of the Plan. The Debtors have determined that prolonged Chapter 11 cases would damage severely their ongoing business operations and threaten their viability as a going concern. The prepackaged nature of the Plan (as set forth in the Plan and described herein) allows the Debtors to exit Chapter 11 quickly, while the provisions of the Plan allow the Debtors to meet their working capital needs and de-lever their balance sheet.

Under the Plan, the Debtors will equitize 100 percent of their obligations under the Senior Secured Notes-and thereby de-lever the Debtors' balance sheet by approximately \$293.5 million. After emergence from Chapter 11, the Debtors' only debt obligations will consist the Exit Facility of approximately \$20 million, which the Debtors intend to obtain commitments for prior to Confirmation of the Plan, and which essentially will replace the prepetition Revolving Credit Facility.

The Debtors' Plan proposes to pay all General Unsecured Claims (classified in Class 5) in full, in Cash either on the Effective Date or in the ordinary course of business after the Debtors' Chapter 11 emergence. In addition, the Warrants will be issued by the Reorganized Debtors to the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) as part of the distributions made to Holders of Senior Secured Notes Claims under the Plan.

C. ANTICIPATED EVENTS OF THE CHAPTER 11 CASES.

In order to facilitate the Chapter 11 Cases and minimize disruption to the Debtors' operations, the Debtors will seek certain relief, including but not limited to, the relief summarized below. The relief sought will facilitate the administration of the Chapter 11 Cases, however, there is no guarantee that the Bankruptcy Court will grant any or all of the requested relief.

1. Voluntary Petitions.

The following entities of the Debtors will File Chapter 11 bankruptcy petitions on the Petition Date commencing the Chapter 11 Cases: (a) InSight Health Services Holdings Corp.; (b) InSight Health Services Corp.; (c) Comprehensive Medical Imaging Centers, Inc.; (d) InSight Health Corp.; (e) Maxum Health Services Corp.; (f) North Carolina Mobile Imaging I LLC; (g) North Carolina Mobile Imaging II LLC; (h) North Carolina Mobile Imaging III LLC; (i) North Carolina Mobile Imaging IV LLC; (j) North Carolina Mobile Imaging V LLC; (k) North Carolina Mobile Imaging VI LLC; (l) North Carolina Mobile Imaging VII LLC; (m) Open MRI, Inc.; (n) Orange County Regional PET Center - Irvine, LLC; (o) Parkway Imaging Center, LLC; (p) Comprehensive Medical Imaging, Inc.; and (q) Signal Medical Services, Inc.

2. Expected Timetable of the Chapter 11 Cases.

The Debtors expect the Chapter 11 Cases to proceed quickly. The Debtors have been in extensive negotiations with their existing secured bank lenders to deleverage their balance sheet and complete a balance sheet restructuring.

The Debtors cannot assure you, however, that the Bankruptcy Court will enter various orders on the timetable anticipated by the Debtors. On the Petition Date, the Debtors will promptly request the Bankruptcy Court to set a hearing date to approve this Disclosure Statement and to confirm the Plan. If the Plan is confirmed, the Effective Date of the Plan is projected to be as soon as practicable after the date the Bankruptcy Court enters the Confirmation Order and the Confirmation Order becomes a Final Order and the other conditions to consummation of the Plan set forth in Article X.B. of the Plan are satisfied or waived (to the extent permitted under the Plan and applicable law). Should these projected timelines prove accurate, the Debtors could emerge from protection under Chapter 11 within approximately 60 days of the Petition Date.

3. First Day Relief.

The Debtors intend to present certain motions (the “First Day Motions”) to the Bankruptcy Court on the Petition Date seeking relief. The First Day Motions may include, but are not necessarily limited to, the following:

a. Approval of Solicitation Procedures and Scheduling of Confirmation Hearing.

To expedite the Chapter 11 Cases, the Debtors intend to seek an immediate order setting dates for hearings to (i) approve the adequacy of the Disclosure Statement, (ii) approve the procedures for the Solicitation and (iii) confirm the Plan. The Debtors will seek the earliest possible date permitted by the applicable rules and the Bankruptcy Court’s calendar for such hearings.

b. Debtor in Possession Financing.

The Debtors expect to receive debtor in possession financing from their existing prepetition secured revolver lenders under the DIP Facility. The Debtors will have approximately \$15 million of available funds under the DIP Facility. The Debtors expect that the terms of the DIP Facility will be consistent to the terms set forth and described in Exhibit E attached hereto.

On the Petition Date, the Debtors will seek interim authority to make immediate borrowings under the DIP Facility and, as soon as practicable, will seek final Bankruptcy Court approval of the DIP Facility. The Debtors believe that the committed amount of the DIP Facility will meet the Debtors’ financing needs given the Chapter 11 Cases’ brief duration.

c. Customer Programs and Practices.

The Debtors will seek authority on the Petition Date authorizing, but not directing, the Debtors to honor certain prepetition obligations to their customers and to otherwise continue certain customer programs and practices in the ordinary course of business. Under this motion, the Debtors intend to obtain authority to honor, exercise and perform all their respective rights and obligations (whether prepetition or postpetition) arising in the ordinary course of business under, in connection with, and in furtherance of their existing customer programs. The Debtors feel such relief is necessary to stabilize their customer base at the outset of these Chapter 11 Cases and to avoid needless disruptions of the Debtors’ ongoing operations.

d. Cash Management System.

This motion seeks authority for the Debtors to maintain its prepetition cash management systems after commencement of the Chapter 11 Cases, including inter-company transfers and use of bank accounts. This facilitates the efficient operation of the Debtors by not requiring it to make artificial adjustments within its large and complex cash management system.

e. Wages.

The Debtors will seek authority to pay all employees their wage Claims in the ordinary course of business. Additionally, the Debtors intend to continue all their prepetition benefit programs, including, among others, the medical, dental, 401(k) and severance plans to the extent applicable. This relief will allow the Debtors to maintain employee morale and prevent costly distractions and retention issues.

f. Insurance.

The Debtors will seek authority to pay certain liability, property and other insurance in the ordinary course of business. Failure to maintain certain of these policies could result in personal liability on the Debtors' officers if they are not paid. Thus, in order to prevent costly distractions to key management employees, the Debtors will seek authority to pay those insurance premiums in the ordinary course of business.

g. Taxes.

The Debtors will seek authority to pay certain sales, use, franchise and other taxes in the ordinary course of business. Certain of these taxes impose personal liability on the Debtors' officers if they are not paid. Thus, in order to prevent costly distractions to key management employees, the Debtors will seek authority to pay those taxes in the ordinary course of business.

h. Utilities.

The Debtors will move the Bankruptcy Court on the Petition Date to enter orders approving procedures for, among other things, determining adequate assurance for utility providers, prohibiting utility providers from altering, refusing or discontinuing services and determining that the Debtors are not required to provide any additional adequate assurance pending entry of a Final Order. The Debtors believe that uninterrupted utility services are essential to the Debtors' ongoing operations and, therefore, to the success of the Debtors' reorganization.

i. Interim Compensation Procedures.

The Debtors will seek authority on the Petition Date to establish procedures for the interim compensation and reimbursement of retained Professionals in the Chapter 11 Cases. The Debtors believe that the efficient administration of the Chapter 11 Cases will be significantly aided by establishing the interim compensation and expense reimbursement procedures.

j. Ordinary Course Professionals.

The Debtors will seek authority on the Petition Date to retain and compensate certain Professionals utilized in the ordinary course of the Debtors' business (each, an "OCP"). Due to the number of OCPs that are regularly retained by the Debtors, it would be unwieldy and burdensome to both the Debtors and this Bankruptcy Court to request each such OCP to apply separately for approval of its employment and compensation.

k. Other Procedural Motions and Professional Retention Applications.

The Debtors also plan to File several procedural motions that are standard in Chapter 11 Cases, as well as applications to retain the various Professionals who will be assisting the Debtors during these Chapter 11 Cases.

4. Northern California Fixed Site Center Sale.

To the extent not consummated on or before the Petition Date or authorized by prior order of the Court, the Debtors will seek to sell certain of the Debtors' assets related to the Debtors' Northern California business upon terms satisfactory to the Debtors and the Requisite Consenting Noteholders. Specifically, the Debtors intend to sell most of the assets relating to four of the Debtors' fixed site magnetic resonance imaging centers for approximately \$6.8 million to SMI Imaging, LLC. The fixed site centers to be sold are located in Los Gatos, San Francisco, Hayward, and San Ramon, California. Prior to arriving at an agreement with SMI Imaging, LLC, the Debtors engaged in a marketing process in order to properly value the assets to be sold. The Debtors received and evaluated four other asset purchase offers. After careful consideration, the Debtors believe that SMI Imaging, LLC made the

best offer, particularly given that SMI Imaging, LLC's offer allows the Debtors to collect currently outstanding accounts receivable from the fixed cite centers whose assets are subject to sale. The Debtors believe that SMI Imaging, LLC is providing fair, if not better than fair, value for the assets. The Debtors expect close the asset sale transaction in the near-term, most likely after the Confirmation Date.

D. EXIT FINANCING ARRANGEMENT.

The Debtors intend to obtain exit financing to (a) satisfy obligations under the DIP Facility on the Effective Date or convert the DIP Facility into the Exit Facility and (b) fund working capital. The Debtors are currently negotiating the terms of the Exit Facility with the Revolving Credit Facility Agent and certain of the Holders of Senior Secured Notes Claims and will File the terms of the Exit Facility as part of the Plan Supplement prior to Confirmation.

ARTICLE IV

THE JOINT PLAN

This section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan, and is qualified in its entirety by reference to the Plan (as well as the exhibits thereto and definitions therein).

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in the documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statement of such terms and provisions of the Plan or documents referred to therein.

The Plan itself and the documents therein control the actual treatment of Claims against, and Interests in, the Debtors under the Plan and will, upon the occurrence of the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors, the Debtors' Estates, the Reorganized Debtors, all parties receiving property under the Plan and other parties in interest. In the event of any conflict between this Disclosure Statement and the Plan or any other operative document, the terms of the Plan and/or such other operative document shall control.

A. DIP FACILITY CLAIMS, ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS.

In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Facility Claims, Administrative Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in Article IV of the Plan.

1. DIP Facility Claims.

a. DIP Facility Claims.

Subject to the terms of the DIP Credit Agreement, in full and final satisfaction, settlement, release and discharge of and in exchange for each DIP Facility Claim, on the Effective Date, DIP Facility Claims shall be paid in full, in Cash with proceeds from the Exit Facility or shall be converted into obligations of the Debtors under the Exit Facility on a dollar-for-dollar basis.

2. Administrative Claims.

a. Administrative Claims Other Than Fee Claims.

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Administrative Claim, each Holder of such Allowed Administrative Claim shall be paid in full, in Cash the unpaid portion of such Allowed Administrative Claim (a) in the ordinary course of business in accordance with applicable law or the terms

of any agreement that governs such Allowed Administrative Claim or (b) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Allowed Administrative Claim.

b. Fee Claims.

Professionals or other Entities asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 45 days after the Effective Date. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 45 days after the Effective Date and (b) 30 days after the Filing of the applicable request for payment of the Fee Claim. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

3. Priority Tax Claims.

Subject to the requirements of Article IV.S of the Plan, except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment or has been paid by the Debtors prior to the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall receive on account of such Claim payment in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, regular installment payments in Cash: (1) of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (2) which total value shall include simple interest to accrue on any outstanding balance of such Allowed Priority Tax Claim starting on the Effective Date at the rate of interest determined under applicable nonbankruptcy law pursuant to section 511 of the Bankruptcy Code; and (3) over a period ending not later than 5 years after the Petition Date. Subject to the Priority Tax Claims Bar Date, a Priority Tax Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Priority Tax Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Priority Tax Claim.

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.

1. Summary of Classification.

All Claims and Interests, other than DIP Facility Claims, Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in Article III of the Plan for all purposes, including voting, Confirmation and distributions pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

a. Substantive Consolidation of the Debtors.

Pursuant to Article IV.B of the Plan, the Plan provides for the limited substantive consolidation of the Estates into a single Estate for all purposes associated with Confirmation and Consummation. As a result of the limited substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate identification of the Debtors.

b. Class Identification.

The classification of Claims and Interests against the Debtors pursuant to the Plan is as follows:

| Class | Claim/Equity Interest | Status | Voting Rights |
|--------------|------------------------------|---------------|----------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept |

| | | | |
|---|--|------------|------------------|
| 2 | Other Secured Claims | Unimpaired | Deemed to Accept |
| 3 | Revolving Credit Facility Claims | Unimpaired | Deemed to Accept |
| 4 | Senior Secured Notes Claims | Impaired | Entitled to Vote |
| 5 | General Unsecured Claims | Unimpaired | Deemed to Accept |
| 6 | Intercompany Claims | Unimpaired | Deemed to Accept |
| 7 | Intercompany Interests | Unimpaired | Deemed to Accept |
| 8 | Section 510(b) Claims | Impaired | Deemed to Reject |
| 9 | Equity Interests in InSight Health Services Holdings Corp. | Impaired | Deemed to Reject |

2. Treatment of Claims and Interests.

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

a. Class 1 - Other Priority Claims.

- (i) *Classification:* Class 1 consists of all Other Priority Claims.
- (ii) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment for such Holder, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Other Priority Claim, each Holder of such Allowed Other Priority Claim shall be paid in full, in Cash or otherwise receive such treatment as to render such Holder Unimpaired. An Other Priority Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (A) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Other Priority Claim or (B) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Other Priority Claim.
- (iii) *Voting:* Class 1 is Unimpaired, and Holders of Class 1 Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

b. Class 2 - Other Secured Claims.

- (i) *Classification:* Class 2 consists of all Other Secured Claims.
- (ii) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Secured Claim, each Allowed Other Secured Claim shall be reinstated and rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.
- (iii) *Voting:* Class 2 is Unimpaired, and Holders of Class 2 Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f)

of the Bankruptcy Code. Therefore, Holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

c. Class 3 - Revolving Credit Facility Claims.

- (iv) *Classification:* Class 3 consists of all Revolving Credit Facility Claims.
- (v) *Allowance:* To the extent not refinanced by the DIP Facility as of the Effective Date, the Revolving Credit Facility Claims shall be Allowed and deemed to be Allowed Claims in the amount of \$1,652,825.00, plus interest and fees due and owing under the Revolving Credit Facility, which Allowed Claims shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaims, cross-claims, defenses, disallowance, impairment or any other challenges under applicable law by any Entity.
- (vi) *Treatment:* To the extent Revolving Credit Facility Claims are not refinanced by the DIP Facility or otherwise paid in full as of the Effective Date and except to the extent that a Holder of an Allowed Revolving Credit Facility Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Revolving Credit Facility Claim, each Holder of an Allowed Revolving Credit Facility Claim shall be paid in full, in Cash with the proceeds of the Exit Facility or otherwise receive such treatment as to render such Holder Unimpaired.
- (vii) *Voting:* Class 3 is Unimpaired, and Holders of Class 3 Revolving Credit Facility Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Revolving Credit Facility Claims are not entitled to vote to accept or reject the Plan.

d. Class 4 - Senior Secured Notes Claims.

- (viii) *Classification:* Class 4 consists of all Senior Secured Notes Claims.
- (ix) *Allowance:* The Senior Secured Notes Claims shall be Allowed and deemed to be Allowed Claims in the amount of \$293,500,000.00, plus interest and fees due and owing with respect to the Senior Secured Notes under the Indenture, which Allowed Claims shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaims, cross-claims, defenses, disallowance, impairment or any other challenges under applicable law by any Entity.
- (x) *Treatment:* Except to the extent that a Holder of an Allowed Senior Secured Notes Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Senior Secured Notes Claim, each Holder of such Allowed Senior Secured Notes Claim shall receive on or as soon as reasonably practicable after the Effective Date its Pro Rata share of 100 percent of the New Common Stock, provided that such distribution shall be subject to dilution by (i) the Management Equity Plan and (ii) the Warrants which shall be issued by the Reorganized Debtors to the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the Consummation of the Plan) as part of the distributions made to such Holders of Senior Secured Notes Claims under the Plan.

(xi) *Voting:* Class 4 is Impaired. Therefore, Holders of Class 4 Senior Secured Notes Claims as of the Record Date are entitled to vote to accept or reject the Plan.

e. Class 5 - General Unsecured Claims.

(xii) *Classification:* Class 5 consists of all General Unsecured Claims.

(xiii) *Treatment:* Except to the extent that a Holder of a General Unsecured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each General Unsecured Claim, each Holder of such General Unsecured Claim shall be paid in full, in Cash, or otherwise receive such treatment as to render such Holder Unimpaired. A General Unsecured Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such General Unsecured Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such General Unsecured Claim.

(xiv) *Voting:* Class 5 is Unimpaired, and Holders of Class 5 General Unsecured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 General Unsecured Claims are not entitled to vote to accept or reject the Plan.

f. Class 6 - Intercompany Claims.

(xv) *Classification:* Class 6 consists of all Intercompany Claims.

(xvi) *Treatment:* Intercompany Claims shall be reinstated and rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.

(xvii) *Voting:* Class 6 is Unimpaired, and Holders of Class 6 Intercompany Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 6 Intercompany Claims are not entitled to vote to accept or reject the Plan.

g. Class 7 - Intercompany Interests.

(xviii) *Classification:* Class 7 consists of all Intercompany Interests.

(xix) *Treatment:* Although Intercompany Interests shall not receive any distribution on account of such Intercompany Interests, Intercompany Interests will not be cancelled and, solely to implement the Plan, will be addressed as set forth in Article IV.K of the Plan.

(xx) *Voting:* Class 7 is Unimpaired, and Holders of Class 7 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 7 Intercompany Interests are not entitled to vote to accept or reject the Plan.

h. Class 8 - Section 510(b) Claims.

(xxi) *Classification:* Class 8 consists of all Section 510(b) Claims.

- (xxii) *Treatment:* Holders of Section 510(b) Claims will not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released and extinguished as of the Effective Date.
- (xxiii) *Voting:* Class 8 is Impaired, and Holders of Class 8 Section 510(b) Claims are not entitled to receive or retain any property under the Plan on account of Class 8 Section 510(b) Claims. Therefore, Holders of Class 8 Section 510(b) Claims are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 8 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

i. Class 9 - Equity Interests in InSight Health Services Holdings Corp.

- (xxiv) *Classification:* Class 9 consists of all Equity Interests in InSight Health Services Holdings Corp.
- (xxv) *Treatment:* Holders of Equity Interests in InSight Health Services Holdings Corp. will not receive any distribution on account of such Interests, and Equity Interests in InSight Health Services Holdings Corp. shall be discharged, cancelled, released and extinguished as of the Effective Date; provided that, as set forth in Article IV.E in the Plan, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date.
- (xxvi) *Voting:* Class 9 is Impaired, and Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are not entitled to receive or retain any property under the Plan on account of Class 9 Equity Interests in InSight Health Services Holdings Corp. Therefore, Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are not entitled to vote to accept or reject the Plan.

3. Special Provision Governing Unimpaired Claims.

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

4. Acceptance or Rejection of the Plan.

a. Voting Class.

Class 4 is Impaired under the Plan, and Holders, as of the Record Date, of Claims in Class 4 are entitled to vote to accept or reject the Plan.

b. Presumed Acceptance of the Plan.

Classes 1, 2, 3, 5, 6 and 7 are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

c. Deemed Rejection of the Plan.

Classes 8 and 9 are Impaired and shall receive no distribution under the Plan and are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

5. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code.

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification; provided that such modifications shall in each case be reasonably acceptable to the Requisite Consenting Noteholders.

6. Controversy Concerning Impairment.

If a controversy arises as to whether any Claims or Interests or any Class of Claims or Interests is Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

C. MEANS FOR IMPLEMENTATION OF THE PLAN.

1. Sources of Consideration for Plan Distribution.

All consideration necessary for the Reorganized Debtors to make payments or distributions pursuant to the Plan shall be obtained from the Exit Facility, the issuance of the New Common Stock or other Cash from the Debtors, including Cash from operations.

2. Substantive Consolidation.

a. Limited Substantive Consolidation Is Warranted by the Facts and Circumstances of the Chapter 11 Cases.

The Plan is premised upon “substantively consolidating” the Debtors, on the terms set forth in Article IV of the Plan, for the limited purposes of Confirming and Consummating the Plan, primarily to facilitate making distributions to creditors in satisfaction of their Claims. Creditors in the Voting Class will vote in consolidated Classes with notice on the Ballots that the Plan contemplates a limited substantive consolidation. The Debtors believe that the Plan, with its contemplated limited substantive consolidation of the Debtors’ Estates, is the best option currently available for the Debtors and their creditors as a whole.

The Debtors believe that the facts and circumstances in the Chapter 11 Cases strongly favor this Bankruptcy Court substantively consolidating their Estates for the limited purposes contemplated by the Plan:

- The Debtors’ core business operations operate as a single business enterprise.
- The Debtors are a publicly reporting company that files consolidated reports with the SEC. The Debtors also files consolidated group income tax returns.
- The Debtors operate a single, integrated cash management system, with integrated payroll and accounting systems.
- The Debtors operate under a common management team, with interlocking and overlapping boards of directors. The board of directors for InSight Health Services Holdings Corp. continues to make all major decisions for the Debtors. The officers and management are vertically integrated and corporate policy is dictated by InSight Health Services Holdings Corp.
- This unified corporate Entity has resulted in creditors generally relying on the Debtors’ consolidated credit.

The Debtors’ going concern value arises from the Debtors’ businesses continuing to operate as a single going concern enterprise. Indeed, it would be impossible to allocate the New Common Stock to different Debtors based upon the relative values of those entities. In any case, most of the individual Debtors and their assets do not

have significant individual value outside of their integration and relationships with the rest of the Debtors, even if they operated independently.

b. The Plan Contemplates a Very Limited Substantive Consolidation Solely for Purposes of Efficiently and Effectively Confirming and Consummating the Plan.

Under the contemplated substantive consolidation scheme:

- the assets and liabilities of all consolidated Debtors will be pooled for purposes of Plan distributions in satisfaction of Claims;
- the Plan will deem the Debtors to be one consolidated Estate for voting and distribution purposes;
- all guarantees of any consolidated Debtor of the obligations of any other consolidated Debtor will be eliminated for all purposes associated with Confirmation and Consummation, so that any Claim against a consolidated Debtor and any guarantee thereof will be a Claim against the consolidated Estate; and
- each and every Claim will be deemed Filed against the consolidated Estate.

Substantive consolidation, however, will not affect transfers or commingling of any assets of any of the Debtors, and all assets will continue to be owned by the respective Reorganized Debtors. Substantive consolidation also will not affect the Debtors' legal and organizational structure or any pre- and post-Petition Date guarantees, liens and security interests that are required to be maintained.

3. Exit Facility.

Confirmation shall be deemed approval of the Exit Facility (including any and all transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facility, and all actions to be taken, undertakings to be made and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Facility Agreement and such other documents as may be required or appropriate to effectuate the treatment afforded to such lenders pursuant to the Exit Facility Agreement, the terms, conditions and covenants of which shall be acceptable to the Requisite Consenting Noteholders. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs. To the extent Revolving Credit Facility Claims are not refinanced by the DIP Facility as of the Effective Date, Revolving Credit Facility Claims shall be paid in full, in Cash with the proceeds from the Exit Facility.

Upon the satisfaction or waiver of the conditions precedent to effectiveness set forth in the Exit Facility Agreement, the DIP Facility and the Revolving Credit Facility shall be refinanced and the Revolving Credit Agreement and the DIP Credit Agreement shall be deemed to have been terminated. Notwithstanding the foregoing, all obligations of the Debtors to the DIP Agent and the DIP Lenders under the DIP Credit Agreement which are expressly stated in the DIP Credit Agreement as surviving such agreement's termination shall, as so specified, survive without prejudice and remain in full force and effect.

Upon the date the Exit Facility Agreement becomes effective, (1) the Debtors and the Reorganized Debtors are authorized to execute and deliver the Exit Facility Agreement and perform their obligations thereunder including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages or indemnities, (2) the Exit Facility Agreement shall constitute the legal, valid and binding obligations of the Reorganized Debtors which are parties thereto, enforceable in accordance with their respective terms, and (3) no obligation, payment, transfer or grant of security under the Exit Facility Agreement shall be stayed, restrained, voidable or recoverable under the Bankruptcy Code or under any applicable law or subject to any defense, reduction, recoupment, setoff or counterclaim.

The Debtors and the Reorganized Debtors, as applicable, and any other Entities granting any Liens and security interests to secure the obligations under the Exit Facility Agreement are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary or desirable to establish and further evidence perfection of such liens and security interests under the provisions of any applicable federal, state, provincial or other law (whether domestic or foreign) (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order and any such filings, recordings, approvals and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such liens and security interests to third parties.

4. Issuance of New Common Stock and Other Securities.

The issuance of the New Common Stock, including the shares of the New Common Stock, Warrants, options or other equity awards reserved for the Management Equity Plan (if any), is authorized without the need for any further corporate action or without any further action by a Holder of Claims or Interests. On the Effective Date, or as soon as reasonably practicable thereafter, the New Common Stock shall be issued to the Holders of Senior Secured Notes Claims. The Management Equity Plan will provide for a certain percentage of New Common Stock, not to exceed eight percent (8%) of the fully diluted New Common Stock, to be reserved for issuance as options, equity or equity-based grants in connection with the Reorganized Debtors' management equity incentive program and/or director equity incentive program. The amount of New Common Stock, if any, to be issued pursuant to the Management Equity Plan, and the terms thereof shall be determined by the New Board on or as soon as reasonably practicable after the Effective Date.

All of the shares of New Common Stock issued pursuant to the Plan and the Stockholders Agreement shall be duly authorized, validly issued and fully paid and non-assessable. Each distribution and issuance referred to in Article VI of the Plan shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, including, but not limited to, the Stockholders Agreement, which terms and conditions shall bind each Entity receiving such distribution or issuance.

The New Common Stock may be subject to certain transfer and other restrictions and appropriate legends pursuant to, among other things, the Stockholders Agreement and the New Certificates of Incorporation.

5. Warrants.

As described in Article III.B.4 of the Plan, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date. The Warrants may be subject to certain transfer, exercise and other restrictions and appropriate legends pursuant to, among other things, the Warrant Agreement. Notwithstanding anything to the contrary in the Plan, in no event shall the terms of the Warrants cause Reorganized InSight Health Services Holdings Corp. to be required by the Securities Act or the Exchange Act, including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. The Warrant Agreement shall contain transfer, exercise and other restrictions and appropriate legends to the satisfaction of the Requisite Consenting Noteholders and consistent with the Warrant Term Sheet to ensure that the terms of the Warrants and the Warrant Agreement do not result in such registration or reporting requirements on the part of Reorganized InSight Health Services Holdings Corp.

6. Stockholders Agreement.

As of the Effective Date, each person or entity that receives New Common Stock shall be deemed to be bound by the Stockholders Agreement. All participants in the Management Equity Plan and each person that receives a Warrant shall execute a joinder to the Stockholders Agreement as a condition to the receipt of any New Common Stock pursuant to exercise of such Warrant or award under the Management Equity Plan.

7. Section 1145 Exemption.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and distribution of any Securities contemplated by the Plan and all agreements incorporated of the Plan, including the New Common Stock and the Warrants, shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution or sale of securities and the Confirmation Order shall so provide. In addition, under section 1145 of the Bankruptcy Code, any securities contemplated by the Plan and any and all agreements incorporated therein, including the New Common Stock and the Warrants, will be freely tradable by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including, without limitation, those set forth in Article IV.D , Article IV.E and Article IV.H of the Plan; and (4) applicable regulatory approval.

8. Listing of New Common Stock.

Other than as provided in the Registration Rights Agreement, the Reorganized Debtors shall not be obligated to list the New Common Stock or the Warrants on a national securities exchange and shall not be required to (but may in their discretion) register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. On the Effective Date, Reorganized Insight Health Services Holdings Corp. will enter into the Registration Rights Agreement.

9. New Certificates of Incorporation and New By-Laws.

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states of incorporation or formation in accordance with the corporate or other business entity laws of the respective states of incorporation or formation. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as permitted by the laws of their respective states of incorporation or formation and their respective New Certificates of Incorporation and New By-Laws or other constituent documents.

10. Reorganized Debtors' Boards of Directors and Officers.

On the Effective Date, the term of each member of the current board of directors of the Debtors shall automatically expire. The initial members of the New Board shall consist of Reorganized InSight Health Services Holdings Corp.'s Chief Executive Officer and those individuals appointed in accordance with the Stockholders Agreement and the New By-Laws. The Debtors shall identify the individuals proposed to serve in accordance with the preceding sentence prior to the Effective Date and, to the extent known, members of the New Board and the nature and compensation for any member of the New Board who is an "insider" under Section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The board of directors for each of the Reorganized Debtors other than Reorganized InSight Health Services Holdings Corp. and the officers for each of the Reorganized Debtors shall be identified prior to the Effective Date.

11. Corporate Existence.

Except as otherwise provided in the Plan and notwithstanding Article IV.B of the Plan, each Reorganized Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval. On the Effective Date, without any further corporate action, the Reorganized Debtors'

organizational documents shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and shall include, pursuant to Section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities. Consequently, Intercompany Interests shall be retained, and the legal, equitable and contractual rights to which Holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan. Notwithstanding anything to the contrary in the Plan, each non-debtor corporate entity, limited liability company, partnership or other entity, as the case may be, in which the any of the Debtors owned or controlled an equity interest as of the Petition Date shall exist after the Effective Date as a separate corporate entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Petition Date. All of the actions related to the continued corporate existence of the Reorganized Debtors set forth in this Article IV.K shall be reasonably acceptable to the Requisite Consenting Noteholders.

12. Vesting of Assets in the Reorganized Debtors.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated therein, on the Effective Date, all property in each Estate, all Causes of Action (except those released pursuant to the Debtor Release) and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances (except for Liens granted to secure the Exit Facility and Claims pursuant to the DIP Facility that by their terms survive termination of the DIP Facility). On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims, Interests or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

13. Cancellation of Securities and Agreements.

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the Indenture, and any other Certificate, share, note, bond, indenture, purchase right, option, warrant or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such agreements, Certificates, notes or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan), shall be cancelled as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, Certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; provided that, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan as provided therein.

On the Effective Date, except to the extent otherwise provided in the Plan, any indenture relating to any of the foregoing, including the Indenture, shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code and the obligations of the Debtors thereunder shall be fully released and discharged.

14. Restructuring Transactions.

Subject to the consent of the Requisite Consenting Noteholders on the form of the restructuring transactions contemplated herein, on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, certificates of incorporation, operating agreements, bylaws or other documents containing terms that are consistent with or reasonably necessary to implement the terms of the Plan and that satisfy the requirements of applicable law; (2) the execution and delivery of appropriate instruments of

transfer, assignment, assumption or delegation of any property, right, liability, duty or obligation on terms consistent with the terms of the Plan; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the Reorganized Debtors determine are necessary or appropriate, including any filings that may be required by applicable law.

Immediately upon and after entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may (and shall be authorized to) consummate, and take all actions as may be necessary or appropriate to effect and consummate, the sale of certain of the Debtor's assets related to the Debtors' Northern California business (as described in the Disclosure Statement), upon terms reasonably satisfactory to the Debtors and the Requisite Consenting Noteholders, to the extent not consummated on or before the Confirmation Date or authorized by prior order of the Bankruptcy Court.

15. Corporate Action.

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (1) adoption or assumption, as applicable, of Executory Contracts and Unexpired Leases; (2) selection of the New Board and all other directors and officers for the Reorganized Debtors; (3) the execution of and entry into the Exit Facility Agreement; (4) the distribution of the New Common Stock and Warrants as provided in the Plan; (5) adoption and implementation of the Management Equity Plan; and (6) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors.

On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors (including, any vice-president, president, chief executive officer, treasurer or chief financial officer thereof), as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, operating agreements and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including: (1) the Exit Facility; (2) the issuance of the New Common Stock and Warrants; and (3) any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.L of the Plan shall be effective notwithstanding any requirements under nonbankruptcy law. All of the foregoing corporate actions set forth in Article IV.O of the Plan shall be acceptable to the Requisite Consenting Noteholders.

16. Effectuating Documents; Further Transactions.

On and after the Effective Date, the Reorganized Debtors and the managers, officers and members of the boards of directors thereof, including, without limitation, the New Board, are authorized to and may issue, execute, deliver, file or record such contracts, securities, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization or consents except for those expressly required pursuant to the Plan.

17. Exemption from Certain Taxes and Fees.

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to the Plan shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by Article IV.K of the Plan; or (4) the making or delivery of any deed or other

instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

18. Employee and Retiree Benefits.

Except as otherwise provided in the Plan, on and after the Effective Date, the Reorganized Debtors may: (1) honor, in the ordinary course of business, any contracts, agreements, policies, programs and plans for, among other things, compensation (other than equity-based compensation related to Equity Interests in InSight Health Services Holdings Corp.), health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance and accidental death and dismemberment insurance for the directors, officers and employees of any of the Debtors who served in such capacity at any time; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date; provided, however, that the Debtors' or Reorganized Debtors' performance under any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program or plan that has expired or been terminated before the Effective Date. Nothing in the Plan shall limit, diminish or otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action or other rights with respect to any such contracts, agreements, policies, programs and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

19. D&O Liability Insurance Policies.

Notwithstanding anything in the Plan to the contrary, as of the Effective Date, the Debtors shall assume and assign to the Reorganized Debtors all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers and managers upon terms reasonably acceptable to the Reorganized Debtors and the Requisite Consenting Noteholders.

20. Indemnification Provisions.

Notwithstanding anything in the Plan to the contrary, the Reorganized Debtors, as of the Effective Date, shall assume all Indemnification Provisions. All Indemnification Provisions in place on and prior to the Effective Date for current and former officers, directors, managers and employees of the Debtors and their subsidiaries and such current and former directors', officers', managers' and employees' respective Affiliates shall survive the Effective Date for all Claims related to or in connection with, without limitation, any actions, omissions or transactions occurring prior to the Effective Date.

21. Preservation of Rights of Action.

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to the Debtor Release provided by Article VIII.D of the Plan), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except

with respect to Causes of Action as to which the Debtors or Reorganized Debtors have released any Person or Entity on or prior to the Effective Date (pursuant to the Debtor Release or otherwise), the Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after or as a consequence of the Confirmation or Consummation.

22. Priority Tax Claims & Administrative Claims Bar Dates.

Priority Tax Claims Bar Date. Notwithstanding anything in the Plan to the contrary, any Creditor holding (1) a Priority Tax Claim or (2) a Claim that may otherwise be a Priority Tax Claim or Claim for escheatment or unclaimed property but for the fact that such Claim arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim on account of such Claim, and such Proof of Claim must be Filed with the Bankruptcy Court on or before the Priority Tax Claims Bar Date. All (1) Priority Tax Claims or (2) Claims that may otherwise be Priority Tax Claims or Claim for escheatment or unclaimed property but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan. All such Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII.A and Article VIII.H of the Plan.

Administrative Claims Bar Date. All requests for payment of an Administrative Claim must be Filed with the Notice, Claims and Solicitation Agent and served upon counsel to the Debtors or Reorganized Debtors, as applicable, on or before the date that is 30 days after the Effective Date. The Reorganized Debtors may settle and pay any Administrative Claim in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court. In the event that any party with standing objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

D. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.

1. Assumption and Rejection of Executory Contracts and Unexpired Leases.

Except as otherwise provided in the Plan or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have assumed each Executory Contract and Unexpired Lease to which it is a party (including all D&O Liability Insurance Policies), unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to reject filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease to be rejected pursuant to the Plan Supplement, which shall be reasonably acceptable to the Requisite Consenting Noteholders. The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions or rejections described above as of the Effective Date.

Notwithstanding the foregoing paragraph, after the Effective Date, the Reorganized Debtors shall have the right to terminate, amend or modify any Intercompany Contracts, leases, or other agreements without approval of the Bankruptcy Court.

2. Payments Related to Assumption of Executory Contracts and Unexpired Leases.

With respect to any Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant to the Plan (including pursuant to Article V.A of the Plan) or otherwise, Cure Claims shall be satisfied, pursuant to section 365(b) of the Bankruptcy Code, by payment of the Cure Claims in Cash on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding: (1) the amount of any Cure Claim; (2) the ability of the Reorganized Debtors to provide adequate assurance of future performance (within the meaning of section 365(b) of the Bankruptcy Code), if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption, the Cure Claims shall be paid following the entry of a Final Order resolving the dispute and approving the assumption of such Executory Contracts or Unexpired Leases; provided, however, that the Debtors or the Reorganized Debtors may settle any dispute regarding the amount of any Cure Claim without any further notice to or action, order or approval of the Bankruptcy Court.

3. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases.

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive or any continuing obligation of a counterparty to provide warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

4. Intercompany Contracts, Contracts and Leases Entered Into After the Petition Date.

On and after the Effective Date, the Debtors may continue to perform under Intercompany Contracts, contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business.

5. Modifications, Amendments, Supplements, Restatements or Other Agreements.

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority or amount of any Claims that may arise in connection therewith.

6. Reservation of Rights.

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

7. Nonoccurrence of Effective Date.

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

8. Rejection Damages Claims Bar Date.

Notwithstanding anything in the Plan to the contrary, any Creditor holding a Rejection Damages Claim must File a Proof of Claim on account of such Claim, and such Proofs of Claim must be Filed with the Bankruptcy Court on or before the Rejection Damages Claims Bar Date. All Rejection Damages Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan. All such Rejection Damages Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII.A and Article VIII.H of the Plan.

E. PROVISIONS GOVERNING DISTRIBUTIONS.

1. Timing and Calculation of Amounts to Be Distributed.

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or, if a Claim is not an Allowed Claim on the Effective Date, on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided therein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII of the Plan. Except as otherwise provided therein, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for therein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

2. Disbursing Agent.

Except as otherwise provided in the Plan, all distributions under the Plan shall be made by the Reorganized Debtors as Distribution Agent or by such other Entity designated by the Reorganized Debtors as a Distribution Agent on the Effective Date. A Distribution Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. In the event that a Distribution Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Distribution Agent.

3. Rights and Powers of Disbursing Agent.

a. Powers of the Disbursing Agent.

The Distribution Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated thereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Distribution Agent to be necessary and proper to implement the provisions thereof.

In addition to the services authorized by any order of the Bankruptcy Court authorizing the retention and employment of BMC Group, Inc. as Notice and Claims Agent for the Debtors, BMC Group, Inc. is authorized and empowered to perform the following services: (a) assist the Debtors and their advisors with the administrative management, reconciliation and resolution of claims; (b) facilitate or perform distributions; and (c) assist the Debtors with all analyses and/or collections of avoidance actions pursuant to chapter 5 of the Bankruptcy Code.

b. Expenses Incurred On or After the Effective Date.

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Distribution Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Distribution Agent shall be paid in Cash by the Reorganized Debtors.

4. Distributions on Account of Claims Allowed After the Effective Date.

a. Payments and Distributions on Disputed Claims.

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be made on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim and shall be deemed to have been made on the Effective Date.

Notwithstanding the foregoing paragraph: (a) Disputed Administrative Claims with respect to liabilities or obligations incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors prior to the Effective Date that become Allowed Administrative Claims after the Effective Date shall be paid or performed (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Allowed Administrative Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Allowed Administrative Claim; and (b) Disputed Priority Tax Claims for which valid Proofs of Claim have been Filed on or before the Priority Tax Claims Bar Date that become Allowed Priority Tax Claims after the Effective Date, unless otherwise agreed, shall be paid in accordance with Article I.C of the Plan.

b. Special Rules for Distributions to Holders of Disputed Claims.

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtors or the Reorganized Debtors, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

5. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

a. Delivery of Distributions in General.

Except as otherwise provided in the Plan, the Reorganized Debtors or the Distribution Agent, as the case may be, shall make distributions to Holders of Allowed Claims at the address for each such Holder as indicated on the Debtors' books and records as of the date of any such distribution; provided, however, that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors and the Distribution Agent; and provided, further, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim Filed by that Holder.

Distributions of any notes, certificates or other instruments, if any, evidencing the obligations of the Reorganized Debtors under the Revolving Credit Facility shall be made to the Revolving Credit Facility Agent for the benefit of the Revolving Credit Facility Lenders, in accordance with the terms in the Plan. Such distributions shall be deemed completed when made to the Revolving Credit Facility Agent, and neither the Debtors nor the Reorganized Debtors shall have any additional or further obligations to make distributions under the Plan to the Revolving Credit Facility Lenders.

Distributions of the New Common Stock shall be made to the Indenture Trustee for the benefit of the Holders of Senior Secured Notes Claims, in accordance with the terms of the Plan. Such distributions shall be deemed completed when made to the Indenture Trustee, and neither the Debtors nor the Reorganized Debtors shall have any additional or further obligations to make distributions under the Plan to the Holders of Senior Secured Notes Claims.

b. Minimum Distributions.

The Reorganized Debtors shall not be required to make partial distributions or payments of fractions of shares of New Common Stock, and such fractions shall be deemed to be zero.

c. Undeliverable Distributions and Unclaimed Property.

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Distribution Agent has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

6. Compliance with Tax Requirements/Allocations.

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including reserving sufficient cash or taking necessary draws under the DIP Facility to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support and other spousal awards, liens and encumbrances.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

7. Setoffs.

The Debtors and the Reorganized Debtors may withhold (but may not set off except as set forth in Article VI.G or as provided by Article VIII.I of the Plan) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims, equity interests, rights, and Causes of Action that the Debtors or the Reorganized Debtors may possess against any such Holder, except as specifically provided in the Plan.

8. Claims Paid or Payable by Third Parties.

a. Claims Paid by Third Parties.

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim

(i.e., from the third party and under the Plan) exceeds the amount of such Claim as of the date of any such distribution under the Plan.

b. Claims Payable by Third Parties.

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

c. Applicability of Insurance Policies.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained in the Plan constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

F. PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS.

1. Prosecution of Objections to Claims.

The Debtors, subject to the reasonable consent of the Requisite Consenting Noteholders, or the Reorganized Debtors, as applicable, shall have the exclusive authority to File, settle, compromise, withdraw or litigate to judgment any objections to Claims, other than Fee Claims, as permitted under the Plan. From and after the Effective Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim without notice to or action, order or approval of the Bankruptcy Court. The Debtors reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law.

2. Procedures Regarding Disputed Claims.

Except as otherwise provided in the Plan (including, without limitation, by Article IV.V and Article V.J of the Plan), Holders of Claims shall not be required to File a Proof of Claim, and no parties should File a Proof of Claim. Instead, the Debtors intend to make distributions, as required by the Plan, in accordance with the books and records of the Debtors; provided that the Debtors and the Reorganized Debtors, as applicable, reserve all rights to object to any Claim for which a Proof of Claim is Filed by the Claims Objection Bar Date.

For the avoidance of doubt, in accordance with by Article IV.V and Article V.J of the Plan: (1) Holders of Rejection Damages Claims must File a Proof of Claim with respect to such Claims by the Rejection Damages Claims Bar Date; and (2) Holders of Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim with respect to such Claims by the Priority Tax Claims Bar Date.

Unless disputed by a Holder of a Claim or otherwise provided in the Plan, the amount set forth in the books and records of the Debtors shall constitute the amount of the Allowed Claim of such Holder. If any such Holder of a Claim disagrees with the Debtors' books and records with respect to the Allowed amount of such Holder's Claim, such Holder must so advise the Debtors in writing, in which event the Claim will become a Disputed Claim. The Debtors intend to attempt to resolve any such disputes consensually or through judicial means outside the Bankruptcy Court. Nevertheless, the Debtors may, in their discretion, File with the Bankruptcy Court (or any other court of competent jurisdiction) an objection to the allowance of any Claim or any other appropriate motion or adversary proceeding with respect thereto, and the Debtors reserve the right to compromise, settle, withdraw or litigate to judgment any objections to Claims for which a Proof of Claim is Filed.

Any Debtor or Reorganized Debtor, as applicable, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of

whether such Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. Each of the aforementioned objection, estimation and resolution procedures are cumulative and are not exclusive of one another.

3. Allowance of Claims and Interests.

Except as expressly provided in the Plan, no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed under the Bankruptcy Code and under the Plan or unless and until the Bankruptcy Court enters a Final Order in the Chapter 11 Cases allowing such Claim under section 502 of the Bankruptcy Code. Except as expressly provided in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), the Reorganized Debtors after the Effective Date will have and retain any and all rights and defenses held by the Debtors with respect to any Claim as of the Petition Date.

4. No Distributions Pending Allowance.

Notwithstanding any other provision in the Plan to the contrary, if any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on account of such Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

5. Distributions After Allowance.

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan, including, without limitation, Article VI.D. The Distribution Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim and shall be deemed to have been made on the Effective Date, without any interest to be paid on account of such Claim.

G. SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS.

1. Discharge of Claims and Termination of Interests.

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release and discharge, effective as of the Effective Date, of all Claims, Interests and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Interests in the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim or Interest based upon such Claim, debt, right or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Interest based upon such Claim, debt, right or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided in the Plan, any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

2. Subordinated Claims.

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal or equitable subordination relating thereto. Subject to the requirements of section 1129(b) of the Bankruptcy Code (as applicable), no Holder of a Section 510(b) Claim shall receive any distribution on account of such Section 510(b) Claim, and all Section 510(b) Claims shall be extinguished.

3. Compromise and Settlement of Claims, Interests and Controversies.

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and Holders of Claims and Interests and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

4. Debtor Release.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE (SUCH THAT THE REORGANIZED DEBTORS WILL NOT RECEIVE ANY CLAIM OR CAUSE OF ACTION RELEASED HEREUNDER), FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, INCLUDING: (1) THE DISCHARGE OF DEBT AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT HERETO; AND (2) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MANAGERS AND ADVISORS IN FACILITATING THE EXPEDITIOUS IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED HEREBY, EACH OF THE DEBTORS DISCHARGE AND RELEASE AND SHALL BE DEEMED TO HAVE PROVIDED A FULL DISCHARGE AND RELEASE TO EACH DEBTOR RELEASEE AND TO EACH THIRD PARTY RELEASEE (AND EACH SUCH DEBTOR RELEASEE AND THIRD PARTY RELEASEE SO RELEASED SHALL BE DEEMED FULLY RELEASED AND DISCHARGED BY THE DEBTORS) AND THEIR RESPECTIVE PROPERTY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, FROM ANY AND ALL CAUSES OF ACTION, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, INCLUDING (1) THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY THIRD PARTY RELEASEE OR DEBTOR RELEASEE, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN AND DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENT OR OTHER DOCUMENTS AND (2) THOSE THAT ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS WOULD HAVE BEEN LEGALLY ENTITLED TO

ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR THAT ANY HOLDER OF A CLAIM OR AN EQUITY INTEREST OR OTHER ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT ON BEHALF OF ANY OF THE DEBTORS OR ANY OF THEIR ESTATES; PROVIDED, THAT THE FOREGOING "DEBTOR RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CAUSES OF ACTION OF ANY DEBTOR: (1) ARISING UNDER THE EXIT FACILITY; OR (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

5. Third Party Release.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, AS SUCH LAW MAY BE EXTENDED OR INTERPRETED SUBSEQUENT TO THE EFFECTIVE DATE, EACH OF THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A THIRD PARTY RELEASEE) SHALL PROVIDE A FULL DISCHARGE AND RELEASE (AND EACH ENTITY SO RELEASED SHALL BE DEEMED RELEASED BY THE RELEASING PARTIES) TO THE THIRD PARTY RELEASEES AND THE DEBTOR RELEASEES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, DEMANDS, RIGHTS, AND CAUSES OF ACTION (OTHER THAN UNIMPAIRED CLAIMS, CLAIMS RELATING TO UNIMPAIRED CLAIMS, AND THE RIGHTS TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS DELIVERED THEREUNDER), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, INCLUDING THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES OR THE PLAN; PROVIDED, HOWEVER, THAT THE FOREGOING "THIRD PARTY RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF ANY RELEASING PARTY: (1) ARISING UNDER THE EXIT FACILITY; OR (2) EXPRESSLY SET FORTH IN AND REINSTATED OR PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING;

AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

6. Exculpation.

The Exculpated Parties shall neither have nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with, or related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Consummation of the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, however, that the foregoing "Exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party shall be entitled to rely upon the reasonable advice of counsel concerning his, her or its duties pursuant to or in connection with the Plan or any other related document, instrument or agreement.

7. Indemnification.

Subject to the occurrence of the Effective Date, the obligations of the Debtors and Reorganized Debtors, as the case may be, to indemnify, defend, reimburse or limit the liability of directors, managers, officers, employees, attorneys, other professionals and agents who were directors, managers, officers, employees, attorneys, other professionals and agents of the Debtors or the Reorganized Debtors, as the case may be, on or after the Petition Date against any claims or causes of action as provided in the certificates of incorporation, bylaws or other organizational documents, each in place as of the Petition Date, or applicable state law, shall survive confirmation of the Plan, remain unaffected thereby and not be discharged, irrespective of whether such indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before or after the Petition Date.

8. Injunction.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES THAT: (1) HAVE BEEN DISCHARGED PURSUANT TO ARTICLE VIIIA OF THE PLAN; (2) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIIL D OF THE PLAN; (3) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIIL E OF THE PLAN; OR (4) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIIL F OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING OR ENFORCING ANY LIEN, CLAIM OR ENCUMBRANCE OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS,

EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES UNLESS SUCH HOLDER HAS FILED A MOTION REQUESTING THE RIGHT TO PERFORM SUCH SETOFF ON OR BEFORE THE CONFIRMATION DATE, AND NOTWITHSTANDING ANY INDICATION IN A PROOF OF CLAIM OR INTEREST OR OTHERWISE THAT SUCH HOLDER ASSERTS, HAS OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO SECTION 553 OF THE BANKRUPTCY CODE OR OTHERWISE; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES RELEASED OR SETTLED PURSUANT TO THE PLAN.

9. Setoffs.

Except as otherwise provided in the Plan, each Reorganized Debtor pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim (other than DIP Facility Claims) or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any Claims, rights and Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such Claims, rights and Causes of Action that such Reorganized Debtor may possess against such Holder.

10. Release of Liens.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

H. ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS.

1. Professional Fee Escrow Account.

On the Effective Date, the Reorganized Debtors shall fund the Professional Fee Escrow Account with Cash equal to the Professional Fee Reserve Amount for all Professionals. The Professional Fee Escrow Account shall be maintained in trust solely for the Professionals with respect to unpaid fees or expenses or for whom fees or expenses have been held back pursuant to the Interim Compensation Order. Such funds shall not be property or be deemed property of the Reorganized Debtors. The Reorganized Debtors shall cause Accrued Professional Compensation to be paid in Cash to such Professionals from the Professional Fee Escrow Account when such Claims are Allowed by a Bankruptcy Court order; provided that the Debtors' or the Reorganized Debtors' liability for Accrued Professional Compensation shall not be limited nor be deemed to be limited to the funds available from the Professional Fee Escrow Account. When all Allowed Fee Claims have been paid in full, amounts remaining in the Professional Fee Escrow Account, if any, shall be paid to the Reorganized Debtors.

2. Professional Fee Reserve Amount.

On or before the Effective Date, the Professionals shall estimate their Accrued Professional Compensation prior to and as of the Confirmation Date and shall deliver such estimate to the Debtors and the Requisite Consenting Noteholders. If a Professional does not provide an estimate, the Reorganized Debtors may estimate the unpaid fees and expenses of such Professional. The total amount so estimated as of the Confirmation Date shall comprise the

Professional Fee Reserve Amount; provided, however, that such estimate shall not be considered an admission or limitation with respect to the fees and expenses of such Professional.

3. Post Confirmation Date Fees and Expenses.

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors or the Reorganized Debtors, as the case may be. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order, or approval of the Bankruptcy Court; provided, however, that counsel to the Ad Hoc Noteholders Committee shall receive notice before any payments being made to Professionals for services rendered or expenses incurred after the Confirmation Date through the Effective Date.

4. Payment of Fees and Expenses of the Ad Hoc Noteholders Committee Professionals.

Notwithstanding any provision in the Plan to the contrary, Debtors or Reorganized Debtors shall promptly pay in Cash in full the Noteholders Professional Fees including the reasonable and documented fees and expenses of Skadden, Arps, Slate, Meagher & Flom LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Noteholders Committee, and the legal counsel and financial advisor of the Indenture Trustee and the Collateral Agent, whether or not the Plan is ultimately consummated. All amounts distributed and paid to the foregoing parties pursuant to the Plan shall not be subject to setoff, recoupment, reduction or allocation of any kind.

I. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN.

1. Conditions Precedent to Confirmation.

It shall be a condition to Confirmation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article X.C of the Plan:

- the Disclosure Statement in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders shall have been approved by the Bankruptcy Court; and
- the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders.

2. Conditions Precedent to Consummation.

It shall be a condition to Consummation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article X.C of the Plan:

- the Confirmation Order (a) shall have become a Final Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and (b) shall include a finding by the Bankruptcy Court that the New Common Stock and Warrants to be issued on the Effective Date will be authorized and exempt from registration under applicable securities laws pursuant to section 1145 of the Bankruptcy Code, and there shall have been no entry of any other Bankruptcy Court order prohibiting any transactions contemplated by the Plan from occurring;
- the Exit Facility Agreement, which shall be in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders, shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof;

- the Plan, including any amendments, modifications, or supplements thereto shall be acceptable to the Debtors and the Requisite Consenting Noteholders;
- the Plan Supplement, including any amendments, modifications, or supplements thereto shall be acceptable to the Debtors and the Requisite Consenting Noteholders;
- all actions, documents, certificates and agreements necessary to implement this Plan shall be in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws;
- the Bankruptcy Court shall have entered the Confirmation Order, which shall authorize the rejection by the Debtors of the Unexpired Leases and Executory Contracts set forth in the Plan Supplement; and
- all conditions precedent in the Restructuring Support Agreement shall have been satisfied or waived in accordance with the terms thereof.

3. Waiver of Conditions.

The conditions to Confirmation of the Plan and to Consummation of the Plan set forth in Article X of the Plan may be waived by the Debtors (with the consent of the Requisite Consenting Noteholders) without notice to or action, approval or order of the Bankruptcy Court.

4. Effective Date.

The Effective Date shall be the first Business Day upon which all of the conditions specified in Article X.B of the Plan have been satisfied or waived.

5. Effect of Non-Occurrence of Conditions to Consummation.

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects, and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by or Claims against or Equity Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders or any other Entity in any respect.

J. MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN.

1. Modification and Amendments.

Except as otherwise specifically provided in the Plan, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan; provided, however, that such modifications shall be acceptable to the Requisite Consenting Noteholders. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend or modify materially the Plan with respect to such Debtor, one or more times, after Confirmation and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; provided, however, that such alterations, amendments, modifications, remedies or reconciliations shall be reasonably acceptable to the Requisite Consenting Noteholders. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XI of the Plan.

2. Effect of Confirmation on Modifications.

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

3. Revocation or Withdrawal of the Plan.

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date, subject to the consent of the Requisite Consenting Noteholders; provided, that such consent shall not be required if the Debtors determine that proceeding with Confirmation of the Plan would be inconsistent with the exercise of their fiduciary duties under applicable law. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor or any other Entity.

K. RETENTION OF JURISDICTION.

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of or related to the Chapter 11 Cases and the Plan including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority, Secured or unsecured status or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount or allowance of Claims or Interests;
2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
3. resolve any matters related to: (a) the assumption, assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including Rejection Damages Claims, Cure Claims pursuant to section 365 of the Bankruptcy Code or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V of the Plan, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired.
4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;
5. adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
6. adjudicate, decide or resolve any and all matters related to Causes of Action;
7. adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;

8. enter and implement such orders as may be necessary or appropriate to execute, implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan or the Disclosure Statement, except as otherwise provided in the Confirmation Order;
9. enter and enforce any order for the sale of property pursuant to sections 363, 1123 or 1146(a) of the Bankruptcy Code;
10. resolve any cases, controversies, suits, disputes or Causes of Action that may arise in connection with the Consummation, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
11. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;
12. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the discharge, releases, injunctions, exculpations and other provisions contained in Article VIII of the Plan and enter such orders as may be necessary or appropriate to implement such releases, injunctions and other provisions;
13. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VI.H.1 of the Plan;
14. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
15. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;
16. adjudicate any and all disputes arising from or relating to distributions under the Plan;
17. consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
18. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;
19. hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents or instruments executed in connection with the Plan;
20. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
21. hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
22. enforce all orders previously entered by the Bankruptcy Court;
23. hear any other matter not inconsistent with the Bankruptcy Code; and
24. enter an order concluding or closing the Chapter 11 Cases.

L. MISCELLANEOUS PROVISIONS.

1. Immediate Binding Effect.

Subject to Article X.B of the Plan and notwithstanding Bankruptcy Rules 3020(e), 6004(h) or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

2. Additional Documents.

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents, which shall be in form and substance acceptable to the Requisite Consenting Noteholders, as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as the Debtors or the Reorganized Debtors, as applicable, may deem necessary or advisable to effectuate the provisions and intent of the Plan.

3. Payment of Statutory Fees.

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

4. Dissolution of Committees.

On the Effective Date, the Creditors' Committee (if any) and any and all other Committees (if any) shall dissolve, and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases.

5. Reservation of Rights.

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

6. Successors and Assigns.

The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries or guardian, if any, of each Entity.

7. Service of Documents.

After the Effective Date, any pleading, notice or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

| Reorganized Debtors | Counsel to the Reorganized Debtors |
|--|---|
| InSight Health Services Holdings Corp. 26250 Enterprise Court, Suite 100 Lake Forest, California 92630 Attn: Legal Department | Kirkland & Ellis LLP 300 North LaSalle Street Chicago, Illinois Attn: James H.M. Sprayregen, P.C.; |

After the Effective Date, the Debtors may, in their sole discretion, notify Entities that, in order to continue to receiving documents pursuant to Bankruptcy Rule 2002, such Entities must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Reorganized Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

8. Term of Injunctions or Stays.

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

9. Entire Agreement.

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

10. Nonseverability of Plan Provisions.

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court or otherwise to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' or Reorganized Debtors' consent and the reasonable consent of the Requisite Consenting Noteholders; and (3) nonseverable and mutually dependent.

11. Conflicts.

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control; provided, however, that if there is a conflict between this Plan and a Plan Supplement document, the Plan Supplement document shall govern and control.

ARTICLE V

SOLICITATION AND VOTING PROCEDURES

The following summarizes briefly the procedures to accept or reject the Plan. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

A. THE SOLICITATION PACKAGE.

The following materials constitute the Solicitation Package:

- the appropriate Ballots or Master Ballots and applicable Voting Instructions;
- a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement with all exhibits, including the Plan, and any other supplements or amendments to these documents.

The voting Class, Class 4, entitled to vote to accept or reject the Plan shall be served by electronic mail or with paper copies of this Disclosure Statement with all exhibits, including the Plan. **Any party who desires additional paper copies of these documents may request copies from the Notice and Claims Agent by writing to BMC Group, Inc., P.O. Box 3020, Chanhassen, MN 55317-3020, or calling (888) 909-0100.** All parties entitled to vote to accept or reject the Plan shall receive by electronic mail, or a paper copy of, each appropriate Ballot or Master Ballot.

The Plan Supplement will be Filed no later than five (5) business days prior to the Confirmation Hearing or such later date as may be approved by the Bankruptcy Court. The Plan Supplement will include the following: (a) to the extent known, the identity of the members of the New Board and the nature and compensation for any member of the New Board who is an “insider” under section 101(31) of the Bankruptcy Code; (b) a list of Executory Contracts and Unexpired Leases to be rejected; (c) a schedule of Causes of Action to be retained by the Reorganized Debtors; (d) the Corporate Governance Documents; (e) the Exit Facility Agreement or a description of the materials terms of the Exit Facility; and (f) the Warrant Agreement. The Debtors, subject to the consent of the Requisite Consenting Noteholders, may subsequently amend, supplement, modify or add additional items to the Plan Supplement, which will also be Filed.

B. VOTING DEADLINE.

The period during which Ballots and Master Ballots with respect to the Plan will be accepted by the Debtors will terminate at 5:00 p.m. (prevailing Eastern Time) on December 27, 2010, unless the Debtors, in their sole discretion, extends the date until which Ballots and Master Ballots will be accepted; provided, that Holders of Claims or Equity Interests who cast a Ballot prior to the time of filing of any of the Debtors’ chapter 11 petitions shall not be entitled to change their vote or cast new Ballots after the Chapter 11 Cases are commenced. Except to the extent the Debtors so determine or as permitted by the Bankruptcy Court, Ballots and Master Ballots that are received after the Voting Deadline will not be counted or otherwise used by the Debtor in connection with the Debtors request for Confirmation of the Plan (or any permitted modification thereof).

The Debtors reserve the absolute right, in consultation with the Requisite Consenting Noteholders, at any time or from time to time, to extend the period of time (on a daily basis, if necessary) during which Ballots and Master Ballots will be accepted for any reason, including determining whether or not the requisite number of acceptances have been received, by making a public announcement of such extension no later than the first Business Day next succeeding the previously announced Voting Deadline. The Debtors will give notice of any such extension in a manner deemed reasonable to the Debtors in its discretion. There can be no assurance that the Debtors will exercise its right to extend the Voting Deadline.

C. VOTING INSTRUCTIONS.

Only the Holders of Allowed Class 4 Senior Secured Notes Claims are entitled to vote to accept or reject the Plan, and they may do so by completing the appropriate Ballots or Master Ballots and returning them by facsimile, electronic mail, or in the envelope provided. The Ballots and Master Ballots will clearly indicate the appropriate return address (or, in the case of the Beneficial Holders of the Debtors’ Senior Secured Notes who hold their position through a nominee (the “Nominee”) and received the Ballots from Nominees, such Beneficial Holders will be instructed to comply with the return instructions provided by the Nominee). It is important to follow the specific instructions provided on each Ballot or Master Ballot. Ballots and Master Ballots should be sent to the Notice and Claims Agent on or before the Voting Deadline as indicated in the chart below.

The Debtors are providing the Solicitation Package to Holders of Senior Secured Notes Claims or Nominees whose names appear as of the Voting Record Date in the records maintained by the Debtors.

The Debtors, have engaged BMC as the Notice and Claims Agent to assist in the balloting and tabulation process. The Notice and Claims Agent will process and tabulate Ballots and Master Ballots for each Class entitled to vote to accept or reject the Plan and will File the Voting Report as soon as practicable after the Petition Date.

The deadline by which the Notice and Claims Agent must receive your Ballot or Master Ballot is 5:00 p.m. (prevailing Eastern Time) on December 27, 2010.

| BALLOTS AND MASTER BALLOTS |
|--|
| <ol style="list-style-type: none">1. Ballots and Master Ballots must be actually received by the Notice and Claims Agent by the Voting Deadline.2. Sign and return the Ballot or Master Ballot by facsimile to (310) 640-8071 or by electronic mail to insightballots@bmcgroup.com.3. Please also send your original, completed Ballot or Master Ballot in the return envelope provided via overnight delivery.4. Ballots to be returned directly to the Notice and Claims Agent may also be sent by First Class Mail, Overnight Courier or Personal Delivery to: BMC Group, Inc., P.O. Box 3020, Chanhassen, MN 55317-3020 <p>If you have any questions on the procedures for voting on the Plan, please call the Notice and Claims Agent at the following telephone number:</p> <p>(888) 909-0100</p> |

Any Ballot or Master Ballot that is properly executed, but which does not clearly indicate an acceptance or rejection of the Plan or which indicates both an acceptance and a rejection of the Plan, shall not be counted.

All Ballots are accompanied by return envelopes. It is important to follow the specific instructions provided on each Ballot.

1. Note to Class 4 Claim Holders.

a. Certification.

By signing and returning a Ballot or Master Ballot, each Holder of a Senior Secured Notes Claim in Class 4 will be certifying to the Bankruptcy Court and the Debtors that, among other things:

- the Holder has received and reviewed a copy of the Disclosure Statement and Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein;
- the Holder is (i) an Accredited Investor, as that term is defined by Rule 501 of Regulation D of the Securities Act; or (ii) that such Holder has sufficient knowledge and experience in

financial business matters so as to be capable of evaluating the merits and risks of participating in the Plan and is capable of bearing the economic risks of such investment, including a complete loss of its investment;

- (i) such Holder and/or legal and financial advisors acting on its behalf has had the opportunity to ask questions of, and receive answers from, the Debtors concerning the terms of the Plan, the businesses of the Debtors and other related matters, (ii) to the best of the Holder's knowledge, the Debtors have made available to such Holder or its agents all documents and information relating to the Plan and related matters reasonably requested by or on behalf of such Holder and (iii) except for information provided by the Debtors in the Disclosure Statement and the Plan, such Holder has not relied on any statements made or other information received from any person with respect to the Plan; and (iv) acknowledging that the New Common Stock being offered pursuant to the Plan is not being offered pursuant to a registration statement filed with the SEC and representing that any such securities will be acquired for its own account and not with a view to any distribution of such securities in violation of the Securities Act;
- the Holder has cast the same vote with respect to all Claims in Class 4; and
- no other Ballots or Master Ballots with respect to the same Claim have been cast, or, if any other Ballots or Master Ballots have been cast with respect to such Claim, then any such Ballots or Master Ballots are thereby revoked.

b. Beneficial Holders.

A Beneficial Holder holding Senior Secured Notes Claims as a record Holder in its own name or who has directly received a Ballot from the Notice and Claims Agent should vote on the Plan by completing and signing the enclosed applicable Ballot and returning it directly to the Notice and Claims Agent on or before the Voting Deadline using the enclosed self-addressed, post pre-paid return envelope.

Any Beneficial Holder holding Senior Secured Notes Claims in a "street name" through a Nominee and who has not directly received the Ballot from the Notice and Claims Agent may vote on the Plan by one of the following two methods (as selected by such Beneficial Holder's Nominee):

- Complete and sign the enclosed Beneficial Holder Ballot. Return the Ballot to the Nominee as promptly as possible and in sufficient time to allow such Nominee to process the Ballot and return it to BMC on a Master Ballot by the Voting Deadline. If no self-addressed, postage pre-paid envelope was enclosed for this purpose, the Nominee must be contacted for instructions.
- Complete and sign the pre-validated Ballot (as described below) provided to the Holder by the Nominee. The Holder will then return the pre-validated Ballot to BMC by the Voting Deadline using the enclosed self-addressed, postage pre-paid envelope.

Any Ballot returned to a Nominee by a Beneficial Holder described in this section will not be counted for purposes of acceptance or rejection of the Plan until such Nominee properly completes and delivers to BMC that Ballot (properly validated) or a Master Ballot that reflects the vote of such Beneficial Holder.

If any Beneficial Holder owns Senior Secured Notes through more than one Nominee, such Beneficial Holder should execute a separate Ballot for those Senior Secured Notes Claims held through any one Nominee, unless otherwise approved by the Debtors. Each such separate Ballot must indicate the name of the particular Nominee through which Senior Secured Notes Claims being voted by that Ballot are held, the amount of Senior Secured Notes Claims held through such Nominee and be returned to the Notice and Claims Agent. The Notice and Claims Agent may validate the Ballot with the Nominee and by returning an executed Ballot, the Beneficial Holder directs the Nominee to provide any information requested to make such validation.

c. Nominees.

A Nominee that on the Voting Record Date is the registered Holder of Senior Secured Notes Claims for a Beneficial Holder should obtain the vote of such Beneficial Holder of such Senior Secured Notes unless the Notice and Claims Agent distributes the Ballot for any such Holder directly to such Holder.

(i) Pre-validated Ballots.

A Nominee may pre-validate a Ballot by: (a) signing the Ballot; (b) indicating on the Ballot the name of the registered Holder and the amount of Senior Secured Notes Claims held by the Nominee; and (c) forwarding such Ballot together with the Solicitation Package and other materials requested to be forwarded, to such Beneficial Holder for voting. The Beneficial Holder must then review and complete the information requested in the Ballot, and return the Ballot directly to BMC in the pre-addressed, postage pre-paid envelope so that it is received by BMC before the Voting Deadline. A list of the Beneficial Holders to whom “pre-validated” Ballots were delivered should be maintained by the Nominee for inspection for at least one year from the Voting Deadline.

(ii) Master Ballots.

A Nominee may obtain the votes of Beneficial Holders by forwarding to the Beneficial Holders the unsigned Ballots, together with the Disclosure Statement, a return envelope provided by, and addressed to, the Nominee, and other materials requested to be forwarded. Each such Beneficial Holder must then indicate its vote on the Ballot, review and complete the information requested in the Ballot, execute the Ballot, and return the Ballot to the Nominee. After collecting the Ballots, the Nominee should, in turn, complete a Master Ballot compiling the votes and other information from the Ballot, execute the Master Ballot, and deliver the Master Ballot to BMC so that it is received by BMC before the Voting Deadline. All Ballots returned by Beneficial Holders should either be forwarded to BMC (along with the Master Ballot) or be retained by Nominees for inspection for at least one year from the Voting Deadline.

Each Nominee should advise its Beneficial Holders to return their Ballots to the Nominee by a date calculated by the Nominee to allow it to prepare and return the Master Ballot to BMC so that it is received by BMC before the Voting Deadline.

D. VOTING TABULATION.

The Ballot and/or Master Ballot does not constitute, and shall not be deemed to be, a Proof of Claim or an assertion or admission of a Claim or Equity Interest. Only Holders of Claims in the voting Class shall be entitled to vote with regard to such Claims.

Unless the Debtors decide otherwise, Ballots and Master Ballots received after the Voting Deadline may not be counted. Except as otherwise provided in the Solicitation Procedures, a Ballot or Master Ballot will be deemed delivered only when the Notice and Claims Agent actually receives the original executed Ballot or Master Ballot actually receives the executed Ballot or Master Ballot by facsimile or electronic mail as instructed in the Voting Instructions. No Ballot or Master Ballot should be sent to the Debtors, the Debtors’ agents (other than the Notice and Claims Agent) or the Debtors’ financial or legal advisors. The Debtors expressly reserve the right to amend from time to time the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Plan regarding modifications). The Bankruptcy Code may require the Debtors to disseminate additional solicitation materials if the Debtors make material changes to the terms of the Plan or if the Debtors waive a material condition to Plan Confirmation. In that event, the solicitation will be extended to the extent directed by the Bankruptcy Court. To the extent there are multiple Senior Secured Notes Claims within Class 4, the Debtors may, in their discretion, and to the extent possible, aggregate the Senior Secured Notes Claims of any particular Holder within Class 4 for the purpose of counting votes.

In the event a designation of lack of good faith is requested by a party in interest under section 1126(e) of the Bankruptcy Code, the Bankruptcy Court will determine whether any vote to accept and/or reject the Plan cast with respect to that Claim will be counted for purposes of determining whether the Plan has been accepted and/or rejected.

The Debtors will File with the Bankruptcy Court as soon as practicable after the Petition Date, the Voting Report prepared by the Notice and Claims Agent. The Voting Report shall, among other things, delineate every Ballot or Master Ballot that does not conform to the Voting Instructions or that contains any form of irregularity (each an “Irregular Ballot”) including, but not limited to, those Ballots or Master Ballots that are late or (in whole or in material part) illegible, unidentifiable, lacking signatures or lacking necessary information, or damaged. The Notice and Claims Agent will attempt to reconcile the amount of any Class 4 Senior Secured Notes Claim reported on a Ballot or Master Ballot with the records of the applicable Nominee, if applicable, or in the alternative with the Debtors’ records, but in the event such amount cannot be timely reconciled without undue effort on the part of the Notice and Claims Agent, the amount shown in the records of the Nominee, if applicable, or the Debtors’ records shall govern. The Voting Report also shall indicate the Debtors’ intentions with regard to such Irregular Ballots. Neither the Debtors nor any other Person or Entity will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots or Master Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification.

ARTICLE VI

FINANCIAL PROJECTIONS

A. DESCRIPTION REGARDING THE FINANCIAL PROJECTIONS.

As a condition to plan confirmation, the Bankruptcy Code requires, among other things, the Bankruptcy Court to find that Confirmation is not likely to be followed by either a liquidation or the need to further reorganize the debtor. In connection with developing the Plan, and for purposes of determining whether the Plan satisfies feasibility standards, the Debtors’ management has, through the development of certain financial projections as attached hereto as **Exhibit C** (the “Projections”), analyzed the Reorganized Debtors’ ability to meet their obligations under the Plan and to maintain sufficient liquidity and capital resources to conduct their businesses. The Projections will also assist each Holder of a Senior Secured Notes Claim in determining whether to accept or reject the Plan.

The Debtors believe the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Reorganized Debtors. In general, as illustrated by the Projections, the Debtors believe that with a significantly de-leveraged capital structure, the Reorganized Debtors will be viable. The Debtors believe that the Reorganized Debtors will have sufficient liquidity to fund obligations as they arise, thereby maintaining value. Accordingly, the Debtors believe the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. The Debtors prepared the Projections in good faith, based upon estimates and assumptions made by the Debtors’ management.

The estimates and assumptions in the Projections, while considered reasonable by management, may not be realized, and are inherently subject to uncertainties and contingencies. They also are based on factors such as industry performance, general business, economic, competitive, regulatory, market and financial conditions, all of which are difficult to predict and generally beyond the Debtors’ control. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, the Debtors expect that the actual and projected results will differ and the actual results may be materially greater or less than those contained in the Projections. No representations can be made as to the accuracy of the Projections or the Reorganized Debtors’ ability to achieve the projected results. Therefore, the Projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. The inclusion of the Projections herein should not be regarded as an indication that the Debtors considered or consider the Projections to reliably predict future performance. The Projections are subjective in many respects, and thus are susceptible to interpretations and periodic revisions based on actual experience and recent developments. The Debtors do not intend to update or otherwise revise the Projections to reflect the occurrence of future events, even in the event that assumptions underlying the Projections are not borne out. The Projections should be read in conjunction with the assumptions and qualifications set forth herein.

The Debtors did not prepare the Projections with a view towards complying with the guidelines for prospective financial statements published by the American Institute of Certified Public Accountants. The Debtors’ independent auditor has neither compiled nor examined the accompanying prospective financial

information to determine the reasonableness thereof and, accordingly, has not expressed an opinion or any other form of assurance with respect thereto.

Neither the Debtors nor the Reorganized Debtors intend to, and each disclaims any obligation to: (a) furnish updated projections to Holders of Allowed Claims prior to the Effective Date or to Holders of New Common Stock or Warrants, or to any other party after the Effective Date; (b) include any such updated information in any documents that may be required to be filed with the SEC; or (c) otherwise make such updated information publicly available. The Debtors' historical financial filings are available free of charge at the Debtors' website, http://www.insighthealth.com/Corporate_Releases.asp. A copy of the Debtors' most recent annual report is attached hereto as Exhibit E. Additionally, a copy of the Debtors' most recent quarterly report is attached hereto as Exhibit G.

The Debtors periodically issue press releases reporting financial results and Holders of Claims and Equity Interests are urged to review any such press releases when, and as, issued.

The Debtors prepared the Projections based on, among other things, the anticipated future financial condition and results of operations of the Reorganized Debtors.

Although the forecasts represent the best estimates of the Debtors, for which the Debtors believe they have a reasonable basis as of the date hereof, of the results of operations and financial position of the Debtors after giving effect to the reorganization contemplated under the Plan, they are only estimates and actual results may vary considerably from forecasts. Consequently, the inclusion of the forecast information herein should not be regarded as a representation by the Debtors, the Debtors' advisors or any other person that the forecast results will be achieved.

While, after the Effective Date, the Debtors do not intend to update or otherwise revise the Projections to reflect circumstances existing since their preparation in December 2010, or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error.

The Projections were not prepared with a view toward general use, but rather for the limited purpose of providing information in conjunction with the Plan. Also they have been presented in lieu of pro forma historical financial information. Reference should be made to Article IX, entitled "Plan Related Risk Factors And Alternatives To Confirming And Consummating The Plan" for a discussion of the risks related to the Plan.

The Projections assume that the Plan will be consummated in accordance with its terms and that all transactions contemplated by the Plan will be consummated by the assumed Effective Date. Any significant delay in the assumed Effective Date of the Plan may have a significant negative impact on the operations and financial performance of the Debtors including, but not limited to, an increased risk of inability to meet sales forecasts and higher reorganization expenses.

ARTICLE VII

CONFIRMATION PROCEDURES

A. THE CONFIRMATION HEARING.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold the Confirmation Hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan. On or about the Petition Date, the Debtors will promptly seek an order of the Bankruptcy Court scheduling a hearing to consider the approval of the prepetition procedures for the Solicitation, including this Disclosure Statement and Confirmation of the Plan. Notice of the Confirmation Hearing will be provided in the manner prescribed by the Bankruptcy Court, and will also be available at Debtors' Notice and Claims Agent's website, www.bmcgroup.com/insight. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

B. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN.

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter the Confirmation Order. The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as Plan proponents, will have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the case, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) subject to the approval of the Bankruptcy Court as reasonable if it is to be fixed after the Confirmation of the Plan.
- Either each Holder of an Impaired Claim or Equity Interest has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that the Holder would receive or retain if the Debtors were liquidated on that date under Chapter 7 of the Bankruptcy Code.
- Each Class of Claims and Equity Interests that is entitled to vote on the Plan has either accepted the Plan or is not Impaired under the Plan, or the Plan can be confirmed without the approval of each voting Class pursuant to section 1129(b) of the Bankruptcy Code.
- Except to the extent that the Holder of a particular Claim will agree to a different treatment of its Claim, the Plan provides that Administrative Claims, Priority Tax Claims and the Revolving Credit Facility Claims (to the extent any such Claims have not been indefeasibly repaid in full in Cash from the proceeds of the DIP Facility prior to the Effective Date) will be paid in full on the Effective Date, or as soon as reasonably practicable thereafter.
- At least one Class of Impaired Claims and Equity Interests will accept the Plan, determined without including any acceptance of the Plan by any insider holding a Claim or Equity Interest of that Class.
- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto under the Plan unless such a liquidation or reorganization is proposed in the Plan.
- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

The Debtors believe that: (1) the Plan satisfies or will satisfy all of the statutory requirements of Chapter 11 of the Bankruptcy Code; (2) it has complied or will have complied with all of the requirements of Chapter 11; and (3) the Plan has been proposed in good faith.

1. Best Interests of Creditors Test/Liquidation Analysis.

Under the Bankruptcy Code, Confirmation of a plan also requires a finding that the plan is in the “best interests” of creditors. Under the “best interests” test, the Bankruptcy Court must find (subject to certain exceptions) that the Plan provides, with respect to each Impaired Class, that each Holder of an Allowed Claim or Interest in such Impaired Class has accepted the Plan, or will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

The analysis under the “best interests” test requires that the Bankruptcy Court determine what Holders of Allowed Claims and Interests in each Impaired Class would receive if the Chapter 11 Cases were converted to liquidation cases under Chapter 7 of the Bankruptcy Code, and the Bankruptcy Court appointed a Chapter 7 trustee to liquidate all of the assets into Cash. The Debtors’ “liquidation value” would consist primarily of unencumbered and unrestricted Cash held by the Debtors at the time of the conversion to Chapter 7 cases, and the proceeds resulting from the Chapter 7 trustee’s sale of the Debtors’ remaining unencumbered assets. The gross Cash available for distribution would be reduced by the costs and expenses incurred in effectuating the Chapter 7 liquidation and any additional Administrative Claims incurred during the Chapter 7 cases.

The Bankruptcy Court then must compare the value of the distributions from the proceeds of the hypothetical Chapter 7 liquidation of the Debtors (after subtracting the Chapter 7-specific claims and administrative costs) with the value to be distributed to the Holders of Allowed Claims and Interests under the Plan. It is possible that in a Chapter 7 liquidation, Claims and Interests may not be classified in the same manner as set forth in the Plan. In a hypothetical Chapter 7 liquidation of the Debtors’ assets, the rule of absolute priority of distribution would apply, i.e., no junior creditor would receive any distribution until payment in full of all senior creditors, and no Holder of an Interest would receive any distribution until all creditors have been paid in full. Further, in Chapter 7 cases, creditors and interest holders of a debtor are paid from available assets generally in the following order: (a) Holders of Secured Claims (to the extent of the value of their collateral); (b) Holder of priority Claims; (c) Holders of unsecured Claims; (d) Holders of Claims expressly subordinated by its terms or Bankruptcy Court order; and (e) Holders of Equity Interests.

Of the foregoing groups of Claims, the Other Priority Claims, Other Secured Claims, Revolving Credit Facility Claims, General Unsecured Claims, Administrative Claims, Intercompany Claims and Intercompany Interests are either unclassified or “Unimpaired” under the Plan, meaning that the Plan generally leaves their legal, equitable and contractual rights unaltered. As a result, Holders of such Claims and Interests are deemed to accept the Plan. Senior Secured Notes Claims are “Impaired” under the Plan and are entitled to vote on the Plan. The Section 510(b) Claims and Equity Interests in InSight Health Services Holding Corp. are to receive no distribution on account of their Claims or Interests under the Plan and, therefore, are deemed to reject the Plan. Because the Bankruptcy Code requires that impaired creditors either accept the Plan or receive at least as much under the Plan as they would in a hypothetical Chapter 7 liquidation, the operative “best interests” inquiry in the context of the Plan is whether in a Chapter 7 liquidation, after accounting for recoveries by Secured, Administrative and Priority creditors, the impaired creditors and interest holders will receive more or less than under the Plan. If the probable distribution to impaired creditors and interest holders under a hypothetical Chapter 7 liquidation is greater than the distributions to be received by such Holders under the Plan, then the Plan is not in the best interests of impaired creditors and interest holders.

As described in more detail in the liquidation analysis set forth in Exhibit D hereto (the “Liquidation Analysis”), the Debtors believe that the value of any distributions in a Chapter 7 case would be less than the value of distributions under the Plan. In particular, proceeds received in a Chapter 7 liquidation are likely to be significantly discounted due to the distressed nature of the sale, and the fees and expenses of a Chapter 7 trustee would likely further reduce Cash available for distribution. Additionally, prior to the date hereof, in connection with discussions with their major creditor constituents regarding a comprehensive debt restructuring, the Debtors, in conjunction with their advisors, prepared an analysis using customary valuation methodologies that demonstrated a framework for the distribution of value among the Debtors’ stakeholders. The Debtors’ analysis was prepared, in part, by using the Debtors’ post-emergence operating performance projections, estimated discounted expected future cash flows and estimated enterprise value multiples. As reflected in Article I.C hereof, the Debtors believe that the value of any distributions if the Chapter 11 Cases were converted to cases under Chapter 7 of the Bankruptcy Code would not be greater than the value of distributions under the Plan. The Debtors and their advisors will establish the appropriate evidentiary record regarding valuation should it be necessary in connection with Confirmation of the Plan.

2. Feasibility.

Section 1129(a)(11) of the Bankruptcy Code requires the Bankruptcy Court to find, as a condition to Confirmation, that Confirmation is not likely to be followed by the debtor’s liquidation or the need for further financial reorganization, unless that liquidation or reorganization is contemplated by the Plan. The Plan contemplates a Plan in which virtually all creditors (other than Holders of the Senior Secured Notes)

will be paid in full, and the Reorganized Debtors' balance sheet will be substantially de-leveraged. In addition, the Plan also contemplates that the DIP Credit Agreement Claims will be paid in full in Cash with the proceeds of the Exit Facility or converted into obligations of the Debtors under the Exit Facility on a dollar for dollar basis. Therefore, sufficient funds will exist to make all payments required by the Plan. The Debtors' overall enterprise value will accrue directly to stakeholders of the Reorganized Debtors. For these reasons, the Debtors believe that the Plan satisfies the financial feasibility requirements of section 1129(a)(11).

3. Acceptance by Impaired Classes.

The Bankruptcy Code requires, as a condition to Confirmation, that except as described in the following section, each Class of Claims and Equity Interests that is impaired under the Plan accept the Plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such Class is not required. A class is "impaired" unless the plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or Equity Interest entitles the Holder of that claim or Equity Interest; (b) cures any default and reinstates the original terms of the obligation; or (c) provides that, on the consummation date, the Holder of the claim or Equity Interest receives cash equal to the allowed amount of that claim or, with respect to any interest, any fixed liquidation preference to which the Equity Interest Holder is entitled or any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by Holders of at least two thirds in dollar amount and more than one half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance. Under section 1126(d) of the Bankruptcy Code, a class of Equity Interests has accepted the plan if Holders of such Equity Interests holding at least two thirds in amount actually voting have voted to accept the plan.

The Claims and Interests in Classes 1, 2, 3, 5 and 6 are not Impaired under the Plan, and as a result the Holders of such Claims and Interests are deemed to have accepted the Plan.

Senior Secured Notes Claims in Class 4 are Impaired under the Plan. The voting Class will have accepted the Plan if the Plan is accepted by at least two thirds in amount and a majority in number of the Claims and Equity Interests of such Classes (other than any Claims of Creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

The members of Classes 8 and 9 will not receive a distribution on account of their Claims or Interests under the Plan and are deemed to reject the Plan and are not entitled to vote on the Plan.

4. Confirmation Without Acceptance by All Impaired Classes.

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if all Impaired Classes entitled to vote on the plan have not accepted it, provided that the plan has been accepted by at least one Impaired Class.

Section 1129(b) of the Bankruptcy Code states that, notwithstanding an impaired class's failure to accept a plan, the plan shall be confirmed, at the plan proponent's request, in a procedure commonly known as "cram down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims and equity interests that is impaired under, and has not accepted, the plan.

In general, a plan does not discriminate unfairly if it treats a class substantially equivalent to the treatment of other classes of equal rank. Courts will take into account a number of factors in determining whether a plan discriminates unfairly, including whether the discrimination has a reasonable basis, whether the debtor can carry out a plan without such discrimination, whether such discrimination is proposed in good faith, and the treatment of the class discriminated against. Courts have also held that it is appropriate to classify unsecured creditors separately if the differences in classification are in the best interest of the creditors, foster reorganization efforts, do not violate the absolute priority rule, and do not needlessly increase the number of classes.

The condition that a plan be “fair and equitable” to a non-accepting Class of Secured Claims includes the requirements that: (a) the Holders of such Secured Claims retain the liens securing such Claims to the extent of the Allowed amount of the Claims, whether the property subject to the liens is retained by the debtors or transferred to another entity under the plan; and (b) each Holder of a Secured Claim in the Class receives deferred Cash payments totaling at least the Allowed amount of such Claim with a present value, as of the Effective Date of the Plan, at least equivalent to the value of the Secured Claimant’s interest in the Debtor’s property subject to the liens.

The condition that a plan be “fair and equitable” with respect to a non-accepting Class of unsecured Claims includes the requirement that either: (a) the plan provides that each Holder of a Claim of such Class receive or retain on account of such Claim property of a value, as of the Effective Date of the plan, equal to the allowed amount of such Claim; or (b) the Holder of any Claim or Interest that is junior to the Claims of such Class will not receive or retain under the plan on account of such junior Claim or Interest any property.

The condition that a plan be “fair and equitable” to a non-accepting Class of Equity Interests includes the requirements that either: (a) the plan provides that each Holder of an Equity Interest in that Class receives or retains under the plan, on account of that Equity Interest, property of a value, as of the Effective Date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such Holder is entitled, (ii) any fixed redemption price to which such Holder is entitled or (iii) the value of such interest; or (b) if the Class does not receive such an amount as required under (a), no Class of Equity Interests junior to the non-accepting Class may receive a distribution under the plan.

The Plan provides that if any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the “cram down” provisions of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right, subject to the terms of the Plan, to alter, amend, modify, revoke or withdraw the Plan or any exhibit or schedule to the Plan, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

The Debtors submit that if the Debtors “cram down” the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not “discriminate unfairly” and satisfies the “fair and equitable” requirement.

C. RISK FACTORS.

Prior to deciding whether and how to vote on the Plan, each Holder of a Class 4 Claim should consider carefully all of the information in this Disclosure Statement, and should particularly consider the Risk Factors described in Article IX, entitled “Plan Related Risk Factors And Alternatives To Confirming And Consummating The Plan.”

D. IDENTITY OF PERSONS TO CONTACT FOR MORE INFORMATION.

Any interested party desiring further information about the Plan should contact: Counsel for the Debtors: Ryan B. Bennett and Paul Wierbicki, Kirkland & Ellis LLP, 300 North LaSalle Street, Chicago, Illinois 60654 or by phone at (312) 862-2000.

E. DISCLAIMER.

In formulating the Plan, the Debtors have relied on financial data derived from their books and records. The Debtors, therefore, represents that everything stated in this Disclosure Statement is true to the best of their knowledge. The Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Moreover, the Bankruptcy Court has not yet determined whether the Plan is confirmable and, therefore, does not recommend whether you should accept or reject the Plan.

The discussion in this Disclosure Statement regarding the Debtors may contain “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking

terminology such as “may,” “expect,” “anticipate,” “estimate,” or “continue” or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analyses, distribution projections and other information are estimates only, and the timing and amount of actual distributions to creditors may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

Nothing contained in this Disclosure Statement is, or shall be deemed to be, an admission or statement against interest by the Debtors for purposes of any pending or future litigation matter or proceeding.

Although the attorneys, accountants, advisors and other professionals employed by the Debtors have assisted in preparing this Disclosure Statement based upon factual information and assumptions respecting financial, business and accounting data found in the books and records of the Debtors, they have not independently verified such information and make no representations as to the accuracy thereof. The attorneys, accountants, advisors and other professionals employed by the Debtors shall have no liability for the information in this Disclosure Statement.

The Debtors and their professionals also have made a diligent effort to identify in this Disclosure Statement pending litigation Claims and projected objections to Claims. However, no reliance should be placed on the fact that a particular litigation Claim or projected objection to Claim is, or is not, identified in this Disclosure Statement.

ARTICLE VIII

IMPLEMENTATION OF THE PLAN AND POSTPETITION GOVERNANCE OF REORGANIZED DEBTORS

A. BOARD OF DIRECTORS AND MANAGEMENT.

1. Reorganized Debtors’ Board of Directors.

On the Effective Date, the New Board of the Reorganized Debtors shall take office. The Debtors will disclose the identities of the individuals comprising the New Board, to the extent known, in an exhibit to the Plan Supplement. Each such director shall serve from and after the Effective Date pursuant to applicable law and the terms of the New By-Laws and the Stockholders Agreement. Unless otherwise indicated in the Plan Supplement, the term of each member of the existing board of directors of InSight Health Services Holdings Corp. will be deemed to have automatically expired on and as of the Effective Date.

2. The Reorganized Debtors’ Officers.

The Debtors will disclose the identities of the individuals comprising the officers of the Reorganized Debtors prior to the Effective Date.

B. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Reorganized Debtors’ articles of incorporation or formation, as applicable, will authorize the Reorganized Debtors to indemnify and exculpate their respective officers, directors or managers and agents to the fullest extent permitted under the applicable state law.

C. MANAGEMENT EQUITY PLAN.

The Plan provides for a post-Effective Date Management Equity Plan, the terms of which plan and the amount of New Common Stock to be issued thereunder, if any, shall be determined and implemented on or as soon as reasonably practicable after the Effective Date by the New Board or any compensation committee thereof in its discretion. Up to eight percent of New Common Stock shall be reserved for the post-Effective Date Management Equity Plan.

D. EXIT FINANCING ARRANGEMENTS.

On or prior to the Effective Date, the Debtors will enter into the Exit Facility Agreement.

1. Exit Facility Agreement.

To the extent the Debtors enter into the Exit Facility, Confirmation shall be deemed approval of the Exit Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facility and authorization for the Reorganized Debtors to enter into and execute the Exit Facility Agreement and such other documents as may be required or appropriate to effectuate the treatment afforded to such lenders pursuant to the Exit Facility Agreement, the terms, conditions and covenants shall be acceptable to the Requisite Consenting Noteholders. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs. To the extent Revolving Credit Facility Claims are not refinanced by the DIP Revolving Credit Facility as of the Effective Date, Revolving Credit Facility Claims shall be paid in full in Cash with the proceeds of the Exit Facility.

Upon the satisfaction or waiver of the conditions precedent to effectiveness set forth in the Exit Facility Agreement, DIP Revolving Credit Facility and the Revolving Credit Facility shall be refinanced and the Revolving Credit Agreement and the DIP Credit Agreement shall be deemed to have been terminated and extinguished. Notwithstanding the foregoing, all obligations of the Debtors to the DIP Revolving Credit Facility Agent and the DIP Revolving Credit Facility Lenders under the DIP Credit Agreement which are expressly stated in the DIP Credit Agreement as surviving such agreement's termination shall, as so specified, survive without prejudice and remain in full force and effect. For purposes of any Trade Intercreditor Agreement, the Exit Facility shall be deemed an amendment, modification or refinancing of the Revolving Credit Facility.

Upon the date the Exit Facility Agreement becomes effective, (1) the Debtors and the Reorganized Debtors are authorized to execute and deliver the Exit Facility Agreement and perform their obligations thereunder including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages or indemnities, (2) the Exit Facility Documents shall constitute the legal, valid and binding obligations of the Reorganized Debtors which are parties thereto, enforceable in accordance with their respective terms and (3) no obligation, payment, transfer or grant of security under the Exit Facility Documents shall be stayed, restrained, voidable or recoverable under the Bankruptcy Code or under any applicable law or subject to any defense, reduction, recoupment, setoff or counterclaim.

The Debtors and the Reorganized Debtors, as applicable, and any other Entities granting any Liens and security interests to secure the obligations under the Exit Facility Documents are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary or desirable to establish and further evidence perfection of such liens and security interests under the provisions of any applicable federal, state, provincial or other law (whether domestic or foreign) (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order and any such filings, recordings, approvals and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such liens and security interests to third parties.

ARTICLE IX

PLAN RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMING AND CONSUMMATING THE PLAN

Prior to voting to accept or reject the Plan, all Impaired Holders of Claims should read and carefully consider the factors set forth below, as well as all other information set forth or otherwise referenced in this Disclosure Statement.

A. GENERAL.

The following provides a summary of various important considerations and risk factors associated with the Plan. However, it is not exhaustive. In considering whether to vote for or against the Plan, Holders of Claims entitled to vote should read and carefully consider the factors set forth below, as well as all other information set

forth or otherwise referenced or incorporated by reference in this Disclosure Statement, including the various risks and other factors described in the Debtors' various SEC filings, all of which are incorporated herein.

B. CERTAIN BANKRUPTCY LAW CONSIDERATIONS.

1. Parties in Interest May Object to Debtors' Classification of Claims and Interests.

Section 1122 of the Bankruptcy Code provides that a plan may place a class or an interest in a particular class only if such claim or interest is substantially similar to the other claims and interests in such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created nine Classes of Claims and Interests, each encompassing Claims or Interests that are substantially similar to the other Claims or Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. Failure to Satisfy Vote Requirement.

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. If the Plan does not receive the required support from the one voting Class, the Debtors may elect not to File the Chapter 11 Cases or to amend the Plan.

3. The Debtors May Not Be Able to Obtain Confirmation or Consummation of the Plan.

The Debtors cannot ensure that they will receive the requisite acceptances to confirm the Plan. Even if the Debtors receive the requisite acceptances, the Debtors cannot ensure that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or Interest Holder might challenge the adequacy of this Disclosure Statement or the Solicitation Procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that this Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for Confirmation had not been met. As discussed in further detail above in Article VII.B.4, section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan of reorganization and requires, among other things: a finding by a bankruptcy court that the plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; Confirmation is not likely to be followed by a liquidation or a need for further financial reorganization; and the value of distributions to non-accepting Holders of claims and interests within a particular class under the plan will not be less than the value of distributions such Holders would receive if the debtors were liquidated under Chapter 7 of the Bankruptcy Code. While the Debtors believe that the Plan complies with section 1129 of the Bankruptcy Code, there can be no assurance that these requirements will be met.

The Confirmation of the Plan is also subject to certain conditions as described in Article X of the Plan. If the Plan is not confirmed, it is unclear what distributions Holders of Claims and Interests ultimately would receive with respect to their Claims and Interests.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms of the Plan as necessary for Confirmation. Any such modification could result in a less favorable treatment of any non-accepting Class or Classes, as well as of any Classes junior to such non-accepting Classes, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

4. The Debtors May Object to the Amount or Classification of a Claim.

Except as otherwise provided in the Plan and the final DIP financing order, the Debtors reserve the right to object to the amount or classification of any Claim or Interest deemed Allowed under the Plan other than the Allowed amount of the Senior Secured Notes Claims. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim or Interest may not receive its specified share of the estimated distributions described in this Disclosure Statement.

5. Risk of Non-Occurrence of the Effective Date.

Although the Debtors believe that the Effective Date will occur very quickly after the Confirmation Date, there can be no assurance as to such timing.

6. Substantive Consolidation Risks.

The Plan is premised upon substantively consolidating certain of the Debtors as set forth in Article IV of the Plan for purposes associated with confirming and consummating the Plan, including but not limited to voting, Confirmation, distribution and streamlining the Debtors' corporate structure to more properly reflect their operations. The Debtors can provide no assurance, however, that: (a) the Bankruptcy Court will enter an order granting the Debtors' motion for substantive consolidation contemplated by the Plan; or (b) the Bankruptcy Court will overrule any objection that a party in interest might have to such substantive consolidation.

7. Contingencies Not to Affect Votes of Impaired Classes to Accept the Plan.

The distributions available to Holders of Allowed Claims and Interests under the Plan can be affected by a variety of contingencies, including, without limitation, whether or not the Debtors are consolidated and whether the Bankruptcy Court orders certain Claims to be subordinated to other Claims. The occurrence of any and all such contingencies which could affect distributions available to Holders of Allowed Claims and Interests under the Plan, however, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

8. Risk of Not Obtaining Exit Financing.

The Plan is contemplates the Debtors obtaining the Exit Facility. The Debtors have not yet received a commitment with respect to the Exit Facility and there can be no assurance that the Debtors will be able to obtain the Exit Facility.

C. FINANCIAL INFORMATION; DISCLAIMER.

Although the Debtors have used their reasonable best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, some of the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement. While the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies.

D. FACTORS AFFECTING THE COMPANY.

The Debtors are exposed to various factors and risks which include but are not limited to the following. Holders should carefully consider the risk factors set forth below, as well as the risk factors found in the Part 1A of the Debtors' Annual Report on Form 10-K for the fiscal year ended June 30, 2010 and Part 1A of the Debtors' Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010.

1. Business-Related Risks.

a. Initiatives to Enhance Revenues and Reduce Costs.

The Debtors implemented steps to improve their financial performance, including, adopting a core market strategy, optimizing their mobile route, converting mobile to fixed sites, as well as various operations and cash flow initiatives in response to losses. The Debtors have focused on implementing, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives. Revenue enhancement initiatives have and will continue to focus on the Debtors sales and marketing efforts to maintain or improve their procedural volume and contractual rates, and their solutions initiative. Receivables and collections management initiatives have and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and Claim information when a procedure is scheduled or completed.

Cost reduction initiatives have and will continue to focus on streamlining the Debtors' organizational structure and expenses including enhancing and leveraging their technology to create greater efficiencies, and leveraging relationships with strategic vendors. While the Debtors have experienced some improvements through their receivables and collections management and cost reduction initiatives, benefits from their revenue enhancement initiatives have yet to materialize and their revenues have continued to decline. Moreover, future revenue enhancement initiatives may face significant challenges because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the effects of the country's recession, including higher unemployment. The Debtors can give no assurance that these steps taken will be adequate to improve their financial performance.

b. High Fixed Operating Expenses.

A high percentage of the Debtors' expenses are fixed, meaning they do not vary significantly with the increase or decrease in revenues. Such expenses include, but are not limited to, lease payments, depreciation and amortization, salaries and benefit obligations, equipment maintenance expenses, insurance and vehicle operations costs. As a result, a relatively small reduction in the prices the Debtors charge for their services or procedural volume could have a disproportionate negative effect on the Debtors' financial condition and results of operations.

c. Technological Changes.

The Debtors operate in a competitive, capital intensive, high fixed-cost industry. The development of new technologies or refinements of existing ones have made and continue to make the Debtors' existing systems technologically or economically obsolete, or reduce the need for their systems. Competition among manufacturers has resulted in and likely will continue to result in technological advances in the speed and imaging capacity of new systems. Consequently, the obsolescence of the Debtors' systems may be accelerated. Other than ultra-high field MRI systems and 256-slice CT systems, the Debtors are aware of no substantial technological changes; however, should such changes occur, the Debtors may not be able to acquire the new or improved systems. In the future, to the extent the Debtors are unable to generate sufficient cash from their operations or obtain additional funds through bank or equipment vendor financing, the issuance of equity or debt securities and operating leases, the Debtors may be unable to maintain a competitive equipment base. In addition, advancing technology may enable hospitals, physicians or other diagnostic imaging service providers to perform procedures without the assistance of diagnostic imaging service providers such as the Debtors. As a result of the age of their imaging equipment, the Debtors may not be able to maintain their competitive position in their core markets or expand their business.

d. Changes in the Rates or Methods of Third-Party Reimbursements.

For fiscal year 2010, the Debtors derived approximately 49% of their revenues from direct billings to patients and third-party payors such as Medicare, Medicaid, managed care and private health insurance companies. Certain third-party payors have proposed and implemented changes in the methods and rates of reimbursement that have had the effect of substantially decreasing reimbursement for diagnostic imaging services that the Debtors provide. Moreover, the Debtors' healthcare provider customers, which provided approximately 50% of the Debtors' revenues during fiscal year 2010, generally rely on reimbursement from third-party payors. To the extent the Debtors' healthcare provider customers' reimbursement from third-party payors is reduced, it will likely have an adverse impact on the rates they pay the Debtors as they would seek to offset such decreased reimbursement rates. Furthermore, many commercial health care insurance arrangements are changing, so that individuals bear greater financial responsibility through high deductible plans, co-insurance and higher co-payments, which may result in patients delaying or foregoing medical procedures. The Debtors expect that any further changes to the rates or methods of reimbursement for their services, whether directly through billings to third-party payors or indirectly through their healthcare provider customers, will result in a further decline in their revenues and adversely affect their financial condition and results of operations.

e. Inability to Renew Existing Customer Contracts.

The Debtors' financial condition and results of operations depend on their ability to sustain and grow their revenues from existing customers. The Debtors' revenues would decline if they are unable to renew their existing customer contracts on favorable terms. For the Debtors' mobile facilities, they generally enter into contracts with hospitals having one to five year terms. A significant number of the Debtors' mobile contracts will expire each year.

To the extent the Debtors do not renew a customer contract it is not always possible to immediately obtain replacement customers. Historically, many replacement customers have been smaller, with lower procedural volumes. Recently, there has been an increase in the amount of available equipment for lease within the industry. This increase in availability has caused a decline in demand for the Debtors' wholesale services mobile systems, which has resulted in (1) a lower than normal success rate in replacing lost revenues, (2) lower contractual reimbursement as compared to prior periods and (3) an increase in the number of idle mobile systems. In addition, attractive gross margins have caused hospitals and physician groups who have utilized mobile services from the Debtors and their competitors to purchase and operate their own equipment. Although reimbursement reductions may dissuade physician groups from operating their own equipment, the Debtors expect that some high volume customer accounts will continue to elect not to renew their contracts with the Debtors and instead acquire their own diagnostic imaging equipment. As a result of the age of the Debtors imaging equipment, they may not be able to renew contracts of existing customers or attract new customers on favorable terms. This would adversely affect the Debtors' financial condition and results of operations.

f. Competition.

The diagnostic imaging services industry in general and the market for diagnostic imaging services in particular, is highly competitive and fragmented, with only a few national providers. The Debtors compete principally on the basis of their service reputation, equipment, breadth of managed care contracts and convenient locations. The Debtors' operations must compete with hospitals, physician groups and certain other independent organizations, including equipment manufacturers and leasing companies that own and operate imaging equipment. The Debtors have encountered and will continue to encounter competition from hospitals and physician groups that purchase their own diagnostic imaging equipment. Some of their direct competitors may have access to greater financial resources than the Debtors do. If the Debtors are unable to successfully compete, their customer base would decline and their financial condition and results of operations would be adversely affected.

g. Consolidation in the Diagnostic Imaging Industry.

The Debtors compete with several national and regional providers of diagnostic imaging services, as well as local providers. As a result of the reimbursement reductions by Medicare and other third-party payors, some of these competitors may consolidate their operations in order to obtain certain cost structure advantages and improve equipment utilization. In response to any such consolidation, the Debtors may be forced to exit certain markets, reduce prices or provide state-of-the-art equipment in order to retain and attract customers. These pressures could adversely affect the Debtors' financial condition and results of operations.

h. Managed Care Organizations May Limit Healthcare Providers from Using the Debtors' Services, Resulting in a Loss of Procedural Volume.

The Debtors' fixed-site centers are dependent, in part, on the Debtors' ability to attract referrals from physicians and other healthcare providers representing a variety of specialties. The Debtors' eligibility to provide services in response to a referral is often dependent, among other things, on the existence of a contractual arrangement with the referred patient's managed care organization. Despite having a large number of contracts with managed care organizations, healthcare providers may be inhibited from referring patients to the Debtors in cases where the patient is not associated with one of the managed care organizations with which the Debtors have contracted. A significant decline in referrals would have a material adverse effect on the Debtors' financial condition and results of operations. Moreover, the Debtors' aging equipment and declining financial performance may increase the likelihood of managed care organizations opting not to renew existing contracts or enter into new contracts with the Debtors' centers.

i. The Debtors' Failure to Effectively Integrate Acquisitions and Establish Joint Venture Arrangements Through Partnerships with Hospitals and Other Healthcare Providers Could Impair the Debtors' Business.

As part of the Debtors' core market strategy, the Debtors have pursued, and may continue to pursue, selective acquisitions and arrangements through partnerships and joint ventures with hospitals and other healthcare providers. Acquisitions and joint ventures require substantial capital which may exceed the funds available to the Debtors from internally generated funds and available financing arrangements. The Debtors may not be able to raise

any necessary additional funds through bank or equipment vendor financing or through the issuance of equity or debt securities on terms acceptable to the Debtors, if at all.

Additionally, acquisitions involve the integration of acquired operations with the Debtors' operations. Integration involves a number of risks, including:

- demands on management related to the increase in the Debtors' size after an acquisition;
- the diversion of the Debtors' management's attention from daily operations to the integration of operations;
- integration of information systems;
- risks associated with unanticipated events or liabilities;
- difficulties in the assimilation and retention of employees;
- potential adverse effects on operating results;
- challenges in retaining customers and referral sources; and
- amortization or write-offs of acquired intangible assets.

If the Debtors do not successfully identify, complete and integrate their acquisitions, the Debtors may not realize anticipated operating advantages, economies of scale and cost savings. Also, the Debtors may not be able to maintain the levels of operating efficiency that the acquired companies would have achieved or might have achieved separately. Successful integration of acquisitions will depend upon the Debtors' ability to manage their operations and to eliminate excess costs.

j. The Debtors May Not Receive Payment From Some of the Debtors' Healthcare Provider Customers Due to their Financial Circumstances.

Some of the Debtors' 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 Debtors for the equipment and services that Debtors provide. The Debtors have experienced, and may continue to experience write-offs of accounts receivables from healthcare provider customers that become insolvent, file for bankruptcy or are otherwise unable to pay amounts owed to the Debtors. A significant deterioration in general or local economic conditions could have a material adverse affect on the financial health of certain of the Debtors' healthcare provider customers, potentially leading to an increase in the amounts of accounts receivables that the Debtors may have to write-off.

k. High Fuel Costs Would Adversely Affect the Debtors' Financial Condition and Result of Operations.

Fuel costs constitute a significant portion of the Debtors' mobile operating expenses. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Fuel availability is also affected by demand for home heating oil, diesel, gasoline and other petroleum products. Because of the effect of these events on the price and availability of fuel, the cost and future availability of fuel cannot be predicted with certainty. In the event of a fuel supply shortage or further increases in fuel prices, the Debtors may need to reduce certain mobile routes or redeploy their mobile facilities.

l. If the Debtors Fail to Comply with Various Licensure, Certification and Accreditation Standards, the Debtors May Be Subject to Loss of Licensure, Certification or Accreditation.

All of the states in which the Debtors operate require that technologists who operate the Debtors' CT and PET systems be licensed or certified. Also, each of the Debtors' fixed-site centers must continue to meet various requirements in order to receive payments from Medicare. In addition, the Debtors' mobile facilities are currently accredited by The Joint Commission, formerly the Joint Commission on Accreditation of Healthcare Organizations, an independent, non-profit organization that accredits various types of healthcare providers, such as hospitals, nursing homes, outpatient ambulatory care centers and diagnostic imaging providers. If the Debtors were to lose such accreditation for their mobile facilities, it could adversely affect the Debtors' mobile operations because some of their mobile customer contracts require accreditation by The Joint Commission and one of the Debtors' primary competitors has such accreditation.

Managed care providers prefer to contract with accredited organizations. Any lapse in the Debtors' licenses, certifications or accreditations, or those of the Debtors' technologists, or the failure of any of the Debtors' fixed-site centers to satisfy the necessary requirements under Medicare could adversely affect the Debtors' financial condition and results of operations.

m. Government Regulation.

The diagnostic imaging services industry in which the Debtors operate is highly regulated and changes in laws and regulations can be significant. Changes in the law or new interpretation of existing laws can have a material effect on the Debtors' permissible activities, the relative costs associated with doing business and the amount of reimbursement by government and other third-party payors. The federal government and all states in which the Debtors currently operate regulate various aspects of the Debtors' business. Failure to comply with these laws could adversely affect the Debtors' ability to receive reimbursement for their services and subject them and their officers and agents to civil and criminal penalties.

n. The Debtors' Depend on Access to Credit.

The Debtors' ability to comply with covenants or maintain sufficient eligible assets under their credit facilities may be affected by events beyond their control, including prevailing economic, financial and industry conditions. If the Debtors default, their lenders may no longer be obligated to extend loans to the Debtor and could declare all amounts outstanding under the credit facilities, together with accrued interest, to be immediately due and payable. If the Debtors are unable to repay those amounts, its lenders could proceed against the collateral interest granted to them to secure that indebtedness. The results of such actions would have a significant negative impact on the Debtors' result of operations and financial condition.

o. The Debtors May Not be Able to Achieve Their Projected Financial Results.

The financial projections set forth on Exhibit C to this Disclosure Statement represent Debtors management's best estimate of the Debtors' future financial performance based on currently known facts and assumptions about the Debtors' future operations as well as the U.S. and world economy in general and the industry segments in which the Debtors operate in particular. The Debtors' actual financial results may differ significantly from the projections. If the Debtors do not achieve its projected financial results, the value of the New Common Stock or Warrants may be negatively affected and the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date.

p. The Debtors Depend Upon Key Personnel.

The Debtors' future success depends upon the knowledge, ability and experience of its personnel including the Debtors' continuing ability to identify, hire or contract with, develop, motivate and retain highly skilled persons for all areas of their organization, including senior executives and contracted radiologists. Competition in the Debtors' industry for qualified employees is intense. Failure to attract and retain key personnel responsible for managing the Debtors or for advancing their business strategies could adversely affect the Debtors' business and financial condition.

q. The Debtors' Business Could be Materially Harmed or Disrupted by Natural Disasters and Public Disturbances.

The Debtors' corporate headquarters, including their information technology center, and a material number of their fixed-site centers are located in California, which has a high risk for natural disasters, including earthquakes and wildfires. Depending upon its severity, a natural disaster could severely damage the Debtors' facilities or their information technology system, interrupt their business or prevent potential patients from traveling to their centers, each of which would adversely affect the Debtors' financial condition and results of operations. The Debtors currently do not maintain a secondary disaster recovery facility for their information technology system. In addition, while the Debtors presently carry earthquake and business interruption insurance in amounts they believe are appropriate in light of the risks, the amount of their earthquake insurance coverage may not be sufficient to cover losses from earthquakes. The Debtors may discontinue some or all of this insurance coverage on some or all of their centers in the future if the cost of premiums exceeds the value of the coverage discounted for the risk of loss. If the Debtors experience a loss which is uninsured or which exceeds policy limits, the Debtors could lose the capital invested in the damaged centers as well as the anticipated future cash flows from those centers.

To the extent severe weather patterns affect the regions in which the Debtors operate (e.g., hurricanes and snow storms), potential patients may find it difficult to travel to their centers and they may have difficulty moving their mobile facilities along their scheduled routes. As a result, the Debtors would experience a decrease in procedural volume during that period. Accordingly, harsh weather conditions could adversely impact the Debtors financial condition and results of operations.

2. Risks Related to Government Regulation.

Complying with federal and state regulations pertaining to the Debtors' business is an expensive and time consuming process, and any failure to comply could result in substantial penalties and adversely affect the Debtors' ability to operate their business and their financial condition and results of operations. Such regulations include, without limitation:

- the federal False Claims Act;
- the federal Medicare and Medicaid Anti-kickback Law, and state anti-kickback prohibitions;
- the federal Civil Money Penalty law;
- the Health Insurance Portability and Accountability Act of 1996 and other state and federal legislation dealing with patient privacy;
- the federal physician self-referral prohibition commonly known as the Stark Law and the state law equivalents of the Stark Law;
- state laws that prohibit the practice of medicine by non-physicians, and prohibit fee-splitting arrangements involving physicians;
- Food and Drug Administration requirements;
- state licensing and certification requirements, including certificates of need; and
- federal and state laws governing the diagnostic imaging equipment used in the Debtors' business concerning patient safety, equipment operating specifications and radiation exposure levels.

If the Debtors' operations are found to be in violation of any of the laws and regulations to which they or their customers are subject, the Debtors may be subject to the applicable penalty associated with the violation, including civil and criminal penalties, damages, fines, exclusion from Medicare, Medicaid or other governmental programs and the curtailment of their operations. Any penalties, damages, fines or curtailment of operations, individually or in the aggregate, could adversely affect the Debtors' ability to operate their business and their

financial condition and results of operations. The risks of the Debtors being found in violation of these laws and regulations is increased by the fact that many of such laws have not been fully interpreted by the regulatory authorities or the courts, and the provisions of such laws are open to a variety of interpretations. Any action brought against the Debtors for violation of these laws or regulations, even if the Debtor successfully defend against it, could cause the Debtors to incur significant legal expenses and divert management's attention from the operation of their business. Moreover, if the Debtors are unsuccessful in defending against such action, the imposition of certain penalties would adversely affect their financial condition and results of operations. If the Debtors were excluded from Medicare, Medicaid or other governmental programs, not only would they lose the revenues associated with such payors, but the Debtors anticipate that their other customers and partners would terminate their contracts or relationships.

Diagnostic imaging services laws and regulations may change significantly in the future. The Debtors continuously monitor these developments and modify their operations from time to time as the regulatory environment changes. However, the Debtors may not be able to adapt their operations to address new regulations, which could adversely affect their financial condition and results of operations. In addition, although the Debtors believe that they are operating in compliance with applicable federal and state laws, neither their current or anticipated business operations nor the operations of their contracted radiology groups have been the subject of judicial or regulatory interpretation. A review of the Debtors' business by courts or regulatory authorities may result in a determination that could adversely affect or restrict their operations.

On March 23, 2010, President Obama signed into law healthcare reform legislation in the form of PPACA. The implementation of this law will likely have a profound impact on the diagnostic imaging services industry. Most of the provisions of PPACA will be phased in over the next four years and can be conceptualized as a broad framework not only to provide health insurance coverage to millions of Americans, but to fundamentally change the delivery of care by bringing together elements of health information technology, evidence-based medicine, chronic disease management, medical "homes," care collaboration and shared financial risk in a way that will accelerate industry adoption and change. There are also many provisions addressing cost containment, reductions of Medicare and other payments and heightened compliance requirements and additional penalties, which will create further challenges for providers. The Debtors are unable to predict the full impact of PPACA at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. Moving forward, the Debtors believe that the federal government will likely have greater involvement in the diagnostic imaging services industry than in prior years, and such greater involvement may adversely affect the Debtors' financial condition and results of operations.

3. Risks Related to the New Common Stock and Warrants.

a. There is Currently No Trading Market for the Shares of New Common Stock or the Warrants, and an Active Liquid Trading Market for the New Common Stock or the Warrants May Not Develop.

There is currently no existing trading market for the shares of New Common Stock or the Warrants. The Debtors do not currently intend to apply for listing of the shares of New Common Stock or the Warrants on any securities exchange or for quotation of such securities on any automated dealer quotation system. An active public trading market may not develop for the shares of New Common Stock or the Warrants and, even if one develops, such public trading market may not be maintained. If an active public trading market for the shares of New Common Stock or the Warrants does not develop or is not maintained, the market price and liquidity of such securities is likely to be adversely affected and Holders may not be able to sell such securities at desired times and prices or at all. If any shares of New Common Stock or the Warrants are traded after their issuance, they may trade at a discount from the price at which such securities were acquired.

The liquidity of the trading market, if any, and future trading prices of the shares of New Common Stock or the Warrants will depend on and may be adversely affected by unfavorable changes in many factors, including, without limitation:

- prevailing interest rates, increases in which may have an adverse effect on the share price of the New Common Stock or the trading price of the Warrants;
- the Debtors' business, financial condition, results of operations, prospects and credit quality;
- the market for similar securities and the overall securities market; and
- general economic and financial market conditions.

Many of these factors are beyond the Debtors' control. Historically, the market for equity securities has been volatile. Market volatility could materially and adversely affect the shares of New Common Stock or the Warrants, regardless of the Debtors' business, financial condition, results of operations, prospects or credit quality.

Neither the shares of New Common Stock nor the Warrants have been registered under the Securities Act, which could effect the liquidity and price of the New Common Stock and the Warrants. The shares of New Common Stock or the Warrants may be transferred by Holders of such shares and such warrants to the extent that there is an available exemption from the registration requirements of the Securities Act to the extent such transfers would not cause Reorganized InSight Health Services Holdings Corp. to be required to file public reports with the SEC and to the extent permitted by the Stockholders Agreement, the Warrant Agreement and the New Certificates of Incorporation, as applicable. This could substantially and adversely impact both the liquidity and the share price of New Common Stock and the liquidity and trading price of the Warrants.

4. Legal Proceedings.

In the normal course of business, the Debtors are subject to various legal proceedings and Claims. Accordingly, although the Debtors believe it has made adequate provisions for all current and threatened legal disputes, the Debtors may in the future become involved in legal disputes arising from their relationships with their employees, shareholders, business partners and creditors or from other sources. Such legal disputes could result in large settlements and/or judgments which could materially impair the Debtors' financial condition. In addition, the defense of such proceedings could result in significant expense and the diversion of management's time and attention from the operation of the business, which could impede the Debtors' ability to achieve their business objectives. Some or all of the amount the Debtors may be required to pay to defend or to satisfy a judgment or settlement of any or all of these proceedings may not be covered by insurance.

On January 5, 2010, certain of the Debtors were served with a complaint filed in the Los Angeles County Superior Court alleging claims on behalf of current and former employees. In *Kevin Harold and Denise Langhoff, on their own behalf and on behalf of others similarly situated v. InSight Health Services Holdings Corp., et al.*, the plaintiffs allege violations of California's wage, overtime, meal period, break time and business practice laws and regulations. Plaintiffs seek recovery of unspecified economic damages, statutory penalties, punitive damages, interest, attorneys' fees and costs of suit. The Debtors are currently evaluating the allegations of the complaint and are unable to predict the likely timing or outcome of the lawsuit. In the meantime, the Debtors intend to vigorously defend the lawsuit. The Debtors are engaged from time to time in the defense of other lawsuits arising out of the ordinary course and conduct of their business and have insurance policies covering certain potential insurable losses where such coverage is cost-effective.

E. CERTAIN TAX MATTERS.

For a summary of certain federal income tax consequences of the Plan to certain Holders of Claims and to the Debtors, see Article XI below, entitled "Certain Federal Income Tax Consequences."

F. RISK THAT THE INFORMATION IN THIS DISCLOSURE STATEMENT MAY BE INACCURATE.

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change since that date in the information set forth herein. The Debtors may subsequently update the

information in this Disclosure Statement, but it has no duty to update this Disclosure Statement unless ordered to do so by the Bankruptcy Court. Further, the performance and prospective financial information contained herein, unless otherwise expressly indicated, is unaudited. Finally, neither the SEC nor any other governmental authority has passed upon the accuracy or adequacy of this Disclosure Statement, the Plan or any Exhibits thereto.

G. LIQUIDATION UNDER CHAPTER 7.

If no plan can be confirmed, the Debtors' Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. A discussion of the effects that a Chapter 7 liquidation would have on the recoveries of Holders of Claims and Equity Interests and the Debtors' liquidation analysis is set forth in Article VII above and **Exhibit D**.

These risk factors contain certain statements that are “forward looking statements” within the meaning of Section 21E of the Securities Exchange Act and are made pursuant the safe harbor provisions thereof. These statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Debtors, including the implementation of the Plan, the continuing availability of sufficient borrowing capacity, or other financing to fund operations, currency exchange rate fluctuations, terrorist actions or acts of war, operating efficiencies, labor relations, actions of governmental bodies and other market and competitive conditions. Holders of Claims and Equity Interests are cautioned that the forward looking statements speak as of the date made and are not guarantees of future performance. Actual results or developments may differ materially from the expectations expressed or implied in the forward looking statements and the Debtors undertake no obligation to update any such statements.

ARTICLE X SECURITIES LAW MATTERS

A. PLAN SECURITIES.

The Plan provides for the Debtors to issue to Holders of Senior Secured Notes Claims in Class 4 the New Common Stock. The Plan also provides that, as part of the distributions made to the Holders of Senior Secured Notes Claims, and as described more fully in Article III.B.4. of the Plan, the Holders of existing common stock in Insight Health Services Holdings Corp. on the Effective Date (immediately prior to consummation of the Plan) shall receive the Warrants issued by the Reorganized Debtors on the Effective Date (the New Common Stock and the Warrants, collectively, the “Plan Securities”).

The Debtors believe that the Plan Securities constitute “securities,” as defined in Section 2(a)(1) of the Securities Act, Section 101 of the Bankruptcy Code, and applicable Blue Sky Law. The Debtors further believe that the offer and sale of the Plan Securities pursuant to the Plan are, and subsequent transfers of the Plan Securities by the Holders thereof that are not “underwriters,” as defined in Section 2(a)(11) of the Securities Act and in the Bankruptcy Code, will be exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code and state securities laws.

B. ISSUANCE AND RESALE OF PLAN SECURITIES UNDER THE PLAN.

1. Exemption from Registration.

Section 4(2) of the Securities Act provides that the registration requirements of section 5 of the Securities Act shall not apply to the offer and sale of a security in connection with transactions not involving any public offering. By virtue of section 18 of the Securities Act, section 4(2) also provides that any state Blue Sky Law requirements shall not apply to such offer or sale. Each Holder of a Claim that is entitled to vote will be requested to make representations that are set forth in the Ballot regarding such Holder's qualifications to be an offeree in a private offering exempt from registration from the Securities Act by virtue of Section 4(2) or that such Holder is an Accredited Investor. The Debtors are relying on Section 4(2) of the Securities Act, and similar Blue Sky Law provisions, to exempt from registration under the Securities Act and Blue Sky Law the offer to the Holders of Senior Secured Notes Claims of Plan Securities prior to the filing of the Chapter 11 Cases, including without limitation in connection with the Solicitation.

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any state Blue Sky Law requirements) shall not apply to the offer or sale of stock, options, warrants or other securities by a debtor if (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. After the filing of the Chapter 11 Cases, the Debtors are relying on the exemption from the Securities Act, and equivalent state law registration requirements, provided by section 1145(a) of the Bankruptcy Code, to exempt from registration under the Securities Act and Blue Sky Law the offer and sale of the Plan Securities under the Plan.

In reliance upon these exemptions, the offer and sale of the Plan Securities will not be registered under the Securities Act or any state Blue Sky Law.

Because the issuance of the Plan Securities under the Plan are covered by section 1145 of the Bankruptcy Code, the Plan Securities may be resold without registration under the Securities Act or other federal securities laws, unless the Holder is an “underwriter” (as discussed below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code. In addition, the Plan Securities generally may be able to be resold without registration under state securities laws pursuant to various exemptions provided by the respective Blue Sky Law of those states; however, the availability of such exemptions cannot be known unless individual state Blue Sky Laws are examined. Therefore, recipients of the Plan Securities are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state Blue Sky Law in any given instance and as to any applicable requirements or conditions to such availability.

2. Resales of Plan Securities; Definition of Underwriter.

Section 1145(b)(1) of the Bankruptcy Code defines an “underwriter” as one who, except with respect to “ordinary trading transactions” of an entity that is not an “issuer,” (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; or (b) offers to sell securities offered or sold under a plan for the Holders of such securities; or (c) offers to buy securities offered or sold under a plan from the Holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer’s securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an “issuer” for purposes of whether a Person is an underwriter under Section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as “statutory underwriters” all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to “issuer,” as used in the definition of “underwriter” contained in section 2(a)(11) of the Securities Act, is intended to cover “controlling persons” of the issuer of the securities. “Control,” as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a “controlling Person” of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor’s or its successor’s voting securities. Moreover, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of securities of a reorganized debtor may be presumed to be a “controlling Person” and, therefore, an underwriter.

Resales of the Plan Securities by Persons deemed to be “underwriters” (which definition includes “controlling Persons”) are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, Holders of Plan Securities who are deemed to be “underwriters” may be entitled to resell their Plan Securities pursuant to the limited safe harbor resale provisions of Rule 144. However, the Debtors do not presently intend to make publicly available the requisite current information regarding the Debtors, and as a result, Rule 144 may not be available for resales of Plan Securities by persons deemed to be underwriters. Whether any particular Person would be deemed to be an “underwriter”

(including whether such Person is a “controlling Person”) with respect to the Plan Securities would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an “underwriter” with respect to the Plan Securities. In view of the complex nature of the question of whether a particular Person may be an “underwriter,” the Debtors make no representations concerning the right of any Person to freely resell Plan Securities. **Accordingly, the Debtors recommend that potential recipients of Plan Securities consult their own counsel concerning their ability to freely trade such securities without compliance with the federal and state securities laws.**

C. LISTING OF PLAN SECURITIES.

The Debtors will not be required to report to the SEC upon emergence. Moreover, the Debtors will not seek to list the New Common Stock or the Warrants on a national securities exchange. In order to ensure that the Debtors will not become subject to the reporting requirements of the Securities Exchange Act except in connection with a public offering, the New Common Stock and the Warrants will be subject to certain trading and exercise restrictions, among other transfer and exercise restrictions, to limit the number of record holders thereof.

ARTICLE XI

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and the Reorganized Debtors and certain Holders of Claims and Equity Interests. The following summary is based on the Internal Revenue Code of 1986, as amended (the “Tax Code”), Treasury Regulations promulgated thereunder (the “Regulations”), judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested and will not request a ruling from the Internal Revenue Service or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the Internal Revenue Service will adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan. This summary does not purport to address the U.S. federal income tax consequences of the Plan to special classes of taxpayers (such as Persons who are related to the Debtors within the meaning of the Tax Code, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, investors in pass-through entities, subchapter S corporations, persons who hold Claims or Equity Interests or who will hold the New Common Stock as part of a straddle, hedge, conversion transaction or other integrated investment, persons using a mark to market method of accounting, and Holders of Claims who are themselves in bankruptcy). This discussion assumes that Holders of Claims or Equity Interests hold such Claims or Equity Interests as “capital assets” within the meaning of section 1221 of the Tax Code. Furthermore, except as specifically discussed below, this discussion assumes that Holders of Claims or Equity Interests hold only Claims or Equity Interests in a single Class. Holders of Claims or Equity Interests should consult their tax advisors as to the effect such ownership may have on the U.S. federal income tax consequences described below.

This summary is not intended to constitute a complete analysis of all tax considerations relevant to a particular Holder of a Claim or Equity Interest. Each Holder of a Claim or Equity Interest should seek advice from its independent tax advisors concerning the United States federal, state, local, foreign income and other tax consequences of the Plan in light of its particular circumstances.

This discussion assumes that the various debt and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

Accordingly, the following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a Holder of a Claim or Equity Interest. All Holders of Claims and Equity Interests are urged to consult their tax advisors for the federal, state, local and other tax consequences applicable under the Plan.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE UNITED STATES INTERNAL REVENUE SERVICE, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE TAX CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE PROMOTION, MARKETING OR PROMOTION OF THE PLAN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE DEBTORS AND THE REORGANIZED DEBTORS.

The Debtors expects to report consolidated net operating loss carryforwards for U.S. federal income tax purposes of approximately \$162 million. As discussed below, the amount of the Debtors' consolidated current year net operating losses and net operating loss carryforwards (collectively, "**NOLs**") may be significantly reduced or eliminated upon implementation of the Plan. In addition, the Reorganized Debtors' subsequent utilization of any remaining NOLs and possibly certain other tax attributes may be restricted as a result of and upon the implementation of the Plan.

1. Reduction of NOLs.

The Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes, such as NOLs, tax credits and tax basis in assets, by the amount of any cancellation of indebtedness income ("**COD**") realized upon consummation of the debtor's plan of reorganization. COD is the amount by which the indebtedness discharged (reduced by any unamortized discount) exceeds any consideration given in exchange therefore, subject to certain statutory or judicial exceptions that can apply to limit the amount of COD (such as where the payment of the cancelled debt would have given rise to a tax deduction).

As a result of Consummation of the Plan, and in particular the exchange of the Class 4 Senior Secured Notes Claims for New Common Stock, the Debtors expect to realize substantial COD. The extent of such COD and resulting tax attribute reduction will depend on the value of the New Common Stock. Subject to the next paragraph, based on the estimated reorganization value of the Reorganized Debtors, it is anticipated that the amount of COD may exceed the amount of the NOLs, which would eliminate the NOLs and reduce the Reorganized Debtors' tax basis in its assets. Absent an election under section 108(b)(5) of the Tax Code, discussed below, the Reorganized Debtors' tax basis in their assets cannot be reduced below the total amount of its liabilities outstanding immediately after Consummation of the Plan.

2. Reduction of Tax Basis in Depreciable Assets.

Under section 108(b)(5) of the Tax Code, a taxpayer may elect to first apply the reduction to the basis of the taxpayer's depreciable assets, with any remaining balance applied to reduce NOLs and other tax attributes. The Debtors have not yet determined whether they will make the election under the Tax Code to apply any required tax attribute reduction first to depreciable property, with any excess next applied to reduce NOLs and other tax attributes. If such election were made, all or a portion of the Reorganized Debtors' NOLs would survive post emergence, subject to the limitations described herein, but the basis of the Reorganized Debtors depreciable property could be reduced below the total amount of their liabilities outstanding immediately after Consummation of the Plan.

3. Limitation on NOLs and Other Tax Attributes.

Following the implementation of the Plan, the Debtors anticipate that any remaining NOLs, tax credit carryforwards, net unrealized built-in losses, and, possibly, certain other tax attributes of the Reorganized Debtors allocable to periods prior to the Effective Date (collectively, "**Pre-Change Losses**") may be subject to limitation under Section 382 of the Tax Code as a result of an "ownership change" of the Debtors by reason of the transactions pursuant to the Plan.

In general, the amount of the annual limitation to which a corporation that undergoes an ownership change would be subject is equal to the product of (a) the fair market value of the stock of the loss corporation immediately before the ownership change (with certain adjustments) multiplied by (b) the “long-term tax-exempt rate” in effect for the month in which the ownership change occurs (currently, 3.67 percent). The annual limitation under section 382 represents the amount of pre-change NOLs, as well as certain built-in losses recognized within the five-year period following the ownership change, that may be used each year to offset income. Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. The annual limitation may be increased to the extent that the Reorganized Debtors recognize certain built-in gains in its assets during the five-year period following the ownership change, including, pursuant to Notice 2003-65, any hypothetical increase in their depreciation or amortization as a result of any anticipated net unrealized built-in gain on the Effective Date. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

4. Pre-Confirmation Measures.

To ensure that no “ownership change” occurs prior to Confirmation of the Plan, on the Petition Date, the Debtors will File a motion requesting an order restricting trading in the equity securities of the Debtors by certain “substantial” shareholders who hold 4.5% or more of the value of such securities or who have an intention to become a “substantial” shareholder. These restrictions will become irrelevant once the Plan is confirmed and the Equity Interests are cancelled.

5. Special Bankruptcy Exceptions.

An exception to the foregoing annual limitation rules generally applies when former stockholders and so called “qualified creditors” of a company in bankruptcy receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in bankruptcy) pursuant to a confirmed Chapter 11 plan (the “382(1)(5) Exception”). Under the 382(1)(5) Exception, a debtor’s pre-change losses are not limited on an annual basis but, instead, are required to be reduced by the amount of any interest deductions claimed during the three taxable years preceding the Effective Date, and during the part of the taxable year prior to and including the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(1)(5) Exception applies and the Reorganized Debtors undergo another ownership change within two years after Consummation of the Plan, then the Reorganized Debtors’ Section 382 annual limitation will generally be reduced to zero, which would effectively preclude utilization of its Pre-Change Losses.

Where the 382(1)(5) Exception is not applicable (either because the debtor company does not qualify for it or the debtor otherwise elects not to utilize the 382(1)(5) Exception), a second special rule will generally apply (the “382(1)(6) Exception”). When the 382(1)(6) Exception applies, a corporation in bankruptcy that undergoes an “ownership change” generally is permitted to determine the fair market value of its stock after taking into account the increase in value resulting from any surrender or cancellation of creditors’ claims in the bankruptcy. This differs from the ordinary rule that requires the fair market value of a corporation that undergoes an ownership change to be determined before the events giving rise to the change. The 382(1)(6) Exception also differs from the 382(1)(5) Exception in that under it the Reorganized Debtors would not be required to reduce its NOLs by the amount of any interest deductions claimed by the Debtors within the prior three year period and the Reorganized Debtors may undergo a change of ownership within two years without triggering any reduction in their Section 382 annual limitation.

The Debtors have not yet determined whether they will elect to utilize the 382(1)(5) Exception. In the event that the Debtors do not use the 382(1)(5) Exception, the Debtors expect that the Reorganized Debtors’ use of Pre-Change Losses after the Effective Date will be subject to limitation based on the rules discussed above, but taking into account the 382(1)(6) Exception.

6. Alternative Minimum Tax.

In general, an alternative minimum tax (“AMT”) is imposed on a corporation’s alternative minimum taxable income at a 20% rate to the extent such tax exceeds the corporation’s regular U.S. federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for certain alternative tax NOLs generated in taxable years beginning or ending in 2008 or 2009, which can offset 100% of a corporation’s AMT income, generally only 90% of

a corporation's taxable income for AMT purposes may be offset by available NOLs (as computed for AMT purposes). The effect of this rule could cause the Reorganized Debtors to owe some amount of federal and state income tax on taxable income in future years even though NOL carryforwards are available to offset that taxable income.

In addition, if a corporation undergoes an ownership change, within the meaning of section 382 of the Tax Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's aggregate tax basis in its assets will be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

B. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE HOLDERS OF CLASS 1 OTHER PRIORITY CLAIMS, CLASS 3 REVOLVING CREDIT FACILITY CLAIMS AND CLASS 5 GENERAL UNSECURED CLAIMS.

Pursuant to the Plan, Holders of Allowed Class 1 Other Priority Claims, Class 3 Revolving Credit Facility Claims and Class 5 General Unsecured Claims will either receive Cash in full payment of their Claims or have their Claims reinstated and rendered Unimpaired. A Holder who receives Cash in exchange for its Claim pursuant to the Plan generally will recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (1) the amount of Cash received in exchange for its Claim and (2) the Holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of accrued interest and market discount below.

C. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE HOLDERS OF CLASS 4 SENIOR SECURED NOTES CLAIMS.

Pursuant to the Plan, in full satisfaction and discharge of their Claims, Holders of Allowed Class 4 Senior Secured Notes Claims will receive New Common Stock. The U.S. federal income tax consequences of the Plan to such Holders of Claims will depend, in part, on whether the Claims surrender constitute "securities" for U.S. federal income tax purposes.

Whether a debt instrument constitutes a "security" is determined based on all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an Equity Interest of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. While not free from doubt, the Debtors intend to take the position that the Class 4 Senior Secured Notes Claims constitute securities for federal income tax purposes.

If the Class 4 Senior Secured Notes Claims do qualify as securities, then the exchange of such Allowed Class 4 Senior Secured Notes Claims for New Common Stock pursuant to the Plan should be treated as a recapitalization and, therefore, a tax-free reorganization. In such case, each Holder of Allowed Class 4 Senior Secured Notes Claims that receives New Common Stock should not recognize any gain or loss on the exchange, except that a Holder of such Allowed Class 4 Senior Secured Notes Claims may recognize ordinary income to the extent that New Common Stock is treated as received in satisfaction of accrued but untaxed interest on such Allowed Class 4 Senior Secured Notes Claims. See section XI.D below for further information. Such Holder should obtain a tax basis in the New Common Stock equal to the tax basis of the Allowed Class 4 Senior Secured Notes Claims surrendered for the New Common Stock and should have a holding period for the New Common Stock that includes the holding period for the Allowed Class 4 Senior Secured Notes Claims exchanged for the New Common Stock; provided, however, that the tax basis of any share of New Common Stock (or portion thereof) treated as received in satisfaction of accrued interest should equal the fair value of such New Common Stock, and

the holding period for such New Common Stock (or portion thereof) should not include the holding period of the Allowed Class 4 Senior Secured Notes Claims exchanged for New Common Stock.

To the extent that the Class 4 Senior Secured Notes Claims are not treated as securities, a Holder of such Allowed Class 4 Senior Secured Notes Claims will be treated as exchanging such Allowed Class 4 Senior Secured Notes Claims for New Common Stock in a taxable exchange under section 1001 of the Tax Code. Accordingly, each Holder of such Allowed Class 4 Senior Secured Notes Claims should recognize gain or loss equal to the difference between: (1) the fair market value of New Common Stock (as of the date the stock is distributed to the Holder) received in exchange for the Allowed Class 4 Senior Secured Notes Claims; and (2) such Holder's adjusted basis, if any, in such Allowed Class 4 Senior Secured Notes Claims. Such gain or loss should be capital in nature so long as the Allowed Class 4 Senior Secured Notes Claims are held as capital assets (subject to the "market discount" rules described below) and should be long-term capital gain or loss if the Holder has a holding period for such Allowed Class 4 Senior Secured Notes Claims of more than one year. To the extent that a portion of the New Common Stock received in exchange for the Allowed Class 4 Senior Secured Notes Claims is allocable to accrued but untaxed interest, the Holder may recognize ordinary income. See section XLD below for further information. A Holder's tax basis in New Common Stock received should equal the fair market value of the New Common Stock as of the date such stock is distributed to the Holder. A Holder's holding period for New Common Stock should begin on the day following the Effective Date.

Holders of Class 4 Senior Secured Notes Claims should also consult their tax advisors regarding whether such Claims could be treated as "securities" for U.S. federal income tax purposes.

D. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO THE HOLDERS OF CLASS 9 EQUITY INTERESTS IN INSIGHT HEALTH SERVICES HOLDINGS CORP.

Pursuant to the Plan, Class 9 Equity Interests in InSight Health Services Holdings Corp. will be cancelled and Holders of existing common stock of InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) will receive Warrants. The treatment of a Holder of existing common stock that receives Warrants will depend on whether or not the Holder of such existing common stock also holds Allowed Class 4 Senior Secured Notes Claims treated as securities (see discussion above).

If a Holder of such existing common stock holds both such existing common stock and Allowed Class 4 Senior Secured Notes Claims treated as securities then the exchange of such existing common stock for Warrants pursuant to the Plan should be treated as a recapitalization and, therefore, a tax-free reorganization. Each such Holder of existing common stock should not recognize any gain or loss on the exchange. Such Holder should obtain a tax basis in the Warrants equal to the tax basis of the existing common stock surrendered and should have a holding period for the Warrants that includes the holding period for such existing common stock.

If a Holder of such existing common stock does not also hold Allowed Class 4 Senior Secured Notes Claims treated as securities then the exchange of such existing common stock for Warrants pursuant to the Plan should be treated as a taxable exchange. Accordingly, each such Holder of existing common stock should recognize gain or loss equal to the difference between: (a) the fair market value of Warrants (as of the date the warrants are distributed to the Holder) received in exchange for the existing common stock; and (b) such Holder's adjusted basis, if any, in such existing common stock. Such gain or loss should be capital in nature so long as the such existing common stock is held as capital assets (subject to the "market discount" rules described below) and should be long-term capital gain or loss if the Holder has a holding period for such existing common stock of more than one year. A Holder's tax basis in Warrants received should equal the fair market value of the Warrants as of the date such warrants are distributed to the Holder. A Holder's holding period for Warrants should begin on the day following the Effective Date.

E. ACCRUED INTEREST.

A portion of the consideration received by Holders of Claims may be attributable to interest that has accumulated since the principal investment or since the previous interest payment that has not been paid or taxed ("Accrued but Untaxed Interest"). Such amount should be taxable to that Holder as interest income if such accrued interest has not been previously included in the Holder's gross income for U.S. federal income tax purposes. Conversely, a Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a

reserve for worthless debts) to the extent that any accrued interest on the Claims was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair market value of the consideration is not sufficient to fully satisfy all principal and interest on an Allowed Claim, the extent to which such consideration will be attributable to Accrued but Untaxed Interest is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a Chapter 11 plan of reorganization is binding for U.S. federal income tax purposes. The IRS could take the position, however, that the consideration received by the Holder should be allocated in some way other than as provided in the Plan, in which case the Holder could recognize interest income. Holders of Claims should consult their tax advisors regarding the proper allocation of the consideration received by them under the Plan.

F. MARKET DISCOUNT.

Under the "market discount" provisions of sections 1276 through 1278 of the Tax Code, some or all of any gain realized by a Holder of a Claim who exchanges the Claim for New Common Stock on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the Claim. In general, a debt instrument is considered to have been acquired with "market discount" if its holder's adjusted tax basis in the debt instrument is less than the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest," by at least a de minimis amount (equal to 0.25% of the sum of all remaining payments to be made on the Claim, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a Holder on the taxable disposition of Claims acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claims were considered to be held by the Holder (unless the Holder had elected to include market discount in income as it accrued). To the extent that the surrendered Claims acquired with market discount are deemed to be exchanged for New Common Stock in a tax free recapitalization, any market discount that accrued on such debt but was not recognized by the Holder may cause any gain recognized on the subsequent sale, exchange, redemption or other taxable disposition of the New Common Stock to be treated as ordinary income to the extent of the accrued but unrecognized market discount with respect to the exchanged Claim.

G. INFORMATION REPORTING AND BACK-UP WITHHOLDING.

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 28%) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; provided, however, that the required information is provided to the Internal Revenue Service.

The Reorganized Debtors will withhold all amounts required by law to be withheld from payments of interest. The Reorganized Debtors will comply with all applicable reporting requirements of the Internal Revenue Service.

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY

AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

ARTICLE XII

GLOSSARY OF DEFINED TERMS

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

Unless the context otherwise requires, the following terms will have the following meanings when used in capitalized form herein.

A. DEFINED TERMS.

“*Accrued Professional Compensation*” means, at any given moment, all accrued fees and expenses (including success fees) for services rendered by a Professional through and including the Confirmation Date, to the extent such fees and expenses have not been paid pursuant to the Interim Compensation Order or other order of the Bankruptcy Court and regardless of whether a fee application has been Filed for such fees and expenses. To the extent the Bankruptcy Court or any higher court denies or reduces by a Final Order any amount of a Professional’s fees or expenses, then the amount by which such fees or expenses are reduced or denied shall no longer constitute Accrued Professional Compensation.

“*Ad Hoc Noteholders Committee*” means that certain committee of Holders of Senior Secured Notes Claims represented by the Ad Hoc Noteholders Committee Professionals.

“*Ad Hoc Noteholders Committee Professionals*” means Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to the Ad Hoc Noteholders Committee, and FocalPoint Securities, LLC, as financial advisor to the Ad Hoc Noteholders Committee.

“*Administrative Claim*” means a Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses Allowed pursuant to sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise for the period commencing on the Petition Date; (c) all fees and charges assessed against the Estates pursuant to chapter 123 of the Judicial Code; (d) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to section 503(b)(3), (4) and (5) of the Bankruptcy Code; and (e) the Noteholder Professional Fees.

“*Affiliate*” has the meaning set forth in section 101(2) of the Bankruptcy Code.

“*Allowed*” means with respect to Claims: (a) any Claim proof of which is timely Filed (or for which Claim under the Plan, the Bankruptcy Code or Final Order of the Bankruptcy Court a Proof of Claim is or shall not be

required to be Filed); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated and not disputed and for which no Proof of Claim has been timely Filed; or (c) any Claim Allowed pursuant to the Plan; provided, however, that with respect to any Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been brought within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or such an objection is so brought, and the Claim shall have been Allowed for voting purposes only by a Final Order pursuant to the terms of the Plan. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed and for which no Proof of Claim is or has been timely Filed is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval or order of the Bankruptcy Court.

“*Ballots*” means the ballots accompanying the Disclosure Statement, upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process, and which must be actually received on or before the Voting Deadline.

“*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as applicable to the Chapter 11 Cases.

“*Bankruptcy Court*” means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the order of the United States District Court for the Southern District of New York, the United States District Court for the Southern District of New York.

“*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

“*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

“*Cash*” means the legal tender of the United States of America or the equivalent thereof, including, without limitation, bank deposits, wire transfers and checks or similar negotiable instruments.

“*Causes of Action*” means any claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license or franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. Cause of Action also includes: (a) any right of setoff, counterclaim or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any state law fraudulent transfer claim; and (f) any claim listed in the Plan Supplement.

“*Certificate*” means any instrument evidencing a Claim or an Interest.

“*Chapter 11 Cases*” means (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.

“*Claim*” means any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.

“*Claims Objection Bar Date*” means, as applicable, the latest of: (x) the Effective Date; (y) 180 days after the relevant Proof of Claim is Filed; or (z) such later period of limitation as may be specifically fixed by the Debtors or the Reorganized Debtors.

“*Class*” means a category of Holders of Claims or Interests as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code.

“*Collateral Agent*” means U.S. Bank National Association, in its capacity as collateral agent for the Senior Secured Notes.

“*Committee*” or “*Committees*” means any official committee (and any and all subcommittees thereof) appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.

“*Compensation and Benefit Claims*” means any and all Claims arising on account of, or relating to, the Compensation and Benefits Programs assumed pursuant to Article V.D of the Plan.

“*Compensation and Benefits Programs*” means all employment and severance agreements and policies, and all compensation and benefit plans, policies, and programs of the Debtors, and all amendments and modifications thereto, applicable to the Debtors’ employees, former employees, retirees and non-employee directors and the employees, former employees and retirees of their subsidiaries, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit agreements and plans, incentive plans, deferred compensation plans and life, accidental death and dismemberment insurance plans.

“*Confirmation*” means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article X.A of the Plan having been: (a) satisfied; or (b) waived pursuant to Article X.C of the Plan.

“*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

“*Confirmation Hearing*” means the hearing held by the Bankruptcy Court on Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

“*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

“*Consenting Noteholders*” means the Holders of Senior Secured Notes Claims that are parties to the Restructuring Support Agreement.

“*Consummation*” means the occurrence of the Effective Date.

“*Corporate Governance Documents*” means the (a) New Certificates of Incorporation, (b) New By-Laws, (c) Stockholders Agreement and (d) Registration Rights Agreement, each of which shall be Filed with the Bankruptcy Court pursuant to the Plan Supplement.

“*Creditors’ Committee*” means the official committee of unsecured creditors (including any and all subcommittees thereof) appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, if any.

“*Cure Claim*” means a Claim based upon the Debtors’ defaults, if any, on an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

“*D&O Liability Insurance Policies*” means all insurance policies for directors’, managers’ and officers’ liability maintained by the Debtors as of the Petition Date.

“*Debtor*” means one of the Debtors, in its individual capacity as a debtor in the Chapter 11 Cases.

“*Debtor Release*” means the release given by the Debtors to the Debtor Releasees as set forth in Article VIII.D of the Plan.

“*Debtor Releasees*” means, collectively, all current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals of the Debtors, in each case in their capacity as such.

“*Debtors*” means, collectively, the Debtors in the Chapter 11 Cases: (a) InSight Health Services Holdings Corp.; (b) InSight Health Services Corp.; (c) Comprehensive Medical Imaging Centers, Inc.; (d) InSight Health Corp.; (e) Maxum Health Services Corp.; (f) North Carolina Mobile Imaging I LLC; (g) North Carolina Mobile Imaging II LLC; (h) North Carolina Mobile Imaging III LLC; (i) North Carolina Mobile Imaging IV LLC; (j) North Carolina Mobile Imaging V LLC; (k) North Carolina Mobile Imaging VI LLC; (l) North Carolina Mobile Imaging VII LLC; (m) Open MRI, Inc.; (n) Orange County Regional PET Center – Irvine, LLC; (o) Parkway Imaging Center, LLC; (p) Comprehensive Medical Imaging, Inc.; and (q) Signal Medical Services, Inc.

“*Debtors in Possession*” means, collectively, the Debtors, as debtors in possession in the Chapter 11 Cases, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

“*DIP Agent*” means the administrative agent under the DIP Credit Agreement or any successor agent appointed in accordance thereof, as applicable.

“*DIP Credit Agreement*” means that certain debtor in possession credit agreement to be executed on or prior to the Petition Date by and among the Debtors, the DIP Agent, the DIP Lenders named therein and the other parties thereto, as the same may be subsequently modified, amended or supplemented, together with all instruments and agreements related thereto.

“*DIP Facility*” means that certain debtor in possession credit facility entered into pursuant to the DIP Credit Agreement.

“*DIP Facility Claims*” means any and all Claims arising under or related to the DIP Facility.

“*DIP Lenders*” means the DIP Agent and the banks, financial institutions and other lender parties to the DIP Credit Agreement from time to time, each in their capacity as such.

“*Disclosure Statement*” means this *Disclosure Statement for the Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization* as further amended, supplemented or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, which shall have been prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law.

“*Disputed*” means, with respect to any Claim or Interest, any Claim or Interest that is not yet Allowed.

“*Distribution Agent*” means the Reorganized Debtors, or the Entity or Entities chosen by the Reorganized Debtors to make or facilitate distributions pursuant to the Plan.

“*Effective Date*” means the date selected by the Debtors that is a Business Day after the Confirmation Date on which the conditions as specified in the Plan, including Article X.B of the Plan, have been satisfied or waived. Unless otherwise specifically provided in the Plan, anything required to be done by the Debtors on the Effective Date may be done on the Effective Date or as soon as reasonably practicable thereafter.

“*Entity*” means an entity as defined in section 101(15) of the Bankruptcy Code.

“*Equity Interest*” means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor that existed immediately prior to the Effective Date, including any Claim subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising therefrom; provided, however, that Equity Interest does not include any Intercompany Interest.

“*Estate*” means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

“*Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78oo, as amended, the rules and regulations promulgated thereunder, and any similar federal, state or local law.

“*Exculpated Parties*” means, collectively: (a) the Debtors; (b) the Reorganized Debtors; (c) the Debtor Releasees; (d) the Indenture Trustee; (e) the Third Party Releasees; and (f) all of the current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals of each of the foregoing Entities (whether current or former, in each case in their capacity as such).

“*Exculpation*” means the exculpation provision set forth in Article VIII.F of the Plan.

“*Executory Contract*” means a contract to which one or more than one of the Debtors are a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

“*Exit Facility*” means the new revolving credit facility to be entered into by the Debtors pursuant to the Exit Facility Agreement.

“*Exit Facility Agent*” means Bank of America, N.A., or such other party as identified in the Exit Facility Agreement in its capacity as administrative agent under the Exit Facility.

“*Exit Facility Agreement*” means that certain credit agreement to be executed on or before the Effective Date, including and incorporating any agreements, amendments, documents or supplements related thereto, all in form and substance acceptable to the Requisite Consenting Noteholders and on commercially reasonable terms for similar transactions acceptable to the Debtors and the Exit Facility Agent.

“*Fee Claim*” means a Claim for Accrued Professional Compensation.

“*File*,” “*Filed*” or “*Filing*” means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

“*Final Order*” means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

“*General Unsecured Claim*” means any unsecured Claim against any of the Debtors that is not: (a) an Administrative Claim; (b) a Priority Tax Claim; (c) an Other Priority Claim; (d) a Section 510(b) Claim; or (e) an Intercompany Claim.

“*Governmental Unit*” means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

“*Holder*” means any Entity holding a Claim or an Interest.

“*Impaired*” means any Claim or Interest in an Impaired Class.

“*Impaired Class*” means an impaired Class within the meaning of section 1124 of the Bankruptcy Code.

“*Indemnification*” means the indemnification provision set forth in Article VIII.G of the Plan.

“Indemnification Provision” means each of the Debtors’ indemnification provisions currently in place whether in the bylaws, certificates of incorporation, other formation documents, board resolutions or employment contracts for the current and former directors, officers, managers, employees, attorneys, other professionals and agents of the Debtors and such current and former directors’, officers’ and managers’ respective Affiliates.

“Indemnified Parties” means, collectively, the Debtors and each of their respective current and former officers, directors, managers and employees, each in their respective capacities as such.

“Indenture” means that certain indenture by and among InSight Health Services Corp., certain Affiliates thereof, as guarantors, and U.S. Bank National Association, as trustee, dated September 22, 2005, as the same may have been amended from time to time.

“Indenture Trustee” means U.S. Bank National Association, in its capacity as trustee under the Indenture.

“Intercompany Claim” means any Claim held by a Debtor against another Debtor or any Claim held by an Affiliate against a Debtor.

“Intercompany Contracts” means any Executory Contract, Unexpired Lease, agreement, contract or lease the counterparty or counterparties to which are Debtors.

“Intercompany Interest” means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor, which is held by another Debtor or an Affiliate of a Debtor. For the avoidance of doubt, Intercompany Interests excludes Equity Interests in InSight Health Services Holdings Corp.

“Interests” means, collectively, Equity Interests and Intercompany Interests.

“Interim Compensation Order” means an order of the Bankruptcy Court allowing Professionals to seek interim compensation in accordance with the procedures approved therein, as the same may be modified by a Bankruptcy Court order approving the retention of a specific Professional or otherwise.

“Judicial Code” means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

“Lien” means a lien as defined in section 101(37) of the Bankruptcy Code.

“Management Equity Plan” means that certain post-Effective Date Management Equity Plan, for which up to eight percent (8%) of the fully diluted New Common Stock shall be reserved, and the terms of which plan and equity grants thereunder shall be determined and implemented on or as soon as reasonably practicable after the Effective Date by the New Board or any compensation committee thereof in its discretion.

“New Board” means the board of directors of Reorganized InSight Health Services Holdings Corp. The members of the New Board shall be appointed in accordance with the New By-Laws and the Stockholders Agreement.

“New By-Laws” means the form of by-laws of each of the Reorganized Debtors, consistent with Annex 1 to the Plan Term Sheet, which form will be Filed pursuant to the Plan Supplement and which shall be in form and substance reasonably acceptable to the Requisite Consenting Noteholders.

“New Certificates of Incorporation” means the form of the certificates of incorporation or formation of each of the Reorganized Debtors, which form will be Filed pursuant to the Plan Supplement and which shall be in form and substance consistent with Annex 1 to the Plan Term Sheet and reasonably acceptable to the Requisite Consenting Noteholders.

“*New Common Stock*” means newly issued shares of common stock of Reorganized InSight Health Services Holdings Corp., issued on the Effective Date with a par value of \$.01 per share.

“*Noteholder Professional Fees*” means those fees including, but not limited to, all reasonable fees and out-of-pocket expenses incurred by each of the Indenture Trustee, the Collateral Agent and the Ad Hoc Noteholders Committee, including but not limited to the reasonable professional fees and expenses of Skadden, Arps, Slate, Meagher & Flom, LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Noteholders Committee, and the professional advisors of the Indenture Trustee and the Collateral Agent, whether or not the Plan is ultimately consummated.

“*Other Priority Claim*” means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

“*Other Secured Claim*” means any Secured Claim that is not: (a) a Revolving Credit Facility Claim; (b) a Senior Secured Notes Claim; or (c) a DIP Facility Claim.

“*Person*” means a “person” as defined in section 101(41) of the Bankruptcy Code.

“*Petition Date*” means the date of commencement of the Chapter 11 Cases, which is intended to occur on or about December 10, 2010, but, in any case, after solicitation of the Plan has commenced.

“*Plan*” means this *Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization*, as may be amended, supplemented or modified from time to time, including the Plan Supplement and all annexes, appendices, attachments, exhibits and/or schedules thereto or to the Plan Supplement, all of which are incorporated in the Plan by reference.

“*Plan Supplement*” means the compilation of documents and forms of documents, schedules and exhibits to the Plan, to be Filed on or before the Plan Supplement Filing Date, as amended, supplemented, or modified from time to time in accordance with the terms of the Plan, the Bankruptcy Code, and the Bankruptcy Rules, including: (a) to the extent known, the identity of the members of the New Board and the nature and compensation for any member of the New Board who is an “insider” under section 101(31) of the Bankruptcy Code; (b) a list of Executory Contracts and Unexpired Leases to be rejected; (c) a schedule of Causes of Action to be retained by the Reorganized Debtors; (d) the Corporate Governance Documents; (e) the Exit Facility Agreement or a description of the material terms of the Exit Facility; and (f) the Warrant Agreement.

“*Plan Supplement Filing Date*” means the date that is at least five (5) business days prior to the Confirmation Hearing.

“*Plan Term Sheet*” means that certain Chapter 11 Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement.

“*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

“*Priority Tax Claims Bar Date*” means the first Business Day that is 180 days after the Effective Date.

“*Pro Rata*” means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or the proportion that Allowed Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.

“*Professional*” means an Entity: (a) retained pursuant to a Final Order in accordance with sections 327, 363 or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 363 and 331 of the Bankruptcy Code; or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

“*Professional Fee Escrow Account*” means an interest-bearing account in an amount equal to the Professional Fee Reserve Amount funded and maintained by the Reorganized Debtors on and after the Effective Date solely for the purpose of paying all Allowed and unpaid Fee Claims.

“*Professional Fee Reserve Amount*” means the aggregate Accrued Professional Compensation through the Confirmation Date as estimated by the Professionals in accordance with Article IX.B of the Plan.

“*Proof of Claim*” means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

“*Record Date*” means the close of business on November 15, 2010.

“*Registration Rights Agreement*” means that certain agreement, as described in Annex 1 to the Plan Term Sheet, to be executed on or before the Effective Date among Reorganized Insight Health Services Holdings Corp. and the Holders of the New Common Stock, the form of which shall be Filed pursuant to the Plan Supplement and which shall be in form and substance reasonably acceptable to the Requisite Consenting Noteholders.

“*Rejection Damages Claim*” means a Claim arising from the rejection of an Executory Contract or Unexpired Lease.

“*Rejection Damages Claims Bar Date*” means the first Business Day that is 30 days after the latest of: (x) the date of entry of an order of the Bankruptcy Court approving the rejection of the relevant Executory Contract or Unexpired Lease (which such order may include the Confirmation Order); (y) the Effective Date; and (z) the effective date of rejection for the relevant Executory Contract or Unexpired Lease.

“*Releasing Parties*” means, collectively: (a) the Revolving Credit Facility Agent; (b) the Revolving Credit Facility Lenders; (c) the Indenture Trustee; (d) the Holders of the Senior Secured Notes; (e) the DIP Agent; (f) the DIP Lenders; (g) any and all other Holders of Claims or Equity Interests; and (h) with respect to each of the foregoing entities in clauses (a) through (f), and in clause (g) to the fullest extent permitted by law, such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such.

“*Reorganized Debtor*” or “*Reorganized Debtors*” means the Debtors, in each case, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

“*Requisite Consenting Noteholders*” means the Consenting Noteholders holding at least two thirds in amount of the Senior Secured Notes Claims.

“*Restructuring Support Agreement*” means that certain Restructuring Support Agreement, dated as of December 2, 2010, by and among the Debtors and certain Holders of Senior Secured Notes Claims, as may be amended from time to time in accordance with terms thereof.

“*Revolving Credit Agreement*” means that certain Second Amended and Restated Loan and Security Agreement, by and among InSight Health Corp. and certain of its Affiliates, as borrowers, InSight Health Services Holdings Corp. and InSight Health Services Corp., as guarantors, the Revolving Credit Facility Agent, and the Revolving Credit Facility Lenders, dated as of August 1, 2007, as the same may have been amended from time to time.

“*Revolving Credit Facility*” means the \$20 million secured credit facility provided under the Revolving Credit Agreement, as amended.

“*Revolving Credit Facility Agent*” means Bank of America, N.A., in its capacity as administrative agent under the Revolving Credit Facility.

“*Revolving Credit Facility Claim*” means any Claim arising under or related to upon the Revolving Credit Facility.

“*Revolving Credit Facility Lenders*” means those banks, financial institutions and other lender parties to the Revolving Credit Facility from time to time, each in their capacity as such.

“*SEC*” means the United States Securities and Exchange Commission.

“*Schedules*” means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified or supplemented from time to time.

“*Section 510(b) Claims*” means any Claim subject to subordination under section 510(b) of the Bankruptcy Code.

“*Secured*” means, when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or which is subject to setoff pursuant to section 553 of the Bankruptcy Code to the extent of the value of the creditor’s interest in the Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

“*Secured Claim*” means a Claim that is Secured.

“*Securities Act*” means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, the rules and regulations promulgated thereunder, and any similar federal, state or local law.

“*Securities Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78nn, as amended.

“*Senior Secured Notes*” means those Senior Secured Floating Rate Notes due 2011 issued under the Indenture.

“*Senior Secured Notes Claim*” means any Claim derived from or based upon the Indenture with respect to the Senior Secured Notes; provided that Senior Secured Notes Claims shall not include any Section 510(b) Claims.

“*Stockholders Agreement*” means that certain agreement, as described in Annex 1 to the Plan Term Sheet, to be executed on or before the Effective Date providing for, among other things, the rights and obligations of the Holders of the New Common Stock, the form of which shall be Filed pursuant to the Plan Supplement and which shall be in form and substance acceptable to the Requisite Consenting Noteholders.

“*Subplan*” means a subplan of reorganization that would be Filed by each of the Debtors in the event the Bankruptcy Court does not substantively consolidate the Debtors’ Estates.

“*Third Party Release*” means the release provision set forth in Article VIII.E of the Plan.

“*Third Party Releasees*” means, collectively, (a) the Debtors; (b) the Revolving Credit Facility Agent; (c) the Revolving Credit Facility Lenders; (d) the Indenture Trustee; (e) the Holders of the Senior Secured Notes; (f) the DIP Agent; (g) the DIP Lenders; and (h) with respect to each of the foregoing entities in clauses (a) through (g), such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such.

“*Unexpired Lease*” means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

“*Unimpaired*” means, with respect to a Class of Claims or Interests, a Claim or an Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

“*Voting Deadline*” means December 27, 2010 at 5:00 p.m. (Eastern Time).

“*Warrants*” means those certain warrants to acquire shares of New Common Stock representing two percent (2%), in the aggregate, of the New Common Stock, on a fully-diluted basis, as of the Effective Date (but subject to dilution on or after the Effective Date for awards under the Management Equity Plan), the terms of which shall be consistent in all material respects with the Warrant Term Sheet and further provided in the Warrant Agreement.

“*Warrant Agreement*” means that certain agreement providing for, among other things, the issuance and terms of the Warrants, the form and of which shall be Filed pursuant to the Plan Supplement and consistent in all material respects with the Warrant Term Sheet, and which shall be in form and substance acceptable to the Requisite Consenting Noteholders.

“*Warrant Term Sheet*” means that certain term sheet providing for, among other things, the issuance of the Warrants, which is attached as Annex 2 to the Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement.

B. RULES OF INTERPRETATION.

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words “herein,” “hereof” and “hereto” refer to the Disclosure Statement in its entirety rather than to a particular portion of the Disclosure Statement; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

C. COMPUTATION OF TIME.

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. GOVERNING LAW.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the construction of the Disclosure Statement, any agreements, documents, instruments or contracts executed or entered into in connection with the Disclosure Statement (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control), and corporate governance matters; provided, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. REFERENCE TO MONETARY FIGURES.

All references in the Disclosure Statement to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. REFERENCE TO THE DEBTORS OR THE REORGANIZED DEBTORS.

Except as otherwise specifically provided herein to the contrary, references in the Disclosure Statement to the Debtors or to the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE XIII

CONCLUSION AND RECOMMENDATION

The Debtors believe the Plan is in the best interests of all creditors and urges the Holders of Senior Secured Notes Claims to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Notice and Claims Agent no later than 5:00 p.m. (prevailing Eastern Time) on December 27, 2010.

New York, New York
Dated: December 10, 2010

InSight Health Services Corp. (for itself and all other Debtors)

By: /s/ Keith S. Kelson
Name: Keith S. Kelson
Title: Executive Vice President and Chief Financial Officer

Prepared By:

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Proposed Counsel to the Debtors and Debtors in Possession

EXHIBIT A

Debtors' Prepackaged Joint Chapter 11 Plan of Reorganization

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

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

DEBTORS' PREPACKAGED JOINT CHAPTER 11 PLAN OF REORGANIZATION

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Proposed Counsel to the Debtors and Debtors in Possession

Dated: December 10, 2010

¹ 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); 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); Comprehensive Medical Imaging, Inc. (2473); 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.

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DEBTORS' PREPACKAGED JOINT CHAPTER 11 PLAN OF REORGANIZATION

InSight Health Services Holdings Corp. and the other Debtors in the above-captioned Chapter 11 Cases respectfully propose the following prepackaged joint chapter 11 plan of reorganization for the resolution of outstanding Claims against, and Interests in, the Debtors pursuant to title 11 of the United States Code, 11 U.S.C. §§ 101–1532. Capitalized terms used in the Plan shall have the meanings ascribed to such terms in Article I.A hereof. Reference is made to the Disclosure Statement for a discussion of the Debtors' history, businesses, assets, results of operations and projections of future operations, as well as a summary and description of the Plan and certain related matters. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code. The material terms of the Plan have been agreed to by the Ad Hoc Noteholders Committee pursuant to the Restructuring Support Agreement.

ALL HOLDERS OF CLAIMS AND INTERESTS, TO THE EXTENT APPLICABLE, ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE PLAN PROVIDES FOR SUBSTANTIVE CONSOLIDATION OF ALL OF THE ESTATES FOR ALL PURPOSES ASSOCIATED WITH CONFIRMATION AND CONSUMMATION OF THE PLAN.

ARTICLE I. DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW

A. *Defined Terms*

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. “*Accrued Professional Compensation*” means, at any given moment, all accrued fees and expenses (including success fees) for services rendered by a Professional through and including the Confirmation Date, to the extent such fees and expenses have not been paid pursuant to the Interim Compensation Order or other order of the Bankruptcy Court and regardless of whether a fee application has been Filed for such fees and expenses. To the extent the Bankruptcy Court or any higher court denies or reduces by a Final Order any amount of a Professional's fees or expenses, then the amount by which such fees or expenses are reduced or denied shall no longer constitute Accrued Professional Compensation.

2. “*Ad Hoc Noteholders Committee*” means that certain committee of Holders of Senior Secured Notes Claims represented by the Ad Hoc Noteholders Committee Professionals.

3. “*Ad Hoc Noteholders Committee Professionals*” means Skadden, Arps, Slate, Meagher & Flom LLP, as counsel to the Ad Hoc Noteholders Committee, and FocalPoint Securities, LLC, as financial advisor to the Ad Hoc Noteholders Committee.

4. “*Administrative Claim*” means a Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses Allowed pursuant to sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise for the period commencing on the Petition Date; (c) all fees and charges assessed against the Estates pursuant to chapter 123 of the Judicial Code; (d) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to section 503(b)(3), (4) and (5) of the Bankruptcy Code; and (e) the Noteholder Professional Fees.

5. “*Affiliate*” has the meaning set forth in section 101(2) of the Bankruptcy Code.

6. “*Allowed*” means with respect to Claims: (a) any Claim proof of which is timely Filed (or for which Claim under the Plan, the Bankruptcy Code or Final Order of the Bankruptcy Court a Proof of Claim is or shall not be required to be Filed); (b) any Claim that is listed in the Schedules as not contingent, not unliquidated and not disputed and for which no Proof of Claim has been timely Filed; or (c) any Claim Allowed pursuant to the Plan; provided, however, that with respect to any Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to any Claim no objection to the allowance thereof has been brought within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Bankruptcy Court, or such an objection is so brought, and the Claim shall have been Allowed for voting purposes only by a Final Order pursuant to the terms of the Plan. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed and for which no Proof of Claim is or has been timely Filed is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval or order of the Bankruptcy Court.

7. “*Ballots*” means the ballots accompanying the Disclosure Statement, upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process, and which must be actually received on or before the Voting Deadline.

8. “*Bankruptcy Code*” means title 11 of the United States Code, 11 U.S.C. §§ 101–1532, as applicable to the Chapter 11 Cases.

9. “*Bankruptcy Court*” means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases and, to the extent of the withdrawal of any reference under 28 U.S.C. § 157 and/or the order of the United States District Court for the Southern District of New York, the United States District Court for the Southern District of New York.

10. “*Bankruptcy Rules*” means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

11. “*Business Day*” means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

12. “*Cash*” means the legal tender of the United States of America or the equivalent thereof, including, without limitation, bank deposits, wire transfers and checks or similar negotiable instruments.

13. “*Causes of Action*” means any claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license or franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. Cause of Action also includes: (a) any right of setoff, counterclaim or recoupment and any claim on contracts or for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; (e) any state law fraudulent transfer claim; and (f) any claim listed in the Plan Supplement.

14. “*Certificate*” means any instrument evidencing a Claim or an Interest.

15. “*Chapter 11 Cases*” means (a) when used with reference to a particular Debtor, the chapter 11 case pending for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court.

16. “*Claim*” means any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.
17. “*Claims Objection Bar Date*” means, as applicable, the latest of: (x) the Effective Date; (y) 180 days after the relevant Proof of Claim is Filed; or (z) such later period of limitation as may be specifically fixed by the Debtors or the Reorganized Debtors.
18. “*Class*” means a category of Holders of Claims or Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.
19. “*Collateral Agent*” means U.S. Bank National Association, in its capacity as collateral agent for the Senior Secured Notes.
20. “*Committee*” or “*Committees*” means any official committee (and any and all subcommittees thereof) appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code.
21. “*Compensation and Benefit Claims*” means any and all Claims arising on account of, or relating to, the Compensation and Benefits Programs assumed pursuant to Article V.D hereof.
22. “*Compensation and Benefits Programs*” means all employment and severance agreements and policies, and all compensation and benefit plans, policies, and programs of the Debtors, and all amendments and modifications thereto, applicable to the Debtors’ employees, former employees, retirees and non-employee directors and the employees, former employees and retirees of their subsidiaries, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit agreements and plans, incentive plans, deferred compensation plans and life, accidental death and dismemberment insurance plans.
23. “*Confirmation*” means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article X.A hereof having been: (a) satisfied; or (b) waived pursuant to Article X.C hereof.
24. “*Confirmation Date*” means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.
25. “*Confirmation Hearing*” means the hearing held by the Bankruptcy Court on Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.
26. “*Confirmation Order*” means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.
27. “*Consenting Noteholders*” means the Holders of Senior Secured Notes Claims that are parties to the Restructuring Support Agreement.
28. “*Consummation*” means the occurrence of the Effective Date.
29. “*Corporate Governance Documents*” means the (a) New Certificates of Incorporation, (b) New By-Laws, (c) Stockholders Agreement and (d) Registration Rights Agreement, each of which shall be Filed with the Bankruptcy Court pursuant to the Plan Supplement.
30. “*Creditors’ Committee*” means the official committee of unsecured creditors (including any and all subcommittees thereof) appointed in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, if any.
31. “*Cure Claim*” means a Claim based upon the Debtors’ defaults, if any, on an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

32. “*D&O Liability Insurance Policies*” means all insurance policies for directors’, managers’ and officers’ liability maintained by the Debtors as of the Petition Date.

33. “*Debtor*” means one of the Debtors, in its individual capacity as a debtor in the Chapter 11 Cases.

34. “*Debtor Release*” means the release given by the Debtors to the Debtor Releasees as set forth in Article VIII.D hereof.

35. “*Debtor Releasees*” means, collectively, all current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals of the Debtors, in each case in their capacity as such.

36. “*Debtors*” means, collectively, the Debtors in the Chapter 11 Cases: (a) InSight Health Services Holdings Corp.; (b) InSight Health Services Corp.; (c) Comprehensive Medical Imaging Centers, Inc.; (d) InSight Health Corp.; (e) Maxum Health Services Corp.; (f) North Carolina Mobile Imaging I LLC; (g) North Carolina Mobile Imaging II LLC; (h) North Carolina Mobile Imaging III LLC; (i) North Carolina Mobile Imaging IV LLC; (j) North Carolina Mobile Imaging V LLC; (k) North Carolina Mobile Imaging VI LLC; (l) North Carolina Mobile Imaging VII LLC; (m) Open MRI, Inc.; (n) Orange County Regional PET Center – Irvine, LLC; (o) Parkway Imaging Center, LLC; (p) Comprehensive Medical Imaging, Inc.; and (q) Signal Medical Services, Inc.

37. “*Debtors in Possession*” means, collectively, the Debtors, as debtors in possession in the Chapter 11 Cases, pursuant to sections 1107 and 1108 of the Bankruptcy Code.

38. “*DIP Agent*” means the administrative agent under the DIP Credit Agreement or any successor agent appointed in accordance thereof, as applicable.

39. “*DIP Credit Agreement*” means that certain debtor in possession credit agreement to be executed on or prior to the Petition Date by and among the Debtors, the DIP Agent, the DIP Lenders named therein and the other parties thereto, as the same may be subsequently modified, amended or supplemented, together with all instruments and agreements related thereto.

40. “*DIP Facility*” means that certain debtor in possession credit facility entered into pursuant to the DIP Credit Agreement.

41. “*DIP Facility Claims*” means any and all Claims arising under or related to the DIP Facility.

42. “*DIP Lenders*” means the DIP Agent and the banks, financial institutions and other lender parties to the DIP Credit Agreement from time to time, each in their capacity as such.

43. “*Disclosure Statement*” means the *Disclosure Statement for the Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization*, as further amended, supplemented or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, which shall have been prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law.

44. “*Disputed*” means, with respect to any Claim or Interest, any Claim or Interest that is not yet Allowed.

45. “*Distribution Agent*” means the Reorganized Debtors, or the Entity or Entities chosen by the Reorganized Debtors to make or facilitate distributions pursuant to the Plan.

46. “*Effective Date*” means the date selected by the Debtors that is a Business Day after the Confirmation Date on which the conditions as specified in the Plan, including Article X.B hereof, have been

satisfied or waived. Unless otherwise specifically provided in the Plan, anything required to be done by the Debtors on the Effective Date may be done on the Effective Date or as soon as reasonably practicable thereafter.

47. “*Entity*” means an entity as defined in section 101(15) of the Bankruptcy Code.

48. “*Equity Interest*” means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor that existed immediately prior to the Effective Date, including any Claim subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising therefrom; provided, however, that Equity Interest does not include any Intercompany Interest.

49. “*Estate*” means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

50. “*Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78oo, as amended, the rules and regulations promulgated thereunder, and any similar federal, state or local law.

51. “*Exculpated Parties*” means, collectively: (a) the Debtors; (b) the Reorganized Debtors; (c) the Debtor Releasees; (d) the Indenture Trustee; (e) the Third Party Releasees; and (f) all of the current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals of each of the foregoing Entities (whether current or former, in each case in their capacity as such).

52. “*Exculpation*” means the exculpation provision set forth in Article VIII.F hereof.

53. “*Executory Contract*” means a contract to which one or more than one of the Debtors are a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

54. “*Exit Facility*” means the new revolving credit facility to be entered into by the Debtors pursuant to the Exit Facility Agreement.

55. “*Exit Facility Agent*” means Bank of America, N.A., or such other party as identified in the Exit Facility Agreement in its capacity as administrative agent under the Exit Facility.

56. “*Exit Facility Agreement*” means that certain credit agreement to be executed on or before the Effective Date, including and incorporating any agreements, amendments, documents or supplements related thereto, all in form and substance acceptable to the Requisite Consenting Noteholders and on commercially reasonable terms for similar transactions acceptable to the Debtors and the Exit Facility Agent.

57. “*Fee Claim*” means a Claim for Accrued Professional Compensation.

58. “*File*,” “*Filed*” or “*Filing*” means file, filed, or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

59. “*Final Order*” means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified, or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

60. “*General Unsecured Claim*” means any unsecured Claim against any of the Debtors that is not: (a) an Administrative Claim; (b) a Priority Tax Claim; (c) an Other Priority Claim; (d) a Section 510(b) Claim; or (e) an Intercompany Claim.

61. “*Governmental Unit*” means a governmental unit as defined in section 101(27) of the Bankruptcy Code.
62. “*Holder*” means any Entity holding a Claim or an Interest.
63. “*Impaired*” means any Claim or Interest in an Impaired Class.
64. “*Impaired Class*” means an impaired Class within the meaning of section 1124 of the Bankruptcy Code.
65. “*Indemnification*” means the indemnification provision set forth in Article VIII.G hereof.
66. “*Indemnification Provision*” means each of the Debtors’ indemnification provisions currently in place whether in the bylaws, certificates of incorporation, other formation documents, board resolutions or employment contracts for the current and former directors, officers, managers, employees, attorneys, other professionals and agents of the Debtors and such current and former directors’, officers’ and managers’ respective Affiliates.
67. “*Indemnified Parties*” means, collectively, the Debtors and each of their respective current and former officers, directors, managers and employees, each in their respective capacities as such.
68. “*Indenture*” means that certain indenture by and among InSight Health Services Corp., certain Affiliates thereof, as guarantors, and U.S. Bank National Association, as trustee, dated September 22, 2005, as the same may have been amended from time to time.
69. “*Indenture Trustee*” means U.S. Bank National Association, in its capacity as trustee under the Indenture.
70. “*Intercompany Claim*” means any Claim held by a Debtor against another Debtor or any Claim held by an Affiliate against a Debtor.
71. “*Intercompany Contracts*” means any Executory Contract, Unexpired Lease, agreement, contract or lease the counterparty or counterparties to which are Debtors.
72. “*Intercompany Interest*” means any share of common stock, preferred stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor, which is held by another Debtor or an Affiliate of a Debtor. For the avoidance of doubt, Intercompany Interests excludes Equity Interests in InSight Health Services Holdings Corp.
73. “*Interests*” means, collectively, Equity Interests and Intercompany Interests.
74. “*Interim Compensation Order*” means an order of the Bankruptcy Court allowing Professionals to seek interim compensation in accordance with the procedures approved therein, as the same may be modified by a Bankruptcy Court order approving the retention of a specific Professional or otherwise.
75. “*Judicial Code*” means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.
76. “*Lien*” means a lien as defined in section 101(37) of the Bankruptcy Code.
77. “*Management Equity Plan*” means that certain post-Effective Date Management Equity Plan, for which up to eight percent (8%) of the fully diluted New Common Stock shall be reserved, and the terms of which plan and equity grants thereunder shall be determined and implemented on or as soon as reasonably practicable after the Effective Date by the New Board or any compensation committee thereof in its discretion.

78. “*New Board*” means the board of directors of Reorganized InSight Health Services Holdings Corp. The members of the New Board shall be appointed in accordance with the New By-Laws and the Stockholders Agreement.

79. “*New By-Laws*” means the form of by-laws of each of the Reorganized Debtors, consistent with Annex 1 to the Plan Term Sheet, which form will be Filed pursuant to the Plan Supplement and which shall be in form and substance reasonably acceptable to the Requisite Consenting Noteholders.

80. “*New Certificates of Incorporation*” means the form of the certificates of incorporation or formation of each of the Reorganized Debtors, which form will be Filed pursuant to the Plan Supplement and which shall be in form and substance consistent with Annex 1 to the Plan Term Sheet and reasonably acceptable to the Requisite Consenting Noteholders.

81. “*New Common Stock*” means newly issued shares of common stock of Reorganized InSight Health Services Holdings Corp., issued on the Effective Date with a par value of \$.01 per share.

82. “*Noteholder Professional Fees*” means those fees including, but not limited to, all reasonable fees and out-of-pocket expenses incurred by each of the Indenture Trustee, the Collateral Agent and the Ad Hoc Noteholders Committee, including but not limited to the reasonable professional fees and expenses of Skadden, Arps, Slate, Meagher & Flom LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Noteholders Committee, and the professional advisors of the Indenture Trustee and the Collateral Agent, whether or not the Plan is ultimately consummated.

83. “*Other Priority Claim*” means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

84. “*Other Secured Claim*” means any Secured Claim that is not: (a) a Revolving Credit Facility Claim; (b) a Senior Secured Notes Claim; or (c) a DIP Facility Claim.

85. “*Person*” means a “person” as defined in section 101(41) of the Bankruptcy Code.

86. “*Petition Date*” means the date of commencement of the Chapter 11 Cases, which is intended to occur on or about December 10, 2010, , but, in any case, after solicitation of the Plan has commenced..

87. “*Plan*” means this *Debtors’ Prepackaged Joint Chapter 11 Plan of Reorganization*, as may be amended, supplemented or modified from time to time, including the Plan Supplement and all annexes, appendices, attachments, exhibits and/or schedules hereto or to the Plan Supplement, all of which are incorporated herein by reference.

88. “*Plan Supplement*” means the compilation of documents and forms of documents, schedules and exhibits to the Plan, to be Filed on or before the Plan Supplement Filing Date, as amended, supplemented, or modified from time to time in accordance with the terms hereof, the Bankruptcy Code, and the Bankruptcy Rules, including: (a) to the extent known, the identity of the members of the New Board and the nature and compensation for any member of the New Board who is an “insider” under section 101(31) of the Bankruptcy Code; (b) a list of Executory Contracts and Unexpired Leases to be rejected; (c) a schedule of Causes of Action to be retained by the Reorganized Debtors; (d) the Corporate Governance Documents; (e) the Exit Facility Agreement or a description of the material terms of the Exit Facility; and (f) the Warrant Agreement.

89. “*Plan Supplement Filing Date*” means the date that is at least five (5) business days prior to the Confirmation Hearing.

90. “*Plan Term Sheet*” means that certain Chapter 11 Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement.

91. “*Priority Tax Claim*” means any Claim of a Governmental Unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

92. “*Priority Tax Claims Bar Date*” means the first Business Day that is 180 days after the Effective Date.

93. “*Pro Rata*” means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or the proportion that Allowed Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.

94. “*Professional*” means an Entity: (a) retained pursuant to a Final Order in accordance with sections 327, 363 or 1103 of the Bankruptcy Code and to be compensated for services rendered prior to or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 363 and 331 of the Bankruptcy Code; or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

95. “*Professional Fee Escrow Account*” means an interest-bearing account in an amount equal to the Professional Fee Reserve Amount funded and maintained by the Reorganized Debtors on and after the Effective Date solely for the purpose of paying all Allowed and unpaid Fee Claims.

96. “*Professional Fee Reserve Amount*” means the aggregate Accrued Professional Compensation through the Confirmation Date as estimated by the Professionals in accordance with Article IX.B hereof.

97. “*Proof of Claim*” means a proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

98. “*Record Date*” means the close of business on November 15, 2010.

99. “*Registration Rights Agreement*” means that certain agreement, as described in Annex 1 to the Plan Term Sheet, to be executed on or before the Effective Date among Reorganized Insight Health Services Holdings Corp. and the Holders of the New Common Stock, the form of which shall be Filed pursuant to the Plan Supplement and which shall be in form and substance reasonably acceptable to the Requisite Consenting Noteholders.

100. “*Rejection Damages Claim*” means a Claim arising from the rejection of an Executory Contract or Unexpired Lease.

101. “*Rejection Damages Claims Bar Date*” means the first Business Day that is 30 days after the latest of: (x) the date of entry of an order of the Bankruptcy Court approving the rejection of the relevant Executory Contract or Unexpired Lease (which such order may include the Confirmation Order); (y) the Effective Date; and (z) the effective date of rejection for the relevant Executory Contract or Unexpired Lease.

102. “*Releasing Parties*” means, collectively: (a) the Revolving Credit Facility Agent; (b) the Revolving Credit Facility Lenders; (c) the Indenture Trustee; (d) the Holders of the Senior Secured Notes; (e) the DIP Agent; (f) the DIP Lenders; (g) any and all other Holders of Claims or Equity Interests; and (h) with respect to each of the foregoing entities in clauses (a) through (f), and in clause (g) to the fullest extent permitted by law, such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such.

103. “*Reorganized Debtor*” or “*Reorganized Debtors*” means the Debtors, in each case, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

104. “*Requisite Consenting Noteholders*” means the Consenting Noteholders holding at least two thirds in amount of the Senior Secured Notes Claims.

105. “*Restructuring Support Agreement*” means that certain Restructuring Support Agreement, dated as of December 2, 2010, by and among the Debtors and certain Holders of Senior Secured Notes Claims, as may be amended from time to time in accordance with terms thereof.

106. “*Revolving Credit Agreement*” means that certain Second Amended and Restated Loan and Security Agreement, by and among InSight Health Corp. and certain of its Affiliates, as borrowers, InSight Health Services Holdings Corp. and InSight Health Services Corp., as guarantors, the Revolving Credit Facility Agent, and the Revolving Credit Facility Lenders, dated as of August 1, 2007, as the same may have been amended from time to time.

107. “*Revolving Credit Facility*” means the \$20 million secured credit facility provided under the Revolving Credit Agreement, as amended.

108. “*Revolving Credit Facility Agent*” means Bank of America, N.A., in its capacity as administrative agent under the Revolving Credit Facility.

109. “*Revolving Credit Facility Claim*” means any Claim arising under or related to the Revolving Credit Facility.

110. “*Revolving Credit Facility Lenders*” means those banks, financial institutions and other lender parties to the Revolving Credit Facility from time to time, each in their capacity as such.

111. “*SEC*” means the United States Securities and Exchange Commission.

112. “*Schedules*” means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial accordance with the Official Bankruptcy Forms, as the same may have been amended, modified or supplemented from time to time.

113. “*Section 510(b) Claims*” means any Claim subject to subordination under section 510(b) of the Bankruptcy Code.

114. “*Secured*” means, when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or which is subject to setoff pursuant to section 553 of the Bankruptcy Code to the extent of the value of the creditor’s interest in the Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code; or (b) otherwise Allowed pursuant to the Plan as a Secured Claim.

115. “*Secured Claim*” means a Claim that is Secured.

116. “*Securities Act*” means the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as amended, the rules and regulations promulgated thereunder, and any similar federal, state or local law.

117. “*Securities Exchange Act*” means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78nn, as amended.

118. “*Senior Secured Notes*” means those Senior Secured Floating Rate Notes due 2011 issued under the Indenture.

119. “*Senior Secured Notes Claim*” means any Claim derived from or based upon the Indenture with respect to the Senior Secured Notes; provided that Senior Secured Notes Claims shall not include any Section 510(b) Claims.

120. “*Stockholders Agreement*” means that certain agreement, as described in Annex 1 to the Plan Term Sheet, to be executed on or before the Effective Date providing for, among other things, the rights and obligations of the Holders of the New Common Stock, the form of which shall be Filed pursuant to the Plan Supplement and which shall be in form and substance acceptable to the Requisite Consenting Noteholders.

121. “*Subplan*” means a subplan of reorganization that would be Filed by each of the Debtors in the event the Bankruptcy Court does not substantively consolidate the Debtors’ Estates.

122. “*Third Party Release*” means the release provision set forth in Article VIII.E hereof.

123. “*Third Party Releasees*” means, collectively, (a) the Debtors; (b) the Revolving Credit Facility Agent; (c) the Revolving Credit Facility Lenders; (d) the Indenture Trustee; (e) the Holders of the Senior Secured Notes; (f) the DIP Agent; (g) the DIP Lenders; and (h) with respect to each of the foregoing entities in clauses (a) through (g), such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such.

124. “*Unexpired Lease*” means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

125. “*Unimpaired*” means, with respect to a Class of Claims or Interests, a Claim or an Interest that is unimpaired within the meaning of section 1124 of the Bankruptcy Code.

126. “*Voting Deadline*” means December 27, 2010 at 5:00 p.m. (Eastern Time).

127. “*Warrants*” means those certain warrants to acquire shares of New Common Stock representing two percent (2%), in the aggregate, of the New Common Stock, on a fully-diluted basis, as of the Effective Date (but subject to dilution on or after the Effective Date for awards under the Management Equity Plan), the terms of which shall be consistent in all material respects with the Warrant Term Sheet and further provided in the Warrant Agreement.

128. “*Warrant Agreement*” means that certain agreement providing for, among other things, the issuance and terms of the Warrants, the form and of which shall be Filed pursuant to the Plan Supplement and consistent in all material respects with the Warrant Term Sheet, and which shall be in form and substance acceptable to the Requisite Consenting Noteholders.

129. “*Warrant Term Sheet*” means that certain term sheet providing for, among other things, the issuance of the Warrants, which is attached as Annex 2 to the Plan Term Sheet attached as Exhibit A to the Restructuring Support Agreement.

B. Rules of Interpretation

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed shall mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise specified, all references herein to “Articles” are references to Articles hereof or hereto; (e) unless otherwise stated, the words

“herein,” “hereof” and “hereto” refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (g) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (h) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

C. Computation of Time

The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan, any agreements, documents, instruments or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control), and corporate governance matters; provided, however, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or to the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE II.

DIP FACILITY CLAIMS, ADMINISTRATIVE CLAIMS AND PRIORITY TAX CLAIMS

A. DIP Facility Claims

Subject to the terms of the DIP Credit Agreement, in full and final satisfaction, settlement, release and discharge of and in exchange for each DIP Facility Claim, on the Effective Date, DIP Facility Claims shall be paid in full, in Cash with proceeds from the Exit Facility or shall be converted into obligations of the Debtors under the Exit Facility on a dollar-for-dollar basis.

B. Administrative Claims

1. Administrative Claims Other than Fee Claims

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Administrative Claim, each Holder of such Allowed Administrative Claim shall be paid in full, in Cash the unpaid portion of such Allowed Administrative Claim (a) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Allowed Administrative Claim or (b) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Allowed Administrative Claim.

2. Fee Claims

Professionals or other Entities asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other order of the Bankruptcy Court an application for final allowance of such Fee Claim no later than 45 days after the Effective Date. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party by the later of (a) 45 days after the Effective Date and (b) 30 days after the Filing of the applicable request for payment of the Fee Claim. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

C. *Priority Tax Claims*

Subject to the requirements of Article IV.S hereof, except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment or has been paid by the Debtors prior to the Effective Date, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall receive on account of such Claim payment in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, regular installment payments in Cash: (1) of a total value, as of the Effective Date, equal to the Allowed amount of such Claim; (2) which total value shall include simple interest to accrue on any outstanding balance of such Allowed Priority Tax Claim starting on the Effective Date at the rate of interest determined under applicable nonbankruptcy law pursuant to section 511 of the Bankruptcy Code; and (3) over a period ending not later than 5 years after the Petition Date. Subject to the Priority Tax Claims Bar Date, a Priority Tax Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Priority Tax Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Priority Tax Claim.

**ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, DIP Facility Claims, Administrative Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in this Article III.

A. *Summary of Classification*

All Claims and Interests, other than DIP Facility Claims, Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in this Article III for all purposes, including voting, Confirmation and distributions pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

1. Substantive Consolidation of the Debtors

Pursuant to Article IV.B hereof, the Plan provides for the limited substantive consolidation of the Estates into a single Estate for all purposes associated with Confirmation and Consummation. As a result of the limited substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate identification of the Debtors.

2. Class Identification

The classification of Claims and Interests against the Debtors pursuant to the Plan is as follows:

| Class | Claim | Status | Voting Rights |
|--------------|--|---------------|----------------------|
| 1 | Other Priority Claims | Unimpaired | Deemed to Accept |
| 2 | Other Secured Claims | Unimpaired | Deemed to Accept |
| 3 | Revolving Credit Facility Claims | Unimpaired | Deemed to Accept |
| 4 | Senior Secured Notes Claims | Impaired | Entitled to Vote |
| 5 | General Unsecured Claims | Unimpaired | Deemed to Accept |
| 6 | Intercompany Claims | Unimpaired | Deemed to Accept |
| 7 | Intercompany Interests | Unimpaired | Deemed to Accept |
| 8 | Section 510(b) Claims | Impaired | Deemed to Reject |
| 9 | Equity Interests in InSight Health Services Holdings Corp. | Impaired | Deemed to Reject |

B. Treatment of Claims and Interests

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

1. Class 1 Other Priority Claims

- (a) *Classification:* Class 1 consists of all Other Priority Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Priority Claim agrees to a less favorable treatment for such Holder, in full and final satisfaction, settlement, release and discharge of and in exchange for each Allowed Other Priority Claim, each Holder of such Allowed Other Priority Claim shall be paid in full, in Cash or otherwise receive such treatment as to render such Holder Unimpaired. An Other Priority Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Other Priority Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Other Priority Claim.
- (c) *Voting:* Class 1 is Unimpaired, and Holders of Class 1 Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 Other Secured Claims

- (a) *Classification:* Class 2 consists of all Other Secured Claims.
- (b) *Treatment:* Except to the extent that a Holder of an Allowed Other Secured Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Other Secured Claim, each Allowed Other Secured Claim shall be reinstated or otherwise rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.
- (c) *Voting:* Class 2 is Unimpaired, and Holders of Class 2 Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 Revolving Credit Facility Claims

- (a) *Classification:* Class 3 consists of all Revolving Credit Facility Claims.
- (b) *Allowance:* To the extent not refinanced by the DIP Facility or otherwise paid in full as of the Effective Date, the Revolving Credit Facility Claims shall be Allowed and deemed to be Allowed Claims in the amount of \$1,652,825.00, plus interest and fees due and owing under the Revolving Credit Facility, which Allowed Claims shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaims, cross-claims, defenses, disallowance, impairment, or any other challenges under applicable law by any Entity.
- (c) *Treatment:* To the extent Revolving Credit Facility Claims are not refinanced by the DIP Facility or otherwise paid in full as of the Effective Date and except to the extent that a Holder of an Allowed Revolving Credit Facility Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Revolving Credit Facility Claim, each Holder of an Allowed Revolving Credit Facility Claim shall be paid in full, in Cash with the proceeds of the Exit Facility, reinstated or otherwise receive such treatment as to render such Holder Unimpaired.
- (d) *Voting:* Class 3 is Unimpaired, and Holders of Class 3 Revolving Credit Facility Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Revolving Credit Facility Claims are not entitled to vote to accept or reject the Plan.

4. Class 4 Senior Secured Notes Claims

- (a) *Classification:* Class 4 consists of all Senior Secured Notes Claims.
- (b) *Allowance:* The Senior Secured Notes Claims shall be Allowed and deemed to be Allowed Claims in the amount of \$293,500,000.00, plus interest and fees due and owing with respect to the Senior Secured Notes under the Indenture, which Allowed Claims shall not be subject to any avoidance, reductions, setoff, recharacterization, subordination, counterclaims, cross-claims, defenses, disallowance, impairment or any other challenges under applicable law by any Entity.
- (c) *Treatment:* Except to the extent that a Holder of an Allowed Senior Secured Notes Claim and the Debtors agree to less favorable treatment for such Holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Senior Secured Notes Claim, each Holder of such Allowed Senior Secured Notes Claim shall receive on or as soon as reasonably practicable after the Effective Date its Pro Rata share of 100 percent of the New Common Stock, provided that such distribution shall be subject to dilution by (i) the Management Equity Plan and (ii) the Warrants, which, on the Effective Date, shall be issued by the Reorganized Debtors to the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the Consummation of the Plan) as part of the distributions made to such Holders of Senior Secured Notes Claims under the Plan.
- (d) *Voting:* Class 4 is Impaired. Therefore, Holders of Class 4 Senior Secured Notes Claims as of the Record Date are entitled to vote to accept or reject the Plan.

5. Class 5 General Unsecured Claims

- (a) *Classification:* Class 5 consists of all General Unsecured Claims.

- (b) *Treatment:* Except to the extent that a Holder of a General Unsecured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each General Unsecured Claim, each Holder of such General Unsecured Claim shall be paid in full, in Cash, or otherwise receive such treatment as to render such Holder Unimpaired. A General Unsecured Claim that is not due and payable on or before the Effective Date shall be reinstated and/or paid thereafter without regard to any acceleration caused by the Filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such General Unsecured Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such General Unsecured Claim.
- (c) *Voting.* Class 5 is Unimpaired, and Holders of Class 5 General Unsecured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 General Unsecured Claims are not entitled to vote to accept or reject the Plan.

6. Class 6 Intercompany Claims

- (a) *Classification:* Class 6 consists of all Intercompany Claims.
- (b) *Treatment:* Intercompany Claims shall be reinstated and rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.
- (c) *Voting:* Class 6 is Unimpaired, and Holders of Class 6 Intercompany Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 6 Intercompany Claims are not entitled to vote to accept or reject the Plan.

7. Class 7 Intercompany Interests

- (a) *Classification:* Class 7 consists of all Intercompany Interests.
- (b) *Treatment:* Although Intercompany Interests shall not receive any distribution on account of such Intercompany Interests, Intercompany Interests will not be cancelled and, solely to implement the Plan, will be addressed as set forth in Article IV.K hereof.
- (c) *Voting:* Class 7 is Unimpaired, and Holders of Class 7 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 7 Intercompany Interests are not entitled to vote to accept or reject the Plan.

8. Class 8 Section 510(b) Claims

- (a) *Classification:* Class 8 consists of all Section 510(b) Claims.
- (b) *Treatment:* Holders of Section 510(b) Claims will not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released and extinguished as of the Effective Date.
- (c) *Voting:* Class 8 is Impaired, and Holders of Class 8 Section 510(b) Claims are not entitled to receive or retain any property under the Plan on account of Class 8 Section 510(b) Claims. Therefore, Holders of Class 8 Section 510(b) Claims are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 8 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

9. Class 9 Equity Interests in InSight Health Services Holdings Corp.

- (a) *Classification:* Class 9 consists of all Equity Interests in InSight Health Services Holdings Corp.
- (b) *Treatment:* Holders of Equity Interests in InSight Health Services Holdings Corp. will not receive any distribution on account of such Interests, and Equity Interests in InSight Health Services Holdings Corp. shall be discharged, cancelled, released and extinguished as of the Effective Date; provided that, as set forth in Article IV.E hereof, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date.
- (c) *Voting:* Class 9 is Impaired, and Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are not entitled to receive or retain any property under the Plan on account of Class 9 Equity Interests in InSight Health Services Holdings Corp. Therefore, Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 9 Equity Interests in InSight Health Services Holdings Corp. are not entitled to vote to accept or reject the Plan.

C. *Special Provision Governing Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

D. *Acceptance or Rejection of the Plan*

1. Presumed Acceptance of the Plan

Classes 1, 2, 3, 5, 6 and 7 are Unimpaired under the Plan and are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

2. Voting Class

Class 4 is Impaired under the Plan, and Holders, as of the Record Date, of Claims in Class 4 are entitled to vote to accept or reject the Plan.

3. Deemed Rejection of the Plan

Classes 8 and 9 are Impaired and shall receive no distribution under the Plan and are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

E. *Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code*

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article XI hereof to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification; provided that such modifications shall in each case be acceptable to the Requisite Consenting Noteholders.

F. Controversy Concerning Impairment

If a controversy arises as to whether any Claims or Interests or any Class of Claims or Interests is Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

**ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. Sources of Consideration for Plan Distributions

All consideration necessary for the Reorganized Debtors to make payments or distributions pursuant hereto shall be obtained from the Exit Facility, the issuance of the New Common Stock or other Cash from the Debtors, including Cash from operations.

B. Limited Substantive Consolidation

The Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation and Consummation.

If such limited substantive consolidation of all of the Estates is ordered, then on and after the Effective Date, all assets and liabilities of the Debtors shall be treated as though they were merged into the Estate of InSight Health Services Holdings Corp. for all purposes associated with Confirmation and Consummation, and all guarantees by any Debtor of the obligations of any other Debtor shall be eliminated so that any Claim and any guarantee thereof by any other Debtor, as well as any joint and several liability of any Debtor with respect to any other Debtor, shall be treated as one collective obligation of the Debtors. Such limited substantive consolidation shall not affect the legal and organizational structure of the Reorganized Debtors or their separate corporate existences or any prepetition or postpetition guarantees, Liens or security interests that are required to be maintained under the Bankruptcy Code, under the Plan or in connection with contracts or leases that were assumed or entered into during the Chapter 11 Cases. Any alleged defaults under any applicable agreement with the Debtors, the Reorganized Debtors or their Affiliates arising from substantive consolidation under the Plan shall be deemed cured as of the Effective Date.

In the event that the Bankruptcy Court does not order limited substantive consolidation of the Debtors, then except as specifically set forth in the Plan: (1) nothing in the Plan or the Disclosure Statement shall constitute or be deemed to constitute an admission that one of the Debtors is subject to or liable for any Claim against any other Debtor; (2) Claims against multiple Debtors shall be treated as separate Claims with respect to each Debtor's Estate for all purposes (including distributions and voting), and such Claims shall be administered as provided in the Plan; (3) the Debtors shall not, nor shall they be required to, re-solicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve limited substantive consolidation of the Debtors alter the distributions set forth in the Plan; and (4) the Debtors may File Subplans with terms substantially consistent in all applicable respects with the terms of the Plan, and the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Subplan; provided that a Holder's (a) vote to accept or reject the Plan; (b) presumed acceptance of the Plan pursuant to section 1126(f) of the Bankruptcy Code; or (c) deemed rejection of the Plan pursuant to section 1126(g) may be deemed a vote to accept or reject an applicable Subplan (as the case may be) to the extent that such Subplan does not provide such Holder with less favorable treatment than such Holder would have received if the Bankruptcy Court had ordered limited substantive consolidation as set forth herein. The Debtors' inability to confirm any Subplan or the Debtors' election to withdraw any Subplan shall not impair the confirmation of any other Subplan or the consummation of any such Subplan.

C. Exit Facility

Confirmation shall be deemed approval of the Exit Facility (including any and all transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facility, and all actions to be taken, undertakings to be made and obligations to be incurred by the Reorganized Debtors in connection

therewith, including the payment of all fees, indemnities and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Facility Agreement and such other documents as may be required or appropriate to effectuate the treatment afforded to such lenders pursuant to the Exit Facility Agreement. The Reorganized Debtors may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs. To the extent Revolving Credit Facility Claims are not refinanced by the DIP Facility as of the Effective Date, Revolving Credit Facility Claims shall be paid in full, in Cash with the proceeds from the Exit Facility.

Upon the satisfaction or waiver of the conditions precedent to effectiveness set forth in the Exit Facility Agreement, the DIP Facility and the Revolving Credit Facility shall be refinanced and the Revolving Credit Agreement and the DIP Credit Agreement shall be deemed to have been terminated. Notwithstanding the foregoing, all obligations of the Debtors to the DIP Agent and the DIP Lenders under the DIP Credit Agreement which are expressly stated in the DIP Credit Agreement as surviving such agreement's termination shall, as so specified, survive without prejudice and remain in full force and effect.

Upon the date the Exit Facility Agreement becomes effective, (1) the Debtors and the Reorganized Debtors are authorized to execute and deliver the Exit Facility Agreement and perform their obligations thereunder including, without limitation, the payment or reimbursement of any fees, expenses, losses, damages or indemnities, (2) the Exit Facility Agreement shall constitute the legal, valid and binding obligations of the Reorganized Debtors which are parties thereto, enforceable in accordance with their respective terms, and (3) no obligation, payment, transfer or grant of security under the Exit Facility Agreement shall be stayed, restrained, voidable or recoverable under the Bankruptcy Code or under any applicable law or subject to any defense, reduction, recoupment, setoff or counterclaim.

The Debtors and the Reorganized Debtors, as applicable, and any other Entities granting any Liens and security interests to secure the obligations under the Exit Facility Agreement are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary or desirable to establish and further evidence perfection of such liens and security interests under the provisions of any applicable federal, state, provincial or other law (whether domestic or foreign) (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order and any such filings, recordings, approvals and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such liens and security interests to third parties.

D. Issuance of New Common Stock and Other Securities

The issuance of the New Common Stock, including the shares of the New Common Stock, Warrants, options or other equity awards reserved for the Management Equity Plan (if any), is authorized without the need for any further corporate action or without any further action by a Holder of Claims or Interests. On the Effective Date, or as soon as reasonably practicable thereafter, the New Common Stock shall be issued to the Holders of Senior Secured Notes Claims. The Management Equity Plan will provide for a certain percentage of New Common Stock, not to exceed eight percent (8%) of the fully diluted New Common Stock, to be reserved for issuance as options, equity or equity-based grants in connection with the Reorganized Debtors' management equity incentive program and/or director equity incentive program. The amount of New Common Stock, if any, to be issued pursuant to the Management Equity Plan, and the terms thereof shall be determined by the New Board on or as soon as reasonably practicable after the Effective Date.

All of the shares of New Common Stock issued pursuant to the Plan and the Stockholders Agreement shall be duly authorized, validly issued and fully paid and non-assessable. Each distribution and issuance referred to in Article VI hereof shall be governed by the terms and conditions set forth herein applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, including, but not limited to, the Stockholders Agreement, which terms and conditions shall bind each Entity receiving such distribution or issuance.

The New Common Stock may be subject to certain transfer and other restrictions and appropriate legends pursuant to, among other things, the Stockholders Agreement and the New Certificates of Incorporation.

E. Warrants

As described in Article III.B.4 above, the Holders of existing common stock in InSight Health Services Holdings Corp. on the Effective Date (immediately prior to the consummation of the Plan) shall receive the Warrants from the Reorganized Debtors on the Effective Date. The Warrants may be subject to certain transfer, exercise and other restrictions and appropriate legends pursuant to, among other things, the Warrant Agreement. Notwithstanding anything to the contrary in the Plan, in no event shall the terms of the Warrants cause Reorganized InSight Health Services Holdings Corp. to be required by the Securities Act or the Exchange Act, including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. The Warrant Agreement shall contain transfer, exercise and other restrictions and appropriate legends to the satisfaction of the Requisite Consenting Noteholders and consistent with the Warrant Term Sheet to ensure that the terms of the Warrants and the Warrant Agreement do not result in such registration or reporting requirements on the part of Reorganized InSight Health Services Holdings Corp.

F. Stockholders Agreement

As of the Effective Date, each person or entity that receives New Common Stock shall be deemed to be bound by the Stockholders Agreement. All participants in the Management Equity Plan and each person that receives a Warrant shall execute a joinder to the Stockholders Agreement as a condition to the receipt of any New Common Stock pursuant to exercise of such Warrant or award under the Management Equity Plan.

G. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and distribution of any securities contemplated by the Plan and all agreements incorporated herein, including the New Common Stock and the Warrants, shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution or sale of securities and the Confirmation Order shall so provide. In addition, under section 1145 of the Bankruptcy Code, any securities contemplated by the Plan and any and all agreements incorporated therein, including the New Common Stock and the Warrants, will be freely tradable by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act; (2) compliance with any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such securities or instruments; (3) the restrictions, if any, on the transferability of such securities and instruments, including, without limitation, those set forth in Article IV.D, Article IV.E and Article IV.H hereof; and (4) applicable regulatory approval.

H. Listing of New Common Stock

Other than as provided in the Registration Rights Agreement, the Reorganized Debtors shall not be obligated to list the New Common Stock on a national securities exchange and shall not be required to (but may in its discretion) register with the SEC or other similar regulatory authority any class of equity securities of InSight Health Services Holdings Corp. or to file periodic reports under Section 13 or 15(d) of the Exchange Act. On the Effective Date, Reorganized InSight Health Services Holdings Corp. will enter into the Registration Rights Agreement.

I. New Certificates of Incorporation and New By-Laws

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states of incorporation or formation in accordance with the corporate or other business entity laws of the respective states of incorporation or formation. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as

permitted by the laws of their respective states of incorporation or formation and their respective New Certificates of Incorporation and New By-Laws or other constituent documents.

J. Reorganized Debtors' Boards of Directors and Officers

On the Effective Date, the term of each member of the current board of directors of the Debtors shall automatically expire. The initial members of the New Board shall consist of Reorganized InSight Health Services Holdings Corp.'s Chief Executive Officer and those individuals appointed in accordance with the Stockholders Agreement and the New By-Laws, consistent with Annex 1 to the Plan Term Sheet. The Debtors shall identify the individuals proposed to serve in accordance with the preceding sentence prior to the Effective Date and, to the extent known, members of the New Board and the nature and compensation for any member of the New Board who is an "insider" under Section 101(31) of the Bankruptcy Code will be identified in the Plan Supplement. The board of directors for each of the Reorganized Debtors other than Reorganized InSight Health Services Holdings Corp. and the officers for each of the Reorganized Debtors shall be identified prior to the Effective Date.

K. Corporate Existence

Except as otherwise provided herein and notwithstanding Article IV.B hereof, each Reorganized Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval. On the Effective Date, without any further corporate action, the Reorganized Debtors' organizational documents shall be amended as necessary to satisfy the provisions of the Plan and the Bankruptcy Code and shall include, pursuant to Section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities. Consequently, Intercompany Interests shall be retained, and the legal, equitable and contractual rights to which Holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan. Notwithstanding anything to the contrary herein, each non-debtor corporate entity, limited liability company, partnership or other entity, as the case may be, in which the any of the Debtors owned or controlled an equity interest as of the Petition Date shall exist after the Effective Date as a separate corporate entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Petition Date. All of the actions related to the continued corporate existence of the Reorganized Debtors set forth in this Article IV.K shall be acceptable to the Requisite Consenting Noteholders.

L. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided herein or any agreement, instrument or other document incorporated therein, on the Effective Date, all property in each Estate, all Causes of Action (except those released pursuant to the Debtor Release) and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances (except for Liens granted to secure the Exit Facility and Claims pursuant to the DIP Facility that by their terms survive termination of the DIP Facility). On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims, Interests or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

M. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the Indenture, and any other Certificate, share, note, bond, indenture, purchase right, option, warrant

or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such agreements, Certificates, notes or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan), shall be cancelled as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, Certificates, notes, bonds, indentures, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, Certificates, notes, or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically reinstated pursuant to the Plan) shall be released and discharged; provided that, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim or Interest shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan as provided herein.

On the Effective Date, except to the extent otherwise provided herein, any indenture relating to any of the foregoing, including the Indenture, shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder shall be fully released and discharged.

N. Restructuring Transactions

Subject to the consent of the Requisite Consenting Noteholders on the form of the restructuring transactions contemplated herein, on the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, certificates of incorporation, operating agreements, bylaws or other documents containing terms that are consistent with or reasonably necessary to implement the terms of the Plan and that satisfy the requirements of applicable law; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any property, right, liability, duty or obligation on terms consistent with the terms of the Plan; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the Reorganized Debtors determine are necessary or appropriate, including any filings that may be required by applicable law.

Immediately upon and after entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may (and shall be authorized to) consummate, and take all actions as may be necessary or appropriate to effect and consummate, the sale of certain of the Debtor's assets related to the Debtors' Northern California business (as described in the Disclosure Statement), upon terms acceptable to the Debtors and the Requisite Consenting Noteholders, to the extent not consummated on or before the Confirmation Date or authorized by prior order of the Bankruptcy Court.

O. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (1) adoption or assumption, as applicable, of Executory Contracts and Unexpired Leases; (2) selection of the New Board and all other directors and officers for the Reorganized Debtors; (3) the execution of and entry into the Exit Facility Agreement; (4) the distribution of the New Common Stock and Warrants as provided herein; (5) adoption and implementation of the Management Equity Plan; and (6) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors.

On or (as applicable) prior to the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors (including, any vice-president, president, chief executive officer, treasurer or chief financial officer thereof), as applicable, shall be authorized and directed to issue, execute and deliver the agreements, documents, securities,

certificates of incorporation, operating agreements and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including: (1) the Exit Facility; (2) the issuance of the New Common Stock and Warrants; and (3) any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.O shall be effective notwithstanding any requirements under nonbankruptcy law. All of the foregoing corporate actions set forth in this Article IV.O shall be acceptable to the Requisite Consenting Noteholders.

P. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors and the managers, officers and members of the boards of directors thereof, including, without limitation, the New Board, are authorized to and may issue, execute, deliver, file or record such contracts, securities, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization or consents except for those expressly required pursuant to the Plan.

Q. Exemption from Certain Taxes and Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by Article IV.N hereof; or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

R. Employee and Retiree Benefits

Except as otherwise provided herein, on and after the Effective Date, the Reorganized Debtors may: (1) honor, in the ordinary course of business, any contracts, agreements, policies, programs and plans for, among other things, compensation (other than equity-based compensation related to Equity Interests in InSight Health Services Holdings Corp.), health care benefits, disability benefits, deferred compensation benefits, travel benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation insurance and accidental death and dismemberment insurance for the directors, officers and employees of any of the Debtors who served in such capacity at any time; and (2) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date; provided, however, that the Debtors' or Reorganized Debtors' performance under any employment agreement will not entitle any person to any benefit or alleged entitlement under any policy, program or plan that has expired or been terminated before the Effective Date. Nothing herein shall limit, diminish or otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action or other rights with respect to any such contracts, agreements, policies, programs and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

S. D&O Liability Insurance Policies

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume and assign to the Reorganized Debtors all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' foregoing assumption of each of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary

contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers and managers upon terms reasonably acceptable to the Reorganized Debtors and the Requisite Consenting Noteholders.

T. Indemnification Provisions

Notwithstanding anything herein to the contrary the Reorganized Debtors, as of the Effective Date, shall assume all Indemnification Provisions. All Indemnification Provisions in place on and prior to the Effective Date for current and former officers, directors, managers and employees of the Debtors and their subsidiaries and such current and former officers', directors', managers' and employees' respective Affiliates shall survive the Effective Date for all Claims related to or in connection with, without limitation, any actions, omissions or transactions occurring prior to the Effective Date.

U. Preservation of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, and except where such Causes of Action have been expressly released (including, for the avoidance of doubt, pursuant to the Debtor Release provided by Article VIII.D hereof), the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors or Reorganized Debtors have released any Person or Entity on or prior to the Effective Date (pursuant to the Debtor Release or otherwise), the Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after or as a consequence of the Confirmation or Consummation.

V. Priority Tax Claims & Administrative Claims Bar Dates

Priority Tax Claims Bar Date. Notwithstanding anything herein to the contrary, any Creditor holding (1) a Priority Tax Claim or (2) a Claim that may otherwise be a Priority Tax Claim or Claim for escheatment or unclaimed property but for the fact that such Claim arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim on account of such Claim, and such Proof of Claim must be Filed with the Bankruptcy Court on or before the Priority Tax Claims Bar Date. All (1) Priority Tax Claims or (2) Claims that may otherwise be Priority Tax Claims or Claim for escheatment or unclaimed property but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII.A and Article VIII.H hereof.

Administrative Claims Bar Date. All requests for payment of an Administrative Claim must be Filed with the Notice, Claims and Solicitation Agent and served upon counsel to the Debtors or Reorganized Debtors, as applicable, on or before the date that is 30 days after the Effective Date. The Reorganized Debtors may settle and pay any Administrative Claim in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court. In the event that any party with standing objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

**ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

Except as otherwise provided herein or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, as of the Effective Date, each Debtor shall be deemed to have assumed each Executory Contract and Unexpired Lease to which it is a party (including all D&O Liability Insurance Policies), unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to reject Filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease to be rejected pursuant to the Plan Supplement, which shall be reasonably acceptable to the Requisite Consenting Noteholders. The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the assumptions or rejections described above as of the Effective Date.

Notwithstanding the foregoing paragraph, after the Effective Date, the Reorganized Debtors shall have the right to terminate, amend or modify any intercompany contracts, leases, or other agreements without approval of the Bankruptcy Court.

B. Payments Related to Assumption of Executory Contracts and Unexpired Leases

With respect to any Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant hereto (including pursuant to Article V.A hereof) or otherwise, Cure Claims shall be satisfied, pursuant to section 365(b) of the Bankruptcy Code, by payment of the Cure Claims in Cash on the Effective Date or as soon as reasonably practicable thereafter or on such other terms as the parties to each such Executory Contract or Unexpired Lease may otherwise agree. In the event of a dispute regarding: (1) the amount of any Cure Claim; (2) the ability of the Reorganized Debtors to provide adequate assurance of future performance (within the meaning of section 365(b) of the Bankruptcy Code), if applicable, under the Executory Contract or the Unexpired Lease to be assumed; or (3) any other matter pertaining to assumption, the Cure Claims shall be paid following the entry of a Final Order resolving the dispute and approving the assumption of such Executory Contracts or Unexpired Leases; provided, however, that the Debtors or the Reorganized Debtors may settle any dispute regarding the amount of any Cure Claim without any further notice to or action, order or approval of the Bankruptcy Court.

C. Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases

Rejection or repudiation of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of preexisting obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any nonbankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive or any continuing obligation of a counterparty to provide warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts or Unexpired Leases.

D. Compensation and Benefit Programs

Subject to the provisions of the Plan, all Compensation and Benefits Programs shall be treated as Executory Contracts under the Plan and deemed assumed on the Effective Date pursuant to the provisions of

sections 365 and 1123 of the Bankruptcy Code, except for any prepetition employee equity or equity-based incentive plans, and any provisions set forth in the Compensation and Benefits Programs that provide for rights to acquire Equity Interests in InSight Health Services Holdings Corp. Any and all Compensation and Benefit Claims (including, but not limited to, Claims relating to the Debtors' supplemental employee retirement program) are Unimpaired and entitled to full payment.

E. Intercompany Contracts, Contracts and Leases Entered into After the Petition Date

On and after the Effective Date, the Debtors may continue to perform under Intercompany Contracts, contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business.

F. Modifications, Amendments, Supplements, Restatements or Other Agreements

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease or the validity, priority or amount of any Claims that may arise in connection therewith.

G. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Reorganized Debtors, as applicable, shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided herein.

H. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code.

I. Rejection Damages Claims Bar Date

Notwithstanding anything herein to the contrary, any Creditor holding a Rejection Damages Claim must File a Proof of Claim on account of such Claim, and such Proofs of Claim must be Filed with the Bankruptcy Court on or before the Rejection Damages Claims Bar Date. All Rejection Damages Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Rejection Damages Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII.A and Article VIII.H hereof.

**ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS**

A. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided in the Plan, on the Effective Date or as soon as reasonably practicable thereafter (or, if a Claim is not an Allowed Claim on the Effective Date, on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim), each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class and in the manner provided herein. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII hereof. Except as otherwise provided herein, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for herein, regardless of whether such distributions are delivered on or at any time after the Effective Date.

B. Distribution Agent

Except as otherwise provided herein, all distributions under the Plan shall be made by the Reorganized Debtors as Distribution Agent or by such other Entity designated by the Reorganized Debtors as a Distribution Agent on the Effective Date. A Distribution Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. In the event that a Distribution Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Distribution Agent.

C. Rights and Powers of Distribution Agent

1. Powers of the Distribution Agent

The Distribution Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof.

In addition to the services authorized by any order of the Bankruptcy Court authorizing the retention and employment of BMC Group, Inc. as notice and claims agent for the Debtors, BMC Group, Inc. is authorized and empowered to perform the following services: (a) assist the Debtors and their advisors with the administrative management, reconciliation and resolution of claims; (b) facilitate or perform distributions; and (c) assist the Debtors with all analyses and/or collections of avoidance actions pursuant to chapter 5 of the Bankruptcy Code.

2. Expenses Incurred on or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and expenses incurred by the Distribution Agent on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement claims (including reasonable attorney fees and expenses) made by the Distribution Agent shall be paid in Cash by the Reorganized Debtors.

D. Distributions on Account of Claims Allowed After the Effective Date

1. Payments and Distributions on Disputed Claims

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be made on a date determined by the

Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim and shall be deemed to have been made on the Effective Date.

Notwithstanding the foregoing paragraph: (a) Disputed Administrative Claims with respect to liabilities or obligations incurred by the Debtors in the ordinary course of business during the Chapter 11 cases or assumed by the Debtors prior to the Effective Date that become Allowed Administrative Claims after the Effective Date shall be paid or performed (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such Allowed Administrative Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such Holder with respect to such Allowed Administrative Claim; and (b) Disputed Priority Tax Claims for which valid Proofs of Claim have been Filed on or before the Priority Tax Claims Bar Date that become Allowed Priority Tax Claims after the Effective Date, unless otherwise agreed, shall be paid in accordance with Article II.C.

2. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by the Debtors or the Reorganized Debtors, on the one hand, and the Holder of a Disputed Claim, on the other hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

E. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions in General

Except as otherwise provided herein, the Reorganized Debtors or the Distribution Agent, as the case may be, shall make distributions to Holders of Allowed Claims at the address for each such Holder as indicated on the Debtors' books and records as of the date of any such distribution; provided, however, that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors and the Distribution Agent; and provided, further, that the address for each Holder of an Allowed Claim shall be deemed to be the address set forth in any Proof of Claim Filed by that Holder.

Distributions of any notes, certificates or other instruments, if any, evidencing the obligations of the Reorganized Debtors under the Revolving Credit Facility shall be made to the Revolving Credit Facility Agent for the benefit of the Revolving Credit Facility Lenders, in accordance with the terms hereof. Such distributions shall be deemed completed when made to the Revolving Credit Facility Agent, and neither the Debtors nor the Reorganized Debtors shall have any additional or further obligations to make distributions under the Plan to the Revolving Credit Facility Lenders.

Distributions of the New Common Stock shall be made to the Indenture Trustee for the benefit of the Holders of Senior Secured Notes Claims, in accordance with the terms hereof. Such distributions shall be deemed completed when made to the Indenture Trustee, and neither the Debtors nor the Reorganized Debtors shall have any additional or further obligations to make distributions under the Plan to the Holders of Senior Secured Notes Claims.

2. Minimum Distributions

The Reorganized Debtors shall not be required to make partial distributions or payments of fractions of shares of New Common Stock, and such fractions shall be deemed to be zero.

3. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Distribution Agent has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months

from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors (notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

F. Compliance with Tax Requirements and Allocations

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including reserving sufficient cash or taking necessary draws under the DIP Facility to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support and other spousal awards, liens and encumbrances.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

G. Setoffs

The Debtors and the Reorganized Debtors may withhold (but may not set off except as set forth below in this Article VI.G or as provided by Article VIII.I) from the distributions called for under the Plan on account of any Allowed Claim an amount equal to any claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim. In the event that any such claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim are adjudicated by Final Order or otherwise resolved, the Debtors may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant hereto on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim) the amount of any adjudicated or resolved claims, equity interests, rights and Causes of Action of any nature that the Debtors or the Reorganized Debtors may hold against the Holder of any such Allowed Claim, but only to the extent of such adjudicated or resolved amount. Neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claims, equity interests, rights, and Causes of Action that the Debtors or the Reorganized Debtors may possess against any such Holder, except as specifically provided herein.

H. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim (*i.e.*, from the third party and under the Plan) exceeds the amount of such Claim as of the date of any such distribution under the Plan.

2. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VII.

PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

A. *Prosecution of Objections to Claims*

The Debtors, subject to the reasonable consent of the Requisite Consenting Noteholders, or the Reorganized Debtors, as applicable, shall have the exclusive authority to File, settle, compromise, withdraw or litigate to judgment any objections to Claims, other than Fee Claims, as permitted under the Plan. From and after the Effective Date, the Debtors and the Reorganized Debtors may settle or compromise any Disputed Claim without notice to or action, order or approval of the Bankruptcy Court. The Debtors reserve all rights to resolve any Disputed Claim outside the Bankruptcy Court under applicable governing law.

B. *Procedures Regarding Disputed Claims*

Except as otherwise provided herein (including, without limitation, by Article IV.V and Article V.I hereof), Holders of Claims shall not be required to File a Proof of Claim, and no parties should File a Proof of Claim. Instead, the Debtors intend to make distributions, as required by the Plan, in accordance with the books and records of the Debtors; provided that the Debtors and the Reorganized Debtors, as applicable, reserve all rights to object to any Claim for which a Proof of Claim is Filed by the Claims Objection Bar Date.

For the avoidance of doubt, in accordance with by Article IV.V and Article V.I hereof: (1) Holders of Rejection Damages Claims must File a Proof of Claim with respect to such Claims by the Rejection Damages Claims Bar Date; and (2) Holders of Priority Tax Claims or Claims that would otherwise be Priority Tax Claims but for the fact that such Claims arose prior to the applicable statutory period set forth by section 507(a)(8) of the Bankruptcy Code must File a Proof of Claim with respect to such Claims by the Priority Tax Claims Bar Date.

Unless disputed by a Holder of a Claim or otherwise provided herein, the amount set forth in the books and records of the Debtors shall constitute the amount of the Allowed Claim of such Holder. If any such Holder of a Claim disagrees with the Debtors' books and records with respect to the Allowed amount of such Holder's Claim, such Holder must so advise the Debtors in writing, in which event the Claim will become a Disputed Claim. The Debtors intend to attempt to resolve any such disputes consensually or through judicial means outside the Bankruptcy Court. Nevertheless, the Debtors may, in their discretion, File with the Bankruptcy Court (or any other court of competent jurisdiction) an objection to the allowance of any Claim or any other appropriate motion or adversary proceeding with respect thereto, and the Debtors reserve the right to compromise, settle, withdraw or litigate to judgment any objections to Claims for which a Proof of Claim is Filed.

Any Debtor or Reorganized Debtor, as applicable, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of

whether such Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Reorganized Debtors, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. Each of the aforementioned objection, estimation and resolution procedures are cumulative and are not exclusive of one another.

C. Allowance of Claims and Interests

Except as expressly provided herein, no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed under the Bankruptcy Code and under the Plan or unless and until the Bankruptcy Court enters a Final Order in the Chapter 11 Cases allowing such Claim under section 502 of the Bankruptcy Code. Except as expressly provided in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), the Reorganized Debtors after the Effective Date will have and retain any and all rights and defenses held by the Debtors with respect to any Claim as of the Petition Date.

D. No Distributions Pending Allowance

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided under the Plan shall be made on account of such Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

E. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan, including, without limitation, Article VI.D. The Distribution Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan on a date determined by the Reorganized Debtors, in their sole discretion, after such a Claim becomes an Allowed Claim and shall be deemed to have been made on the Effective Date, without any interest to be paid on account of such Claim.

**ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS**

A. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release and discharge, effective as of the Effective Date, of all Claims, Interests and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against and Interests in the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities and Causes of Action that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim or Interest based upon such Claim, debt, right or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Interest based upon such Claim, debt, right or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order

shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

B. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal or equitable subordination relating thereto. Subject to the requirements of section 1129(b) of the Bankruptcy Code (as applicable), no Holder of a Section 510(b) Claim shall receive any distribution on account of such Section 510(b) Claim, and all Section 510(b) Claims shall be extinguished.

C. Compromise and Settlement of Claims, Interests and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and Holders of Claims and Interests and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

D. Debtor Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE (SUCH THAT THE REORGANIZED DEBTORS WILL NOT RECEIVE ANY CLAIM OR CAUSE OF ACTION RELEASED HEREUNDER), FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, INCLUDING: (1) THE DISCHARGE OF DEBT AND ALL OTHER GOOD AND VALUABLE CONSIDERATION PAID PURSUANT HERETO; AND (2) THE SERVICES OF THE DEBTORS' PRESENT AND FORMER OFFICERS, DIRECTORS, MANAGERS AND ADVISORS IN FACILITATING THE EXPEDITIOUS IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED HEREBY, EACH OF THE DEBTORS DISCHARGE AND RELEASE AND SHALL BE DEEMED TO HAVE PROVIDED A FULL DISCHARGE AND RELEASE TO EACH DEBTOR RELEASEE AND TO EACH THIRD PARTY RELEASEE (AND EACH SUCH DEBTOR RELEASEE AND THIRD PARTY RELEASEE SO RELEASED SHALL BE DEEMED FULLY RELEASED AND DISCHARGED BY THE DEBTORS) AND THEIR RESPECTIVE PROPERTY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, FROM ANY AND ALL CAUSES OF ACTION, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, INCLUDING (1) THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN ANY DEBTOR AND ANY THIRD PARTY RELEASEE OR DEBTOR RELEASEE, THE RESTRUCTURING OF CLAIMS AND

INTERESTS BEFORE OR DURING THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN AND DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENT OR OTHER DOCUMENTS AND (2) THOSE THAT ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT IN THEIR OWN RIGHT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR THAT ANY HOLDER OF A CLAIM OR AN EQUITY INTEREST OR OTHER ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT ON BEHALF OF ANY OF THE DEBTORS OR ANY OF THEIR ESTATES; PROVIDED, THAT THE FOREGOING “DEBTOR RELEASE” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CAUSES OF ACTION OF ANY DEBTOR: (1) ARISING UNDER THE EXIT FACILITY; OR (2) EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS OR THE REORGANIZED DEBTORS ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

E. Third Party Release

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, AS SUCH LAW MAY BE EXTENDED OR INTERPRETED SUBSEQUENT TO THE EFFECTIVE DATE, EACH OF THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A THIRD PARTY RELEASEE) SHALL PROVIDE A FULL DISCHARGE AND RELEASE (AND EACH ENTITY SO RELEASED SHALL BE DEEMED RELEASED BY THE RELEASING PARTIES) TO THE THIRD PARTY RELEASEES AND THE DEBTOR RELEASEES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, DEMANDS, RIGHTS, AND CAUSES OF ACTION (OTHER THAN UNIMPAIRED CLAIMS, CLAIMS RELATING TO UNIMPAIRED CLAIMS, AND THE RIGHTS TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS DELIVERED THEREUNDER), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, LIQUIDATED OR UNLIQUIDATED, CONTINGENT OR NON-CONTINGENT, EXISTING AS OF THE EFFECTIVE DATE IN LAW, AT EQUITY, WHETHER FOR TORT, FRAUD, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE, ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, INCLUDING THOSE IN ANY WAY RELATED TO THE CHAPTER 11 CASES OR THE PLAN; PROVIDED, HOWEVER, THAT THE FOREGOING “THIRD PARTY RELEASE” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF ANY RELEASING PARTY: (1) ARISING UNDER THE EXIT FACILITY; OR (2) EXPRESSLY SET FORTH IN AND REINSTATED OR PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR RELEASEES AND THE THIRD PARTY RELEASEES; (2) A GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS

RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

F. Exculpation

The Exculpated Parties shall neither have nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with, or related to formulating, negotiating, preparing, disseminating, implementing, administering, confirming or effecting the Consummation of the Plan or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors; provided, however, that the foregoing "Exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party shall be entitled to rely upon the reasonable advice of counsel concerning his, her or its duties pursuant to or in connection with the Plan or any other related document, instrument or agreement.

G. Indemnification

Subject to the occurrence of the Effective Date, the obligations of the Debtors and Reorganized Debtors, as the case may be, to indemnify, defend, reimburse or limit the liability of directors, managers, officers, employees, attorneys, other professionals and agents who were directors, managers, officers, employees, attorneys, other professionals and agents of the Debtors or the Reorganized Debtors, as the case may be, on or after the Petition Date against any claims or causes of action as provided in the certificates of incorporation, bylaws or other organizational documents, each in place as of the Petition Date, or applicable state law, shall survive confirmation of the Plan, remain unaffected thereby and not be discharged, irrespective of whether such indemnification, defense, reimbursement or limitation is owed in connection with an event occurring before or after the Petition Date.

H. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES THAT: (1) HAVE BEEN DISCHARGED PURSUANT TO ARTICLE VII.A HEREOF; (2) HAVE BEEN RELEASED PURSUANT TO ARTICLE VII.D HEREOF; (3) HAVE BEEN RELEASED PURSUANT TO ARTICLE VII.E HEREOF; OR (4) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VII.F HEREOF, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING OR ENFORCING ANY LIEN, CLAIM OR ENCUMBRANCE OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY

OBLIGATION DUE FROM ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES UNLESS SUCH HOLDER HAS FILED A MOTION REQUESTING THE RIGHT TO PERFORM SUCH SETOFF ON OR BEFORE THE CONFIRMATION DATE, AND NOTWITHSTANDING ANY INDICATION IN A PROOF OF CLAIM OR INTEREST OR OTHERWISE THAT SUCH HOLDER ASSERTS, HAS OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO SECTION 553 OF THE BANKRUPTCY CODE OR OTHERWISE; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY SO RELEASED, DISCHARGED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, DISCHARGED OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION OR LIABILITIES RELEASED OR SETTLED PURSUANT TO THE PLAN.

I. Setoffs

Except as otherwise provided herein, each Reorganized Debtor pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim (other than DIP Facility Claims) or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any Claims, rights and Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such Claims, rights and Causes of Action that such Reorganized Debtor may possess against such Holder.

J. Release of Liens

Except as otherwise provided herein or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

**ARTICLE IX.
ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS**

A. Professional Fee Escrow Account

On the Effective Date, the Reorganized Debtors shall fund the Professional Fee Escrow Account with Cash equal to the Professional Fee Reserve Amount for all Professionals. The Professional Fee Escrow Account shall be maintained in trust solely for the Professionals with respect to unpaid fees or expenses or for whom fees or expenses have been held back pursuant to the Interim Compensation Order. Such funds shall not be property or be deemed property of the Reorganized Debtors. The Reorganized Debtors shall cause Accrued Professional Compensation to be paid in Cash to such Professionals from the Professional Fee Escrow Account when such Claims are Allowed by a Bankruptcy Court order; provided that the Debtors' or the Reorganized Debtors' liability for Accrued Professional Compensation shall not be limited nor be deemed to be limited to the funds available from the Professional Fee Escrow Account. When all Allowed Fee Claims have been paid in full, amounts remaining in the Professional Fee Escrow Account, if any, shall be paid to the Reorganized Debtors.

B. Professional Fee Reserve Amount

On or before the Effective Date, the Professionals shall estimate their Accrued Professional Compensation prior to and as of the Confirmation Date and shall deliver such estimate to the Debtors and the Requisite Consenting Noteholders. If a Professional does not provide an estimate, the Reorganized Debtors may estimate the unpaid fees and expenses of such Professional. The total amount so estimated as of the Confirmation Date shall comprise the Professional Fee Reserve Amount; provided, however, that such estimate shall not be considered an admission or limitation with respect to the fees and expenses of such Professional.

C. Post-Confirmation Date Fees and Expenses

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court, pay in Cash the reasonable legal, professional or other fees and expenses related to implementation and Consummation of the Plan incurred by the Debtors or the Reorganized Debtors, as the case may be. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order, or approval of the Bankruptcy Court; provided, however, that counsel to the Ad Hoc Noteholders Committee shall receive notice before any payments being made to Professionals for services rendered or expenses incurred after the Confirmation Date through the Effective Date.

D. Payment of Fees and Expenses of the Ad Hoc Noteholders Committee Professionals

Notwithstanding any provision in the Plan to the contrary, Debtors or Reorganized Debtors shall promptly pay in Cash in full the Noteholders Professional Fees including the reasonable and documented fees and expenses of Skadden, Arps, Slate, Meagher & Flom LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Noteholders Committee, and the legal counsel and financial advisor of the Indenture Trustee and the Collateral Agent, whether or not the Plan is ultimately consummated. All amounts distributed and paid to the foregoing parties pursuant to the Plan shall not be subject to setoff, recoupment, reduction or allocation of any kind.

ARTICLE X.

CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation

It shall be a condition to Confirmation hereof that the following conditions shall have been satisfied unless waived pursuant to the provisions of Article X.C hereof:

1. the Disclosure Statement in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders shall have been approved by the Bankruptcy Court; and
2. the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders.

B. Conditions Precedent to Consummation

It shall be a condition to Consummation of the Plan that the following conditions shall have been satisfied unless waived pursuant to the provisions of Article X.C hereof:

1. the Confirmation Order (a) shall have become a Final Order in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and (b) shall include a finding by the Bankruptcy Court that the New Common Stock and Warrants to be issued on the Effective Date

will be authorized and exempt from registration under applicable securities laws pursuant to section 1145 of the Bankruptcy Code, and there shall have been no entry of any other court order prohibiting any transactions contemplated by the Plan from occurring;

2. the Exit Facility Agreement, which shall be in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders, shall have been executed and delivered by all of the Entities that are parties thereto, and all conditions precedent to the consummation thereof shall have been waived or satisfied in accordance with the terms thereof;
3. the Plan, including any amendments, modifications, or supplements thereto shall be acceptable to the Debtors and the Requisite Consenting Noteholders;
4. the Plan Supplement, including any amendments, modifications, or supplements thereto shall be acceptable to the Debtors and the Requisite Consenting Noteholders;
5. all actions, documents, certificates and agreements necessary to implement this Plan shall be in form and substance acceptable to the Debtors and the Requisite Consenting Noteholders and shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable governmental units in accordance with applicable laws;
6. the Bankruptcy Court shall have entered the Confirmation Order, which shall authorize the rejection by the Debtors of the Unexpired Leases and Executory Contracts set forth in the Plan Supplement; and
7. all conditions precedent in the Restructuring Support Agreement shall have been satisfied or waived in accordance with the terms thereof.

C. Waiver of Conditions

The conditions to Confirmation of the Plan and to Consummation of the Plan set forth in this Article X may be waived by the Debtors (with the consent of the Requisite Consenting Noteholders) without notice to or action, approval or order of the Bankruptcy Court.

D. Effective Date

The Effective Date shall be the first Business Day upon which all of the conditions specified in Article X.B hereof have been satisfied or waived.

E. Effect of Non-Occurrence of Conditions to Consummation

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects, and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Equity Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, any Holders or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders or any other Entity in any respect.

**ARTICLE XI.
MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN**

A. Modification and Amendments

Except as otherwise specifically provided herein, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not re-solicit votes on such modified Plan; provided, however, that such modifications shall be acceptable to the Requisite Consenting Noteholders. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and

Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend or modify materially the Plan with respect to such Debtor, one or more times, after Confirmation and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; provided, however, that such alterations, amendments, modifications, remedies or reconciliations shall be acceptable to the Requisite Consenting Noteholders. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with this Article XI.

B. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

C. Revocation or Withdrawal of the Plan

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date, subject to the consent of the Requisite Consenting Noteholders; provided, that such consent shall not be required if the Debtors determine that proceeding with Confirmation of the Plan would be inconsistent with the exercise of their fiduciary duties under applicable law. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan and any document or agreement executed pursuant to the Plan shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor or any other Entity.

**ARTICLE XII.
RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain such jurisdiction over the Chapter 11 Cases and all matters, arising out of or related to the Chapter 11 Cases and the Plan including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority, Secured or unsecured status or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount or allowance of Claims or Interests;
2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
3. resolve any matters related to: (a) the assumption, assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine and, if necessary, liquidate any Claims arising therefrom, including Rejection Damages Claims, Cure Claims pursuant to section 365 of the Bankruptcy Code or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V, any Executory Contracts or Unexpired Leases to the list of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired.

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;
5. adjudicate, decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
6. adjudicate, decide or resolve any and all matters related to Causes of Action;
7. adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;
8. enter and implement such orders as may be necessary or appropriate to execute, implement or consummate the provisions of the Plan and all contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan or the Disclosure Statement, except as otherwise provided in the Confirmation Order;
9. enter and enforce any order for the sale of property pursuant to sections 363, 1123 or 1146(a) of the Bankruptcy Code;
10. resolve any cases, controversies, suits, disputes or Causes of Action that may arise in connection with the Consummation, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
11. issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;
12. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the discharge, releases, injunctions, exculpations and other provisions contained in Article VIII and enter such orders as may be necessary or appropriate to implement such discharge, releases, injunctions, exculpations and other provisions;
13. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VI.H.1;
14. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
15. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document created in connection with the Plan or the Disclosure Statement;
16. adjudicate any and all disputes arising from or relating to distributions under the Plan;
17. consider any modifications of the Plan to cure any defect or omission or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
18. determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;
19. hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents or instruments executed in connection with the Plan;

20. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
21. hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
22. enforce all orders previously entered by the Bankruptcy Court;
23. hear any other matter not inconsistent with the Bankruptcy Code; and
24. enter an order concluding or closing the Chapter 11 Cases.

**ARTICLE XIII.
MISCELLANEOUS PROVISIONS**

A. Immediate Binding Effect

Subject to Article X.B and notwithstanding Bankruptcy Rules 3020(e), 6004(h) or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, any and all Holders of Claims or Interests (irrespective of whether such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents, which shall be in form and substance acceptable to the Requisite Consenting Noteholders, as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as the Debtors or the Reorganized Debtors, as applicable, may deem necessary or advisable to effectuate the provisions and intent of the Plan.

C. Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of the Judicial Code shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

D. Dissolution of Committees

On the Effective Date, the Creditors' Committee (if any) and any and all other Committees (if any) shall dissolve, and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases.

E. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan nor any action taken or not taken by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

F. Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, manager, agent, representative, attorney, beneficiaries or guardian, if any, of each Entity.

G. Service of Documents

After the Effective Date, any pleading, notice or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

| Reorganized Debtors | Counsel to the Reorganized Debtors |
|--|---|
| InSight Health Services Holdings Corp. 26250 Enterprise Court, Suite 100 Lake Forest, California 92630 Attn: Legal Department | Kirkland & Ellis LLP 300 North LaSalle Street Chicago, Illinois Attn: James H.M. Sprayregen, P.C.; Ryan Blaine Bennett; and Paul Wierbicki |

After the Effective Date, the Debtors may, in their sole discretion, notify Entities that, in order to continue to receiving documents pursuant to Bankruptcy Rule 2002, such Entities must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Reorganized Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

H. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

I. Entire Agreement

Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

J. Nonseverability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court or otherwise to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' or Reorganized Debtors' consent and the consent of the Requisite Consenting Noteholders; and (3) nonseverable and mutually dependent.

K. Conflicts

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control; provided, however, that if there is a conflict between this Plan and a Plan Supplement document, the Plan Supplement document shall govern and control.

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Dated: December 10, 2010

InSight Health Services Holdings Corp. (for itself and each of the Debtors)

By: /s/ Keith S. Kelson

Name: Keith S. Kelson

Title: Executive Vice President and
Chief Financial Officer

EXHIBIT B

Debtors' Organizational and Prepetition Debt Structure

InSight Health Services Corporate and Capital Structure

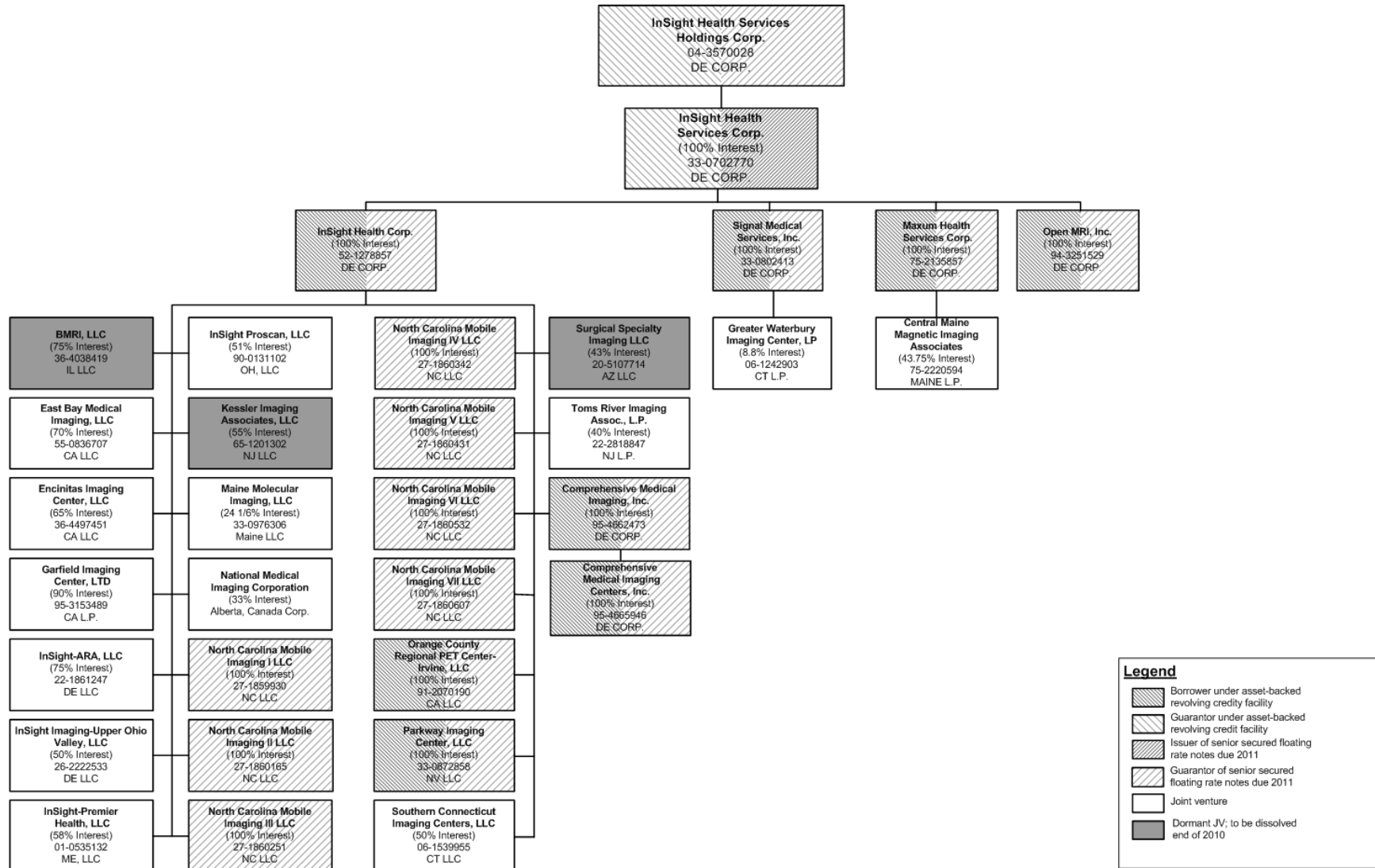


EXHIBIT C

Debtors' Financial Projections

Summary of Significant Assumptions

The financial projections for fiscal year 2011 include results from only the expected post-emergence period, beginning January 1, 2011 for illustrative purposes. The Debtors' fiscal year end is June 30.¹

All projections represent Management's best estimates given the information available at the time these projections were prepared, given certain expectations for revenue and costs, industry trends and the Debtors' overall strategy.

Statement of Operations Assumptions

Revenue: Revenue consists of operations from three segments – retail services, wholesale services and other operations.

Retail services consist of centers (mainly fixed-sites) that primarily generate revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, such as Medicare, Medicaid and health maintenance organizations. The Debtors primarily outsource the billing and collections for retail services to Dell Perot Systems and bear the direct risk of collections from third-party payors and patients. Projected retail services revenue is based on a review of the Debtors' center-level budget for fiscal year 2011 as adjusted for strategic acquisitions, dispositions and specifically identified center closures anticipated to be implemented over the projection period. Center-level revenue is then projected using assumed annual growth or contraction rates depending on scan modality.

Wholesale services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to healthcare provider customers, such as hospitals. The Debtors handle the billing and collections for wholesale services at relatively low cost and do not bear the direct risk of collections from third-party payors or patients. Wholesale services revenue is based on a contract-level review of assumed termination dates, renewal rates and annual growth rates for renewed or continuing contracts.

Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. The Debtors refer to this revenue as generated from the "solutions" business. Other revenue growth is primarily driven by assumptions surrounding the frequency at which the Debtors sign up new "solutions" customers.

Cost of Services: Cost of services associated with the Debtors' retail services segment can be segregated into fixed and variable costs. Retail services variable costs include expensed service supplies, bad debt expense and billing fees. Retail services fixed costs include salary, bonus, and benefits, recruiting and relocation costs, travel and entertainment expenses, equipment maintenance, contractual maintenance, vehicle operations, occupancy costs, office supplies, communications expenses, consulting fees, insurance costs, taxes, licenses and fees, marketing

¹ The Debtors expect to emerge from chapter 11 on February 1, 2011. For purposes of these financial projections, January 1, 2011 is used as the projection start date because it represents the nearest financial quarter end date. The Debtors do not believe the terms described herein would be materially different if February 1, 2011 was used as the financial projection start date.

and sales costs, reading fees, hardware maintenance and software maintenance. Projected cost of services for retail services is based on a review of the Debtors' center-level budget for fiscal year 2011 as adjusted for strategic acquisitions, dispositions and specifically identified center closures anticipated to be implemented over the projection period. Costs of services for continuing retail services operations (i.e., excluding the adjustments discussed above) are assumed to remain flat over the projection period.

Cost of services associated with the Debtors' wholesale services segment can be segregated into fixed and variable costs. Wholesale services variable costs include salary, bonus and benefits, recruiting and relocation costs and vehicle operations. Wholesale services fixed costs include travel and entertainment expenses, equipment maintenance, contractual maintenance, occupancy costs, office supplies, communications expenses, consulting fees, service supplies, insurance costs, taxes, licenses and fees, management fees and software maintenance. Cost of services for wholesale services are forecasted as a percent of the wholesale services revenue derived from the contract-level review discussed above.

Cost of services associated with the Debtors' other operations represent expenses related to personnel training, sales and marketing, information technology, managed care overhead and billing overhead. Similar to other revenue, cost of services associated with other operations is primarily driven by assumptions surrounding the frequency at which the Debtors sign up new "solutions" customers.

Equipment Lease Expenses: Represents the Debtors' expenses associated with their leased diagnostic imaging equipment. Projected retail services equipment lease expense is based on a center-level budget for fiscal year 2011 as adjusted for strategic acquisitions, dispositions and specifically identified center closures anticipated to be implemented over the projection period. The Debtors' center-level equipment lease expense for continuing retail services operations is expected to remain constant over the projection period. Wholesale services equipment lease expense is forecasted as a percent of the wholesale services revenue derived from the contract-level review discussed above.

Depreciation and Amortization: Property and equipment are depreciated and amortized using the straight-line method and the following estimated useful lives:

| | |
|---|--|
| Vehicles | 3 to 8 years |
| Buildings | 7 to 20 years |
| Leasehold improvements | Lesser of the useful life or term of lease |
| Computer and office equipment | 3 to 5 years |
| Software costs | 3 to 7 years |
| Diagnostic and related equipment | 5 to 8 years |
| Equipment and vehicles under capital leases | 5 to 8 years |

Corporate Expenses: Represents expenses associated with the Debtors' corporate-level accounting, legal, internal auditing, marketing, organizational development, management information systems, strategic sourcing, financial planning and human resources functions, as well as executive compensation and costs associated with maintaining the Debtors' headquarters.

Projected corporate expenses are based on the Debtors' budget for fiscal year 2011 and are assumed to increase at annual growth rate of 2% thereafter.

Equity in Subsidiaries: Represents the Debtors' equity ownership interest in the earnings or losses of their unconsolidated partnerships, partially offset by third parties' minority ownership in the earnings or losses of consolidated partnerships. Equity in subsidiaries is assumed to remain flat over the projection period for continuing operations.

Interest Expense: Represents interest expense, letters of credit fees and unused line fees relating to the Debtors' Exit Facility, as well as interest related the Debtors' long-term capital leases.

Gains and Losses on Sales of Assets: Represents the difference between the sale price and net book value of assets and centers sold as part of the Debtors' planned strategic dispositions.

Provision for Income Taxes: Provision for income taxes is calculated assuming a 40% tax rate. For illustrative purposes, the projections assume that the Debtors will not be able to use net operating loss carryforwards to offset taxable income. This assumption is for illustrative purposes only and has not been reviewed by any tax experts.

Other Assumptions

Capital Expenditures: Primarily includes scheduled hardware and software upgrades of the Debtors' diagnostic imaging equipment over the projected period. Maintenance, repairs and minor replacements are charged to operations as incurred.

Debt Structure: After the Effective Date, the Debtors' debt structure is assumed to consist of a \$15 million Exit Facility, which is assumed to mature in five years from the Effective Date and bear interest rate at 8.0% per annum for illustrative purposes.

Financial Statements (\$Millions)

Pro Forma Reorganized InSight Consolidated Balance Sheet ⁽²⁾

| | 01/01/11 | FY2011 | FY2012 | FY2013 | FY2014 |
|--|----------|----------|----------|----------|----------|
| Cash & Cash Equivalents ⁽³⁾ | \$ 8.8 | \$ 3.0 | \$ 3.0 | \$ 3.0 | \$ 11.0 |
| Accounts Receivable | 20.1 | 22.3 | 21.6 | 22.6 | 23.7 |
| Other Current Assets | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 |
| Current Assets | \$ 36.7 | \$ 33.2 | \$ 32.5 | \$ 33.4 | \$ 42.6 |
| Property and Equipment, Net | \$ 68.6 | \$ 68.4 | \$ 70.6 | \$ 66.5 | \$ 57.6 |
| Investments in Partnerships | 7.3 | 7.3 | 7.3 | 7.3 | 7.3 |
| Goodwill & Other Intangible Assets | 21.6 | 38.0 | 36.3 | 36.2 | 36.1 |
| Other Assets | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Total Assets | \$ 134.5 | \$ 147.0 | \$ 146.9 | \$ 143.7 | \$ 143.9 |
| Accounts Payable | \$ 12.3 | \$ 12.7 | \$ 12.4 | \$ 12.3 | \$ 12.5 |
| Other Accrued Liabilities | 14.4 | 14.4 | 14.4 | 14.4 | 14.4 |
| Total Current Liabilities | \$ 26.7 | \$ 27.1 | \$ 26.8 | \$ 26.8 | \$ 26.9 |
| Revolver Balance | \$ - | \$ 6.0 | \$ 6.6 | \$ 2.2 | \$ - |
| Capital Leases & Other | 3.8 | 3.1 | 1.6 | 0.8 | 0.5 |
| Total Debt | \$ 3.8 | \$ 9.0 | \$ 8.3 | \$ 2.9 | \$ 0.5 |
| Other Long-Term Liabilities | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 |
| Total Liabilities | \$ 35.8 | \$ 41.5 | \$ 40.4 | \$ 35.0 | \$ 32.7 |
| Stockholders' Equity | \$ 98.7 | \$ 105.5 | \$ 106.6 | \$ 108.7 | \$ 111.2 |
| Total Liabilities & Equity | \$ 134.5 | \$ 147.0 | \$ 146.9 | \$ 143.7 | \$ 143.9 |

Pro Forma Reorganized InSight Consolidated Income Statement

| | 2HFY2011 | FY2012 | FY2013 | FY2014 |
|-----------------------------------|----------|----------|----------|----------|
| Wholesale Services | \$ 43.8 | \$ 79.3 | \$ 77.4 | \$ 76.9 |
| Retail Services | 46.7 | 95.6 | 97.5 | 99.8 |
| Other Operations | 2.1 | 8.8 | 16.7 | 24.9 |
| Total Revenues | \$ 92.7 | \$ 183.7 | \$ 191.5 | \$ 201.6 |
| Cost of Services | \$ 66.8 | \$ 133.8 | \$ 139.2 | \$ 145.8 |
| Equipment Lease Expenses | 5.1 | 9.3 | 9.0 | 9.0 |
| Depreciation and Amortization | 11.1 | 23.7 | 24.8 | 27.4 |
| Total Cost of Operations | \$ 83.0 | \$ 166.8 | \$ 173.0 | \$ 182.2 |
| Corporate Operating Expenses | \$ 7.7 | \$ 16.1 | \$ 16.4 | \$ 16.8 |
| Equity in Subsidiaries | (1.0) | (1.8) | (1.8) | (1.8) |
| Interest Expense, Net | 0.4 | 0.9 | 0.4 | 0.2 |
| (Gain) Loss on Sales of Assets | (5.3) | - | - | - |
| Income (Loss) Before Income Taxes | \$ 7.9 | \$ 1.7 | \$ 3.5 | \$ 4.2 |
| Provision for Income Taxes | 1.1 | 0.7 | 1.4 | 1.7 |
| Net Income (Loss) | \$ 6.8 | \$ 1.0 | \$ 2.1 | \$ 2.5 |

(2) Pro forma balance sheet does not reflect "fresh start" accounting.

(3) Emergence is expected to occur on February 1, 2011. For illustrative purposes, the cash balance as of January 1, 2011 assumes \$10 million of restructuring and other transaction costs related to accrued professional plus exit fees paid prior to exit (which includes an illustrative estimate for fees through February 1, 2011).

Pro Forma Reorganized InSight Consolidated Statement of Cash Flows

| | <u>2HFY2011</u> | <u>FY2012</u> | <u>FY2013</u> | <u>FY2014</u> |
|--|------------------|------------------|------------------|------------------|
| Operating Activities: | | | | |
| Net Income | \$ 6.8 | \$ 1.0 | \$ 2.1 | \$ 2.5 |
| Depreciation & Amortization | 11.1 | 23.7 | 24.8 | 27.4 |
| (Gain) Loss on Sale of Assets | (5.3) | - | - | - |
| Changes in Working Capital | (1.8) | 0.3 | (0.9) | (1.1) |
| Net Cash from Operating Activities | <u>\$ 10.9</u> | <u>\$ 25.1</u> | <u>\$ 25.9</u> | <u>\$ 28.9</u> |
| Investing Activities: | | | | |
| Acquisitions / Dispositions | \$ (17.7) | \$ - | \$ - | \$ - |
| Additions to Property and Equipment | (4.3) | (24.3) | (20.6) | (18.4) |
| Net Cash from Investing Activities | <u>\$ (22.0)</u> | <u>\$ (24.3)</u> | <u>\$ (20.6)</u> | <u>\$ (18.4)</u> |
| Financing Activities: | | | | |
| Principal Payments - Capital Lease & Other | \$ (0.7) | \$ (1.4) | \$ (0.9) | \$ (0.2) |
| Revolver Borrowings (Payments) | 6.0 | 0.6 | (4.5) | (2.2) |
| Net Cash from Financing Activities | <u>\$ 5.3</u> | <u>\$ (0.8)</u> | <u>\$ (5.3)</u> | <u>\$ (2.4)</u> |
| Increase (Decrease) in Cash | \$ (5.8) | \$ (0.0) | \$ - | \$ 8.0 |
| Beginning Cash Balance | 8.8 | 3.0 | 3.0 | 3.0 |
| Ending Cash Balance | <u>\$ 3.0</u> | <u>\$ 3.0</u> | <u>\$ 3.0</u> | <u>\$ 11.0</u> |

EXHIBIT D

Liquidation Analysis

Liquidation Analysis

We have prepared this liquidation analysis with the assistance of our financial advisors. The liquidation analysis estimates the values that may be obtained by claim and equity interest holders upon disposition of assets, pursuant to a liquidation in a bankruptcy case under chapter 7 of the Bankruptcy Code, as an alternative to continued operations of the business under the plan of reorganization. The liquidation analysis is based upon the assumptions discussed below. The liquidation analysis assumes we file for bankruptcy protection without a prepackaged or pre-arranged plan of reorganization. **Because of the numerous risks, uncertainties and contingencies beyond our control, there can be no assurances whatsoever that the following recoveries could be realized.** Moreover, because this liquidation analysis was prepared for purposes of the Plan and reflects our estimates of potential recoveries that could be realized in a liquidation, the amounts disclosed are not likely to be meaningful for us as a going concern or indicative of actual returns that may eventually be realized by stakeholders in a non-liquidation context.

Significant Assumptions, Key Limitations and Notes to Liquidation Analysis

The liquidation analysis was prepared by management with the assistance of Jefferies & Company, Inc. and reflects the Company's estimate of the proceeds that could be realized if the Company was to be liquidated in accordance with chapter 7 of the Bankruptcy Code. Underlying the liquidation analysis are a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies beyond the control of the Company and its management, and upon assumptions with respect to the liquidation decisions which could be subject to change. **ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE COMPANY WERE, IN FACT, TO ATTEMPT TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.**

The liquidation analysis assumes InSight Health Services Holdings Corp. and all wholly-owned U.S. subsidiaries of InSight Health Services Corp. (collectively, the "Company"), which guarantee the senior secured floating rate notes, file for chapter 11 bankruptcy protection.

The legal entities that are assumed to file are:

- InSight Health Services Holdings Corp.
- InSight Health Services Corp.
- InSight Health Corp.
- Comprehensive Medical Imaging, Inc.
- Comprehensive Medical Imaging Centers, Inc.
- Signal Medical Services, Inc.
- 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

The analysis assumes that a chapter 7 case is initiated and a chapter 7 trustee is appointed. The chapter 7 trustee would be responsible for liquidating the Company's assets over a usual and customary timeframe. Proceeds resulting from the liquidation would be reduced by the expenses of the liquidation before any allowed secured claimant would receive proceeds from the sale of collateral securing that claim. Detailed below are the significant assumptions reflected in the liquidation analysis.

Significant Assumptions

- 1) In a chapter 7 liquidation scenario, a significant portion of the value to be realized from the Company's assets is through the sale of its diagnostic imaging equipment. The liquidation analysis assumes that the fixed-site centers are closed upon conversion to chapter 7 and a trustee is appointed to liquidate the Company's diagnostic imaging equipment. It is assumed that the Company's assets will be liquidated over a period of six months.
- 2) All liquidation proceeds are stated in actual dollar terms and have not been discounted to reflect present values.
- 3) As described in Article II of the Disclosure Statement, the Debtors' secured debt consists of the Revolving Credit Facility, the Senior Secured Notes and certain secured equipment financing arrangements. This debt is secured by different assets. The Revolving Credit Facility is secured by the Debtors' accounts receivable and the proceeds thereof, the equipment financing arrangements are secured by certain equipment which is generally the subject of such financing arrangements and the remainder of the Debtors' assets secure the Senior Secured Notes. Assets and associated recoveries in a chapter 7 liquidation are assumed to be segregated into two categories:
 - a. **Noteholder Collateral**: includes all of the Debtors' property listed in that certain security agreement dated September 22, 2005. The September 22, 2005 security agreement referenced herein was filed with the Securities and Exchange Commission on October 28, 2005, and the security referenced therein includes, among other things, inventory, equipment and the proceeds thereof, but excludes, among other things, net trade accounts receivable and certain cash and cash equivalents that are collateral under the Revolving Credit Facility ("Noteholder Collateral"). The holders of Senior Secured Notes Claims are assumed to receive all net proceeds associated with such assets (up to the full amount of their allowed claims) on account of their security interest in such assets. To the extent such net proceeds are less than the allowed Senior Secured Notes Claims, the holders of such claims are assumed to have an unsecured deficiency claim against the Assets Excluded from Noteholder Collateral (defined below) equal to the amount of such shortfall ("Class 4 Deficiency Claim").
 - b. **Assets Excluded from Noteholder Collateral**: includes unrestricted cash and cash equivalents and net trade accounts receivable ("Assets Excluded from Noteholder Collateral"). The holders of Senior Secured Notes Claims and General Unsecured Claims are assumed to share ratably in the net proceeds available for distribution to unsecured creditors. Such net proceeds are subject to the full and prior payment of (i) first, the Revolving Credit Facility Claims and (ii) second, Other Priority Claims, and such related ratable recoveries are estimated based on the estimated allowed General Unsecured Claims and the Class 4 Deficiency Claim.

Key Limitations

- 1) If the implementation of the liquidation process is delayed, significant operating losses and/or changes in assets and liabilities may be incurred during the interim period until the liquidation is completed, and the net liquidation value could be significantly below that estimated herein.
- 2) Upon liquidation, actual liabilities may vary significantly from those reflected on the Company's consolidated balance sheet and in this liquidation analysis because claims presently unknown to the Company may be asserted. It is not possible to predict with any certainty the potential increase in liabilities resulting from contingent and/or unliquidated claims. This analysis also excludes potential lease rejection and other damages claims arising from the Company's likely inability to perform under certain contracts and other agreements in a chapter 7 liquidation. Actual amounts may vary materially from these estimates.
- 3) Liquidation values are predicated upon the September 30, 2010 unaudited consolidated financial statements provided by the Company. The liquidation analysis does not take into account operating results subsequent to September 30, 2010, but reflects adjustments in assets and liabilities related to the Company's subsequently completed acquisitions and dispositions of certain patient services centers. Based upon discussions with the Debtors' management, no material change in operating results has occurred since September 30, 2010 that would materially affect this analysis.

- 4) This liquidation analysis assumes no new litigation and only assumes amounts already accrued on the consolidated balance sheet to cover known litigation exposures.

Notes

The following notes describe the significant assumptions included in the liquidation analysis. The numbers described in the text of the notes may not be exact due to rounding.

Note 1 — Adjustments to Exclude Non-Debtors

Adjustments to exclude non-debtors represent the removal of the net book value of consolidated partnerships assets not wholly-owned by the Company. The analysis assumes that the Company sells its interests in all majority-owned partnerships (discussed further in Note 14). The positive adjustment to Investments in Consolidated Partnerships is described in Note 14.

Note 2 — Adjustments for M&A Activities

Adjustments for M&A activities represent the addition or removal of the net book value of all assets related to acquired or sold patient services centers by the Company after September 30, 2010. Proceeds received as a result of such dispositions have been reflected in restricted cash pursuant to the terms of the indenture governing the senior secured floating rate notes.

Note 3 — Cash and Cash Equivalents

Cash and equivalents consist of balance sheet cash and liquid investments with original maturities of three months or less, such as certificate of deposits and commercial paper. The estimated recovery of 100% is based on estimates by management and the Company's professional advisors.

Note 4 — Trade Accounts Receivable, Net

The estimated recovery range of 50% to 75% for the Company's net trade accounts receivable is based on estimates by management and the Company's professional advisors.

Note 5 — Other Current Assets

Other current assets consist of prepaid insurance, medical supplies, facility security deposits, prepaid expenses, amounts due from unconsolidated partnerships, and other miscellaneous assets. Recoveries on these assets are assumed to be 0% in both the low and high recovery scenarios.

Note 6 — Assets Held for Sale

Assets held for sale as of September 30, 2010 have been reduced to zero pursuant to the mechanism for subsequent dispositions discussed in Note 2 – Adjustments for M&A Activities.

Note 7 — Vehicles

Recovery percentages are calculated using management estimates of fair market values for the vehicles in the Company's fleet. The low recovery case assumes that vehicles are sold for approximately 50% of their fair market values, while the high recovery case assumes vehicles are sold for 85% of their fair market values. This results in total recoveries of 70% and 118% of net book value in the low and high cases, respectively.

Note 8 — Land, Building and Leasehold Improvements

The Company's owned land and building in Fort Worth, Texas, representing the Company's entire real estate portfolio, was evaluated by a third-party real estate appraisal agency in November 2010. This appraisal formed the basis for the low and high recovery assumptions for these assets. Other assets in this category include leasehold improvements, which

are assumed to yield 10% and 20% of book value in the low and high recovery cases, respectively. This results in total recoveries of 18% and 29% of net book value in the low and high cases, respectively.

Note 9 — Computer and Office Equipment

A recovery range of 10% to 20% of net book value is assumed for the Company's computer and office equipment.

Note 10 — Diagnostic and Related Equipment

Recoveries for the Company's diagnostic imaging equipment are based on management estimates of fair market values of the Company's imaging equipment. The low recovery case assumes that the entirety of the Company's diagnostic imaging equipment is sold for 50% of its fair market value, while the high recovery case assumes recovery of 85% of fair market value. These assumptions result in total recoveries of 65% and 110% of net book value in the low and high cases, respectively.

Note 11 — Equipment and Vehicles under Capital Lease

This asset class primarily consists of diagnostic imaging equipment leased by the Company and includes both assets that are currently under lease and assets for which the leases have expired. It is assumed that those assets that are still under lease are delivered back to the lessor and are unavailable for sale in a chapter 7 process. Those assets that are no longer under lease (i.e., for which the lease period has expired) are owned by the Company. It is assumed that those assets can be liquidated to satisfy creditor claims and can be sold for 50% and 85% of their fair market values in the low and high recovery cases, respectively. This is consistent with the assumptions made in Note 10 for comparable imaging equipment. These assumptions result in total recoveries of 40% and 68% of the net book value in the low and high cases, respectively.

Note 12 — Construction in Progress

Assets associated with the Company's construction in progress include vehicles, land, building and leasehold improvements, computers and office equipment, diagnostic and related equipment. With the exception of information technology-related investments in our revenue cycle management assets (which are assumed to have a recovery of 0% in the low and high recovery cases), recovery assumptions for construction in progress assets are uniform with the applicable total asset recoveries described in notes 7,8,9 and 10 above. These assumptions result in total recoveries of 8% and 16% of net book value in the low and high cases, respectively.

Note 13— Investments in Unconsolidated Partnerships

Investments in unconsolidated partnerships consist of the Company's minority ownership interests in partnerships. The analysis assumes that liquidation yields a range of 50% to 70% of the fair market value of ownership interests in certain partnerships. Generally, the fair market value for these investments was estimated using market multiples of Adjusted EBITDA as adjusted for each partnership's capital structure. This translates into recoveries of 96% and 135% of the book value of these minority interests in the low and high cases, respectively.

Note 14 — Investments in Consolidated Partnerships

Investments in consolidated partnerships represent the fair market value of the Company's majority ownership interests in partnerships. The analysis assumes that liquidation yields a range of 50% to 70% of the fair market value of ownership interests in certain partnerships. Generally, the fair market value for these investments was estimated using market multiples of Adjusted EBITDA as adjusted for each partnership's capital structure.

Note 15 — Restricted Cash

A recovery of 100% of net book value is assumed for the Company's restricted cash in both the low and high cases.

Note 16 — Other Assets

Other assets consist primarily of the Company's investment in a start-up joint venture. These assets are assumed to have no liquidation value.

Note 17 — Goodwill and Other Intangible Assets, Net

Goodwill and other intangible assets include the InSight trademark, certificates of need, wholesale contracts, customer relationships and goodwill from the acquisitions we have made. With the exception of certificates of need, these assets are assumed to have no liquidation value. The Company received third-party valuation reports in September 2010 which provided fair value estimates for the Company's certificates of need as of June 2010. These reports served as the basis for assumed fair market value of the Company's certificates of need (as adjusted for subsequent dispositions). The analysis assumes that liquidation yields a range of 50% to 70% of the fair market value of certificates of need. This results in total recoveries of 22% and 30% of net book value in the low and high cases, respectively.

Note 18 — Wind-down Costs

Wind-down costs reflect the payment of corporate payroll and operating costs during liquidation based on the assumption that select corporate functions would be required to oversee the liquidation process during a six month wind-down of operations. Wind-down expenses are assumed to be 25% of average monthly corporate overhead for the first three months of liquidation and 10% of average monthly corporate overhead for the final three months of liquidation. A 15% retention bonus is assumed to be paid to key employees who remain to oversee the liquidation at the corporate level.

Note 19 — Trustee Fees and Administrative Expenses

Chapter 7 trustee fees and administrative fees include those fees associated with the appointment of a chapter 7 trustee and associated legal and accounting fees incurred during the liquidation process in accordance with section 326 of the Bankruptcy Code. Chapter 7 trustee fees are estimated at 3% of gross proceeds and administrative fees are assumed at \$4 million and \$6 million in the high and low recovery cases, respectively.

THESE ESTIMATED LIQUIDATED VALUES ARE NECESSARILY SPECULATIVE AND COULD VARY DRAMATICALLY FROM THE AMOUNTS THAT MAY ACTUALLY BE RECOVERED IN AN ACTUAL LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

The Liquidation Analysis demonstrates that confirmation of the Plan will provide each Holder of a Claim or Interest in an impaired class with a recovery greater than such holder would receive pursuant to a liquidation under chapter 7 of the Bankruptcy Code and is based on a comparison of the liquidation values set forth in the liquidation analysis above with our estimate of the value of the distributions to the Holders of Claims pursuant to the Plan discussed in the Disclosure Statement.

The Liquidation Analysis necessarily contains an estimate of the amount of Claims that ultimately will become Allowed Claims. Estimates for various classes of Claims are based solely upon the Debtors' review of their books and records. No order or finding has been entered by the Court estimating or otherwise fixing the amount of Claims at the projected levels set forth in this Liquidation Analysis. In preparing the Liquidation Analysis, the Debtors have projected amounts of Claims that are consistent with the estimated Claims reflected in the Plan with certain modifications as specifically discussed herein.

DRAFT LIQUIDATION ANALYSIS
PRELIMINARY AND CONFIDENTIAL - SUBJECT TO CONTINUED REVIEW
PREPARED AT THE DIRECTION OF COUNSEL - SUBJECT TO FRE 408

| | <u>Net Book Value as of September 30, 2010</u> | | | | <u>Estimated % Recovery</u> | | <u>Estimated \$ Recovery</u> | | <u>Notes</u> |
|--|--|--|--|-----------------|-----------------------------|---------------|------------------------------|----------------|--------------|
| | <u>Consolidated</u> | <u>Adjustments to Exclude Non-Debtors ⁽¹⁾</u> | <u>Adjustments for M&A Activities ⁽²⁾</u> | <u>Debtors</u> | <u>Lower</u> | <u>Higher</u> | <u>Lower</u> | <u>Higher</u> | |
| | <u>(in millions)</u> | | | | | | <u>(in millions)</u> | | |
| <u>ASSETS EXCLUDED FROM NOTEHOLDER COLLATERAL</u> | | | | | | | | | |
| Cash and Cash Equivalents | \$ 3.7 | \$ (2.7) | \$ - | \$ 1.0 | 100% | 100% | \$ 1.0 | \$ 1.0 | 3 |
| Trade Accounts Receivables, Net | 23.4 | (2.1) | - | 21.3 | 50% | 75% | 10.7 | 16.0 | 4 |
| <u>NOTEHOLDER COLLATERAL</u> | | | | | | | | | |
| Other Current Assets | \$ 7.8 | \$ (0.3) | \$ - | \$ 7.5 | 0% | 0% | \$ - | \$ - | 5 |
| Assets Held for Sale | 5.3 | - | (5.3) | - | | | | | 6 |
| Property and Equipment, Net: | | | | | | | | | |
| Vehicles | 1.0 | - | - | 1.0 | 70% | 118% | 0.7 | 1.2 | 7 |
| Land, Building and Leasehold Improvements | 12.6 | (0.9) | 0.5 | 12.2 | 18% | 29% | 2.2 | 3.5 | 8 |
| Computer and Office Equipment | 4.6 | (0.2) | 0.3 | 4.7 | 10% | 20% | 0.5 | 0.9 | 9 |
| Diagnostic and Related Equipment | 39.5 | (2.8) | 0.5 | 37.2 | 65% | 110% | 24.1 | 41.0 | 10 |
| Equipment and Vehicles Under Capital Lease | 3.8 | (1.8) | - | 2.0 | 15% | 25% | 0.3 | 0.5 | 11 |
| Construction in Progress | 8.7 | (0.4) | - | 8.3 | 8% | 16% | 0.7 | 1.3 | 12 |
| Investment in Unconsolidated Partnerships | 7.1 | - | - | 7.1 | 96% | 135% | 6.8 | 9.6 | 13 |
| Investment in Consolidated Partnerships | - | 15.7 | - | 15.7 | 50% | 70% | 7.9 | 11.0 | 14 |
| Restricted Cash | 0.4 | - | 4.2 | 4.6 | 100% | 100% | 4.6 | 4.6 | 15 |
| Other Assets | 0.3 | - | - | 0.3 | 0% | 0% | - | - | 16 |
| Goodwill and Intangible Assets, Net | 21.8 | (2.0) | 0.1 | 19.9 | 22% | 30% | 4.3 | 6.0 | 17 |
| Total Assets Excluded from Noteholder Collateral | \$ 27.1 | \$ (4.8) | \$ - | \$ 22.3 | | | \$ 11.6 | \$ 17.0 | |
| Total Assets in Noteholder Collateral | \$ 112.9 | \$ 7.3 | \$ 0.2 | \$ 120.4 | | | \$ 52.0 | \$ 79.6 | |
| Total Assets | \$ 140.0 | \$ 2.5 | \$ 0.2 | \$ 142.7 | 45% | 68% | \$ 63.6 | \$ 96.6 | |
| Chapter 7 Administrative Claims | | | | | | | | | |
| Wind-Down Costs | | | | | | | \$ 2.5 | \$ 2.5 | 18 |
| Trustee Fees | | | | | | | 1.9 | 2.9 | 19 |
| Administrative Expenses | | | | | | | 6.0 | 4.0 | 19 |
| Chapter 7 Administrative Claims | | | | | | | \$ 10.5 | \$ 9.4 | |
| Total Net Proceeds Available for Distribution | | | | | | | \$ 53.2 | \$ 87.2 | |

DRAFT LIQUIDATION ANALYSIS
 PRELIMINARY AND CONFIDENTIAL - SUBJECT TO CONTINUED REVIEW
 PREPARED AT THE DIRECTION OF COUNSEL - SUBJECT TO FRE 408

| ILLUSTRATIVE RECOVERIES | Class | Estimated Allowed Claim | Estimated % Recovery | | Estimated \$ Recovery | | Notes |
|--|-------|-------------------------------|-------------------------|--------|--------------------------|----------------|-------|
| | | | Lower | Higher | Lower | Higher | |
| EXCLUDED FROM NOTEHOLDER COLLATERAL | | | | | | | |
| Estimated Gross Proceeds Available for Distribution | | | | | \$ 11.6 | \$ 17.0 | |
| Less: 50% of Chapter 7 Administrative Claims | | | | | <u>(5.2)</u> | <u>(4.7)</u> | |
| Estimated Net Proceeds Available for Distribution after Administrative Claims | | | | | \$ 6.4 | \$ 12.3 | |
| Revolving Credit Facility Claims | | | | | 1.7 | 1.7 | |
| Other Priority Claims | | | | | 1.4 | 1.4 | |
| Senior Secured Notes Claims (Unsecured on Excluded Collateral) | | | | | 3.1 | 8.4 | |
| General Unsecured Claims | | | | | <u>0.3</u> | <u>0.8</u> | |
| | | | | | \$ 6.4 | \$ 12.3 | |
| NOTEHOLDER COLLATERAL | | | | | | | |
| Estimated Gross Proceeds Available for Distribution | | | | | \$ 52.0 | \$ 79.6 | |
| Less: 50% of Chapter 7 Administrative Claims | | | | | <u>(5.2)</u> | <u>(4.7)</u> | |
| Estimated Net Proceeds Available for Distribution after Administrative Claims | | | | | \$ 46.8 | \$ 74.9 | |
| Senior Secured Notes Claims | | | | | <u>46.8</u> | <u>74.9</u> | |
| | | | | | \$ 46.8 | \$ 74.9 | |
| TOTAL ASSETS | | | | | | | |
| Other Priority Claims | 1 | 1.4 | 100.0% | 100.0% | 1.4 | 1.4 | |
| Other Secured Claims | 2 | 1.3 | 100.0% | 100.0% | N/A | N/A | 11 |
| Revolving Credit Facility Claims | 3 | 1.7 | 100.0% | 100.0% | 1.7 | 1.7 | |
| Senior Secured Notes Claims | 4 | 299.1 | 16.7% | 27.9% | 49.9 | 83.4 | |
| General Unsecured Claims | 5 | 21.4 | 1.2% | 3.8% | <u>0.3</u> | <u>0.8</u> | |
| | | | | | \$ 53.2 | \$ 87.2 | |

EXHIBIT E

Form of DIP Credit Agreement

FORM OF POST-PETITION LOAN AND SECURITY AGREEMENT
NOT EXECUTION VERSION

**INSIGHT HEALTH SERVICES HOLDINGS CORP.,
INSIGHT HEALTH SERVICES CORP.,
INSIGHT HEALTH CORP.,**
and each of InSight Health Corp.'s affiliates listed on the pages hereto,

as Borrowers

POST-PETITION LOAN AND SECURITY AGREEMENT

Dated: December ____, 2010

\$15,000,000.00

and

BANK OF AMERICA, N.A., as Lender

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POST-PETITION LOAN AND SECURITY AGREEMENT

THIS POST-PETITION LOAN AND SECURITY AGREEMENT (this "Agreement") is made on December __, 2010, by and among **INSIGHT HEALTH SERVICES HOLDINGS CORP.**, a Delaware corporation ("Parent"), **INSIGHT HEALTH SERVICES CORP.**, a Delaware corporation ("InSight Health"), **INSIGHT HEALTH CORP.** (in its capacity as Borrower and in its capacity as the representative of the other Borrowers pursuant to **Section 4.2**, "IHC"), a Delaware corporation, those affiliates of IHC listed on the signature pages hereto, in their capacities as Chapter 11 debtors-in-possession (Parent, InSight Health, IHC and each of IHC's affiliates listed on the signature pages hereto, being referred to collectively as "Borrowers", and individually as a "Borrower"), and **BANK OF AMERICA, N.A.**, a national banking association (together with its successors and assigns, "Lender"). Capitalized terms used in this Agreement have the meanings assigned to them in **Section 1**.

Recitals:

IHC, certain affiliates and subsidiaries of IHC in their capacities as borrowers (collectively with IHC, "Pre-Petition Borrowers"), Bank of America, N.A., in its capacity as collateral and administrative agent (together with its successors and assigns in such capacity, "Pre-Petition Agent") for certain financial institutions (collectively, the "Pre-Petition Lenders"), and the Pre-Petition Lenders are parties to that certain Second Amended and Restated Loan and Security Agreement dated August 1, 2007 (as at any time amended, modified, restated or supplemented, the "Pre-Petition Loan Agreement"), pursuant to which the Pre-Petition Lenders have made loans and other financial accommodations to Pre-Petition Borrowers secured by certain personal property of Pre-Petition Borrowers.

Pre-Petition Borrowers have informed Pre-Petition Agent and the Pre-Petition Lenders that on the Petition Date (as defined below), Borrowers have filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in jointly administered cases (collectively, the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of New York (together with any other court having jurisdiction over the Chapter 11 Cases or any proceeding therein from time to time, the "Court"), as Case Nos. _____ and _____].

Each Borrower has requested that Lender make available a revolving credit and letter of credit facility to Borrowers, which shall be used by Borrowers to finance their mutual and collective enterprise of the provision of diagnostic imaging services through an integrated network of fixed-site centers and mobile facilities. In order to utilize the financial powers of each Borrower in the most efficient and economical manner, and in order to facilitate the financing of each Borrower's needs, Lender will, at the request of any Borrower, make loans to all Borrowers under the revolving credit facility on a combined basis and in accordance with the provisions hereinafter set forth. Borrowers' business is a mutual and collective enterprise and Borrowers believe that the consolidation of all revolving credit loans under this Agreement will enhance the aggregate borrowing powers of each Borrower and ease the administration of their revolving credit loan relationship with Lender, all to the mutual advantage of Borrowers. Lender's willingness to extend credit to Borrowers and to administer each Borrower's collateral security therefor, on a combined basis as more fully set forth in this Agreement, is done solely as an accommodation to Borrowers and at Borrowers' request in furtherance of Borrowers' mutual and collective enterprise.

Each Borrower has agreed to be jointly and severally liable for loans and all other outstanding obligations under this Agreement and to guarantee the obligations of each of the other Borrowers under this Agreement and each of the other DIP Financing Documents. Each Guarantor has agreed to jointly and severally guaranty the payment and performance of all of the Obligations (as defined below).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and to induce Lender to extend credit to Borrowers hereunder, for good and valuable consideration, the parties hereto, intending to be bound hereby, agree as follows:

SECTION 1. DEFINITIONS; RULES OF CONSTRUCTION

1.1. Definitions. As used in this Agreement, the following terms shall have the meanings ascribed to them (terms used in the singular to have the same meaning when used in the plural, and vice versa):

Acceptable Plan - a Reorganization Plan that: (i) provides for allowance of all claims in favor of Lender as fully secured claims; Full Payment of all Obligations and any outstanding Pre-Petition Debt (including repayment in the form of refinancing thereof pursuant to exit financing provided by Lender) on the effective date of such Reorganization Plan; the full funding of the Carve-Out Amount; an effective date no later than forty-five (45) days after the date of entry of the Confirmation Order with respect to such Reorganization Plan; and a full and complete release of any and all Claims that any Obligor or the Estate of any Obligor might have or assert against Lender that arise under any provision in Chapter 5 of the Bankruptcy Code and have not been asserted during the pendency of the Chapter 11 Cases; or (ii) which is otherwise acceptable to Lender.

Account - shall have the meaning given to the term "account" in the UCC and shall include any and all rights of a Borrower to payment for goods sold or leased or for services rendered that are not evidenced by an Instrument or Chattel Paper, whether or not they have been earned by performance. For the avoidance of doubt, when used in reference to a Borrower the term shall include each Health-Care-Insurance Receivable of such Borrower.

Account Debtor - a Person who is or becomes obligated under or on account of an Account, Chattel Paper or General Intangible.

Accounts Formula Amount - on any date of determination thereof, an amount equal to the lesser of (a) 85% of the net amount of Eligible Retail Receivables on such date plus 85% of the net amount of Eligible Wholesale Receivables on such date or (b) the Cash Collection Limit as of such date. As used herein, the phrase "net amount of Eligible Wholesale Receivables" or "net amount of Eligible Retail Receivables" shall mean the face amount of such Accounts on any date less any and all returns, rebates, discounts (which may, at Lender's option, be calculated on shortest terms), credits, allowances or Taxes (including sales, excise or other taxes) at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with, or any interest accrued on the amount of, such Accounts at such date.

Adequate Protection Claim - the right of the holder of a secured claim against a Borrower to receive periodic payments as adequate protection under Sections 361 or 363 of the Bankruptcy Code.

Adjustable Availability Reserve Block - an amount equal to \$4,000,000, provided that, such amount may be reduced as follows:

- (a) If Borrowers pursue the Plan Option,
 - (i) The Adjustable Availability Reserve Block shall be reduced by \$500,000 to the extent that Borrowers successfully comply with

Plan Benchmark #1;

- (ii) The Adjustable Availability Reserve Block shall be reduced by an additional \$500,000 to the extent that Borrowers successfully comply with Plan Benchmark #2; and
- (iii) The Adjustable Availability Reserve Block shall be reduced by an additional \$1,000,000 to the extent that Borrowers successfully comply with Plan Benchmark #3.

(b) If Borrowers pursue the Sale Option,

- (i) The Adjustable Availability Reserve Block shall be reduced by \$500,000 to the extent that Borrowers successfully comply with Sale Benchmark #1;
- (ii) The Adjustable Availability Reserve Block shall be reduced by an additional \$500,000 to the extent that Borrowers successfully comply with Sale Benchmark #2; and
- (iii) The Adjustable Availability Reserve Block shall be reduced by an additional \$1,000,000 to the extent that Borrowers successfully comply with Sale Benchmark #3.

For the avoidance of doubt, regardless of Borrowers' successful compliance with the Plan Benchmarks or the Sale Benchmarks, as applicable, the "Adjustable Availability Reserve Block" shall not be less than \$2,000,000.

Adjusted LIBOR Rate - for any period, the per annum rate of interest (rounded up, if necessary, to the nearest 1/8th of 1%), determined by Lender at approximately 11:00 a.m. (London time) 2 Business Days prior to commencement of such period, for a term comparable to such period, equal to (a) the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source designated by Lender); or (b) if BBA LIBOR is not available for any reason, the interest rate at which Dollar deposits would be offered by Lender's London branch to major banks in the London interbank Eurodollar market. If the Board of Governors imposes a Reserve Percentage with respect to Adjusted LIBOR Rate deposits, then the Adjusted LIBOR Rate shall be the foregoing rate, divided by 1 minus the Reserve Percentage.

Affiliate - a Person (i) who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, another Person; (ii) who beneficially owns or holds 10% or more of any class of the Equity Interests of another Person; or (iii) 10% or more of the Equity Interests with power to vote of which is beneficially owned or held by another Person or a Subsidiary of another Person. For purposes hereof, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of any Equity Interest, by contract or otherwise.

Agreement - this Post-Petition Loan and Security Agreement and all Exhibits and Schedules hereto.

Anti-Kickback Statutes - Section 1128B(b) of the Social Security Act and any other similar law, rule or regulation adopted by any Governmental Authority.

Anti-Terrorism Laws - any laws relating to terrorism or money laundering, including Executive Order No. 13224 and the USA Patriot Act.

Applicable Budget Period - (a) for the period commencing on the Closing Date and ending on the first Friday after the Closing Date, the 1-week period ending on such Friday; (b) for the period commencing on the Closing Date and ending on the second Friday after the Closing Date, the 2-week period ending on such Friday; (c) for the period commencing on the Closing Date and ending on the third Friday after the Closing Date, the 3-week period ending on such Friday; and (d) for the period commencing on the Closing Date and ending on the fourth Friday after the Closing Date and each Friday thereafter, the 4-week period ending on such Friday.

Applicable Law - all laws, rules and regulations applicable to the Person, conduct, transaction, covenant, DIP Financing Document or Material Contract in question, including all applicable common law and equitable principles; all provisions of applicable state, federal and foreign constitutions, statutes, rules, regulations and orders of Governmental Authorities; and all orders, judgments and decrees of all courts and arbitrators.

Applicable Margin - a percentage equal to 3.00% with respect to Revolver Loans that are Base Rate Loans.

Approved Credit Enhancement - in Lender's reasonable discretion and at its option, either (i) an irrevocable letter of credit that is in form and substance reasonably acceptable to Lender, issued or confirmed by a bank reasonably acceptable to Lender, and payable in Dollars at a place of payment within the United States that is reasonably acceptable to Lender, which letter of credit is assigned to Lender for the benefit of Secured Parties (with such assignment acknowledged by the issuing or confirming bank) or, if so requested by Lender, duly transferred to Lender for the benefit of Secured Parties (together with sufficient documentation to permit direct draws under any such letter of credit by Lender for the benefit of Secured Parties) or (ii) credit insurance that is issued by a credit insurance company reasonably acceptable to Lender and is in form and substance reasonably acceptable to Lender (which credit insurance shall be payable to Lender for the benefit of Secured Parties in Dollars).

Asset Disposition - a sale, lease, license, consignment or other transfer or disposition of Property of an Obligor, including a termination of rights of any Obligor under any lease, license agreement or other contract or a disposition of Property in connection with a sale-leaseback transaction or synthetic lease.

Availability - on any date, the amount determined by Lender that Borrowers are entitled to borrow as Revolver Loans on such date, such amount being the difference derived when the sum of the principal amount of Revolver Loans then outstanding is subtracted from the Borrowing Base on such date. If the amount of Revolver Loans outstanding on any date is equal to or greater than the Borrowing Base, then Availability on such date shall be zero or a negative number, as applicable.

Availability Reserve - on any date of determination thereof, an amount equal to the sum of the following (without duplication): (i) the amount of the Pre-Petition Debt outstanding as of the opening of business on such date, excluding Pre-Petition LCs that are Cash Collateralized and Banking Relationship Debt, (ii) the Carve-Out Amount, (iii) any amounts which any Obligor is

obligated to pay to Lender or other Persons pursuant to the provisions of any of the DIP Financing Documents that Lender elects to pay for the account of such Obligor in accordance with the authority contained in any of the DIP Financing Documents, (iv) the LC Reserve, (v) the aggregate amount of reserves established by Lender from time to time in its discretion in respect of Banking Relationship Debt, (vi) the aggregate amount of all liabilities and obligations that are secured by Liens upon any of the Collateral that are senior in priority to Lender's Liens if such Liens are Permitted Liens under **Section 10.2.4(iii)**, (vii) the Professional Fees Reserve, (viii) the Adjustable Availability Reserve Block, and (ix) such additional reserves, in such amounts as Lender in its reasonable discretion, exercised in a manner consistent with its customary practices or otherwise in good faith, may elect to impose from time to time. The burden of establishing lack of good faith shall be on Borrowers.

Average Revolver Loan Balance - for any period, the amount obtained by adding the unpaid balance of Revolver Loans and LC Obligations at the end of each day for the period in question and by dividing such sum by the number of days in such period.

Avoidance Claim - any claim that could be asserted by or on behalf of any Obligor or any Estate of an Obligor against a Person under Sections 502(d), 544, 545, 546, 547, 548, 549, 550, 551 or 553 of the Bankruptcy Code.

Bank Products - any one or more of the following types of products, services or facilities extended to any Obligor by Lender or a Pre-Petition Lender or any Affiliate of either of them: (i) commercial credit cards; (ii) merchant card services; (iii) products or services under Cash Management Agreements; (iv) products under Hedging Agreements; (v) interstate depository network services; and (vi) leases and such other banking products or services provided by Lender or a Pre-Petition Lender or any Affiliate of either of them as may be requested by any Obligor, other than Letters of Credit.

Banking Relationship Debt - Debt or other liabilities or obligations of an Obligor to Lender or Pre-Petition Lender (or any Affiliate of either of them) arising out of or relating to Bank Products.

Bankruptcy Code - title 11 of the United States Code.

Base Rate - for any day, a per annum rate equal to the greater of (a) the Prime Rate for such day; (b) the Federal Funds Rate for such day, plus 0.50%; and (c) the Adjusted LIBOR Rate for a 30-day period as determined on such day, plus 1.0%.

Base Rate Loan - a Loan, or portion thereof, during any period in which it bears interest at a rate based upon the Base Rate. For the avoidance of doubt, all Loans shall be Base Rate Loans.

Blocked Person - as defined in **Section 9.1.27(ii)**.

Board of Governors - the Board of Governors of the Federal Reserve System.

Borrower Agent - as defined in **Section 4.2**.

Borrowing - a borrowing consisting of Loans.

Borrowing Base - on any date of determination thereof, an amount equal to the lesser of: (A) the amount of the Commitment on such date minus the Availability Reserve, or (B) an amount equal to the Accounts Formula Amount on such date minus the Availability Reserve on such date.

Borrowing Base Certificate - a certificate, in a form reasonably satisfactory to Lender, by which Borrowers shall certify to Lender the amount of the Borrowing Base as of the date of the certificate and the calculation of such amount.

Budget - means a cash flow forecast, in form and substance acceptable to Lender, projecting, among other things, each Borrower's forecasted cash flow, cash receipts and disbursements (including costs of the Chapter 11 Cases) for each week in, at a minimum, the thirteen-week period following the Petition Date as well as a depiction of operating results for, at a minimum, the thirteen-week period following the Petition Date, a summary of which is to be attached to the motion seeking approval of the Interim Financing Order as such budget may be amended, modified, restated, extended or supplemented from time to time with Lender's prior written consent.

Business Day - any day excluding Saturday, Sunday and any other day that is a legal holiday under the laws of the State of New York or is a day on which banking institutions located in such state are closed.

Capital Adequacy Regulation - any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case regarding capital adequacy of any bank or of any corporation controlling a bank.

Capitalized Lease Obligation - any Debt represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

[Carve-Out Amount - on any date, an amount equal to the sum of (i) \$2,050,000 plus (ii) the U.S. Trustee Fee Reserve on such date minus (iii) the amount (if any) funded by Lender to the Carve-Out Escrow Account on or before such date.]

Carve-Out Escrow Account - a Deposit Account established by and maintained with Lender into which Lender shall deposit all or part of the Carve-Out Amount, as authorized or required by the Financing Orders.

Cash - money, currency or a credit balance in a Deposit Account.

Cash Collateral - cash, and any interest or other income earned thereon, that is deposited with Pre-Petition Agent or Lender in accordance with the Pre-Petition Loan Agreement or this Agreement to Cash Collateralize any LC Obligations or other Pre-Petition Debt or Obligations.

Cash Collateral Account - a demand deposit, money market or other account established by Lender at such financial institution as Lender may select in its discretion, which account shall be in Lender's name and subject to Lender's Liens for the benefit of Secured Parties.

Cash Collateralize - (i) with respect to LC Obligations arising from Pre-Petition LCs outstanding on any date, or Pre-Petition Debt arising under Hedging Agreements on such date, the deposit with Pre-Petition Agent of immediately available funds into the Cash Collateral

Account in an amount equal to (x) 104% of the aggregate Undrawn Amount of such Pre-Petition LCs and other LC Obligations with respect thereto, plus (y) all Pre-Petition Debt existing under such Hedging Agreements; and (ii) with respect to LC Obligations arising from Letters of Credit outstanding on any date, or Obligations arising under Hedging Agreements on such date, the deposit with Lender of immediately available funds into the Cash Collateral Account in an amount equal to (a) 104% of the aggregate Undrawn Amount of such Letters of Credit and other LC Obligations, plus (b) all Obligations existing under such Hedging Agreements.

Cash Collection Limit - on any date of determination thereof, an amount equal to the Monthly Cash Collections for the most recent month ending prior to such date divided by the actual number of days in such month multiplied by 35.

Cash Equivalents - (i) United States dollars (including such dollars as are held in overnight deposits and demand deposits with U.S. banks); (ii) marketable direct obligations issued or unconditionally guaranteed by the United States government and backed by the full faith and credit of the United States government having maturities of not more than 12 months from the date of acquisition; (iii) marketable direct obligations issued by any State of the United States of America or any political subdivision of any such State or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having a rating of at least A-2 from S&P or at least P-2 of Moody's; (iv) certificates of deposit demand deposits, Eurodollar time deposits, time deposit accounts, term deposit accounts and time deposits having maturities of not more than 12 months from the date of acquisition, bankers' acceptances having maturities of not more than 12 months from the date of acquisition and overnight bank deposits, in each case issued by any commercial bank organized under the laws of the United States, any state thereof or the District of Columbia, which at the time of acquisition have capital and assets of not less than \$100 million; (v) repurchase obligations with a term of not more than 90 days for underlying securities of the types described in clauses (i), (ii), (iii) and (iv) entered into with any financial institution meeting the qualifications specified in clause (iv) above; (vi) commercial paper having at the time of investment therein or a contractual commitment to invest therein a rating of A-2 (or better) by S&P or P-2 (or better) by Moody's, and having a maturity within 12 months after the date of acquisition thereof; and (vii) shares of any money market fund that (a) has substantially all of its assets invested continuously in the types of investments referred to in clauses (i) - (vi), (b) has net assets not less than \$500,000,000 and (c) has at least the second highest rating obtainable from either Moody's or S&P.

Cash Management Agreements - any agreement entered into from time to time between any Borrower or any of its Subsidiaries, on the one hand, and Pre-Petition Agent, any Pre-Petition Lender, Lender or any of their Affiliates, on the other, in connection with cash management services for operating, collections, payroll and trust accounts of such Borrower or its Subsidiaries including automatic clearinghouse services, controlled disbursement services, electronic funds transfer services, information reporting services, lockbox services, stop payment services and wire transfer services.

Cash Management Order - a "first day order" entered by the Court at or about the time of the commencement of the Chapter 11 Cases that authorizes the continuation of Borrowers' Pre-Petition cash management relationship with Lender and that includes, among other things, provisions authorizing Lender, in the Ordinary Course of Business, to set off against Deposit Accounts maintained by Borrowers with Lender all fees and expenses for cash management services provided to Borrowers by Lender and for indebtedness arising from Bank Products, analysis charges and other fees and expenses arising or incurred in connection therewith, in each

case whether the foregoing are incurred or arise before or after the Petition Date, which order shall be in form and substance satisfactory to Lender in its discretion.

CERCLA - the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. § 9601 et seq.)

Change of Control - the occurrence of any of the following: (i) Parent ceases to own and control, beneficially and of record, all of the Equity Interests in InSight Health; (ii) InSight Health ceases to own and control, beneficially and of record, all of the Equity Interests in each of the Borrowers; (iii) all or substantially all of InSight Health's assets are sold to any Person or related group of Persons; (iv) InSight Health is merged with or into a Person other than a Borrower; (v) any Person or related group of Persons acquires by way of a purchase, merger, consolidation or other business combination a majority of the Equity Interests entitled to vote in the election of directors of InSight Health; or (vi) a change in the majority of the board of directors of InSight Health unless such new directors were approved or nominated for election to such board of directors by the then majority of the board of directors of InSight Health.

Chapter 11 Cases - as defined in the Recitals hereto.

Chattel Paper - shall have the meaning given to the term "chattel paper" in the UCC.

Claims - all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, awards, costs (including remedial response costs), charges, expenses and disbursements of any kind or nature (including reasonable attorneys', accountants', consultants', or paralegals' fees and expenses) which may at any time (including at any time following Full Payment of the Obligations or termination of the Commitment, resignation or replacement of Lender or replacement of Lender), be imposed on, incurred by, or asserted against any Lender Indemnitee in any way relating to or arising out of (i) the administration or enforcement of or performance under any of the Pre-Petition Loan Documents or the DIP Financing Documents or consummation of any of the transactions described herein, (ii) any action taken or omitted to be taken by any Lender Indemnitee under or in connection with any of the Pre-Petition Loan Documents or the DIP Financing Documents or Applicable Law, (iii) the existence, perfection or realization upon Pre-Petition Agent's or Lender's Liens upon any Collateral, (iv) the exercise by Pre-Petition Agent or Lender of any of its rights or remedies under any of the Pre-Petition Loan Documents, DIP Financing Documents or Applicable Law, or (v) the failure of any Obligor to observe, perform or discharge any of such Obligor's covenants or duties under any of the Pre-Petition Loan Documents or the DIP Financing Documents or the inaccuracy or incompleteness of any representation or warranty of any Borrower in any of the Pre-Petition Loan Documents or the DIP Financing Documents, in each case including any reasonable out-of-pocket costs or expenses incurred by any Lender Indemnitee in connection with any investigation, litigation, arbitration or other judicial or non-judicial proceeding (including any Insolvency Proceeding or appellate proceedings) whether or not such Lender Indemnitee is a party thereto. This definition of Claims is subject to the provisions of **Section 15.3**.

Closing Date - the date of this Agreement.

CMS - Centers for Medicare and Medicaid Services and any successor thereto.

Collateral - all of the Property and interests in Property described in **Section 7**; all Property described in any of the Security Documents as security for the payment or performance of any of the Obligations; and all other Property and interests in Property that now or hereafter

secure the payment and performance of any of the Obligations, whether or not such Property or interest in Property was in existence on or acquired by Borrowers after the Petition Date; and all Property in which a Lien is granted in any of the Financing Orders as security for the payment or performance of any of the Obligations, whether or not such Property or interest in Property was in existence on or acquired by Borrowers after the Petition Date.

Collection Accounts - as defined in **Section 8.2.5** of this Agreement.

Commercial Payor - any Third Party Payor which is (i) a commercial medical insurance company that is organized under the laws of any jurisdiction of the United States and has its principal office in the United States, (ii) a Blue Cross/Blue Shield Plan or (iii) a health maintenance organization or other managed care organization, preferred provider organization or other institutional obligor that is organized under the laws of any jurisdiction of the United States and has its principal office in the United States.

Commitment - the commitment of Lender to make Revolver Loans and issue Letters of Credit pursuant to the DIP Facility, which shall not exceed \$15,000,000 in the aggregate amount outstanding at any time (except as otherwise provided herein or in any Financing Order with respect to Lender's election to fund the Carve-Out Amount).

Commitment Termination Date - the date on which the Commitment is terminated, which shall be the soonest to occur of: (i) the last day of the DIP Term, (ii) the effective date of any confirmed Acceptable Plan, (iii) the date of the filing by any Obligor of any Reorganization Plan that is not an Acceptable Plan, (iv) the date of entry of a Confirmation Order with respect to a Reorganization Plan filed by a Person other than a Borrower if such Reorganization Plan is not an Acceptable Plan, (v) the closing date of any sale of all or substantially all of the Collateral, (vi) the effective date of termination of the Commitment pursuant to **Section 6.2** of this Agreement (whether by Lender upon or after the occurrence of an Event of Default or by Borrowers), (vii) the date on which Lender is granted relief from the automatic stay (after giving effect to the 5 Business Day notice required for Lender to enforce its Liens as described in the Interim Financing Order), or (viii) the date on which any of the Chapter 11 Cases is dismissed or converted by the Court.

Committee - a creditors', equity security holders' or other committee appointed in the Chapter 11 Cases.

Compliance Certificate - a Compliance Certificate to be provided by Borrowers to Lender in accordance with, and in the form annexed as **Exhibit D** to, this Agreement and the supporting schedules to be annexed thereto.

Confirmation Order - an order entered by the Court confirming a Reorganization Plan.

Consolidated - the consolidation in accordance with GAAP of the accounts or other items as to which such term applies.

Contingent Obligation - with respect to any Person, any obligation of such Person arising from any guaranty, indemnity or other assurance of payment or performance of any Debt, lease, dividend or other obligation ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the Ordinary Course of Business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of a primary

obligor, (ii) the obligation to make take-or-pay or similar payments, if required, regardless of nonperformance by any other party or parties to an agreement, (iii) any obligation of such Person, whether or not contingent, (A) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (B) to advance or supply funds (1) for the purchase or payment of any such primary obligations or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (C) to purchase Property or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (D) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation with respect to which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability with respect thereto (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

Contractual Adjustment Allowance - on any date, an amount determined by Borrowers, but acceptable to Lender in its Credit Judgment, intended to represent the amount of Retail Receivables as of such date that Borrowers do not expect to be paid in Cash, such reserve to be computed in accordance with Borrowers' historical practices.

Control Agreements - the control agreements to be executed by certain depository and other institutions of a Borrower in favor of Lender with respect to certain Deposit Accounts and other accounts of Borrowers, including the Dominion Account, for the benefit of Secured Parties, as security for the Obligations.

Controlled Disbursement Account - a demand deposit account maintained by Borrowers at Lender or any of its Affiliates and to which proceeds of Loans may be transferred from time to time.

Court - as defined in the Recitals to this Agreement.

Credit Judgment - Lender's judgment exercised in a manner consistent with its customary practices or otherwise in good faith, based upon its consideration of any factor that it believes (i) will or could reasonably be expected to affect adversely the quantity, quality, mix or value of any Collateral, the enforceability or priority of Lender's Liens or the amount that Lender would be likely to receive (after taking into account delays in the payment and estimated costs of enforcement) in the collection of the Accounts or liquidation of any of the Collateral; (ii) suggests that any collateral report or financial information delivered to Lender by any Person on behalf of any Obligor is incomplete, inaccurate or misleading in any material respect; or (iii) creates or reasonably could be expected to create or result in a Default or Event of Default. In exercising such judgment, Lender may consider such factors already included in or tested by the definition of Eligible Accounts, as well as any of the following: (a) the financial and business climate of Borrowers' industry; (b) changes in collection history and dilution with respect to the Accounts; (c) material changes in any concentration risks with respect to Accounts; and (d) any of the factors that could materially increase the credit risk of lending to any of Borrowers on the security of the Collateral. The burden of establishing lack of good faith shall be on Borrowers.

Current Asset - on any date, any asset that would be properly classified as a current asset in accordance with GAAP on such date.

CWA - the Clean Water Act (33 U.S.C. §§ 1251 et seq.).

Debt - as applied to a Person means, without duplication: (i) all obligations of such Person for Money Borrowed and all obligations of such Person evidenced by bonds, notes or similar instruments; (ii) all obligations of such Person for the deferred purchase price of Property or services (excluding accounts payable and other accrued liabilities incurred in the Ordinary Course of Business); (iii) all Contingent Obligations of such Person in respect of items that would constitute Debt under clause (i) or (ii) of this definition; (iii) all reimbursement obligations in connection with letters of credit or letter of credit guaranties issued for the account of such Person; and (iv) in the case of a Borrower (without duplication), the Obligations. The Debt of a Person shall include any recourse Debt of any partnership or joint venture in which such Person is a general partner or joint venturer.

Default - an event or condition the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

Default Rate - on any date, a rate per annum that is equal to (i) in the case of each Revolver Loan outstanding on such date, 2% in excess of the rate otherwise applicable to such Loans on such date, (ii) in the case of any of the other Obligations (other than Letters of Credit) outstanding on such date, 2% plus the highest Applicable Margin for Base Rate Loans, and (iii) in the case of any Letter of Credit, 2% plus the rate payable by Borrowers to Lender pursuant to **Section 3.2.3(a)(i)** of this Agreement.

Deposit Account - shall have the meaning given to the term "deposit account" in the UCC.

Deposit Accounts Collateral - all Deposit Accounts of Borrowers in existence on the Closing Date and identified on **Schedule 8.3** and each Deposit Account established by a Borrower after the Closing Date for the purpose of depositing collections on Accounts or other proceeds of Collateral therein.

DIP Facility - the \$15,000,000 credit facility established by Lender in favor of Borrowers under **Section 2** of the Agreement and pursuant to which the Commitment is made available by Lender.

DIP Financing Documents - this Agreement, the Other Agreements and the Security Documents.

DIP Term - a period commencing on the date of entry of the Interim Financing Order and ending on May 31, 2011.

Distribution - in respect of any entity, (i) any payment of dividends or other distributions on Equity Interests of the entity (except distributions in Equity Interests) and (ii) any purchase, redemption or other acquisition or retirement for value of Equity Interests of the entity or any Subsidiary of the entity unless made contemporaneously from the net proceeds of the sale of Equity Interests, including Upstream Payments of the type described in clause (c) of the definition of such term.

Document - shall have the meaning given to the term "document" in the UCC.

Dollars and the sign \$ - lawful money of the United States of America.

Dominion Account - a Deposit Account established by Borrowers at Lender or at another bank selected by Borrowers, but acceptable to Lender in its reasonable discretion, and over which Lender shall have exclusive access and dominion for withdrawal purposes.

Electronic Chattel Paper - shall have the meaning given to the term "electronic chattel paper" in the UCC.

Eligible Account - an Eligible Retail Receivable or Eligible Wholesale Receivable, or both of them, as the context requires, and, in each case, whether arising or existing prior to, on or after the Petition Date.

Eligible Retail Receivable - a Retail Receivable which arises in the Ordinary Course of Business of a Borrower from the rendition or performance of services, is payable in Dollars, is subject to Lender's duly perfected Lien and is deemed by Lender, in its Credit Judgment, to be an Eligible Retail Receivable. Without limiting the generality of the foregoing, no Retail Receivable shall be an Eligible Retail Receivable if: (i) the Third Party Payor is an Affiliate of a Borrower, a Person controlled by an Affiliate of a Borrower or a Blocked Person; (ii) the Retail Receivable is unbilled; (iii) it is outstanding more than 120 days after the billing date; (iv) the total unpaid Retail Receivables of the Third Party Payor exceed 25% of the aggregate amount of all Accounts, to the extent of such excess; (v) any covenant, representation or warranty contained in the Agreement with respect to such Retail Receivable has been breached in any material respect; (vi) the Third Party Payor is also such Borrower's creditor or supplier, or the Third Party Payor has disputed liability with respect to such Retail Receivable, or the Third Party Payor has made any claim with respect to any other Retail Receivable due from such Third Party Payor to such Borrower, or the Retail Receivable otherwise is or may reasonably be expected to become subject to any right of setoff (to the extent not waived in writing by such Third Party Payor), counterclaim (to the extent not waived in writing by such Third Party Payor), recoupment (to the extent not waived in writing by such Third Party Payor), reserve or chargeback, provided that the Retail Receivables of such Third Party Payor shall be ineligible only to the extent of such offset, counterclaim, recoupment, disputed amount, reserve or chargeback; (vii) an Insolvency Proceeding has been commenced by or against the Third Party Payor or the Third Party Payor has failed, suspended business or ceased to be Solvent; (viii) the Third Party Payor is located in a state in which such Borrower is deemed to be doing business under the laws of such state and which denies creditors access to its courts in the absence of qualification to transact business in such state or of the filing of any reports with such state, unless such Borrower has qualified as a foreign entity authorized to transact business in such state or has filed all required reports; (ix) the Retail Receivable is subject to a Lien other than a Permitted Lien; (x) the Retail Receivable is evidenced by Chattel Paper or an Instrument of any kind, or has been reduced to judgment; (xi) the Retail Receivable represents a progress billing or a retainage; (xii) such Borrower has made any agreement with the Third Party Payor for any deduction therefrom, except for discounts, adjustments or allowances which are made in the Ordinary Course of Business and which discounts or allowances are reflected in the calculation of the net amount of such Retail Receivable; (xiii) the Retail Receivable represents, in whole or in part, a billing for interest, fees or late charges; (xiv) the total Eligible Retail Receivables due from Account Debtors other than Third Party Payors exceeds \$0, to the extent of such excess; (xv) it is not evidenced by an invoice, statement or other electronic or documentary evidence satisfactory to Lender; (xvi) to the extent that it constitutes a credit balance that is more than 120 days old; (xvii) it arises under or in connection with an agreement in respect of which Borrowers have posted a performance, surety or similar bond; (xviii) it has been turned over or submitted to a third party for collection; or (xix) the Account Debtor on such Retail Receivable has been characterized by Borrowers as falling into an "unknown financial class." In addition to the foregoing, on any date the balance of

Eligible Retail Receivables on such date shall be reduced by the aggregate of the Contractual Adjustment Allowance on such date and the Professional Fees Allowance on such date.

Eligible Wholesale Receivable - a Wholesale Receivable that arises in the Ordinary Course of Business of a Borrower from the rendition of services, is payable in Dollars, is subject to Lender's duly perfected Lien, and is deemed by Lender, in its Credit Judgment, to be an Eligible Wholesale Receivable. Without limiting the generality of the foregoing, no Account shall be an Eligible Wholesale Receivable if: (i) it arises out of a sale made by a Borrower to an Affiliate of a Borrower, a Person controlled by an Affiliate of a Borrower or a Blocked Person; (ii) it is unpaid more than 90 days after the original invoice date; (iii) 50% or more of the Accounts from the Account Debtor are not deemed Eligible Accounts hereunder; (iv) the total unpaid Accounts of the Account Debtor exceed 25% of the aggregate amount of all Accounts or exceed a credit limit established by Lender, in its Credit Judgment, for such Account Debtor, in each case to the extent of such excess; (v) any covenant, representation or warranty contained in this Agreement with respect to such Account has been breached in any material respect; (vi) the Account Debtor is also such Borrower's creditor or supplier, or has disputed liability with respect to such Account or has made any claim with respect to any other Account due from such Account Debtor to such Borrower, or the Account otherwise is or may reasonably be expected to become subject to any right of setoff (to the extent not waived in writing by such Account Debtor), counterclaim (to the extent not waived in writing by such Account Debtor), recoupment (to the extent not waived in writing by such Account Debtor), reserve, defense or chargeback, provided that the Accounts of such Account Debtor shall be ineligible only to the extent of such dispute or right of offset, counterclaim, recoupment, reserve, defense or chargeback; (vii) an Insolvency Proceeding has been commenced by or against the Account Debtor or the Account Debtor has failed, suspended or ceased doing business; (viii) the Account Debtor is not Solvent; (ix) it arises from a sale to an Account Debtor organized under the laws of any jurisdiction outside of the United States or that has its principal office, assets or place of business outside the United States except to the extent that the sale is supported or secured by an Approved Credit Enhancement; (x) the Account Debtor is located in a jurisdiction in which such Borrower is deemed to be doing business under the laws of such jurisdiction and which denies creditors access to its courts in the absence of qualification to transact business in such jurisdiction or of the filing of any reports with such jurisdiction, unless such Borrower has qualified as a foreign entity authorized to transact business in such jurisdiction or has filed all required reports; (xi) the Account is subject to a Lien other than a Permitted Lien; (xii) the Account is evidenced by Chattel Paper or an Instrument of any kind, or has been reduced to judgment; (xiii) the Account represents a progress billing or a retainage; (xiv) such Borrower has made any agreement with the Account Debtor for any deduction therefrom, except for discounts or allowances which are made in the Ordinary Course of Business and which discounts or allowances are reflected in the calculation of the face value of each invoice related to such Account; (xv) the Account represents, in whole or in part, a billing for interest, fees or late charges; (xvi) the Account Debtor has made a partial payment with respect to such Account; (xvii) to the extent it constitutes a credit balance that is more than 90 days old; or (xviii) it arises under or in connection with an agreement in respect of which Borrowers have posted a performance, surety or similar bond.

Enforcement Action - action taken or to be taken by Lender, during any period that an Event of Default exists, to enforce collection of the Obligations or to realize upon the Collateral (whether by judicial action, under power of sale, by self-help repossession, by notification to Account Debtors, or by exercise of rights of setoff or recoupment).

Environmental Laws - all federal, state, local and foreign laws, rules, regulations, codes, ordinances, orders and consent decrees (together with all programs, permits and guidance

documents promulgated by regulatory agencies, to the extent having the force of law), now or hereafter in effect, that relate to public health (but excluding occupational safety and health, to the extent regulated by OSHA) or the protection or pollution of the environment, whether new or hereafter in effect, including CERCLA, RCRA and CWA.

Environmental Release - a release as defined in CERCLA or under any other applicable Environmental Laws.

Equipment - shall have the meaning given to the term "equipment" in the UCC.

Equity Interest - the interest of (i) a shareholder in a corporation, (ii) a partner (whether general or limited) in a partnership (whether general, limited or limited liability), (iii) a member in a limited liability company, or (iv) any other Person having any other form of equity security or ownership interest, together, in each case, with any and all warrants, rights or options to purchase or other arrangements or rights to acquire any of the foregoing (but excluding any debt security that is exchangeable for or convertible into such Equity Interests).

ERISA - the Employee Retirement Income Security Act of 1974.

Estate - each bankruptcy estate created in each of the Chapter 11 Cases Section 541(a) of the Bankruptcy Code.

Event of Default - as defined in **Section 12**.

Excluded Taxes - any (A) income, branch profits or franchise taxes imposed on (or measured by) net income or gross receipts (other than any such taxes imposed solely as a result of a Borrower's activities in a jurisdiction) and (B) any tax that is imposed on amounts payable to the Lender at the time the Lender becomes a party to this Agreement (or designates a new lending office).

Executive Order No. 13224 - Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001.

Existing Loan Documents - the "Loan Documents" under (and as defined in) the Pre-Petition Loan Agreement.

Extraordinary Expenses - all reasonable out-of-pocket costs, expenses, fees (including fees incurred to Professionals) or advances that Lender may suffer or incur during any period that an Event of Default exists, or during the pendency of an Insolvency Proceeding of an Obligor, on account of or in connection with (i) the audit, inspection, repossession, storage, repair, appraisal, insuring, completion of the manufacture of, preparing for sale, advertising for sale, selling, collecting or otherwise preserving or realizing upon any Collateral; (ii) any action, suit, litigation, arbitration, contest or other judicial or non-judicial proceeding (whether instituted by or against Lender, any Obligor, any representative of creditors of any Obligor or any other Person) in any way arising out of or relating to any of the Collateral (or the validity, perfection, priority or avoidability of Lender's Liens with respect to any of the Collateral), any of the DIP Financing Documents or the validity, allowance or amount of any of the Obligations, including any lender liability or other Claims asserted against Lender; (iii) the exercise, protection or enforcement of any rights or remedies of Lender in, or the monitoring of, any Insolvency Proceeding; (iv) the settlement or satisfaction of any Liens upon any Collateral (whether or not such Liens are Permitted Liens); (v) the collection or enforcement of any of the Obligations, whether by

Enforcement Action or otherwise; (vi) the negotiation, documentation, and closing of any amendment, waiver, restructuring or forbearance agreement with respect to the DIP Financing Documents or Obligations; (vii) amounts advanced by Lender pursuant to **Sections 8.1.3 or 15.10**; or (viii) the enforcement of any of the provisions of any of the DIP Financing Documents. Such costs, expenses and advances may include transfer fees, taxes, storage fees, insurance costs, permit fees, utility reservation and standby fees, legal fees, appraisal fees, brokers' fees and commissions, auctioneers' fees and commissions, accountants' fees, environmental study fees, wages and salaries paid to employees of any Borrower or independent contractors in liquidating any Collateral, travel expenses, all other fees and expenses payable or reimbursable by Borrowers or any other Obligor under any of the DIP Financing Documents, and all other fees and expenses associated with the enforcement of rights or remedies under any of the DIP Financing Documents, but excluding compensation paid to employees (including inside legal counsel who are employees) of Lender.

Federal Funds Rate - (a) the weighted average of interest rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on the applicable Business Day (or on the preceding Business Day, if the applicable day is not a Business Day), as published by the Federal Reserve Bank of New York on the next Business Day; or (b) if no such rate is published on the next Business Day, the average rate (rounded up, if necessary, to the nearest 1/8 of 1%) charged to Lender on the applicable day on such transactions, as determined by Lender.

FEIN - with respect to any Person, the Federal Employer Identification Number of such Person.

Final Financing Order - an order which is entered by the Court pursuant to section 364 of the Bankruptcy Code and Bankruptcy Rule 4001(c), which is in form and substance acceptable to Lender in all respects; shall contain provisions substantially the same as those in the Interim Financing Order; shall provide that all pre-petition Liens of Pre-Petition Agent shall be deemed finally allowed and approved as legal, valid, binding and enforceable Liens that are not subject to any equitable subordination, defense, or avoidance and the Pre-Petition Debt shall be deemed allowed as a fully secured claim that is not subject to offset, equitable subordination, reduction, counterclaim, or defense, in each case if the same are not challenged by the commencement of appropriate proceedings by an interested party having standing to do so on the sooner to occur of (a) 60 days from the date the Court approves the engagement of counsel by a Committee or (b) 90 days after the Petition Date; shall proscribe any surcharge of Lender's and Pre-Petition Agent's Liens or Collateral pursuant to section 506(c) of the Bankruptcy Code or otherwise; shall afford adequate protection of the Liens in favor of Lender under the Pre-Petition Loan Documents; and shall authorize Full Payment, with proceeds of Revolver Loans, of all outstanding Pre-Petition Debt.

Financing Orders - the Interim Financing Order and the Final Financing Order.

Fiscal Quarter - each quarter of Borrowers and their respective Subsidiaries for accounting and tax purposes, ending on September 30, December 31, March 31 and June 30 of each year.

Fiscal Year - the fiscal year of Borrowers and their respective Subsidiaries for accounting and tax purposes, which ends on June 30 of each year and when preceded by the designation of a calendar year (e.g., 2010 Fiscal Year) means the fiscal year ended on June 30 of such designated calendar year.

FLSA - the Fair Labor Standards Act of 1938.

FRN Indenture Amendment - collectively, (i) the First Supplemental Indenture to the Senior Note Indenture dated May 18, 2006, (ii) the Waiver and Agreement No. 1 to the Senior Note Indenture and Second Supplemental Indenture to the Senior Note Indenture, each dated as of May 29, 2007, and (iii) the Third Supplemental Indenture to the Senior Note Indenture dated as of July 9, 2007, in each case excluding any amendments, modifications or supplements thereto after the date thereof.

Full Payment - with respect to any of the Pre-Petition Debt or the Obligations, the full and final payment in full, in cash (or immediately available funds) and in Dollars, of such Pre-Petition Debt or Obligations, as the case may be, including all interest, fees and other charges payable in connection therewith under any of the Pre-Petition Loan Documents or the DIP Financing Documents, as the case may be, whether such interest, fees or other charges accrue or are incurred prior to or during the pendency of an Insolvency Proceeding and whether or not any of the same are allowed or recoverable in any Bankruptcy Case pursuant to Section 506 of the Bankruptcy Code or otherwise; with respect to any LC Obligations represented by undrawn Pre-Petition LCs, Letters of Credit or Banking Relationship Debt (including Debt arising under Hedging Agreements), the depositing of cash with Pre-Petition Agent or Lender, as the case may be, or delivery to Pre-Petition Agent or Lender, as the case may be, of a Supporting LC, as security for the payment of such Pre-Petition Debt or Obligations, not to exceed 104% of the aggregate undrawn amount of such Pre-Petition LCs or Letters of Credit and 100% of the good faith estimate of Lender or Pre-Petition Agent, as the case may be, of the amount of Banking Relationship Debt due and to become due after termination of such Bank Products; and with respect to any Obligations or Pre-Petition Debt that are contingent in nature (other than Pre-Petition Debt or Obligations consisting of LC Obligations or Banking Relationship Debt), such as a right of Pre-Petition Agent or Lender to indemnification by any Obligor, the depositing of cash with Pre-Petition Agent or Lender, or delivery to Pre-Petition Agent or Lender of a Supporting LC, in an amount equal to 100% of such Pre-Petition Debt or Obligations or, if such Pre-Petition Debt or Obligations are unliquidated in amount and represent a claim which has been overtly asserted against Pre-Petition Agent or Lender and for which an indemnity has been provided by Borrowers in any of the Pre-Petition Loan Documents or DIP Financing Documents, as the case may be, in an amount that is equal to such claim or the good faith estimate of such claim by Lender or Pre-Petition Agent, as the case may be. None of the Loans shall be deemed to have been paid in full until the Commitment has expired or been terminated.

GAAP - generally accepted accounting principles in the United States of America in effect from time to time.

General Intangibles - shall have the meaning given to the term "general intangibles" in the UCC and shall include each Borrower's choses in action, causes of action, company or other business records, inventions, blueprints, designs, patents, patent applications, trademarks, trademark applications, trade names, trade secrets, service marks, goodwill, brand names, copyrights, registrations, licenses, franchises, customer lists, permits, tax refund claims, computer programs, operational manuals, internet addresses and domain names, insurance refunds and premium rebates, all rights to indemnification and all other intangible property of such Borrower of every kind and nature (other than Accounts).

Goods - shall have the meaning given to the term "goods" in the UCC.

Government Payor - any Third Party Payor which is (i) the United States of America acting under the Medicaid or Medicare programs established pursuant to the Social Security Act, or under the TRICARE program, (ii) any state or the District of Columbia acting pursuant to a health plan adopted pursuant to Title XIX of the Social Security Act (or any successor legislation), (iii) any other Governmental Authority or (iv) an agent, carrier, administrator or intermediary for any of the foregoing.

Governmental Approvals - all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

Governmental Authority - any federal, state, municipal, national, foreign or other governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the District of Columbia or a foreign entity or government.

Governmental Receivable - a Retail Receivable in respect of which the Third Party Payor is a Government Payor.

Guarantors - each Person who guarantees payment or performance of the whole or any part of the Obligations.

Guaranty - each guaranty agreement now or hereafter executed by a Guarantor in favor of Lender with respect to any of the Obligations.

Health-Care-Insurance Receivable - shall have the meaning given to the term "health-care-insurance receivable" in the UCC.

Healthcare Laws - Medicaid Regulations, Medicare Regulations, Anti-Kickback Statutes, TRICARE (10 U.S.C. §§ 1071-1106), and all other applicable current and future laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by the Food and Drug Administration, CMS, HHS, the Office of Inspector General of HHS, the Drug Enforcement Administration or any other Governmental Authority, including any state or local professional licensing laws, certificate of need laws and state reimbursement laws, relating in any way to the conduct of the business of any Borrower or any of the Subsidiaries or the provision of healthcare services generally.

Healthcare Purchaser - a health maintenance organization, prepaid health clinic, managed care plan, preferred provider organization or other institutional, governmental or commercial purchaser of healthcare services, which has engaged any Borrower or any of the Subsidiaries to provide diagnostic imaging services to Members of health plans offered by such purchaser pursuant to a Private Provider Agreement.

Hedging Agreement - any interest rate protection agreement, foreign currency exchange agreement, forward contract, currency swap agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

HHS - the Department of Health and Human Services.

IHC - shall have the meaning set forth in the preamble of this Agreement.

Impermissible Qualification - any qualification or exception to the opinion or certification of any independent public accountant as to any financial statement of Borrowers which (i) is of a "going concern" or similar nature or (ii) relates to the limited scope of examination of matters relevant to such financial statements.

Insolvency Proceeding - any action, case or proceeding commenced by or against a Person under any state, federal or foreign law, or any agreement of such Person for (i) the entry of an order for relief under any chapter of the Bankruptcy Code or other insolvency or debt adjustment law (whether state, federal or foreign), (ii) the appointment of a receiver (or administrative receiver), trustee, liquidator, administrator, conservator or other custodian for such Person or any part of its Property, (iii) an assignment or trust mortgage for the benefit of creditors of such Person, or (iv) the liquidation, dissolution or winding up of the affairs of such Person.

Instrument - shall have the meaning given to the term "instrument" in the UCC.

Intellectual Property - all intellectual and similar Property of a Person of every kind and description, including inventions, designs, patents, patent applications, copyrights, trademarks, service marks, trade names, mask works, trade secrets, proprietary information, know-how, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, all books and records describing or used in connection with the foregoing and all licenses, or other rights to use any of the foregoing.

Interest Expense - for any period, interest expense (other than interest payable-in-kind) for such period minus interest income for such period.

Interim Financing Order - an order that is entered by the Court pursuant to section 364 of the Bankruptcy Code and Bankruptcy Rule 4001(c), which approves the form and substance of the DIP Financing Documents; approves Borrowers' stipulation of the validity, extent, amount, perfection, priority, enforceability, and non-avoidability of Pre-Petition Agent's and the Pre-Petition Lenders' claims and Liens; grants adequate protection (in a form acceptable to Pre-Petition Agent in its discretion) for the benefit of the Pre-Petition Lenders for any diminution in the value of its pre-petition claims and Liens resulting from Borrowers' use, disposition or consumption of any Pre-Petition Collateral; authorizes Lender and Pre-Petition Agent to enforce their respective Liens and loan documents upon the occurrence and during the continuance of any Event of Default, upon the giving of at least seven (7) days prior notice to Borrowers and their counsel, the U.S. Trustee and counsel for any Committee; contains a carve-out for professional fees and expenses that is acceptable to Lender; confers section 364(c)(1) priority status on all Obligations and provides for the securing of all Obligations by a Lien on all Collateral having priority over all other Liens; finds that Lender has acted in good faith in connection with the proposed financing and is entitled to the benefits of section 364(e) of the Bankruptcy Code; provides that the Liens granted to Lender under the DIP Financing Documents and pursuant to the Interim Financing Order are deemed perfected without the necessity of Lender filing for record of any documents, notices, or other filings (but Borrowers agree to execute and deliver to Lender, and to authorize Lender to file, any such documents); and contains such other terms and conditions as Lender shall reasonably request or find reasonably acceptable.

Interim Period - the period commencing on the date that the Interim Financing Order is entered by the Court and ending on the sooner to occur of (a) the date that the Final Financing Order is entered by the Court or (b) the date that is forty-five (45) days after the date that the Interim Financing Order is entered by the Court.

Investment Property - shall have the meaning given to the term "investment property" in the UCC and shall include all Securities (whether certificated or uncertificated), security entitlements, securities accounts, commodity contracts and commodity accounts.

Joint Venture - a Person, the Equity Interests of which are owned by a Borrower and a Person that is not an Obligor.

LC Application - an application by any or all Borrowers to Lender, pursuant to a form approved by Lender, for the issuance of a Letter of Credit, that is submitted to Lender at least 3 Business Days prior to the requested issuance of such Letter of Credit.

LC Conditions - the following conditions, the satisfaction of each of which is required before Lender shall be obligated to issue a Letter of Credit: (i) each of the conditions set forth in **Section 11.2** has been and continues to be satisfied, including the absence of any Default or Event of Default; (ii) after giving effect to the issuance of the requested Letter of Credit and all other unissued Letters of Credit for which an LC Application has been signed by a Borrower and approved by Lender, the LC Obligations would not exceed \$5,000,000 and no Out-of-Formula Condition would exist, and, if no Revolver Loans are outstanding, the LC Obligations do not, and would not upon the issuance of the requested Letter of Credit, exceed the Borrowing Base; (iii) such Letter of Credit has an expiration date that is no more than 1 year from the date of issuance; (iv) the currency in which payment is to be made under the Letter of Credit is Dollars; and (v) the form of the proposed Letter of Credit is satisfactory to Lender in its reasonable discretion, provides for sight drafts only and does not contain any language that automatically increases the amount available to be drawn under the Letter of Credit. All of the LC Conditions shall be deemed to have been satisfied with respect to the Pre-Petition LCs upon entry of the Interim Financing Order.

LC Documents - any and all agreements, instruments and documents (including an LC Application) required by Lender to be executed by Borrowers or any other Person and delivered to Lender for the issuance, amendment or renewal of a Letter of Credit.

LC Facility - the subfacility for Letters of Credit established as part of the Commitment pursuant to **Section 2.3**.

LC Obligations - on any date, an amount (in Dollars) equal to the sum of (without duplication) (i) all amounts then due and payable by any Obligor on such date by reason of any payment that is made by Pre-Petition Agent or Lender under a Pre-Petition LC or Letter of Credit that has not been repaid to Pre-Petition Agent or Lender, plus (ii) the aggregate undrawn amount of all Pre-Petition LCs and Letters of Credit which are then outstanding or for which an LC Application has been delivered to and accepted by Lender, plus (iii) all fees and other amounts due or to become due in respect of Pre-Petition LCs and Letters of Credit outstanding on such date.

LC Request - a Letter of Credit Request from Borrowers to Lender in the form of **Exhibit E** annexed hereto.

LC Reserve - at any date, the aggregate of all LC Obligations on such date, other than LC Obligations that Borrowers shall Cash Collateralize on or prior to such date.

Lender Indemnitees - Pre-Petition Agent, each Pre-Petition Lender, Lender, each of their Affiliates and all of their respective present and future officers, directors, employees, agents and other Professionals.

Letter of Credit - any standby letter of credit issued by Lender for the account of any Borrower or other Obligor, including the Pre-Petition LCs.

Letter-of-Credit Right - shall have the meaning given to the term "letter-of-credit-right" in the UCC.

Lien - any mortgage, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property). For the purpose of this Agreement, a Borrower shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Lien Waiver - an agreement duly executed in favor of Lender, in form and content acceptable to Lender, by which for locations leased by an Obligor, an owner or mortgagee of premises upon which any Property of an Obligor is located agrees to waive or subordinate any Lien it may have with respect to such Property in favor of Lender's Lien therein and to permit Lender to enter upon such premises and remove such Property or to use such premises to store or dispose of such Property.

Loan - a Revolver Loan.

Loan Account - the loan account established by Lender on its books pursuant to **Section 5.8**.

Loan Year - a period commencing each calendar year on the same month and day as the date of this Agreement and ending on the same month and day in the immediately succeeding calendar year, with the first such period (i.e. the first Loan Year) to commence on the date of this Agreement.

Margin Stock - shall have the meaning ascribed to it in Regulation U and of the Board of Governors.

Material Adverse Effect - the effect of any event, condition, action, omission or circumstance, which, alone or when taken together with other events, conditions, actions, omissions or circumstances occurring or existing concurrently therewith, (i) has any material adverse effect upon the business, operations, Properties or financial condition of any Obligor; (ii) has or could be reasonably expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any of the other DIP Financing Documents; (iii) has any adverse effect upon the Liens of Lender with respect to the Collateral or the priority of any such Liens; (iv) has any material adverse effect upon the ability of any Obligor to perform its obligations under this Agreement or any of the other DIP Financing Documents, including repayment of any of the Obligations when due; or (v) has any material adverse effect upon the ability of Lender to enforce or collect the Obligations or realize upon any of the Collateral in accordance with this Agreement, the DIP Financing Documents and Applicable Law. For

purposes hereof, neither the commencement nor the pendency of the Chapter 11 Cases shall, in and of themselves, be deemed to cause or to create a Material Adverse Effect.

Material Contract - an agreement to which an Obligor is a party (other than the DIP Financing Documents) for which breach, termination, cancellation, nonperformance or failure to renew could reasonably be expected to have a Material Adverse Effect.

Maximum Rate - the maximum non-usurious rate of interest permitted by Applicable Law that at any time, or from time to time, may be contracted for, taken, reserved, charged or received on the Debt in question or, to the extent that at any time Applicable Law may thereafter permit a higher maximum non-usurious rate of interest, then such higher rate. Notwithstanding any other provision hereof, the Maximum Rate shall be calculated on a daily basis (computed on the actual number of days elapsed over a year of 365 or 366 days, as the case may be).

Medicaid Certification - certification by CMS or a state agency or entity under contract with CMS that health maintenance, management or care operations are in material compliance with all of the conditions of participation set forth in the Medicaid Regulations.

Medicaid Provider Agreement - an agreement entered into between a state agency or other such entity administering the Medicaid program and a health maintenance management or care operation under which the health maintenance, management or care operation agrees to provide services for Medicaid patients in accordance with the terms of the agreement and Medicaid Regulations.

Medicaid Regulations - collectively, (i) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting the medical assistance program established by Title XIX of the Social Security Act and any statute succeeding thereto); (ii) all applicable provisions of all federal rules, regulations, manuals and orders of all Governmental Authorities promulgated pursuant to or in connection with the statutes described in clause (i) above and all federal administrative, reimbursement and other guidelines of all Governmental Authorities having the force of law promulgated pursuant to or in connection with the statutes described in clause (i) above; (iii) all state statutes and plans for medical assistance enacted in connection with the statutes and provisions described in clauses (i) and (ii) above; and (iv) all applicable provisions of all rules, regulations, manuals and orders of all Governmental Authorities promulgated pursuant to or in connection with the statutes described in clause (iii) above and all stated administrative, reimbursement and other guidelines of all Governmental Authorities having the force of law promulgated pursuant to or in connection with the statutes described in clause (ii) above.

Medicare Certification - certification by CMS or a state agency or entity under contract with CMS that the health maintenance, management or care operation is in material compliance with all of the conditions of participation set forth in the Medicare Regulations.

Medicare Provider Agreement - an agreement entered into between a state agency or other such entity administering the Medicare program and a health maintenance, management or care operation under which the health maintenance, management or care operation agrees to provide services for Medicare patients in accordance with the terms of the agreement and Medicare Regulations.

Medicare Regulations - collectively, all federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting the health insurance program for the aged and

disabled established by Title XVIII of the Social Security Act and any statute succeeding thereto, together with applicable provisions of all rules, regulations, manuals and orders and administrative, reimbursement and other guidelines having the force of law of Governmental Authorities (including HHS, CMS, the Office of the Inspector General for HHS or any Persons succeeding to the functions of any of the foregoing) promulgated pursuant to or in connection with any of the foregoing having the force of law.

Member - an individual who is a member, subscriber or enrollee, or any dependent of any member subscriber or enrollee, under any health plan offered by a Healthcare Purchaser.

Money Borrowed - as applied to any Obligor, without duplication, (i) Debt arising from the lending of money by any other Person to such Obligor; (ii) Debt, whether or not in any such case arising from the lending of money by another Person to such Obligor, (A) which is represented by notes payable or drafts accepted that evidence extensions of credit, or (B) which constitutes obligations evidenced by bonds, debentures, notes or similar instruments, (iii) Debt that constitutes a Capitalized Lease Obligation; (iv) reimbursement obligations with respect to letters of credit or guaranties of letters of credit; and (v) Debt of such Obligor under any guaranty of obligations that would constitute Debt for Money Borrowed under clauses (i) through (iii) hereof, if owed directly by such Obligor.

Monthly Cash Collections - for any month, an amount equal to (i) Cash collections by Borrowers on account of Wholesale Receivables for such month plus (ii) Cash collections by Borrowers on account of Retail Receivables for such month plus (iii) Cash reimbursements to Borrowers from Subsidiaries that are not Borrowers for such month minus Cash refunds made by Borrowers during such month.

Moody's - Moody's Investors Services, Inc.

Multiemployer Plan - has the meaning set forth in Section 4001(a)(3) of ERISA.

Notes - the Revolver Note and any other promissory note executed by Borrowers at Lender's request to evidence any of the Obligations.

Notice of Borrowing - as defined in **Section 4.1.1(i)**.

Obligations - in each case, whether now in existence or hereafter arising, (i) the principal of, and interest and premium, if any, on the Loans, (ii) all LC Obligations and all other obligations of any Obligor to Lender arising in connection with the issuance of any Letter of Credit, (iii) all liabilities and obligations of Borrowers under any indemnity for Claims, (iv) all Extraordinary Expenses, and (v) all other Debts, liabilities, covenants, duties and obligations (including Contingent Obligations) now or at any time or times hereafter owing by any Obligor to Lender under or pursuant to this Agreement or any of the other DIP Financing Documents, or owing by any Obligor to Lender (or any Affiliate of Lender) with respect to Banking Relationship Debt, in each case, whether evidenced by any note or other writing, whether arising from any extension of credit, opening of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise and whether direct or indirect, absolute or contingent, due or to become due, primary or secondary, or joint or several, including all interest, charges, expenses, fees or other sums chargeable to any or all Obligors under any of the DIP Financing Documents.

Obligor - each Borrower and each Guarantor, and any other Person that is at any time liable for the payment of the whole or any part of the Pre-Petition Debt or the Obligations or that

has granted in favor of Pre-Petition Agent or Lender a Lien upon any of such Person's assets to secure payment of any of the Pre-Petition Debt or Obligations.

Ordinary Course of Business - with respect to any transaction involving any Person, the ordinary course of such Person's business, as undertaken by such Person in good faith and not for the purpose of evading any covenant or restriction in any DIP Financing Document.

Organic Documents - with respect to any Person, its charter, certificate or articles of incorporation, bylaws, articles of organization, limited liability agreement, operating agreement, members agreement, partnership agreement, certificate of partnership, certificate of formation or similar agreement or instrument governing the formation or operation of such Person.

OSHA - the Occupational Safety and Hazard Act of 1970.

Other Agreements - the Notes, each Guaranty, the Lien Waiver, each Cash Management Agreement, Hedging Agreement or other document, instrument or agreement relating to Bank Products to which an Obligor is party with Lender or any of its Affiliates, and any and all other agreements, instruments and documents (other than this Agreement and the Security Documents), heretofore, now or hereafter executed by any Borrower, any other Obligor or any other Person and delivered to Lender, or otherwise executed by Lender in favor of any Person on behalf or for the account of an Obligor, in each case in respect of the transactions contemplated by this Agreement or other DIP Financing Documents, including authorizing board resolutions, evidence of liability and property insurance, incumbency certificates and opinions of counsel consistent with those provided by Borrowers in connection with the Pre-Petition Loan Agreement.

Out-of-Formula Condition - as defined in **Section 2.1.2**.

Out-of-Formula Loan - a Revolver Loan made or existing when an Out-of-Formula Condition exists or the amount of any Revolver Loan which, when funded, results in an Out-of-Formula Condition.

Payment Account - an account maintained by Lender to which all monies from time to time deposited to a Dominion Account shall be transferred and all other collections on Accounts shall be sent in immediately available federal funds.

Payment Intangible - shall have the meaning given to the term "payment intangible" in the UCC.

Payment Item - each check, draft, or other item of payment payable to a Borrower, including those evidencing or constituting proceeds of any of the Collateral.

Pending Revolver Loans - at any date, the aggregate principal amount of all Revolver Loans which have been requested in any Notice of Borrowing received by Lender but which have not theretofore been advanced by Lender.

Permitted Asset Disposition - any Asset Disposition that consists of any of the following: (a) the disposition of damaged, obsolete or worn out Property in the Ordinary Course of Business; (b) the sale of inventory in the Ordinary Course of Business; (c) dispositions permitted by **Section 10.2.1**; (d) the sale of Equity Interests of any Subsidiary of InSight Health to a Borrower or a Guarantor; (e) any disposition of real Property to a Governmental Authority as a result of a condemnation of such real Property; (f) the abandonment or cancellation of Intellectual Property

that is not material or is no longer used or useful in any material respect in the business of Borrowers and their Subsidiaries, taken as a whole; (g) licenses, leases and subleases of real or personal Property in the Ordinary Course of Business; (h) dispositions of Property to any Borrower, Guarantor or Subsidiary thereof, provided that if the transferor is a Borrower or a Guarantor then the transferee must be a Borrower or Guarantor; (i) sales of Cash Equivalents in the Ordinary Course of Business on ordinary business terms; (j) non-exclusive licenses and sublicenses of Intellectual Property in the Ordinary Course of Business; (k) sales or forgiveness of Accounts in the Ordinary Course of Business in connection with the collection or compromise thereof, including sales of Accounts which arise from or constitute a workers' compensation claim or a personal injury claim; (l) sale or other disposition under Section 363 of the Bankruptcy Code, outside the Ordinary Course of Business, of any Collateral that is not the subject of any preceding categories in this definition of Permitted Asset Disposition with Lender's consent or without Lender's consent, if the proceeds from such sale or other disposition will be sufficient to make Full Payment of all of the Obligations and Pre-Petition Debt (and to Cash Collateralize, or otherwise collateralize in a manner satisfactory to Lender, all Letters of Credit and any Pre-Petition LCs and other outstanding contingent obligations associated with Banking Relationship Debt); and (m) the disposition of Property (other than Collateral) to the extent expressly approved by an order of the Court.

Permitted Contingent Obligations - Contingent Obligations arising from endorsements of items of payment for collection or deposit in the Ordinary Course of Business; Contingent Obligations arising from Hedging Agreements entered into in the Ordinary Course of Business; Contingent Obligations of any Borrower and its Subsidiaries existing as of the Closing Date, including extensions and renewals thereof that do not increase the amount of such Contingent Obligations as of the date of such extension or renewal; Contingent Obligations arising under indemnity agreements to title insurers to cause such title insurers to issue to Lender title insurance policies; Contingent Obligations with respect to customary indemnification obligations in contracts entered into in the Ordinary Course of Business; Contingent Obligations consisting of reimbursement obligations from time to time owing by any Borrower to Lender with respect to Letters of Credit (but in no event to include reimbursement obligations at any time owing by a Borrower to any other Person that may issue letters of credit for the account of Borrowers); Contingent Obligations of an Obligor in respect of Debt of another Obligor; Contingent Obligations of an Obligor or any Subsidiary thereof on an unsecured basis that do not constitute Debt of such Obligor; Contingent Obligations of a Subsidiary that is not an Obligor in respect of obligations (including Debt) of another Subsidiary that is not an Obligor; and other Contingent Obligations to the extent expressly approved by an order of the Court.

Permitted Lien - a Lien of a kind specified in **Section 10.2.4**.

Permitted Purchase Money Debt - Purchase Money Debt of Borrowers and their Subsidiaries that is unsecured or is secured only by a Purchase Money Lien. For the purposes of this definition, the principal amount of any Purchase Money Debt consisting of capitalized leases shall be computed as a Capitalized Lease Obligation.

Permitted Restrictive Agreement – an agreement of a Borrower or a Subsidiary which is a Restrictive Agreement by virtue of the following:

- (a) conditions imposed by Applicable Law or by any DIP Financing Document;
- (b) in the case of clause (b) of the definition of Restrictive Agreement, an agreement that applies to assets encumbered by Permitted Liens as long as such restriction applies only to the asset encumbered by such Permitted Lien;

(c) restrictions and conditions contained in such agreement existing on the Closing Date (but shall not apply to any amendment or modification expanding the scope of any such restriction or condition);

(d) restrictions in such agreement in effect at the time any Person becomes a Subsidiary of a Borrower, provided that such agreement was not entered into in contemplation of such Person becoming a Subsidiary of a Borrower;

(e) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary of a Borrower (or the assets of a Subsidiary of a Borrower) pending such sale, provided such restrictions and conditions apply only to the Subsidiary of such Borrower that is to be sold (or whose assets are to be sold) and such sale is permitted hereunder;

(f) in the case of clause (b) of the definition of Restrictive Agreement, customary provisions in leases and contracts in the Ordinary Course of Business between a Borrower or any of its Subsidiaries and its customers and other contracts restricting the assignment thereof;

(g) restrictions in the Senior Note Documents;

(h) restrictions in agreements governing Debt listed in **Schedule 10.2.2** and that are no more restrictive, taken as a whole, with respect to such restrictions than those contained in such agreements on the date of this Agreement;

(i) customary provisions with respect to the disposition or distribution of assets or Property, and provisions restricting the incurrence of the Obligations, in joint venture agreements, limited liability company operating agreements, partnership agreements and stockholders agreements for Affiliates that are not Borrowers; and

(j) customary provisions with respect to the disposition or distribution of assets or Property in asset sale agreements, agreements in respect of sales of Equity Interests and other similar agreements entered into in connection with transactions not prohibited under this Agreement, provided that such encumbrance or restriction shall only be effective against the assets or Property that are the subject of such agreements.

Person - an individual, partnership, corporation, limited liability company, limited liability partnership, joint stock company, land trust, business trust, or unincorporated organization, or a Governmental Authority.

Petition Date - December [10], 2010.

Plan - an employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and that is either (i) maintained by Borrower for employees or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which Borrower is then making or accruing an obligation to make contributions or has within the preceding 5 years made or accrued such contributions.

Plan Benchmark #1 - On or before the date that is 60 days after the date of this Agreement, Borrowers shall file an Acceptable Plan with the Court.

Plan Benchmark #2 - On or before the date that is 90 days after the date of this Agreement, Borrowers shall begin to solicit votes for approval of the Reorganization Plan filed pursuant to Plan Benchmark #1.

Plan Benchmark #3 - On or before the date that is 150 days after the date of this Agreement, Borrowers shall seek confirmation of the Reorganization Plan filed pursuant to Plan Benchmark #1 by the Court.

Plan Benchmarks - collectively, Plan Benchmark #1, Plan Benchmark #2, and Plan Benchmark #3.

Plan Option - Borrowers' election to pursue a reorganization of Borrowers' capital structure and business affairs pursuant to an Acceptable Plan and the terms and provisions of the Bankruptcy Code.

Post-Petition Purchase Money Property - any Property purchased by a Borrower on or after the Petition Date using proceeds of Revolver Loans or proceeds of Collateral.

Pre-Petition Agent - Lender, in its capacity as collateral and administrative agent under the Pre-Petition Loan Documents.

Pre-Petition Borrowers - as defined in the Recitals hereto.

Pre-Petition Debt - all "Obligations" under (and as defined in) the Pre-Petition Loan Agreement, including all interest thereon accruing after the Petition Date, and all legal fees and collection expenses heretofore or hereafter incurred in connection with the Chapter 11 Cases and in collecting any of such obligations, subject to any reasonableness or other limitations contained in the Pre-Petition Loan Documents with respect to Borrowers' obligations to reimburse Pre-Petition Agent for legal fees and collection expenses.

Pre-Petition LC - a letter of credit that was issued for the account or at the request of any Obligor and that was secured by the Collateral and outstanding on the Petition Date, but excluding any such letter of credit to the extent that the Financing Orders deem such letter of credit to have been issued under this Agreement.

Pre-Petition Lenders - as defined in the Recitals hereto.

Pre-Petition Loan Agreement - as defined in the Recitals hereto.

Pre-Petition Loan Documents - the "Loan Documents" (as defined in the Pre-Petition Loan Agreement).

Pre-Petition Revolver Loans - "Revolver Loans" under (and as defined in) the Pre-Petition Loan Agreement.

Prime Rate - the rate of interest announced by Lender from time to time as its prime rate. Such rate is set by Lender on the basis of various factors, including its costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such rate. Any change in such rate announced by Lender shall take effect at the opening of business on the day specified in the public announcement of such change.

Private Provider Agreement - an agreement entered into between any Borrower and a Healthcare Purchaser under which such Borrower agrees to provide services for Members of a health plan offered by such Healthcare Purchaser.

Professional Expenses - the fees and reimbursable expenses of a Professional Person.

Professional Fees Allowance - on any date, an amount equal to that portion of aggregate uncollected Retail Receivables that, upon collection, will be payable to physicians as fees and other amounts due from Borrowers under all PSAs.

Professional Fees Reserve - on any date, an amount equal to that portion of Accounts that have been collected by Borrowers as of such date that is due from Borrowers to physicians as fees and other amounts due from Borrowers under all PSAs, as adjusted to deduct amounts attributable to and owing by Subsidiaries that are not Borrowers to the extent that such Subsidiaries have sufficient Cash on hand to pay such amounts as are due and payable as of such date.

Professional Person - a Person who is an attorney, accountant, appraiser, auctioneer or other professional person and who is retained, with Court approval, by (i) Borrowers pursuant to sections 327 and 328 of the Bankruptcy Code or (ii) a Committee pursuant to section 1103(a) of the Bankruptcy Code.

Professionals - with respect to any Person, attorneys, accountants, appraisers, business valuation experts, environmental engineers or consultants, turnaround consultants and other professionals or experts retained by such Person.

Properly Contested - in the case of any Debt or Tax of an Obligor that is not paid as and when due or payable by reason of such Obligor's bona fide dispute concerning its liability to pay same or concerning the amount thereof, (i) such Debt or Tax is being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (ii) such Obligor has established appropriate reserves as shall be required in conformity with GAAP; (iii) the non-payment of such Debt or Tax will not reasonably be expected to have a Material Adverse Effect and will not result in a forfeiture or sale of any Collateral; (iv) no Lien is imposed upon any Collateral with respect to such Debt or Tax unless such Lien is at all times junior and subordinate in priority to the Liens in favor of Lender (except only with respect to property taxes that have priority as a matter of Applicable Law) and enforcement of such Lien is stayed during the period prior to the final resolution or disposition of such dispute; and (v) if the Debt or Tax results from, or is determined by the entry, rendition or issuance against an Obligor of a judgment, writ, order or decree, enforcement of such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review.

Property - any interest in any kind of property or asset, whether real, personal or mixed and whether tangible or intangible.

Provider Agreement - the Medicaid Provider Agreement, the Medicare provider Agreement, any Private Provider Agreement or any other agreement by which a Third Party Payor is obligated to pay for services rendered to patients of any Borrower, or all of them, as the context requires.

PSA - each Professional Services Agreement entered into by a Borrower and a physician or group of physicians in connection with the provision of diagnostic imaging services.

Purchase Money Debt - means and includes (i) Debt (other than the Obligations) for the payment of all or any part of the purchase price of any fixed asset, (ii) any Debt (other than the Obligations) incurred at the time of or within 90 days prior to or after the acquisition of any fixed asset for the purpose of financing all or any part of the purchase price thereof, and (iii) any renewals, extensions or refinancings (but not any increases in the principal amounts) thereof outstanding at the time.

Purchase Money Lien - a Lien upon fixed assets which secures Purchase Money Debt, but only if such Lien shall at all times be confined solely to the fixed assets acquired through the incurrence of the Purchase Money Debt secured by such Lien.

Qualified Purchaser - with respect to a liquidating sale of all or substantially all of Borrowers' assets under Section 363 of the Bankruptcy Code, a purchaser that has the financial ability to consummate such sale on terms and conditions reasonably satisfactory to Lender, including the ability to pay a cash amount sufficient for the Full Payment of the Obligations and the Pre-Petition Debt (including repayment in the form of financing of such sale provided by Lender), and is otherwise reasonably acceptable to Lender in all respects.

RCRA - the Resource Conservation and Recovery Act (42 U.S.C. §§ 6991-6991i).

Reclamation Claim - a claim against a Borrower under Section 546(c) of the Bankruptcy Code.

Regulation D - Regulation D of the Board of Governors.

Reimbursement Date - as defined in **Section 2.3.1(iii)**.

Rentals - all payments which a lessee is required to make under the terms of any lease.

Reorganization Plan - a plan of reorganization or liquidation proposed under Section 1121 of the Bankruptcy Code by any Borrower or any other Person (including Lender) in any Chapter 11 Case.

Reportable Event - any of the events set forth in Section 4043(c) of ERISA.

Reserve Percentage - the reserve percentage (expressed as a decimal, rounded up to the nearest 1/8th of 1%) applicable to member banks under regulations issued from time to time by the Board of Governors for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities").

Restricted Investment - any acquisition of Property by a Borrower or any of its Subsidiaries in exchange for cash or other Property, whether in the form of an acquisition of Equity Interests or Debt, or the purchase or acquisition by such Borrower or any Subsidiary of any other Property, or a loan, advance or capital contribution, except the following: (i) acquisitions of fixed assets to be used in the Ordinary Course of Business of such Borrower or any of its Subsidiaries; (ii) acquisitions of goods to be used in the provision of services by such Borrower or any of its Subsidiaries in the Ordinary Course of Business; (iii) acquisitions of Current Assets in the Ordinary Course of Business of such Borrower or any of its Subsidiaries; (iv) investments to the extent existing on the Petition Date; (v) Cash Equivalents; (vi) [Reserved]; (vii) [Reserved]; (viii) Hedging Agreements entered into in the Ordinary Course

of Business and not for speculative purposes; (ix) Debt permitted pursuant to Section **10.2.2**; (x) Distributions to the extent permitted under this Agreement; (xi) extensions of trade credit in the Ordinary Course of Business; (xii) Permitted Contingent Obligations; (xii) loans and advances to employees, officers and directors of any Borrower or Guarantor or Subsidiary thereof (a) to the extent the proceeds thereof are used to acquire Equity Interests of Parent so long as any cash proceeds received by Parent are contemporaneously remitted to InSight Health and (b) in the Ordinary Course of Business (including for travel, entertainment and relocation expenses) in an aggregate amount for all such loans and advances permitted by this clause (b) not to exceed \$500,000 at any one time outstanding; (xiii) investments consisting of Equity Interests, obligations, securities or other Property received by any Guarantor, Borrower or Subsidiary thereof in settlement of Accounts (created in the Ordinary Course of Business); (xiv) intercompany investments (a) by any Subsidiary of InSight Health in InSight Health or another Borrower or Guarantor, and (b) by any Subsidiary of InSight Health that is not a Borrower or Guarantor in any Person that is not a Borrower or Guarantor; (xv) investments in prepaid expenses, negotiable instruments held for collection and lease, utility and workers compensation, performance and similar deposits entered into as a result of the operations of the business in the Ordinary Course of Business; (xvi) expenditures of Cash to purchase Equity Interests of or funding of loans to Joint Ventures or other business organizations that are Affiliates but not Obligor, in each case, in existence on the Closing Date; and (xvii) investments to the extent set forth in the Budget and approved by the Court.

Restrictive Agreement - an agreement that, if and for so long as an Obligor or any Subsidiary of such Obligor is a party thereto, would prohibit, condition or restrict such Obligor's or Subsidiary's right to: (a) incur or repay any of the Obligations; (b) grant Liens upon any of such Obligor's or Subsidiary's assets (including Liens granted in favor of Lender pursuant to the DIP Financing Documents); (c) declare or make Distributions; or (d) amend, modify, extend or renew any of the DIP Financing Documents.

Retail Collection Account - shall have the meaning ascribed to it in **Section 8.2.5(i)**.

Retail Receivable - an Account arising from (i) the provision of diagnostic imaging services or (ii) the provision of management of services by IHC or any other Borrower to any Subsidiary that is not a Borrower.

Retained Rights - with respect to any Governmental Receivable, the rights of any Obligor or any Subsidiary thereof granted by Applicable Law with respect to such Governmental Receivable, including, and as applicable, the collection thereof and discretion over the transfer thereof to any Person (including Lender) and to enforce the claim giving rise to such Governmental Receivable against the applicable Governmental Authority, in the absence of a court order in the manner expressly contemplated by Applicable Law.

Revolver Loan - a loan made by Lender as provided in **Section 2.1** (including any Out-of-Formula Loan).

Revolver Note - a Revolver Note to be executed by Borrowers in favor of Lender in the form of **Exhibit A** attached hereto, which shall be in the face amount of the Commitment and which shall evidence all Revolver Loans made by Lender to Borrowers pursuant to this Agreement.

S&P - Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

Sale Benchmark #1 - On or before the date that is 60 days after the date of this Agreement, Borrowers shall file a motion with the Court sufficient to obtain a court-approved sale of all or substantially all of Borrowers' assets pursuant to Section 363 of the Bankruptcy Code.

Sale Benchmark #2 - On or before the date that is 120 days after the date of this Agreement, Borrowers shall conduct the auction or sale (with competitive bidding) referenced in the motion filed with the Court pursuant to Sale Benchmark #1 and enter into an asset purchase agreement with the successful bidder / purchaser.

Sale Benchmark #3 - On or before the date that is 150 days after the date of this Agreement, Borrowers shall obtain the Court's approval of the sale referenced in the motion filed with the Court pursuant to Sale Benchmark #1 to a Qualified Purchaser.

Sale Benchmarks - collectively, Sale Benchmark #1, Sale Benchmark #2 and Sale Benchmark #3.

Sale Option - Borrowers' election to pursue a liquidating sale or auction of all or substantially all of Borrowers' assets pursuant to Section 363 of the Bankruptcy Code.

Schedule of Accounts - as defined in **Section 8.2.1**.

SEC - Securities and Exchange Commission.

Secured Parties - Lender and any Affiliate of Lender that may provide any Bank Products.

Security - shall have the same meaning as in Section 2(1) of the Securities Act of 1933.

Security Documents - each Guaranty, the Control Agreements, and all other instruments and agreements now or at any time hereafter securing the whole or any part of the Obligations.

Senior Note Documents - the Senior Notes, the Senior Notes Indenture and any and all other agreements, instruments and documents executed in connection therewith or related thereto.

Senior Note Indenture - the Indenture, dated as of September 22, 2005, among InSight Health, Parent, Borrowers and U.S. Bank National Association, as Trustee, as amended by the FRN Indenture Amendment and as further amended and supplemented from time to time to the extent permitted by this Agreement.

Senior Notes - the \$315,000,000 Senior Secured Floating Rate Notes of InSight Health due 2011 issued under the Senior Note Indenture (and any Senior Secured Floating Rate Notes of InSight Health due 2011 issued in exchange therefor in an exchange offer) (plus any principal amounts issued in lieu of Cash interest).

Senior Notes Trustee - U.S. Bank National Association, and any of its successors and assigns.

Senior Officer - the chairman of the board of directors, the president or the chief financial officer of a Borrower.

Social Security Act - the Social Security Act as codified at 42 U.S.C. Section 1395 et seq.

Software - shall have the meaning given to the term "software" in the UCC.

Solvent - as to any Person, such Person (i) owns Property whose fair salable value is greater than the amount required to pay all of such Person's debts (including contingent, subordinated, unmatured and unliquidated liabilities), (ii) owns Property whose present fair salable value (as defined below) is greater than the probable total liabilities (including contingent, subordinated, unmatured and unliquidated liabilities), of such Person as they become absolute and matured, (iii) is able to pay all of its debts as such debts mature, (iv) has capital that is not unreasonably small for its business and is sufficient to carry on its business and transactions and all business and transactions in which it is about to engage, (v) is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code, and (vi) has not incurred (by way of assumption or otherwise) any obligations or liabilities (contingent or otherwise) under any of the DIP Financing Documents, or made any conveyance pursuant to or in connection therewith, with actual intent to hinder, delay or defraud either present or future creditors of such Person or any of its Subsidiaries. As used herein, the term "fair salable value" of a Person's assets means the amount that may be realized within a reasonable time, either through collection or sale of such assets at the regular market value, based upon the amount that could be obtained for such assets within such period by a capable and diligent seller from an interested buyer who is willing (but is under no compulsion) to purchase under ordinary selling conditions.

Subordinated Debt - Debt incurred by a Borrower that is expressly subordinated and made junior in right of payment to the Full Payment of the Obligations and, to the extent that such Debt is incurred on or after the Closing Date, such Debt is payable on terms and conditions (including terms relating to interest, fees, repayment and subordination) that are reasonably satisfactory to Lender.

Subsidiary - any Person in which more than 50% of its outstanding Voting Securities is owned directly or indirectly by InSight Health, by a Borrower, by one or more other Subsidiaries of InSight Health or such Borrower or by InSight Health and/or a Borrower and one or more other Subsidiaries of InSight Health or a Borrower.

Supporting LC - an irrevocable letter of credit that is in form and substance reasonably acceptable to Lender, issued or confirmed by a bank reasonably acceptable to Lender, and payable in Dollars at a place of payment within the United States that is reasonably acceptable to Lender, which letter of credit names Lender as the beneficiary thereof.

Supporting Obligation - shall have the meaning given to the term "supporting obligation" in the UCC.

Taxes - any present or future taxes, levies, imposts, duties, fees, assessments, deductions, withholdings or other charges of whatever nature, including income, receipts, excise, property, sales, use, transfer, license, payroll, withholding, social security and franchise taxes now or hereafter imposed or levied by the United States or any other Governmental Authority and all interest, penalties, additions to tax and similar liabilities with respect thereto, but excluding Excluded Taxes.

Third Party Payor - any Person (other than the customer or patient) that is responsible for payment of all or any portion of an Account, including any commercial or non-profit insurer, any Healthcare Purchaser and any Governmental Authority making payment pursuant to any

Healthcare Law. For the avoidance of doubt, the term "Third Party Payors" shall include all Government Payors and all Commercial Payors.

UCC - the Uniform Commercial Code (or any successor statute) as adopted and in force in the State of New York or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code (or any successor statute) of such state.

Undrawn Amount - on any date with respect to a particular Letter of Credit, the total amount then available to be drawn under such Letter of Credit in Dollars.

Unused Line Fee - as defined in **Section 3.2.2**.

Unused Line Fee Percentage - a percentage equal to 1.00%.

Upstream Payment - collectively:

(a) Distributions by a Subsidiary to a Borrower or any Obligor;

(b) to the extent permitted by the Court, Distributions by a Subsidiary of a Borrower that is not wholly-owned by such Borrower to the holders of its Equity Interests, provided that such Distributions are made pro rata to all holders of its Equity Interests, taking into account the relative preferences, if any, on the various classes of Equity Interests of such non-wholly owned Subsidiary; and

(c) cashless exercises of options or warrants.

U.S. Trustee - the United States Bankruptcy Trustee for the Southern District of New York.

U.S. Trustee Fee Reserve - on any date, an amount equal to the sum of (i) \$30,000 plus (ii) that portion of Lender's reasonable estimate of amounts accrued and unpaid in the Chapter 11 Cases pursuant to 28 U.S.C. § 1930(a)(6) in excess of \$30,000 on such date.

USA Patriot Act - the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001).

Voting Securities - Equity Interests of any class or classes of a corporation or other entity the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors or individuals performing similar functions.

Wholesale Collection Account - shall have the meaning ascribed to it in **Section 8.2.5(i)**.

Wholesale Receivable - an Account that is not a Retail Receivable.

1.2. Accounting Terms. Unless otherwise specified herein, all terms of an accounting character used in this Agreement shall be interpreted, all accounting determinations under this Agreement shall be made, and all financial statements required to be delivered under this Agreement shall be prepared in accordance with GAAP, applied on a basis consistent with the most recent audited

Consolidated financial statements of Borrowers and their respective Subsidiaries heretofore delivered to Lender, except for any change required by GAAP.

1.3. Other Terms. All other terms contained in this Agreement shall have, when the context so indicates, the meanings provided for by the UCC to the extent the same are used or defined therein.

1.4. Certain Matters of Construction. The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding." The section titles, table of contents and list of exhibits appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All references to statutes shall include all related rules and implementing regulations and any amendments of same and any successor statutes, rules and regulations; to any agreement, instrument or other documents (including any of the DIP Financing Documents) shall include any and all modifications and supplements thereto and any and all restatements, extensions or renewals thereof to the extent such modifications, supplements, restatements, extensions or renewals of any such documents are permitted by the terms thereof; to any Person (including a Borrower or Lender) shall mean and include the successors and permitted assigns of such Person; to "including" and "include" shall be understood to mean "including, without limitation" (and, for purposes of each DIP Financing Document, the parties agree that the rule of *ejusdem generis* shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters to matters similar to the matters specifically mentioned); to the time of day shall mean the time of day on the day in question in New York, New York, unless otherwise expressly provided in this Agreement; or to the "discretion" of Pre-Petition Agent, a Pre-Petition Lender, or Lender shall mean the reasonable discretion of such Person. A Default or an Event of Default shall be deemed to exist at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing by Lender pursuant to this Agreement or, in the case of a Default, is cured within any period of cure expressly provided in this Agreement; and an Event of Default shall "continue" or be "continuing" until such Event of Default has been waived in writing by Lender. All calculations of Value shall be in Dollars, all Loans shall be funded in Dollars and all Obligations shall be repaid in Dollars. Whenever the phrase "to the best of Borrowers' knowledge" or words of similar import relating to the knowledge or the awareness of a Borrower are used in this Agreement or other DIP Financing Documents, such phrase shall mean and refer to the actual knowledge of a Senior Officer of any Borrower.

SECTION 2. DIP FACILITY

Subject to the terms and conditions of, and in reliance upon the representations and warranties made in, this Agreement and the other DIP Financing Documents, Lender agrees to the extent and in the manner hereinafter set forth to make Revolver Loans and other extensions of credit available to Borrowers in an aggregate amount up to \$15,000,000, as set forth hereinbelow:

2.1. Commitment.

2.1.1. Revolver Loans. Lender agrees, upon the terms and subject to the conditions set forth herein, to make Revolver Loans to Borrowers on any Business Day during the period from the Closing Date through the Business Day before the last day of the DIP Term, not to exceed (except as may be otherwise authorized in the DIP Financing Orders with respect to the funding of the Carve-Out Amount) in aggregate principal amount outstanding at any time the Commitment at such time, which Revolver Loans may be repaid and reborrowed in accordance with the provisions of this Agreement;

provided, however, that Lender shall have no obligation to Borrowers whatsoever to honor any request for a Revolver Loan on or after the Commitment Termination Date or if at the time of the proposed funding thereof the aggregate principal amount of all of the Revolver Loans then outstanding and Pending Revolver Loans exceeds, or would exceed after the funding of such Revolver Loan, the Borrowing Base, but Lender may do so in its discretion. The Revolver Loans shall bear interest as set forth in **Section 3.1**. Each Revolver Loan shall be made and shall consist entirely of Base Rate Loans.

2.1.2. Out-of-Formula Loans. If the unpaid balance of Revolver Loans outstanding at any time should exceed the Borrowing Base at such time (an "Out-of-Formula Condition"), such Revolver Loans shall nevertheless constitute Obligations that are secured by the Collateral and entitled to all of the benefits of the DIP Financing Documents. In the event that Lender is willing in its discretion to make Out-of-Formula Loans, such Out-of-Formula Loans shall be payable **on demand** and shall bear interest as provided in **Section 3.1.2** or as otherwise agreed among Borrowers and Lender.

2.1.3. Use of Proceeds. The proceeds of the Revolver Loans shall be used by Borrowers during the pendency of the Chapter 11 Cases exclusively for one or more of the following purposes: (i) payment of the Pre-Petition Debt and to Cash-Collateralize any Pre-Petition LCs or other contingent Pre-Petition Debt from the proceeds of the initial Revolver Loans, to the extent authorized by the Court; (ii) to pay obligations of the type described in the Budget; (iii) to pay Adequate Protection Claims and Reclamation Claims, but only to the extent authorized by the Court; (iv) to pay fees required to be paid to the office of the U.S. Trustee; (v) to pay Professional Expenses of Professional Persons subject to the Budget, Borrowers' receipt of an itemized billing and expense statement from each such Professional Person, allowance by the Court, and any limitations contained in the Financing Orders; (vi) to pay any of the Obligations; (vii) to pay property taxes with respect to any Collateral to the extent nonpayment thereof is procured by a Lien senior to Lender's Liens thereon; (viii) to purchase any Property that is to be subject to Lender's Liens as Post-Petition Purchase Money Property for use in the Ordinary Course of Business; and (ix) to pay other obligations authorized by the Court. Notwithstanding anything to the contrary contained herein, in no event shall proceeds of Revolver Loans be used to pay Professional Expenses incurred in connection with the assertion of or joinder in any claim, counterclaim, action, contested matter, objection, defense or other proceeding, the purpose of which is to seek or the result of which would be to obtain any order, judgment, declaration, or similar relief (a) seeking damages on account of any alleged cause of action against Pre-Petition Agent, any Pre-Petition Lender or Lender arising on, before or after the Petition Date; (b) invalidating, setting aside, avoiding or subordinating, in whole or in part, any of the Pre-Petition Debt or Obligations or Liens and security interests in any of the Collateral granted to Lender under this Agreement or the Financing Orders or to Pre-Petition Agent under any of the Pre-Petition Loan Documents; (c) declaring any of the DIP Financing Documents or Pre-Petition Loan Documents to be invalid, not binding or unenforceable in any respect; (d) preventing, enjoining, hindering or otherwise delaying Lender's enforcement of any of the DIP Financing Documents, Pre-Petition Agent's enforcement of any of the Pre-Petition Loan Documents, or any realization upon any Collateral (unless such enforcement or realization is in direct violation of an explicit provision in any of the Financing Orders); (e) declaring any Liens granted or purported to be granted under any of the DIP Financing Documents or Pre-Petition Loan Documents to have a priority other than the priority set forth therein; (f) objecting to the amount or method of calculation by Pre-Petition Agent of the Pre-Petition Debt or any of the Obligations, or any accounting rendered by Lender with respect to any of those obligations; or (g) seeking to use the cash proceeds of any of the Collateral without the prior written consent of Lender. Borrowers may use proceeds of Revolver Loans not to exceed \$50,000 (or such greater amount as may be agreed to by Lender in its sole discretion) in the aggregate to fund an investigation by a Committee of the Liens and claims of Pre-Petition Agent and Pre-Petition Lender. Nothing in this **Section 2.1.3** shall be construed to waive Lender's right to object to any requests, motions or applications made in or filed with the Court, including any applications for interim or final allowances of Professional Expenses. In no event may any Revolver Loan proceeds be used by any Borrower to

purchase or to carry, or to reduce, retire or refinance any Debt incurred to purchase or carry, any Margin Stock or for any related purpose that violates the provisions of Regulations T, U or X of the Board of Governors, or to fund any operations or finance any investments or activities in, or to make payments to, a Blocked Person.

2.1.4. Revolver Note. The Revolver Loans made by Lender and interest accruing thereon shall be evidenced by the records of Lender and by the Revolver Note payable to Lender, which shall be executed by Borrowers, completed in conformity with this Agreement and delivered to Lender. All outstanding principal amounts and accrued interest under the Revolver Notes shall be due and payable as set forth in **Section 5.2**.

2.1.5. Voluntary Reductions of Commitment. Borrowers shall have the right to permanently reduce the amount of the Commitment at any time and from time to time upon written notice to Lender of such reduction, which notice shall specify the amount of such reduction, shall be irrevocable once given, shall be given at least 5 Business Days prior to the requested reduction. If on the effective date of any such reduction in the Commitment and after giving effect thereto an Out-of-Formula Condition exists, then the provisions of **Section 5.2.1(ii)** shall apply, except that such repayment shall be due immediately upon such effective date without further notice to or demand upon Borrowers. If the Commitment is reduced to zero, then such reduction shall be deemed a termination of the Commitment by Borrowers pursuant to **Section 6.2.2**. The Commitment, once reduced, may not be reinstated without the written consent of Lender.

2.1.6. 364(c)(1) and 503(b) Priority. All Revolver Loans and other credit accommodations made by Lender to any Borrower shall constitute and be deemed a cost and expense of administration in the Chapter 11 Cases and shall be entitled to administrative status under Section 503(b) of the Bankruptcy Code and priority under Section 364(c)(1) of the Bankruptcy Code ahead of all other costs and expenses of administration incurred in the Chapter 11 Cases or in any superseding Chapter 7 case.

2.2. Reserved.

2.3. LC Facility.

2.3.1. Issuance of Letters of Credit. Subject to all of the terms and conditions hereof, Lender agrees to establish the LC Facility pursuant to which, during the period from the date hereof to the last day of the DIP Term, Lender shall issue one or more Letters of Credit from time to time, subject to the following terms and conditions:

(i) Each Borrower acknowledges that Lender's willingness to issue any Letter of Credit is conditioned upon Lender's receipt of (A) an LC Application with respect to the requested Letter of Credit and (B) such other instruments and agreements as Lender may customarily require for the issuance of a letter of credit of equivalent type and amount as the requested Letter of Credit. Lender shall have no obligation to issue any Letter of Credit unless (x) Lender receives an LC Request and LC Application at least 3 Business Days prior to the date of issuance of a Letter of Credit, and (y) each of the LC Conditions is satisfied on the date of Lender's receipt of the LC Request and at the time of the requested issuance of a Letter of Credit.

(ii) Letters of Credit may be requested by a Borrower only if they are to be used (a) to support obligations of an Obligor incurred in the Ordinary Course of Business of such Obligor, on a standby basis, or (b) for such other purposes as Lender may approve from time to time in writing.

(iii) Borrowers shall comply with all of the terms and conditions imposed on Borrowers by Lender that are contained in any LC Application or in any other agreement customarily or reasonably required by Lender in connection with the issuance of any Letter of Credit. If Lender shall honor any request for payment under a Letter of Credit, Borrowers shall be jointly and severally obligated to pay to Lender, in Dollars on the same day as the date on which payment was made by Lender (the "Reimbursement Date"), an amount equal to the amount paid by Lender under such Letter of Credit (or, if payment thereunder was made by Lender in a currency other than Dollars, an amount equal to the Dollar equivalent of such currency, as determined by Lender, as of the time of Lender's payment under such Letter of Credit, in each case), together with interest from and after the Reimbursement Date until Full Payment is made by Borrowers at the Default Rate for Revolver Loans constituting Base Rate Loans. Until Lender has received payment from Borrowers in accordance with the foregoing provisions of this clause (iii), Lender, in addition to all of its other rights and remedies under this Agreement and any LC Application, shall be fully subrogated to the rights and remedies of each beneficiary under such Letter of Credit whose claims against Borrowers have been discharged with the proceeds of such Letter of Credit. Whether or not a Borrower submits any Notice of Borrowing to Lender, Borrowers shall be deemed to have requested from Lender a Borrowing of Base Rate Loans in an amount necessary to pay to Lender all amounts due Lender on any Reimbursement Date and Lender agrees to fund such Borrowing whether or not any Default or Event of Default has occurred or exists, the Commitment has been terminated, the funding of the Borrowing would result in (or increase the amount of) any Out-of-Formula Condition, or any of the conditions set forth in **Section 11** are not satisfied.

(iv) Borrowers assume all risks of the acts, omissions or misuses of any Letter of Credit by the beneficiary thereof. The obligation of Borrowers to reimburse Lender for any payment made by Lender under a Letter of Credit shall be absolute, unconditional, irrevocable and joint and several and shall be paid without regard to any lack of validity or enforceability of any Letter of Credit or the existence of any claim, setoff, defense or other right which Borrowers may have at any time against a beneficiary of any Letter of Credit. The rights, remedies, powers and privileges of Lender under this Agreement with respect to Letters of Credit shall be in addition to, and cumulative with, all rights, remedies, powers and privileges of Lender under any of the LC Documents. Nothing herein shall be deemed to release Lender from any liability or obligation that it may have in respect to any Letter of Credit arising out of and directly resulting from its own gross negligence or willful misconduct.

(v) No Letter of Credit shall be extended or amended in any respect that is not solely ministerial, unless all of the LC Conditions are met as though a new Letter of Credit were being requested and issued.

(vi) Unless otherwise provided in any of the LC Documents, each LC Application and each standby Letter of Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce No. 500, and any amendments or revisions thereto.

(vii) Subject to approval of the Court, each Pre-Petition LC, and all Cash Collateral deposited in respect thereof, shall be deemed to be and shall be treated as Letters of Credit issued and Cash Collateral deposited pursuant to the terms of the DIP Financing Documents.

2.3.2. Reserved.

2.3.3. Cash Collateral Account. If any LC Obligations, whether or not then due or payable, shall for any reason be outstanding (i) at any time that an Event of Default exists, (ii) on any date that Availability is less than zero, or (iii) on or at any time after the Commitment Termination Date, then Borrowers shall, on Lender's request, forthwith pay to Lender the amount of any LC Obligations that are then due and payable and shall, upon the occurrence of any of the events described in clauses (i) and (iii) hereinabove, Cash Collateralize all outstanding Letters of Credit and Pre-Petition LCs or deliver to Lender a Supporting LC in a face amount equal to 104% of the aggregate Undrawn Amounts of such Pre-Petition LCs and Letters of Credit. If notwithstanding the occurrence of one or more of the events described in clauses (i) and (iii) in the immediately preceding sentence Borrowers fail to Cash Collateralize, or provide a Supporting LC as provided hereinabove with respect to, any outstanding Letters of Credit and Pre-Petition LCs on the first Business Day following Lender's demand therefor, Lender may advance such amount as Revolver Loans (whether or not the Commitment Termination Date has occurred or an Out-of-Formula Condition is created thereby). Such cash (together with any interest accrued thereon) shall be held by Lender in the Cash Collateral Account and may be invested, in Lender's discretion, in Cash Equivalents. Each Borrower hereby pledges to Lender and grants to Lender a security interest in all Cash Collateral held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all Obligations (including LC Obligations), whether or not then due or payable. From time to time after cash is deposited in the Cash Collateral Account, Lender may apply Cash Collateral then held in the Cash Collateral Account to the payment of any amounts, in such order as Lender may elect, as shall be or shall become due and payable by Borrowers to Lender with respect to the LC Obligations. Neither Borrowers nor any other Person claiming by, through or under or on behalf of Borrowers shall have any right to withdraw any of the Cash Collateral held in the Cash Collateral Account, including any accrued interest, provided that upon termination or expiration of all Letters of Credit and Pre-Petition LCs and the payment and satisfaction of all of the LC Obligations, any Cash Collateral remaining in the Cash Collateral Account (plus accrued interest thereon, if any) shall be returned to Borrowers unless an Event of Default then exists (in which event Lender may apply such Cash Collateral as provided in the Financing Orders).

2.3.4. Indemnifications. In addition to and without limiting any other indemnity which Borrowers may have to any Lender Indemnitees under any of the DIP Financing Documents, each Borrower hereby agrees to indemnify and defend each of the Lender Indemnitees and to hold each of the Lender Indemnitees harmless from and against any and all Claims which any Lender Indemnitee may suffer, incur or be subject to as a consequence, directly or indirectly, of (a) the issuance of, payment or failure to pay or any performance or failure to perform under any Letter of Credit, (b) any suit, investigation or proceeding as to which Lender is or may become a party to as a consequence, directly or indirectly, of the issuance of any Letter of Credit or the payment or failure to pay thereunder or (c) Lender following any instructions of a Borrower with respect to any Letter of Credit or any Document received by Lender with reference to any Letter of Credit. The foregoing indemnity obligations of Borrowers are subject to the provisions of **Section 15.3** hereof.

2.4. Bank Products. Borrowers may request Lender to provide, or to arrange for one or more of its Affiliates to provide, Bank Products, but Lender shall have no obligation whatsoever to provide, or to arrange for the provision of, any Bank Products. If Bank Products are provided by an Affiliate of Lender under any of the DIP Financing Documents, Borrowers agree to indemnify and hold Lender harmless from and against any and all Claims at any time incurred by Lender that arise from any indemnity given to such Affiliates that relate to such Bank Products. Borrowers acknowledge that obtaining Bank Products from Lender or Lender's Affiliates hereunder is in the discretion of Lender or Lender's Affiliates and is subject to all rules and regulations of Lender or Lender's Affiliates that are applicable to such Bank Products.

SECTION 3. INTEREST, FEES AND CHARGES

3.1. Interest.

3.1.1. Rates of Interest. Borrowers agree to pay interest in respect of all unpaid principal amounts of the Revolver Loans from the respective dates such principal amounts are advanced until paid (whether at stated maturity, on acceleration or otherwise) at a variable rate per annum equal to, for Revolver Loans made or outstanding as Base Rate Loans, the Applicable Margin plus the Base Rate in effect from time to time; provided that, in the event that Borrowers fail to satisfy either Plan Benchmark #3 or Sale Benchmark #3, as applicable, Borrowers shall pay interest on all outstanding Obligations in an amount equal to the Base Rate plus 5.00% per annum, applied retroactively to the date of this Agreement, by paying to Lender, **on demand** after such failure, an amount equal to the difference between the amount of interest that would have accrued using the 5.00% margin and the amount actually paid. The applicable rate of interest for all Loans (or portions thereof) bearing interest based upon the Base Rate shall be increased or decreased, as the case may be, by an amount equal to any increase or decrease in the Base Rate, with such adjustments to be effective as of the opening of business on the day that any such change in the Base Rate becomes effective.

3.1.2. Default Rate of Interest. Borrowers shall pay interest at a rate per annum equal to the Default Rate (i) with respect to any portion of the principal amount of the Obligations (and, to the extent permitted by Applicable Law, all past due interest) that is not paid on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise) until Full Payment thereof; (ii) with respect to the principal amount of all of the Obligations (and, to the extent permitted by Applicable Law, all past due interest) upon Borrower Agent's receipt of notice from Lender of Lender's election to charge the Default Rate based upon the existence of any Event of Default, whether or not acceleration or demand for payment of the Obligations has been made; and (iii) with respect to the principal amount of any Out-of-Formula Loans (unless otherwise agreed in writing by Lender), whether or not demand for payment thereof has been made by Lender. To the fullest extent permitted by Applicable Law, the Default Rate shall apply and accrue on any judgment entered with respect to any of the Obligations. Each Borrower acknowledges that the cost and expense to Lender attendant upon the occurrence of an Event of Default are difficult to ascertain or estimate and that the Default Rate is a fair and reasonable estimate to compensate Lender for such added cost and expense. Interest accrued at the Default Rate shall be due and payable **on demand**.

3.2. Fees. In consideration of Lender's establishment of the Commitment in favor of Borrowers, Borrowers jointly and severally agree to pay the following fees:

3.2.1. Closing Fee. Borrowers shall be jointly and severally obligated to pay to Lender a closing fee in the amount of \$300,000, which fee shall be paid on the Closing Date.

3.2.2. Unused Line Fee. Borrowers shall be jointly and severally obligated to pay to Lender, monthly in arrears on the first day of each month, an unused line fee (the "Unused Line Fee") equal to the Unused Line Fee Percentage then in effect, in each case divided by 360 days and multiplied by the number of days in the immediately preceding month and then multiplied by the amount by which the Average Revolver Loan Balance for such immediately preceding month (or portion of such month that the Commitment is in effect) is less than the aggregate amount of the Commitment; but if the Commitment is terminated on a day other than the last day of a month, then any such Unused Line Fee payable for such month in which termination shall occur shall be paid on the effective date of such termination. The Unused Line Fee shall be deemed fully earned and non-refundable when due and payable.

3.2.3. LC Facility Fees. Borrowers shall be jointly and severally obligated to pay: (a)(i) to Lender, for all Letters of Credit, 4.00% on a per annum basis based on the average amount available to be drawn under Letters of Credit outstanding and all Letters of Credit that are paid or expire during the period of measurement, payable monthly, in arrears, on the first Business Day of the following month; (ii) to Lender for its own account a Letter of Credit fronting fee of 0.125% per annum based upon the face amount of each Letter of Credit issued during the period of measurement, payable monthly, in arrears, on the first Business Day of the following month; and (iii) to Lender for its own account all customary charges associated with the issuance, amending, negotiating, payment, processing and administration of all Letters of Credit. All Letter of Credit fees that are expressed as a percentage shall be increased to a percentage that is 2% greater than the percentage that would otherwise be applicable to Revolver Loans when the Default Rate is in effect.

3.2.4. Audit and Appraisal Fees and Expenses. Borrowers shall be jointly and severally obligated to reimburse Lender for all reasonable out-of-pocket costs and expenses incurred by Lender in connection with examinations and reviews of any Obligor's books and records up to 2 times per Loan Year unless an Event of Default exists (in which event, there shall be no limit on the number of examinations and reviews for which Borrowers shall be obligated to reimburse Lender) and, in each case, shall pay to Lender the standard amount charged by Lender per day (\$1,000 per day as of the Petition Date) for each day that an employee or agent of Lender shall be engaged in an examination or review of any Obligor's books and records. The foregoing shall not be construed to limit Lender's right to conduct audits as provided in **Section 10.1.1**.

3.2.5. Reserved.

3.2.6. General Provisions. All fees shall be fully earned by the identified recipient thereof pursuant to the foregoing provisions of this Agreement on the due date thereof (and, in the case of Letters of Credit, upon each issuance, renewal or extension of such Letter of Credit) and, except as otherwise set forth herein or required by Applicable Law, shall not be subject to rebate, refund or proration. All fees provided for in **Section 3.2** are and shall be deemed to be compensation for services and are not, and shall not be deemed to be, interest or any other charge for the use, forbearance or detention of money.

3.3. Computation of Interest and Fees. All fees and other charges provided for in this Agreement that are calculated as a per annum percentage of any amount and all interest shall be calculated daily and shall be computed on the actual number of days elapsed over a year of 360 days. For purposes of computing interest and other charges hereunder, each Payment Item and other form of payment received by Lender (with the date of such receipt to be governed by **Section 5.5**) shall be deemed applied by Lender on account of the Obligations (subject to final payment of such items) on the Business Day on which Lender receives collected funds in the Payment Account, and Lender shall be deemed to have received such Payment Item on the date specified in **Section 5.5**. Each determination by Lender of interest and fees hereunder shall be presumptive evidence of the correctness of such interest and fees.

3.4. Reimbursement Obligations.

3.4.1. Borrowers shall reimburse Lender for any Extraordinary Expenses incurred by Lender, on the sooner to occur of Lender's demand therefor or Lender's receipt of any proceeds of Collateral in connection with any Enforcement Action. Borrowers shall also reimburse Lender for all reasonable out-of-pocket legal, accounting, appraisal, consulting and other fees and expenses suffered or incurred by Lender in connection with: (i) the negotiation and preparation (and internal legal review) of any of the DIP Financing Documents, any amendment or modification thereto; (ii) the administration of

the DIP Financing Documents and the transactions contemplated thereby; (iii) action taken to perfect or maintain the perfection or priority of any of Lender's Liens with respect to any of the Collateral; (iv) any inspection of or audits conducted by Lender with respect to any Obligor's books and records in accordance with **Section 3.2.4**; (v) any effort by Lender to verify or appraise any of the Collateral; and (vi) the monitoring of, or participation in, the Chapter 11 Cases. All amounts chargeable to or reimbursable by Borrowers under this **Section 3.4** shall constitute Obligations that are secured by all of the Collateral and shall be payable **on demand** to Lender. Borrowers shall also reimburse Lender for reasonable out-of-pocket expenses incurred by Lender in its administration of any of the Collateral to the extent and in the manner provided in **Section 8** or in any of the other DIP Financing Documents. The foregoing shall be in addition to, and shall not be construed to limit, any other provision of any of the DIP Financing Documents regarding the indemnification or reimbursement by Borrowers of Claims suffered or incurred by Lender.

3.4.2. If at any time Lender shall agree to indemnify any Person against losses or damages that such Person may suffer or incur in its dealings or transactions with Borrowers, or shall guarantee or otherwise assure payment of any liability or obligation of Borrowers to such Person, or otherwise shall provide assurances of Borrowers' payment or performance under any agreement with such Person, including indemnities, guaranties or other assurances of payment or performance given by Lender with respect to Banking Relationship Debt, then the Contingent Obligation of Lender providing any such indemnity, guaranty or other assurance of payment or performance, together with any payment made or liability incurred by Lender in connection therewith, shall constitute Obligations that are secured by the Collateral and Borrowers shall repay, on demand, any amount so paid or any liability incurred by Lender in connection with any such indemnity, guaranty, or assurance. Nothing herein shall be construed to impose upon Lender any obligation to provide any such indemnity, guaranty or assurance. The foregoing agreement of Borrowers shall apply whether or not such indemnity, guaranty or assurance is in writing or oral, provided that Lender provides Borrower's with notice of the existence thereof, shall survive termination of the Commitment and Full Payment of the Obligations and any other provisions of the DIP Financing Documents regarding reimbursement or indemnification by Borrowers of Claims suffered or incurred by Lender.

3.5. Bank Charges. Borrowers shall pay to Lender, **on demand**, any and all fees, costs or expenses which Lender pays to a bank or other similar institution arising out of or in connection with (i) the forwarding to a Borrower or any other Person on behalf of Borrower by Lender of proceeds of Loans made by Lender to a Borrower pursuant to this Agreement and (ii) the depositing for collection by Lender of any Payment Item received or delivered to Lender on account of the Obligations. Each Borrower acknowledges and agrees that Lender may charge such costs, fees and expenses to Borrowers based upon Lender's good faith estimate of such costs, fees and expenses as they are incurred by Lender.

3.6. Capital Adequacy. If Lender determines that (i) the introduction after the date hereof of any Capital Adequacy Regulation, (ii) any change after the date hereof in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance after the date hereof by Lender or any corporation or other entity controlling Lender with any Capital Adequacy Regulation, affects the amount of capital required or expected to be maintained by Lender or any Person controlling Lender and (taking into consideration Lender's or such corporation's or other entity's policies with respect to capital adequacy and Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment, loans, credits or obligations under this Agreement, then: (a) Lender shall promptly give notice thereof to Borrowers; and (b) Borrowers shall pay to Lender, as an additional fee from time to time, **on demand**, such amount as Lender certifies to be the amount reasonably calculated to compensate Lender for such reduction. A certificate of Lender claiming entitlement to compensation as set forth above will be

conclusive in the absence of manifest error. Such certificate will set forth the nature of the occurrence giving rise to such compensation, the additional amount or amounts to be paid to Lender (including the basis for Lender's determination of such amount), and the method by which such amounts were determined. In determining such amount, Lender may use any reasonable averaging and attribution method. For purposes of this **Section 3.6** all references to Lender shall be deemed to include any bank holding company or bank parent of Lender.

3.7. Mitigation. Lender agrees that, with reasonable promptness after Lender becomes aware that Lender is entitled to receive payments under **Section 3.6**, or is or has become subject to U.S. withholding taxes payable by any Borrower in respect of its Loans, it will, to the extent not inconsistent with any internal policy of Lender or any applicable legal or regulatory restriction, (i) use all reasonable efforts to make, fund or maintain the Commitment of Lender or the Loans of Lender through another lending office of Lender or (ii) take such other reasonable measures, if, as a result thereof, the circumstances which would relieve Borrowers from their obligations to pay such additional amounts (or reduce the amount of such payments), or such withholding taxes would be reduced, and if the making, funding or maintaining of such Commitment or Loans through such other lending office or in accordance with such other measures, as the case may be, would not otherwise adversely affect such Commitment or Loans or the interests of Lender.

3.8. Maximum Interest. Regardless of any provision contained in any of the DIP Financing Documents, in no contingency or event whatsoever shall the aggregate of all amounts that are contracted for, charged or received by Lender pursuant to the terms of this Agreement or any of the other DIP Financing Documents and that are deemed interest under Applicable Law exceed the highest rate permissible under any Applicable Law. No agreements, conditions, provisions or stipulations contained in this Agreement or any of the other DIP Financing Documents or the exercise by Lender of the right to accelerate the payment or the maturity of all or any portion of the Obligations, or the exercise of any option whatsoever contained in any of the DIP Financing Documents, or the prepayment by Borrowers of any of the Obligations, or the occurrence of any contingency whatsoever, shall entitle Lender to charge or receive in any event, interest or any charges, amounts, premiums or fees deemed interest by Applicable Law (such interest, charges, amounts, premiums and fees referred to herein collectively as "Interest") in excess of the Maximum Rate, and in no event shall Borrowers be obligated to pay Interest exceeding such Maximum Rate, and all agreements, conditions or stipulations, if any, which may in any event or contingency whatsoever operate to bind, obligate or compel Borrowers to pay Interest exceeding the Maximum Rate shall be without binding force or effect, at law or in equity, to the extent only of the excess of Interest over such Maximum Rate. If any Interest is charged or received with respect to the Obligations in excess of the Maximum Rate ("Excess"), Borrowers stipulate that any such charge or receipt shall be the result of an accident and bona fide error, and such Excess, to the extent received, shall be applied first to reduce the principal of such Obligations and the balance, if any, returned to Borrowers, it being the intent of the parties hereto not to enter into a usurious or otherwise illegal relationship. Each Borrower recognizes that, with fluctuations in the rates of interest set forth in **Section 3.1.1**, and the Maximum Rate, such an unintentional result could inadvertently occur. All monies paid to Lender hereunder or under any of the other DIP Financing Documents, whether at maturity or by prepayment, shall be subject to any rebate of unearned Interest as and to the extent required by Applicable Law. By the execution of this Agreement, each Borrower covenants that (i) the credit or return of any Excess shall constitute the acceptance by such Borrower of such Excess, and (ii) such Borrower shall not seek or pursue any other remedy, legal or equitable, against Lender, based in whole or in part upon contracting for, charging or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by Lender, all Interest at any time contracted for, charged or received from Borrowers in connection with any of the DIP Financing Documents shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Obligations. Borrowers and Lender shall, to the

maximum extent permitted under Applicable Law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this **Section 3.8** shall be deemed to be incorporated into every DIP Financing Document (whether or not any provision of this Section is referred to therein). All such DIP Financing Documents and communications relating to any Interest owed by Borrowers and all figures set forth therein shall, for the sole purpose of computing the extent of Obligations, be automatically recomputed by Borrowers, and by any court considering the same, to give effect to the adjustments or credits required by this **Section 3.8**.

SECTION 4. LOAN ADMINISTRATION

4.1. Manner of Borrowing and Funding Revolver Loans. Borrowings under the Commitment established pursuant to **Section 2.1** shall be made and funded as follows:

4.1.1. Notice of Borrowing.

(i) Whenever Borrowers desire to make a Borrowing under **Section 2.1**, Borrowers shall give Lender prior written notice (or telephonic notice promptly confirmed in writing) of such Borrowing request (a "Notice of Borrowing"), which shall be in the form of **Exhibit C** annexed hereto and signed by an authorized officer of Borrower Agent. Such Notice of Borrowing shall be given by Borrower Agent no later than 2:00 p.m. at the office designated by Lender from time to time on the Business Day of the requested funding date of such Borrowing, in the case of Base Rate Loans. Notices received after 2:00 p.m. shall be deemed received on the next Business Day. Any Revolver Loans made by Lender on the Closing Date shall be made as Base Rate Loans. Each Notice of Borrowing (or telephonic notice thereof) shall be irrevocable and shall specify (a) the principal amount of the Borrowing, (b) the date of Borrowing (which shall be a Business Day), and (c) the account of Borrowers to which the proceeds of such Borrowing are to be disbursed.

(ii) Unless payment is otherwise timely made by Borrowers, the becoming due of any amount required to be paid with respect to any of the Obligations (whether as principal, accrued interest, fees or other charges, including Extraordinary Expenses and LC Obligations, and any amounts owed to Lender or any Affiliate of Lender for Banking Relationship Debt) shall be deemed irrevocably to be a request (without any requirement for the submission of a Notice of Borrowing) for Revolver Loans on the due date of, and in an aggregate amount required to pay, such Obligations, and the proceeds of such Revolver Loans may be disbursed by way of direct payment of the relevant Obligation and shall bear interest as Base Rate Loans.

(iii) If Borrowers elect to establish a Controlled Disbursement Account with Lender or any Affiliate of Lender, then the presentation for payment by Lender of any check or other item of payment drawn on the Controlled Disbursement Account at a time when there are insufficient funds in such account to cover such check shall be deemed irrevocably to be a request (without any requirement for the submission of a Notice of Borrowing) for Revolver Loans on the date of such presentation and in an amount equal to the aggregate amount of the items presented for payment, and the proceeds of such Revolver Loans may be disbursed to the Controlled Disbursement Account and shall bear interest as Base Rate Loans.

(iv) Lender shall not have any obligation to honor any deemed request for a Revolver Loan on or after the Commitment Termination Date (except as otherwise expressly provided in the Financing Orders) or when an Out-of-Formula Condition exists or would result

therefrom or when any condition precedent in **Section 11** is not satisfied, but may do so in the discretion of Lender, including by funding a Revolver Loan as contemplated by the DIP Financing Orders to fund any part of the Carve-Out Amount, and without regard to the existence of, and without being deemed to have waived, any Default or Event of Default and regardless of whether such Revolver Loan is funded after the Commitment Termination Date.

4.1.2. Disbursement Authorization. Each Borrower hereby irrevocably authorizes Lender to disburse the proceeds of each Revolver Loan requested by any Borrower, or deemed to be requested pursuant to **Section 4.1.1**, as follows: (i) the proceeds of each Revolver Loan requested under **Section 4.1.1(i)** shall be disbursed by Lender in accordance with the terms of the written disbursement letter from Borrowers in the case of the initial Borrowing, and, in the case of each subsequent Borrowing, by transfer to such bank account of Borrowers as may be directed by Borrowers from time to time or elsewhere if pursuant to a written direction from any Borrower; and (ii) the proceeds of each Revolver Loan requested under **Section 4.1.1(ii)** shall be disbursed by Lender by way of direct payment of the relevant interest or other Obligation. Any Loan proceeds received by any Borrower or in payment of any of the Obligations shall be deemed to have been received by all Borrowers.

4.1.3. Telephonic Notices. Each Borrower authorizes Lender to extend Loans and transfer funds to or on behalf of Borrowers based on telephonic notices or instructions from any individual whom Lender in good faith believes to be acting on behalf of any Borrower. If requested by Lender, Borrowers shall confirm each such telephonic request for a Borrowing of Loans by prompt delivery to Lender of the required Notice of Borrowing, duly executed by an authorized officer of Borrower Agent. If the written confirmation differs in any material respect from the action taken by Lender, the records of Lender shall govern. Lender shall not have any liability for any loss suffered by any Borrower as a result of Lender's acting upon its understanding of telephonic instructions or requests from a person believed in good faith by Lender to be a person authorized by a Borrower to give such instructions or to make such requests on Borrowers' behalf.

4.2. Borrower Agent. Each Borrower hereby irrevocably appoints IHC, and IHC agrees to act under this Agreement, as the agent and representative of itself and each other Borrower for all purposes under this Agreement (in such capacity, "Borrower Agent"), including requesting Borrowings and receiving account statements and other notices and communications to Borrowers (or any of them) from Lender. Lender may rely, and shall be fully protected in relying, on any Notice of Borrowing, disbursement instructions, reports, information, Borrowing Base Certificate or any other notice or communication made or given by Borrower Agent, whether in its own name, on behalf of any Borrower or on behalf of "the Borrowers," and Lender shall have no obligation to make any inquiry or request any confirmation from or on behalf of any other Borrower as to the binding effect on such Borrower of any such Notice of Borrowing, instruction, report, information, Borrowing Base Certificate or other notice or communication, nor shall the joint and several character of Borrowers' liability for the Obligations be affected, provided that the provisions of this **Section 4.2** shall not be construed so as to preclude any Borrower from directly requesting Borrowings or taking other actions permitted to be taken by "a Borrower" hereunder. Lender may maintain a single Loan Account in the name of "InSight Health Corp." hereunder, and each Borrower expressly agrees to such arrangement and confirms that such arrangement shall have no effect on the joint and several character of such Borrower's liability for the Obligations. Subject to the terms of this Agreement, Lender shall make the proceeds of the Revolver Loans available to Borrowers by disbursing such proceeds in accordance with Borrower Agent's disbursement instructions set forth in the applicable Notice of Borrowing. Lender shall not have any liability on account of any delay by any bank or other depository institution in treating the proceeds of any Revolver Loan as collected funds or any delay in receipt, or any loss, of funds that constitute a Revolver Loan, the wire transfer of which was initiated by Lender in accordance with wiring instructions provided to Lender.

4.3. All Loans to Constitute One Obligation. The Loans and LC Obligations shall constitute one general obligation of Borrowers and (unless otherwise expressly provided in any Security Document) shall be secured by Lender's Lien upon all of the Collateral; provided, however, that Lender shall be deemed to be a creditor of each Borrower and the holder of a separate claim against each Borrower to the extent of any Obligations jointly and severally owed by Borrowers to Lender.

SECTION 5. PAYMENTS

5.1. General Payment Provisions. All payments (including all prepayments) of principal of and interest on the Loans, LC Obligations and other Obligations that are payable to Lender shall be made to Lender in Dollars without any offset or counterclaim and free and clear of (and without deduction for) any present or future Taxes other than Excluded Taxes, as required by Applicable Law, and, with respect to payments made other than by application of balances in the Payment Account, in immediately available funds not later than 2:00 p.m. on the due date (and payment made after such time on the due date to be deemed to have been made on the next succeeding Business Day). Borrowers shall, at the time Borrowers make any payment under this Agreement, specify to Lender the Obligations to which such payment is to be applied and, if Borrowers fail so to specify or if the application specified by Borrowers would be inconsistent with the terms of this Agreement or if an Event of Default exists, Lender shall apply such payment to the Obligations in such manner as Lender, subject to the provisions of this Agreement and the Financing Orders, may determine to be appropriate.

5.2. Repayment of Revolver Loans.

5.2.1. Payment of Principal. The outstanding principal amounts with respect to the Revolver Loans shall be repaid as follows:

(i) Any Revolver Loans shall be paid by Borrowers to Lender, (a) upon each receipt by Lender of any proceeds of Accounts (other than that portion thereof payable to physicians pursuant to PSAs), in each case to the extent of such proceeds, and (b) on the Commitment Termination Date.

(ii) Notwithstanding anything to the contrary contained elsewhere in this Agreement, if an Out-of-Formula Condition shall exist, Borrowers shall **on demand** repay the outstanding Revolver Loans in an amount sufficient to reduce the aggregate unpaid principal amount of all Revolver Loans by an amount equal to such excess; and, if such payment of Base Rate Loans is not sufficient to eliminate the Out-of-Formula Condition, then Borrowers shall immediately deposit with Lender for application to any outstanding Revolver Loans as the same become due and payable cash in an amount sufficient to eliminate such Out-of-Formula Condition, and Lender may (a) hold such deposit as cash security pending disbursement of same for application to the Obligations, or (b) if an Event of Default exists, immediately apply such proceeds to the payment of the Obligations.

5.2.2. Payment of Interest. Interest accrued on the Revolver Loans shall be due and payable on the first day of each month (for the immediately preceding month), computed through the last day of the preceding month, with respect to any Revolver Loan that is a Base Rate Loan. Accrued interest shall also be paid by Borrowers on the Commitment Termination Date.

5.3. Payment of Other Obligations. The balance of the Obligations requiring the payment of money, including LC Obligations and Extraordinary Expenses incurred by Lender, shall be repaid by Borrowers to Lender as provided in the DIP Financing Documents, or, if no date of payment is otherwise specified in the DIP Financing Documents, **on demand**.

5.4. Marshaling; Payments Set Aside. Lender shall not be under any obligation to marshal any assets in favor of Borrowers or any other Obligor or against or in payment of any or all of the Obligations. To the extent that Borrowers make a payment to Lender or Lender receives payment from the proceeds of any Collateral or exercises its right of setoff, and such payment or the proceeds of such Collateral or setoff (or any part thereof) are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other Person, then to the extent of any loss by Lender, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment or proceeds had not been made or received and any such enforcement or setoff had not occurred. The provisions of the immediately preceding sentence of this **Section 5.4** shall survive any termination of the Commitment and Full Payment of the Obligations.

5.5. Application of Payments and Collateral Proceeds. All Payment Items received by Lender by 2:00 p.m., on any Business Day shall be deemed received on that Business Day. All Payment Items received by Lender after 2:00 p.m., on any Business Day shall be deemed received on the following Business Day. Each Borrower irrevocably waives the right to direct the application of any and all payments and Collateral proceeds at any time or times hereafter received by Lender from or on behalf of Borrowers, and each Borrower does hereby irrevocably agree that Lender shall have the continuing exclusive right to apply and reapply any and all such payments and Collateral proceeds received at any time or times hereafter by Lender or its agent against the Pre-Petition Debt or the Obligations, in such manner as Lender may deem advisable, notwithstanding any entry by Lender upon any of its books and records, subject to the terms of the Financing Orders and any other Order of the Court.

5.6. Loan Accounts; Account Stated.

5.6.1. Loan Accounts. Lender shall maintain in accordance with its usual and customary practices an account or accounts (a "Loan Account") evidencing the Debt of Borrowers to Lender resulting from each Loan owing to Lender from time to time, including the amount of principal and interest payable to Lender from time to time hereunder and under each Note payable to Lender. Any failure of Lender to record in the Loan Account, or any error in doing so, shall not limit or otherwise affect the obligation of Borrowers hereunder (or under any Note) to pay any amount owing hereunder to Lender.

5.6.2. Reserved.

5.6.3. Entries Binding. The entries made in each Loan Account shall constitute rebuttably presumptive evidence of the information contained therein; provided, however, that if a copy of information contained in any Loan Account is provided to any Person, or any Person inspects any Loan Account, at any time or from time to time, then the information contained in such Loan Account shall be conclusive and binding on such Person for all purposes absent manifest error, unless such Person notifies Lender in writing within 30 days after such Person's receipt of such copy or such Person's inspection of such Loan Account of its intention to dispute the information contained therein.

5.7. Taxes.

5.7.1. Gross Up. If Borrowers shall be required by Applicable Law to withhold or deduct any Taxes (other than Excluded Taxes) from or in respect of any sum payable under this Agreement or any of the other DIP Financing Documents, (a) the sum payable to Lender shall be increased as may be necessary so that, after making all required withholding or deductions, Lender receives an amount equal to the sum it would have received had no such withholding or deductions been

made, (b) Borrowers shall make such withholding or deductions, and (c) Borrowers shall pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with Applicable Law.

5.7.2. Refund. If Lender receives a refund, credit, or other reduction of taxes in respect of any Taxes paid by Borrowers pursuant to this **Section 5.7**, such Person shall, within 30 days from the date of actual receipt of such refund or the filing of the tax return in which such credit or other reduction results in a lower tax payment, apply to the Obligations and Pre-Petition Debt as provided in this Agreement Lender's estimate of such refund or the amount of such tax reduction to Borrowers (but only to the extent of Taxes paid by Borrowers pursuant to this **Section 5.7**), net of all out-of-pocket expenses of such Person, and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund).

5.7.3. Remedy. In the event that Borrowers are required to pay additional amounts pursuant to **Section 5.7.1** hereof, Borrowers may, upon notice to Lender, either prepay in whole or in part the outstanding balance on any Loan held by Lender or require Lender to assign and delegate, without recourse and conditioned upon Full Payment in cash of all Pre-Petition Debt and Obligations, all of its interests, rights and obligations under this Agreement to an assignee selected by Borrowers that shall assume such obligations.

5.8. Nature and Extent of Each Borrower's Liability.

5.8.1. Joint and Several Liability. Each Borrower shall be liable for, on a joint and several basis, and hereby guarantees the timely payment by all other Borrowers of, all of the Loans and other Obligations, regardless of which Borrower actually may have received the proceeds of any Loans or other extensions of credit hereunder or the amount of such Loans received or the manner in which Lender accounts for such Loans or other extensions of credit on its books and records, it being acknowledged and agreed that Loans to any Borrower inure to the mutual benefit of all Borrowers and that Lender is relying on the joint and several liability of Borrowers in extending the Loans and other financial accommodations hereunder. Each Borrower hereby unconditionally and irrevocably agrees that upon default in the payment when due (whether at stated maturity, by acceleration or otherwise) of any principal of, or interest owed on, any of the Loans or other Obligations, such Borrower shall forthwith pay the same, without notice or demand.

5.8.2. Unconditional Nature of Liability. Each Borrower's joint and several liability hereunder with respect to, and guaranty of, the Loans and other Obligations shall, to the fullest extent permitted by Applicable Law, be unconditional irrespective of (i) the validity, enforceability, avoidance or subordination of any of the Obligations or of any promissory note or other document evidencing all or any part of the Obligations, (ii) the absence of any attempt to collect any of the Obligations from any other Obligor or any Collateral or other security therefor, or the absence of any other action to enforce the same, (iii) the waiver, consent, extension, forbearance or granting of any indulgence by Lender with respect to any provision of any instrument evidencing or securing the payment of any of the Obligations, or any other agreement now or hereafter executed by any other Borrower and delivered to Lender, (iv) the failure by Lender to take any steps to perfect or maintain the perfected status of its security interest in or Lien upon, or to preserve its rights to, any of the Collateral or other security for the payment or performance of any of the Obligations or Lender's release of any Collateral or of its Liens upon any Collateral, (v) any borrowing or grant of a security interest by any other Borrower, as debtor-in-possession under Section 364 of the Bankruptcy Code, (vi) the release or compromise, in whole or in part, of the liability of any Obligor for the payment of any of the Obligations, (vii) any amendment or modification of any of the DIP Financing Documents or any waiver of a Default or Event of Default, (viii) any increase in the amount of the Obligations beyond any limits imposed herein or in the amount of

any interest, fees or other charges payable in connection therewith, or any decrease in the same, (ix) the disallowance of all or any portion of Lender's claims against any other Obligor for the repayment of any of the Obligations under Section 502 of the Bankruptcy Code, or (x) any other circumstance that might constitute a legal or equitable discharge or defense of any Obligor (other than prior payment). After the occurrence and during the continuance of any Event of Default, Lender may proceed directly and at once, without notice to any Obligor, against any or all of Obligors to collect and recover all or any part of the Obligations, without first proceeding against any other Obligor or against any Collateral or other security for the payment or performance of any of the Obligations, and each Borrower waives any provision under Applicable Law that might otherwise require Lender to pursue or exhaust its remedies against any Collateral or Obligor before pursuing another Obligor. Each Borrower consents and agrees that Lender shall be under no obligation to marshal any assets in favor of any Obligor or against or in payment of any or all of the Obligations.

5.8.3. No Reduction in Liability for Obligations. No payment or payments made by an Obligor or received or collected by Lender from a Borrower or any other Person by virtue of any action or proceeding or any setoff or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Borrower under this Agreement, each of whom shall remain jointly and severally liable for the payment and performance of all Loans and other Obligations until Full Payment of the Obligations.

5.8.4. Contribution. Each Borrower is unconditionally obligated to repay the Obligations as a joint and several obligor under this Agreement. If, as of any date, the aggregate amount of payments made by a Borrower on account of the Obligations and proceeds of such Borrower's Collateral that are applied to the Obligations exceeds the aggregate amount of Loan proceeds actually used by such Borrower in its business (such excess amount being referred to as an "Accommodation Payment"), then each of the other Borrowers (each such Borrower being referred to as a "Contributing Borrower") shall be obligated to make contribution to such Borrower (the "Paying Borrower") in an amount equal to (A) the product derived by multiplying the sum of each Accommodation Payment of each Borrower by the Allocable Percentage of the Borrower from whom contribution is sought less (B) the amount, if any, of the then outstanding Accommodation Payment of such Contributing Borrower (such last mentioned amount which is to be subtracted from the aforesaid product to be increased by any amounts theretofore paid by such Contributing Borrower by way of contribution hereunder, and to be decreased by any amounts theretofore received by such Contributing Borrower by way of contribution hereunder); provided, however, that a Paying Borrower's recovery of contribution hereunder from the other Borrowers shall be limited to that amount paid by the Paying Borrower in excess of its Allocable Percentage of all Accommodation Payments then outstanding of all Borrowers. As used herein, the term "Allocable Percentage" shall mean, on any date of determination thereof, a fraction the denominator of which shall be equal to the number of Borrowers who are parties to this Agreement on such date and the numerator of which shall be 1.

5.8.5. Subordination. Each Borrower hereby subordinates any claims, including any right of payment, subrogation, contribution and indemnity, that it may have from or against any other Obligor, and any successor or assign of any other Obligor, including any trustee, receiver or debtor-in-possession, howsoever arising, due or owing or whether heretofore, now or hereafter existing, to the Full Payment of all of the Pre-Petition Debt and all of the Obligations (other than contingent indemnification obligations for which no claim has been made).

SECTION 6. DIP TERM AND TERMINATION OF COMMITMENT

6.1. DIP Term. Subject to Lender's right to cease making Loans and other extensions of credit to Borrowers when any Default or Event of Default exists or upon the Commitment Termination

Date, the Commitment shall be in effect for the DIP Term. The DIP Term may be extended by written agreement among Borrowers and Lender without further notice or hearing or order by the Court.

6.2. Termination.

6.2.1. Termination by Lender. Lender may terminate the Commitment without notice at any time that an Event of Default exists.

6.2.2. Termination by Borrowers. Upon at least 30 days prior written notice to Lender, Borrowers may, at their option, terminate the Commitment; provided, however, no such termination by Borrowers shall be effective until Full Payment of the Obligations (other than contingent indemnification obligations for which no claim has been made). Any notice of termination given by Borrowers shall be irrevocable unless Lender otherwise agrees in writing. Borrowers may elect to terminate the Commitment in its entirety only, provided that nothing contained herein shall affect Borrowers' right to voluntarily reduce the Commitment as provided in **Section 2.1.5**. No section of this Agreement or Commitment may be terminated by Borrowers singly.

6.2.3. Reserved. Effect of Termination. On the effective date of termination of the Commitment by Lender or by Borrowers, all of the Obligations (other than contingent indemnification obligations for which no claim has been made) shall be immediately due and payable; Lender shall have no obligation to make any Loans; Lender shall have no obligation to issue any Letters of Credit; and Lender may terminate any Bank Products (including any services or products under Cash Management Agreements). All undertakings, agreements, covenants, warranties and representations of Borrowers contained in the DIP Financing Documents shall survive any such termination, and Lender shall retain its Liens in the Collateral and all of its rights and remedies under the DIP Financing Documents notwithstanding such termination until Full Payment of the Obligations (other than contingent indemnification obligations for which no claim has been made). Notwithstanding the Full Payment of the Obligations (other than contingent indemnification obligations for which no claim has been made), Lender shall not be required to terminate its Liens in any of the Collateral unless, with respect to any loss or damage Lender may incur as a result of the dishonor or return of any Payment Items applied to the Obligations, Lender shall have received either (i) a written agreement, executed by Borrowers and any Person deemed financially responsible by Lender whose loans or other advances to Borrowers are used in whole or in part to satisfy the Obligations, indemnifying Lender from any such loss or damage; or (ii) such monetary reserves and Liens on the Collateral for such period of time as Lender, in its reasonable discretion, may deem necessary to protect Lender from any such loss or damage. The provisions of **Sections 3.4, 5.4, 5.7** and this **Section 6.2.4** and all obligations of Borrowers to indemnify Lender pursuant to this Agreement or any of the other DIP Financing Documents, shall in all events survive any termination of the Commitment and Full Payment of the Obligations.

SECTION 7. COLLATERAL

7.1. Grant of Security Interest. To secure the prompt payment and performance of all of the Obligations, each Borrower hereby grants to Lender, for the benefit of Secured Parties, a continuing security interest in and Lien upon all of the following Property and interests in Property of such Borrower, whether now owned or existing or hereafter created, acquired or arising and wheresoever located: (i) all Accounts; (ii) all Instruments, Chattel Paper (including Electronic Chattel Paper), Documents, Letter-of-Credit Rights and Supporting Obligations, in each case to the extent arising out of, relating to, or given in exchange or settlement for or to evidence the obligation to pay any Account; (iii) all General Intangibles that arise out of or are related to any Account or from which any Account arises; (iv) all of the Deposit Accounts Collateral; (v) all monies now or at any time or times hereafter in the possession or under the control of Lender or a bailee of Lender, including any Cash Collateral in any

Cash Collateral Account; (vi) all proceeds of and derived from such Borrower's unencumbered interest in Joint Ventures; (vii) all Post-Petition Purchase Money Property; (viii) all products and cash and non-cash proceeds of the foregoing, including proceeds of insurance in respect of any of the foregoing; and (ix) all books and records (including customer lists, files, correspondence, tapes, computer programs, print-outs and other computer materials and records) of such Borrower pertaining to any of the foregoing. Notwithstanding the foregoing, Lender shall not have any Lien upon or security interest in any Avoidance Claims or proceeds of Avoidance Claims.

7.2. Liens Under Financing Orders. The Liens and security interests granted to Lender pursuant to the provisions of this **Section 7** and pursuant to any of the other DIP Financing Documents shall be in addition to all Liens conferred upon Lender pursuant to the terms of the Financing Orders.

7.3. Lien Priority. The Liens and security interests granted to Lender pursuant to the provisions of this **Section 7** and pursuant to any of the DIP Financing Documents shall be first priority Liens and security interests in the Collateral except as otherwise provided in this Agreement or the Financing Orders.

7.4. Certain After-Acquired Collateral. Borrowers shall promptly notify Lender in writing upon any Borrower's obtaining any Collateral after the Closing Date consisting of Deposit Accounts (other than Deposit Accounts into which payments with respect to Governmental Receivables are directly deposited or transferred), Letter-of-Credit Rights or Chattel Paper, to the extent such Deposit Accounts, Letter-of-Credit Rights or Chattel Paper arise out of, relate to or are given in exchange or settlement for or to evidence the obligation to pay any Account, and, upon Lender's request, shall promptly execute such documents and do such other acts or things reasonably deemed appropriate by Lender to confer upon Lender a duly perfected first priority Lien, upon and (to the extent applicable for the perfection of a Lien) control with respect to such Collateral; and promptly notify Lender in writing upon any Borrower's obtaining any Collateral after the Closing Date consisting of Documents or Instruments to the extent they arise out of, relate to or are given in exchange or settlement for or to evidence the obligation to pay any Account, and, upon Lender's request, shall promptly execute such documents and do such other acts or things reasonably deemed appropriate by Lender to deliver to it possession of such Documents as are negotiable and such Instruments, to the extent they arise out of, relate to or are given in exchange or settlement for or to evidence the obligation to pay any Account.

7.5. No Assumption of Liability. The security interest granted pursuant to this Agreement is granted as security only and shall not subject Lender to, or in any way alter or modify, any obligation or liability of Borrowers with respect to or arising out of the Collateral.

7.6. Lien Perfection; Further Assurances. Promptly after Lender's request therefor, Borrowers shall execute or cause to be executed and deliver to Lender such instruments, assignments or other documents as are necessary under the UCC or other Applicable Law to perfect (or continue the perfection of) Lender's Lien upon the Collateral and shall take such other action as may be requested by Lender to give effect to or carry out the intent and purposes of this Agreement. Unless prohibited by Applicable Law, each Borrower hereby irrevocably authorizes Lender to file in any jurisdiction any financing statement or amendment thereto on such Borrower's behalf, including financing statements that indicate the Collateral as set forth in this **Section 7**. Each Borrower also hereby ratifies its authorization for Lender to have filed in any jurisdiction any like financing statement or amendment thereto if filed prior to the date hereof. The parties agree that a carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement and may be filed in any appropriate office in lieu thereof.

SECTION 8. COLLATERAL ADMINISTRATION

8.1. General Provisions.

8.1.1. Location of Collateral. Collateral shall at all times be kept by Borrowers at one or more of the business locations of Borrowers set forth in **Schedule 9.1.6** hereto and shall not be moved therefrom, without the prior written approval of Lender, except that in the absence of an Event of Default and acceleration of the maturity of the Obligations in consequence thereof, Borrowers may move any record relating to any Collateral to a location in the United States other than those shown on **Schedule 9.1.6** hereto so long as Borrowers have given Lender at least 5 days prior written notice of such new location and prior to moving to such location there have been filed any UCC-1 financing statements or other appropriate documentation necessary to perfect or continue perfection of Lender's first priority Liens subject to Permitted Liens with respect to such Collateral.

8.1.2. Insurance of Collateral; Condemnation Proceeds. Borrowers shall, upon request by Lender, deliver the originals or certified copies of all insurance policies to Lender with certificates of insurance reasonably satisfactory to Lender naming Lender as an additional insured with respect to Borrowers' general liability insurance. If any Borrower fails to provide and pay for such insurance, Lender may, at its option, but shall not be required to, procure the same and charge Borrowers therefor. Each Borrower agrees to deliver to Lender, promptly as rendered, true copies of all reports made in any reporting forms to insurance companies (other than reports with respect to professional liability insurance).

8.1.3. Protection of Collateral. All expenses of protecting, storing, warehousing, insuring, handling, maintaining and shipping any Collateral, all Taxes imposed under any Applicable Law on any of the Collateral or in respect of the sale thereof, and all other payments required to be made by Lender to any Person to realize upon any Collateral shall be borne and paid by Borrowers. Lender shall not be liable or responsible in any way for the safekeeping of any of the Collateral or for any loss or damage thereto (except for reasonable care in the custody thereof while any Collateral is in Lender's actual possession) or for any diminution in the value thereof, or for any act or default of any warehouseman, carrier, forwarding agency, or other Person whomsoever, but the same shall be at Borrowers' sole risk.

8.1.4. Defense of Title to Collateral. Each Borrower shall at all times defend such Borrower's title to the Collateral and Lender's Liens therein against all Persons and all claims and demands whatsoever.

8.2. Administration of Accounts.

8.2.1. Records and Schedules of Accounts. Each Borrower shall keep accurate and complete records of its Accounts and all payments and collections thereon. Each Borrower shall also provide to Lender on or before the 25th day of each month, a detailed aged trial balance of all Accounts existing as of the last day of the preceding month, specifying the names, face value, dates of invoices and due dates for each Account Debtor obligated on an Account so listed ("Schedule of Accounts"), and, upon Lender's request therefor, copies of all documents, including repayment histories and present status reports relating to the Accounts so scheduled and such other matters and information relating to the status of then existing Accounts as Lender shall reasonably request. In addition, if an Account in the face amount in excess of \$1,000,000 ceases to be an Eligible Account in whole or in part, Borrowers shall notify Lender of such occurrence promptly (and in any event within 5 Business Days) after any Borrower's having obtained knowledge of such occurrence and the Borrowing Base shall thereupon be

adjusted to reflect such occurrence. To the extent permitted by Applicable Law, each Borrower shall deliver to Lender copies of invoices or invoice registers related to all of its Accounts.

8.2.2. Discounts, Disputes and Returns. If any Borrower grants any discounts, allowances or credits on an Eligible Account in excess of 5% of the amount of such Account that are not shown on the face of the invoice for the Eligible Account involved, such Borrower shall report such discounts, allowances or credits, as the case may be, to Lender as part of the next required Schedule of Accounts. If any amounts due and owing in excess of \$750,000 are in dispute between any Borrower and any Account Debtor, such Borrower shall provide Lender with written notice thereof at the time of submission of the next Schedule of Accounts.

8.2.3. Taxes. If an Account of any Borrower includes a charge for any Taxes payable to any Governmental Authority, Lender is authorized, in its discretion, to pay the amount thereof to the proper taxing authority for the account of such Borrower and to charge Borrowers therefor; provided, however, that Lender shall not be liable for any Taxes that may be due by Borrowers.

8.2.4. Account Verification. Whether or not a Default or an Event of Default exists, Lender shall have the right at any time, in the name of Lender, any designee of Lender or any Borrower to verify the validity, amount or any other matter relating to any Wholesale Receivable of such Borrower by mail, telephone, telegraph or otherwise. Borrowers shall cooperate fully with Lender in an effort to facilitate and promptly conclude any such verification process.

8.2.5. Maintenance of Dominion Account.

(i) Borrowers shall establish and maintain with Lender a system of cash management that is acceptable to Lender. Such system of cash management shall include (a) a lockbox (or lockboxes) and related Deposit Account (or Deposit Accounts) maintained with Lender, for remittance and deposit (including by way of electronic funds transfer) by Account Debtors (including all Third Party Payors) of all collections or payments with respect to Accounts and all other proceeds of Collateral, including Wholesale Receivables and Retail Receivables (including Governmental Receivables) (each a "Collection Account" and collectively "Collection Accounts"), (b) a Dominion Account into which collected funds from the Collection Accounts (other than amounts payable to physicians pursuant to PSAs) and other proceeds of Collateral shall be promptly transferred and (c) subject to **Section 8.2.6**, such other Deposit Accounts and/or lockboxes as Borrowers shall deem to be necessary or appropriate to conduct their business operations. Borrowers shall not deposit proceeds of Property constituting collateral security for the Senior Notes in any Collection Account or the Dominion Account, and Borrowers shall not deposit the proceeds of any Collateral into any Deposit Account maintained for or in connection with the Senior Notes or into which the proceeds of collateral security for the Senior Notes are, or are intended to be, deposited.

(ii) All monies in the Dominion Account shall be deposited each day in the Payment Account and applied by Lender in accordance with this Agreement.

8.2.6. Collection of Accounts and Proceeds of Collateral. To expedite collection of Accounts, each Borrower shall endeavor in the first instance to make collection of such Borrower's Accounts for Lender and, in connection therewith, shall use commercially reasonable efforts to keep in full force and effect any Supporting Obligation or collateral security relating to each such Account. All Payment Items received by any Borrower in respect of its Accounts, together with the proceeds of any other Collateral, shall be held by such Borrower as trustee of an express trust for Lender's benefit; and Borrowers shall promptly deposit the same in kind in the Collection Accounts. Lender retains the right at

all times that an Event of Default exists to notify Account Debtors on Wholesale Receivables of any Borrower that Wholesale Receivables have been assigned to Lender, to collect Wholesale Receivables directly in its own name (and, in connection therewith, and to charge to Borrowers the collection costs and expenses incurred by Lender, including reasonable attorneys' fees). At any time an Event of Default exists, Lender shall have the right to settle or adjust all disputes and claims directly with the Account Debtor on Wholesale Receivables and to compromise the amount or extend the time for payment of any Wholesale Receivables upon such terms and conditions as Lender may deem advisable, and to charge the deficiencies, costs and expenses thereof, including attorneys' fees, to Borrowers.

8.3. Administration of Deposit Accounts. Each Borrower represents that, as of the Closing Date, **Schedule 8.3** (as the same may be amended or supplemented from time to time) sets forth all of the Deposit Accounts maintained by each Borrower that arise out or relate to the Accounts, including Deposit Accounts into which all Payment Items relating to any Collateral are deposited; a Borrower is the sole account holder of each such Deposit Account and is not aware of any Person (other than Lender) having either dominion or control (within the meaning of Section 9-104 of the UCC) over any such Deposit Account or any property deposited therein (other than any such control that has been released or terminated on or before the Closing Date and control arising by operation of law in favor the depository bank in which such Deposit Account is maintained); and each Borrower has taken all actions required to establish Lender's "control" (within the meaning of Section 9-104 of the UCC) over the Dominion Account and any other Deposit Account that relates to the Accounts (other than any Deposit Account specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of such Borrower's employees or into which payments with respect to Governmental Receivables are directly deposited or transferred). In no event shall Borrower open any new Deposit Accounts other than those disclosed in the Cash Management Order or related motion without Lender's prior written consent.

8.4. Borrowing Base Certificates. Borrowers shall deliver to Lender a Borrowing Base Certificate (a) on the Closing Date (with the information contained therein to be as of November 30, 2010), and (b) on or before the 3rd Business Day of each week, beginning December 15, 2010, prepared as of the close of business of Friday for the immediately preceding week. All calculations of Availability in connection with any Borrowing Base Certificate shall originally be made by Borrowers and certified by an authorized officer to Lender, provided that Lender shall have the right to review and adjust, in the exercise of its sole and absolute discretion, any such calculation to the extent that such calculation is not in accordance with this Agreement or does not accurately reflect the amount of the Availability Reserve. In no event shall the Borrowing Base on any date be deemed to exceed the amount of the Borrowing Base shown on the Borrowing Base Certificate most recently received by Lender, as the calculation in such Borrowing Base Certificate may be adjusted from time to time by Lender as herein authorized.

SECTION 9. REPRESENTATIONS AND WARRANTIES

9.1. General Representations and Warranties. To induce Lender to enter into this Agreement and to make available the Commitment, each Borrower warrants and represents to Lender that:

9.1.1. Organization and Qualification. Each Borrower and each of its Subsidiaries is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Each Borrower and each of its Subsidiaries is duly qualified and is authorized to do business and is in good standing as a foreign corporation in all states and jurisdictions in which the failure of such Borrower or Subsidiary, as the case may be, to be so qualified would reasonably be expected to have a Material Adverse Effect.

9.1.2. Power and Authority. Subject to the entry and continued effectiveness of the Financing Orders, each Borrower and each Guarantor is duly authorized and empowered to enter into, execute, deliver and perform each of the DIP Financing Documents to which it is a party. The execution, delivery and performance of this Agreement and each of the other DIP Financing Documents have been duly authorized by all necessary action and do not and will not (i) require any consent or approval of any of the holders of the Equity Interests of any Borrower or any of its Subsidiary other than those obtained on or prior to the date hereof; (ii) contravene the Organic Documents of any Borrower or any of its Subsidiaries; (iii) subject to the entry and continued effectiveness of the Financing Orders, violate, or cause any Borrower or any of its Subsidiaries to be in default under, any provision of any Applicable Law, order, writ, judgment, injunction, decree, determination or award in effect having applicability to any Borrower or any of its Subsidiaries; (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which any Borrower or any of its Subsidiaries is a party or by which it or its Properties may be bound or affected; or (v) result in, or require, the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any of the Properties now owned or hereafter acquired by any Borrower or any of its Subsidiaries, except in the case of clauses (iii), (iv) or (v) of this **Section 9.1.2** as would not reasonably be expected to have a Material Adverse Effect.

9.1.3. Legally Enforceable Agreement. Subject to the entry and continued effectiveness of the Financing Orders, the DIP Financing Documents when delivered will be, legal, valid and binding obligations of each Borrower and each of its Subsidiaries signatories thereto enforceable against them in accordance with the respective terms of such DIP Financing Documents.

9.1.4. Capital Structure. As of the date hereof, **Schedule 9.1.4** hereto states (i) the correct name of each Borrower, its jurisdiction of incorporation and the percentage of its Equity Interests having voting powers owned by each Person. Each Borrower has good title to all of the shares it purports to own of the Equity Interests of each of its Subsidiaries, free and clear in each case of any Lien other than Permitted Liens. All such Equity Interests have been duly issued and are fully paid and non-assessable.

9.1.5. Corporate Names. To the best of its knowledge, during the 5-year period preceding the date of this Agreement, no Borrower nor any of its Subsidiaries has been known as or used any corporate, fictitious or trade names except those listed on **Schedule 9.1.5** hereto. To the best of its knowledge, except as set forth on **Schedule 9.1.5**, as of the Closing Date, no Borrower nor any of its Subsidiaries has been the surviving corporation of a merger or consolidation or acquired all or substantially all of the assets of any Person.

9.1.6. Business Locations; Agent for Process. As of the date hereof, the chief executive office and other places of business of each Borrower and its Subsidiaries are as listed on **Schedule 9.1.6** hereto.

9.1.7. Title to Properties; Priority of Liens. Each Borrower and each of its Subsidiaries has good title to all of its personal Property, including all Property reflected in the financial statements referred to in **Section 9.1.9** or delivered pursuant to **Section 10.1.3**, except as could not be reasonably be expected to have a Material Adverse Effect, in each case free and clear of all Liens except Permitted Liens. Each Borrower has paid or discharged, and has caused each of its Subsidiaries to pay and discharge, all material lawful claims which, if unpaid, might become a Lien against any Properties of such Borrower or any such Subsidiary that is not a Permitted Lien. The Liens granted to Lender pursuant to this Agreement and the other Security Documents are duly perfected, first priority Liens, subject only to those Permitted Lines that are expressly permitted by the terms of this Agreement to have priority over the Liens of Lender or as otherwise set forth in the Financing Orders.

9.1.8. Wholesale Receivables and Retail Receivables.

(i) Wholesale Receivables. Lender may rely, in determining which Wholesale Receivables are Eligible Wholesale Receivables, on all statements and representations made by Borrowers with respect to any Account. With respect to each Eligible Wholesale Receivable, each Borrower warrants that:

(a) it is genuine and in all respects what it purports to be, and it is not evidenced by a judgment;

(b) it arises out of a completed, *bona fide* sale and delivery of goods or rendition of services by a Borrower in the Ordinary Course of Business and substantially in accordance with the terms and conditions of all purchase orders, contracts or other documents relating thereto and forming a part of the contract between a Borrower and the Account Debtor;

(c) it is for a sum certain maturing as stated in the duplicate invoice covering such sale or rendition of services, a copy of which has been furnished or is available to Lender on request;

(d) such Account, and Lender's security interest therein, is not, subject to any offset, Lien, deduction, defense, dispute, counterclaim or any other adverse condition except for disputes and except for offsets or deductions contemplated by the invoice evidencing an Account or arising in the Ordinary Course of Business and disclosed to Lender, each such Account is absolutely owing to a Borrower and is not contingent in any respect or for any reason;

(e) the contract under which such Account arose does not condition or restrict a Borrower's right to assign to Lender the right to payment thereunder unless such Borrower has obtained the Account Debtor's consent to such collateral assignment or complied with any conditions to such assignment (regardless of whether under the UCC or other Applicable Law any such restrictions are ineffective to prevent the grant of a Lien upon such Account in favor of Lender);

(f) such Borrower has not made any agreement with any Account Debtor thereunder for any extension, compromise, settlement or modification of any such Account or any deduction therefrom, except discounts or allowances which are granted by a Borrower in the Ordinary Course of Business and which are reflected in the calculation of the net amount of each respective invoice related thereto and are reflected in the Schedules of Accounts submitted to Lender pursuant to **Section 8.2.1**;

(g) to the best of such Borrower's knowledge, there are no facts, events or occurrences which are reasonably likely to impair the validity or enforceability of such Account or reduce the amount payable thereunder from the face amount of the invoice and statements delivered to Lender with respect thereto;

(h) to the best of such Borrower's knowledge, the Account Debtor thereunder (1) had the capacity to contract at the time any contract or other document giving rise to the Account was executed and (2) is Solvent; and

(i) to the best of such Borrower's knowledge, there are no proceedings or actions which are threatened or pending against any Account Debtor thereunder and which are reasonably likely to result in any material adverse change in such Account Debtor's financial condition or the collectability of such Account.

(ii) Retail Receivables. Lender may rely, in determining which Retail Receivables are Eligible Retail Receivables, on all statements and representations made by Borrowers with respect to any Retail Receivable. With respect to each Eligible Retail Receivable, each Borrower warrants that:

(a) all information relating to such Retail Receivable that has been delivered to Lender is true and correct in all material respects. With respect to each such Retail Receivable, such Retail Receivable has been billed after the date the services or goods giving rise to such Retail Receivable were rendered or provided, as applicable, all information set forth in the bill and supporting claim documents is true, complete and correct in all material respects and each bill contains an express direction requiring the Third Party Payor to remit payments as set forth in **Section 8.2.6**;

(b) such Retail Receivable is payable in an amount not less than its Net Realizable Value by the Third Party Payor identified by Borrowers as the payor thereon and is recognized as such by such Third Party Payor. There is no payor on such Retail Receivable other than the Third Party Payor identified by Borrower as the payor primarily liable on such Retail Receivable;

(c) no such Retail Receivable (1) requires the approval of any Person for the grant of a Lien in such Retail Receivable to Lender hereunder or (2) is past the statutory limit for collection applicable to the Third Party Payor;

(d) the patient received the services constituting the basis of such Retail Receivable in the Ordinary Course of Business;

(e) the fees and charges charged by such Borrower for the services constituting the basis for such Account were when rendered consistent with (1) the usual, customary and reasonable fees charged by such Borrower or (2) negotiated fee contracts with, or imposed fee schedules from, the applicable Third Party Payor;

(f) the Third Party Payor with respect to such Retail Receivable is, to such Borrower's actual knowledge but without inquiry, located in the United States and is (1) a Person which in the Ordinary Course of Business agrees to pay for healthcare services received by individuals, including commercial insurance companies and non-profit insurance companies issuing health or other types of insurance, employers or unions, self-insured healthcare organizations, preferred provider organizations and health insured, prepaid maintenance organizations, (2) a state, an agency or instrumentality of a state or a political subdivision of a state or (3) the United States or an agency or instrumentality of the United States;

(g) if requested by Lender, a copy of each related Provider Agreement to which a Borrower is a party has been delivered to Lender unless any such delivery is prohibited by the terms of the Provider Agreement or by Applicable Law; and

(h) neither such Retail Receivable nor the related Provider Agreement contravenes any material Applicable Laws applicable thereto and no Borrower is in violation of any such Applicable Law.

9.1.9. Financial Statements; Fiscal Year. The Consolidated balance sheet of Borrowers and such other Persons described therein as of September 30, 2010, and the related statements of income, changes in stockholder's equity, and changes in financial position for the periods ended on such dates, have been prepared in accordance with GAAP, and present fairly in all material respects the Consolidated financial positions of Borrowers and such Persons at such dates and the results of Borrowers' operations for such periods. Since September 30, 2010, there has been no material adverse change in the Consolidated financial condition of Borrowers and such other Persons as shown on the Consolidated balance sheet as of such date, except (i) the commencement of the Chapter 11 Cases and (ii) as set forth in filings made by Borrowers with the SEC that were provided by Borrowers to Lender prior to the Petition Date.

9.1.10. Full Disclosure. The financial statements referred to in **Section 9.1.9** do not contain any untrue statement of a material fact and neither this Agreement nor any other written statement, when taken together, contains or omits any material fact necessary to make the statements contained herein or therein not materially misleading. There is no fact or circumstance in existence on the date hereof which any Borrower has failed to disclose to Lender in writing that would reasonably be expected to have a Material Adverse Effect.

9.1.11. Reserved.

9.1.12. Surety Obligations. As of the date hereof, no Borrower nor any of its Subsidiaries is obligated as surety or indemnitor under any surety, performance or similar bond issued to assure payment, performance or completion of performance of any undertaking or obligation of any Person.

9.1.13. Taxes. The FEIN of each of each Borrower and each of its Subsidiaries is as shown on **Schedule 9.1.13**. Each Borrower and each of its Subsidiaries has filed all material federal, state and local tax returns and other material reports it is required by law to file and has paid, or made provision for the payment of, all material Taxes upon it, its income and Properties as and when such Taxes are due and payable, except to the extent being Properly Contested. The provision for Taxes on the books of each Borrower and each of its Subsidiaries are adequate in accordance with GAAP or all years not closed by applicable statutes, and for its current Fiscal Year.

9.1.14. Intellectual Property. Each Borrower and each of its Subsidiaries owns or has the lawful right to use all Intellectual Property necessary for the present and planned future conduct of its business without any conflict with the rights of others, except in each case as could not reasonably be expected to have an Material Adverse Effect.

9.1.15. Governmental Approvals. Each Borrower and each of its Subsidiaries has, and is in good standing with respect to, all Governmental Approvals necessary to continue to conduct its business as heretofore or proposed to be conducted by it and to own or lease and operate its Properties as now owned or leased by it, except in each case as could not reasonably be expected to have a Material Adverse Effect.

9.1.16. Compliance with Laws. Each Borrower and each of its Subsidiaries has duly complied with, and its Properties, business operations and leaseholds are in compliance in all material respects with, the provisions of all Applicable Law, including all Healthcare Laws (except to the extent

that any such noncompliance with Applicable Law could not reasonably be expected to have a Material Adverse Effect). Without limiting the generality of the foregoing, except to the extent that any failure of Borrower or any of its Subsidiaries to comply with an Applicable Law could not reasonably be expected to have a Material Adverse Effect:

(i) neither any Borrower nor any of the Subsidiaries is engaged in or has engaged in any course of conduct that could subject any of their respective Properties to any Lien, seizure or other forfeiture under any criminal law, racketeer-influenced and corrupt organizations law, civil or criminal, or other similar laws; and

(ii) neither any Borrower nor any of the Subsidiaries has engaged in any activities that are prohibited under any Medicaid Regulations or Medicare Regulations, or any related state or local statutes or regulations, or which are prohibited by binding rules of professional conduct, including the following: (a) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any application for any benefit or payment; (b) knowingly and willfully making or causing to be made a false statement or representation of a material fact for use in determining rights to any benefit or payment; (c) failing to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on its own behalf or on behalf of another Person, with intent to secure such benefit or payment fraudulently; (d) knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, or offering to pay such remuneration (1) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by or pursuant to any Medicare Regulations, any Medicaid Regulations or any other Applicable Law (including any Anti-Kickback Statutes) relating to Third Party Payors or (2) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service or item for which payment may be made in whole or in part by or pursuant to any Medicare Regulations, Medicaid Regulations or other Applicable Law relating to Third Party Payors.

9.1.17. Burdensome Contracts. No Borrower nor any of its Subsidiaries is a party or subject to any contract, agreement, or charter or other corporate restriction, which has or could be reasonably expected to have a Material Adverse Effect.

9.1.18. Litigation. Except for the Chapter 11 Cases and as set forth on **Schedule 9.1.18**, there are no actions, suits, proceedings or investigations pending or, to the knowledge of any Borrower, threatened on the date hereof against or affecting any Borrower or any of its Subsidiaries, or the business, operations, Properties, prospects, profits or condition of any Borrower or any of its Subsidiaries, (i) which relate to any of the DIP Financing Documents or any of the transactions contemplated thereby or (ii) which could reasonably be expected to have a Material Adverse Effect. To the knowledge of each Borrower, no Borrower nor any of its Subsidiaries is in default on the date hereof with respect to any order, writ, injunction, judgment, decree or rule of any court, Governmental Authority or arbitration board or tribunal that could reasonably be expected to have a Material Adverse Effect.

9.1.19. No Defaults. No event has occurred and no condition exists which would, upon or immediately after the execution and delivery of this Agreement or any Borrower's performance hereunder, constitute a Default or an Event of Default.

9.1.20. Reserved.

9.1.21. ERISA. Except as disclosed on **Schedule 9.1.21**, no Borrower nor any of its Subsidiaries has any Plan on the date hereof. Each Borrower and each of its Subsidiaries is in material compliance with the requirements of ERISA and the regulations promulgated thereunder with respect to each Plan. No fact or situation that is reasonably likely to result in a Material Adverse Effect exists in connection with any Plan. No Borrower nor any of its Subsidiaries has any withdrawal liability in connection with a Multiemployer Plan.

9.1.22. Labor Relations. Except as described on **Schedule 9.1.22**, no Borrower nor any of its Subsidiaries is on the date hereof a party to or bound by any collective bargaining agreement. On the date hereof, there are no material grievances, disputes or controversies with any union or any other organization of any Borrower's or any Subsidiary's employees, or, to any Borrower's knowledge, any threats of strikes, work stoppages or any asserted pending demands for collective bargaining by any union or organization.

9.1.23. Not a Regulated Entity. No Obligor is (i) an "investment company" or a "person directly or indirectly controlled by or acting on behalf of an investment company" within the meaning of the Investment Company Act of 1940, or (ii) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any public utilities code or any other Applicable Law regarding its authority to incur Debt.

9.1.24. Margin Stock. No Borrower nor any of its Subsidiaries is engaged, principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

9.1.25. Anti-Terrorism Laws.

(i) General. No Borrower nor any of its Affiliates is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(ii) Executive Order No. 13224.

(a) No Borrower nor, to the best of its knowledge, any of its Affiliates is any of the following (each a "Blocked Person"): (1) a Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224; (2) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224; (3) a Person or entity with which any bank or other financial institution is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (4) a Person or entity that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224; (5) a Person or entity that is named as a "specially designated national" on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list; (6) a Person or entity who is affiliated with a Person or entity listed above; or (7) an agency of the government of, an organization directly or indirectly controlled by, or a Person resident in, a country on any official list maintained by OFAC.

(b) No Borrower nor, to the best of its knowledge, any of its Affiliates (1) conducts any business or engages in making or receiving any contribution

of funds, goods or services to or for the benefit of any Blocked Person, (2) has any of its assets in a Blocked Person, (3) deals in, or otherwise engages in any transaction relating to, any Property or interests in Property blocked pursuant to Executive Order No. 13224, or (4) derives any of its operating income from investments in or transactions with a Blocked Person.

9.1.26. Payable Practices. No Borrower nor any of its Subsidiaries has made any material change in its historical accounts payable practices from those in effect immediately prior to the Petition Date.

9.1.27. Not the Holder of Plan Assets. No Borrower is an entity deemed to hold “plan assets” within the meaning of 29 C.F.R. §2510.3-101 of an “employee benefit plan” (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA or any “plan” (within the meaning of Section 4975 of the Internal Revenue Code), and neither the execution of this Agreement nor the funding of any Loans gives rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

9.1.28. Reimbursement from Third Party Payors. The Accounts, after giving effect to the Contractual Adjustment Allowance in effect from time to time, have been and will continue to be adjusted to reflect reimbursement policies of Third Party Payors. In particular, Accounts relating to such Third Party Payors do not and will not exceed amounts any obligee is entitled to receive under any capitation arrangement, fee schedule, discount formula, cost-based reimbursement or other adjustment or limitation to its usual charges.

9.1.29. Licensing, Accreditation and Other Governmental Approvals. Except to the extent that the failure to have or maintain the same is not reasonably likely to have a Material Adverse Effect, each Borrower and each of the Subsidiaries has, and is in good standing with respect to, all Governmental Approvals necessary to continue to conduct its business as heretofore or proposed to be conducted by it and to own or lease and operate its Properties as now owned or leased by it. Except to the extent that the same is not reasonably likely to have a Material Adverse Effect, each Borrower and each of the Subsidiaries has, to the extent applicable: (i) obtained (or been duly assigned) all required certificates of need or determinations of need as required by the relevant Governmental Authority for the acquisition, construction, expansion of, investment in or operation of its businesses as currently operated; (ii) obtained and maintains in good standing all required licenses; (iii) to the extent prudent and customary in the industry in which such Person is engaged, obtained and maintains accreditation from all generally recognized accrediting agencies; (iv) obtained and maintains Medicaid Certification and Medicare Certification; and (v) entered into and maintains in good standing such Person's Medicare Provider Agreement and Medicaid Provider Agreement.

9.2. Reaffirmation of Representations and Warranties. Each representation and warranty contained in this Agreement and the other DIP Financing Documents shall be deemed to be made on the Closing Date and reaffirmed by each Borrower on each day that Borrowers request or are deemed to have requested any Loan, Letter of Credit or other extension of credit hereunder, except for changes in the nature of a Borrower's or, if applicable, any Subsidiary's business or operations that may occur after the date hereof in the Ordinary Course of Business so long as Lender has consented to such changes or such changes are not violative of any provision of this Agreement. Notwithstanding the foregoing, representations and warranties which by their terms are applicable only as of a specific date shall be deemed made only at and as of such date.

9.3. Survival of Representations and Warranties. All representations and warranties of Borrowers contained in this Agreement or any of the other DIP Financing Documents shall survive the

execution, delivery and acceptance thereof by Lender and the parties thereto and the closing of the transactions described therein or related thereto.

SECTION 10. COVENANTS AND CONTINUING AGREEMENTS

10.1. Affirmative Covenants. For so long as there is any Commitment outstanding and thereafter until Full Payment of the Obligations (other than contingent indemnification obligations for which no claim has been made), each Borrower covenants that it shall and shall cause each Subsidiary to:

10.1.1. Visits and Inspections. Permit representatives of Lender, but only during normal business hours and (except when an Event of Default exists) upon reasonable prior notice to a Borrower, to visit the Properties of such Borrower and each of its Subsidiaries to inspect, audit and make extracts from such Borrower's and each Subsidiary's books and records, and discuss with its officers, its employees and its independent accountants, such Borrower's and each Subsidiary's business, financial condition, business prospects and results of operations; provided that Borrowers shall only be required to reimburse Lender for such audits and inspections to the extent required by **Section 3.2.4**. Lender shall not have any duty to make any such inspection and shall not incur any liability by reason of its failure to conduct or delay in conducting any such inspection. Lender shall comply with all applicable privacy laws in connection with such investigations and/or audits.

10.1.2. Notices. Notify Lender in writing, promptly after a Borrower's obtaining knowledge thereof, of: (i) of the commencement of any litigation affecting any Obligor (other than litigation arising in the Chapter 11 Cases), whether or not the claims asserted in such litigation are considered by Borrowers to be covered by insurance, and of the institution of any administrative proceeding, in each case to the extent that such litigation or proceeding could reasonably be expected to have a Material Adverse Effect, provided that notice shall not be required to be given to the extent prohibited by Applicable Law; (ii) any material labor dispute to which any Obligor may become a party, any pending or threatened strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which it is a party or by which it is bound; (iii) any material default by any Obligor under, or termination of, any note, indenture, loan agreement, mortgage, lease, deed, guaranty or other similar agreement relating to any Debt of such Obligor exceeding \$1,000,000; (iv) the existence of any Default or Event of Default; (v) any judgment against any Obligor in an amount exceeding \$1,000,000; (vi) any violation or asserted violation by any Borrower of any Applicable Law (including Healthcare Laws, ERISA, OSHA, FLSA, or any Environmental Laws) which could reasonably be expected to have a Material Adverse Effect; (vii) any Environmental Release by an Obligor or on any Property owned or occupied by an Obligor; (viii) the discharge of Borrowers' independent accountants or any withdrawal of resignation by such independent accountants from their acting in such capacity; (ix) any investigation of any Obligor by any Governmental Authority (including the SEC or the U.S. Department of Justice); (x) any notice received by an Obligor from HHS, CMS or any other federal or state agency relating to the suspension or termination of an Obligor's participation in the Medicare or Medicaid program or of payments to such Obligor thereunder; (xi) the incurrence of Debt of the type permitted pursuant to **Section 10.2.2(x)**; and (xii) the acquisition or purchase by Borrowers of Post-Petition Purchase Money Property in any month for an aggregate purchase price in excess of \$350,000 or in any individual transaction for a purchase price in excess of \$350,000.

10.1.3. Financial and Other Information. Keep adequate records and books of account with respect to its business activities in which proper entries are made reflecting all material financial transactions that are necessary to permit preparation of financial statements in accordance with GAAP; and cause to be prepared and furnished to Lender the following (all to be prepared in accordance with GAAP applied on a consistent basis, unless Borrowers' certified public accountants concur in any change therein, such change is disclosed to Lender and is consistent with GAAP):

(i) as soon as available, and in any event within 120 days after the close of each Fiscal Year audited balance sheets of Borrowers and their respective Subsidiaries as of the end of such Fiscal Year and the related statements of income, shareholders' equity and cash flow, on a Consolidated basis, certified without an Impermissible Qualification (except for a going concern qualification arising solely as a result of the commencement of the Chapter 11 Cases) by a firm of independent certified public accountants of recognized national standing selected by Borrowers but reasonably acceptable to Lender and setting forth in each case in comparative form the corresponding Consolidated figures for the preceding Fiscal Year;

(ii) as soon as available, and in any event within 30 days after the end of each month hereafter (but within 60 days after the last month in a Fiscal Year), unaudited balance sheets of Borrowers and their respective Subsidiaries as of the end of such month and the related unaudited statements of income and cash flow for such month and for the portion of Borrowers' Fiscal Year then elapsed, on a Consolidated basis, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year and certified by the principal financial officer of Borrowers as prepared in accordance with GAAP and fairly presenting in all material respects the Consolidated financial position and results of operations of Borrowers and their respective Subsidiaries for such month and year-to-date period subject only to changes from audit and year-end adjustments and except that such statements need not contain notes;

(iii) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports which any Borrower has made generally available to its shareholders; copies of any regular, periodic and special reports or registration statements or prospectuses which any Borrower files with the SEC or any Governmental Authority which may be substituted therefor, or any national securities exchange; and copies of any press releases or other statements made available by a Borrower to the public concerning material changes to or developments in the business of such Borrower;

(iv) promptly after the sending or filing thereof, copies of any annual report to be filed in accordance with ERISA in connection with each Plan;

(v) such other data and information (financial or otherwise) as Lender, from time to time, may reasonably request, bearing upon or related to the Collateral or the financial condition or results of operations of Borrowers and their respective Subsidiaries;

(vi) promptly after delivery thereof to the U.S. Trustee or any examiner appointed in the Chapter 11 Cases, a copy of each report delivered to the U.S. Trustee or such examiner; and

(vii) promptly after any Borrower's obtaining knowledge thereof:

(A) (I) any pleading filed with the Court seeking relief from the automatic stay or conversion or dismissal of the Chapter 11 Cases, (II) any written offer or other written expression of interest from any Person to purchase any material part of the Collateral, and (III) any proposed sale of any of the Collateral (including with such notice copies of drafts of all instruments and agreements applicable to any such sale), which shall specify the identity of the proposed purchaser, the terms of the proposed sale and the expected date of closing, subject to Court approval; and

(B) Copies of all pleadings, motions, reports, applications and other papers filed by any Borrower with the Court as well as copies of all billing and expense statements received from any Professional Person. Borrowers shall include counsel for Lender on any "Special Notice List" or other similar list of parties to be served with papers in the Chapter 11 Cases.

The timely delivery by Borrowers to Lender of the annual report on form 10-K for Parent and its Consolidated Subsidiaries shall satisfy Borrowers' obligations under **Section 10.1.3(i)** above, provided that such form 10-K satisfies all of the requirements of **Section 10.1.3(i)**. Concurrently with the delivery of the financial statements described in clause (i) of this **Section 10.1.3**, Borrowers shall deliver to Lender a copy of the accountants' letter to Borrowers' management that is prepared in connection with such financial statements.

10.1.4. Off-Site Data Storage. Store duplicate or back-up copies of Borrowers' billing records, updated daily, at an off-site facility.

10.1.5. Reserved.

10.1.6. Taxes. Pay and discharge all material Taxes prior to the date on which such Taxes become delinquent or penalties attach thereto, except and to the extent only that such Taxes are being Properly Contested.

10.1.7. Compliance with Laws. Comply with (a) each Financing Order and all other orders entered by the Court in the Chapter 11 Cases and (b) all Applicable Law, including the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, ERISA, all Healthcare Laws, all Environmental Laws, FLSA, OSHA, Anti-Terrorism Laws and all laws, statutes, regulations and ordinances regarding the collection, payment and deposit of Taxes, and obtain and keep in force any and all Governmental Approvals necessary to the ownership of its Properties or to the conduct of its business, in each case to the extent that any such failure to comply, obtain or keep in force could be reasonably expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, if any Environmental Release shall occur at or on any of the owned real Property of any Borrower or any of its Subsidiaries, Borrowers shall, or shall cause the applicable Subsidiary to, act promptly and diligently to investigate the extent of, and to make appropriate remedial action to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Governmental Authority.

10.1.8. Insurance. Maintain with its current insurers or with other financially sound and reputable insurers having a minimum financial guideline of AM Best rating of A- VII, (i) insurance with respect to its Properties and business against such casualties and contingencies of such type (including product liability, workers' compensation, larceny, embezzlement, or other criminal misappropriation insurance) and in such amounts and with such coverages, limits and deductibles as is customary in the business of such Borrower or such Subsidiary and (ii) business interruption insurance in an amount not less than \$25,000,000.

10.1.9 Budget.

(a) Comply with the terms of the Budget such that on the Friday of each week, (i) the cash collections received by Borrowers shall not be less than 85% of the amount specified as "total cash receipts" in the Budget for the Applicable Budget Period, and (ii) the cash disbursements made by Borrowers shall not exceed 115% of the amount specified as "total cash disbursements" in the Budget for the Applicable Budget Period.

(b) On or before the close of business on the 3rd Business Day of each week, deliver to Lender a Compliance Certificate (and, at Borrowers' discretion, an updated Budget) as of the Friday immediately preceding the 3rd Business Day of such week by submitting to Lender comparisons of budgeted to actual financial performance as well as supplemental Budgets to include the entire DIP Term, all of which Budgets must (i) demonstrate that Borrowers will have positive Availability at all times, and (ii) be reasonably acceptable in substance to Lender.

(c) On or before January 31, 2011, deliver to Lender an updated Budget through the last day of the DIP Term.

10.1.10 Notice to Lender Regarding Plan Option or Sale Option. On or before January 15, 2011, provide written notice to Lender informing Lender of Borrowers' election to pursue either the Plan Option or the Sale Option.

10.1.11 Compliance with Plan Benchmarks or Sale Benchmarks. Pursuant to Borrowers' election to pursue either the Plan Option or the Sale Option, as set forth in **Section 10.1.10** of this Agreement, Borrowers shall comply with the Plan Benchmarks or the Sale Benchmarks, as applicable.

10.2. Negative Covenants. For so long as there is any Commitment outstanding and thereafter until Full Payment of the Obligations (other than contingent indemnification obligations for which no claim has been made), each Borrower covenants that it shall not and shall not permit any of its Subsidiaries to:

10.2.1. Fundamental Changes. Merge, reorganize, consolidate or amalgamate with any Person, or liquidate, wind up its affairs or dissolve itself, in each case whether in a single transaction or in a series of related transactions, except (i) any Subsidiary which is not an Obligor may be merged or consolidated with or into any other Subsidiary that is not an Obligor, (ii) subject to the approval of the Court, any Obligor may be merged or consolidated with or into any other Obligor, (iii) any Subsidiary that is not an Obligor may be merged with or consolidated into any Person, and (iv) any Subsidiary that is not an Obligor may dissolve, liquidate or wind up its affairs at any time provided that such dissolution, liquidation or winding up, as applicable, could not reasonably be expected to have a Material Adverse Effect. Nothing herein will affect the right of Pre-Petition Agent or Lender to give, or withhold, its consent to any proposed sale or other disposition of Collateral.

10.2.2. Permitted Debt. Create, incur, assume, guarantee or suffer to exist any Debt, except:

- (i) the Obligations;
- (ii) Debt existing on the Petition Date;
- (iii) Permitted Purchase Money Debt;
- (iv) Permitted Contingent Obligations;

(v) Debt of any Person that is in existence at the time that it becomes or is consolidated into or merged with a Subsidiary of such Borrower or that is secured by any asset acquired by any Borrower or any Subsidiary at the time of any such acquisition, provided that such Debt is not incurred in contemplation of such Person becoming a Subsidiary or such acquisition of such asset by any Borrower or any of its Subsidiaries, as the case may be;

(vi) Debt of an Obligor to any other Obligor or a Subsidiary that is not an Obligor;

(vii) Debt of a Subsidiary that is not an Obligor to another Subsidiary that is not an Obligor;

(viii) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the Ordinary Course of Business, provided that such Debt is extinguished within 5 Business Days of its incurrence;

(ix) Hedging Agreements entered into in the Ordinary Course of Business and not for speculative purposes;

(x) Debt of a Borrower and its Subsidiaries in respect of performance bonds, bid bonds, appeal bonds, surety bonds, bankers' acceptances and similar obligations and trade-related letters of credit, in each case provided that such Debt is incurred in the Ordinary Course of Business and not in connection with Debt for Money Borrowed, including those incurred to secure health, safety and environmental obligations in the Ordinary Course of Business;

(xi) Debt arising from agreements of a Borrower or any Subsidiary of a Borrower providing for indemnification, adjustment of purchase price, earn-outs or similar obligations, in each case, incurred or assumed in connection with the acquisition of any business, assets or a Subsidiary of a Borrower, other than guarantees of Debt incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary of a Borrower for the purpose of financing such acquisition;

(xii) Debt incurred by a Subsidiary that is not an Obligor which is non-recourse to the Obligors;

(xiii) Debt incurred by a Borrower or any Subsidiary thereof to finance the payment of insurance premiums;

(xiv) Debt of InSight Health under the Senior Notes up to an aggregate principal amount of \$315,000,000;

(xv) Debt that is not included in any of the preceding paragraphs of this **Section 10.2.2**, is not secured by a Lien and does not exceed at any time, in the aggregate, the sum of \$30,000,000 as to all Borrowers and all of their Subsidiaries;

(xvi) Reserved;

(xvii) claims against a Borrower in existence on the Petition Date to the extent not incurred in violation of the Pre-Petition Loan Agreement; and

(xviii) Debt (other than Debt for Money Borrowed) incurred in the Ordinary Course of Business of a Borrower during the Chapter 11 Cases, including Professional Expenses, so long as such Debt is not past due and payable (other than as required by the Court) and is not secured by a Lien that is not permitted pursuant to **Section 10.2.4** of this Agreement.

10.2.3. Affiliate Transactions. Enter into, or be a party to any transaction with any Affiliate, except: (i) the transactions contemplated by the DIP Financing Documents; (ii) payment of

reasonable compensation to officers and employees for services actually rendered to Borrowers or their respective Subsidiaries; (iii) payment of customary directors' fees and indemnities and reimbursements paid to directors of Parent and its Subsidiaries; (iv) the issuance or sale of Equity Interests of Parent (and the exercise of any warrants, options or other rights to acquire Equity Interests of Parent), to the extent not prohibited in this Agreement, (v) transactions between Borrowers, between or among any Borrower and any Guarantor or between and among Obligor (other than Parent), (vi) transactions existing prior to the date hereof (and renewals or replacements thereof on terms, in each case taken as a whole, not more disadvantageous to the applicable Obligor or Subsidiary); (vii) transactions expressly permitted under this Agreement; and (viii) transactions with Affiliates in the Ordinary Course of Business and pursuant to the reasonable requirements of such Borrower's or such Subsidiary's business and upon fair and reasonable terms that are fully disclosed to Lender and are no less favorable to such Borrower or such Subsidiary than such Borrower or such Subsidiary would obtain in a comparable arm's length transaction with a Person not an Affiliate or stockholder of such Borrower or such Subsidiary.

10.2.4. Limitation on Liens. Create or suffer to exist any Lien upon any of its Property, income or profits, whether now owned or hereafter acquired, except the following (collectively, "Permitted Liens"):

(i) Liens granted to Pre-Petition Agent under the Pre-Petition Loan Documents with respect to Collateral in existence on the Petition Date and the proceeds thereof, as well as Liens granted to Pre-Petition Agent as adequate protection under the Financing Orders;

(ii) Liens at any time granted to secure the Obligations;

(iii) Liens for Taxes (excluding any Lien imposed pursuant to any of the provisions of ERISA) not yet due or delinquent or being Properly Contested;

(iv) statutory Liens of landlords, carriers, warehousemen, mechanics, materialmen and suppliers and other Liens imposed by Applicable Law (excluding any Lien for Taxes but including any Lien imposed pursuant to any of the provisions of ERISA) arising in the Ordinary Course of Business of a Borrower or a Subsidiary, but only if and for so long as (x) payment in respect of any such Lien is not overdue for a period of more than 30 days or the obligations secured by any such Liens are being Properly Contested and (y) such Liens do not materially detract from the value of the Property of such Borrower or such Subsidiary, taken as a whole, and do not materially impair the use thereof in the operation of Borrowers' and their Subsidiaries' business, taken as a whole;

(v) Purchase Money Liens securing Permitted Purchase Money Debt;

(vi) Liens securing Debt of a Subsidiary of a Borrower to another Borrower or to another such Subsidiary;

(vii) Liens arising by virtue of the rendition, entry or issuance against such Borrower or any of its Subsidiaries, or any Property of such Borrower or any of its Subsidiaries, of any judgment, writ, order, or decree for an amount that exceeds, individually or in the aggregate, \$25,000 for so long as each Lien (a) is in existence for less than 30 consecutive days after it first arises or is being Properly Contested and (b) is at all times junior in priority to any Liens in favor of Lender;

(viii) Liens incurred or deposits made in the Ordinary Course of Business to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Money

Borrowed), statutory obligations, performance and return of money bonds and other similar obligations or arising as a result of progress payments under government contracts, provided that, to the extent any such Liens attach to any of the Collateral, such Liens are at all times subordinate and junior to the Liens upon the Collateral in favor of Lender;

(ix) easements, rights-of-way, restrictions, covenants or other agreements of record and other similar charges or encumbrances on real Property of such Borrower or any of its Subsidiaries that do not secure any monetary obligation and do not interfere with the ordinary conduct of the business of the Borrowers and their Subsidiaries, taken as a whole;

(x) normal and customary rights of setoff upon deposits of cash in favor of banks and other depository institutions and Liens of a collecting bank arising under the UCC on checks and other items of payment in the course of collection;

(xi) Liens to secure the Senior Notes on the Property of Borrowers that secures the Senior Notes and Liens granted to the holders of the Senior Notes as adequate protection in the Chapter 11 Cases, in each case only to the extent that such Liens do not attach to or encumber any of the Collateral;

(xii) such other Liens as appear on **Schedule 10.2.4**, to the extent provided therein (and renewals, replacements, refinancings and extensions thereof to the extent not prohibited under this Agreement), provided that no such Lien shall at any time be extended to or cover any Property other than the Property subject thereto on the Petition Date;

(xiii) pledges or deposits in the Ordinary Course of Business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(xiv) Liens on Property of a Person existing at the time such Person is acquired or merged with or into or consolidated with an Obligor or Subsidiary thereof to the extent permitted hereunder (and not created in anticipation or contemplation thereof), provided that such Liens do not extend to Property not subject to such Liens at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than such existing Lien;

(xv) any interest or title of a lessor under any lease entered into by a Borrower or any Subsidiary thereof in the Ordinary Course of Business;

(xvi) Liens solely on any cash earnest money deposits made by a Borrower or any Subsidiary thereof in connection with any letter of intent or purchase agreement permitted hereunder;

(xvii) Liens in favor of customs and revenue authorities arising as a matter of Applicable Law to secure payment of customs duties in connection with the importation of Goods;

(xviii) Liens of sellers of Goods to a Borrower and any of its Subsidiaries arising under Article 2 of the Uniform Commercial Code or similar provisions of Applicable Law in the Ordinary Course of Business, covering only the Goods sold and securing only the unpaid purchase price for such Goods and related expenses;

(xix) to the extent constituting a Lien, Retained Rights;

(xx) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto to the extent permitted hereunder;

(xxi) Liens on Property other than the Collateral not otherwise permitted by this Section so long as the aggregate outstanding principal amount of Debt secured thereby does not exceed \$3,000,000 at any time; and

(xxii) Liens to secure Adequate Protection Claims, to the extent permitted by the Court and, if with respect to Collateral, provided they are subordinate to the Liens of Lender.

The foregoing negative pledge shall not apply to any Margin Stock to the extent that the application of such negative pledge to such Margin Stock would require filings or other actions by Lender under Regulation U or other regulations of the Board of Governors, or otherwise result in a violation of any such regulations.

10.2.5. Restrictions on Payment of Certain Debt. Make any payments with respect to any (a) Pre-Petition Debt or other claims arising prior to the Petition Date against any Borrower, except as expressly approved by an order of the Court, or (b) Subordinated Debt other than payment of regularly scheduled installments of principal and interest and fees and other charges when required to be paid by any instrument or agreement evidencing such Subordinated Debt, but in each case only to the extent that payment thereof is not violative of any subordination agreement relating to such Subordinated Debt and is approved by the Court.

10.2.6. Distributions. Declare or make any Distributions, except for Upstream Payments.

10.2.7. Disposition of Assets. Make any Asset Disposition other than a Permitted Asset Disposition.

10.2.8. Restricted Investments. Make or have any Restricted Investment.

10.2.9. Tax Consolidation. File or consent to the filing of any consolidated income tax return with any Person other than Parent, InSight Health or any of their respective Subsidiaries.

10.2.10. Accounting Changes. Establish a fiscal year different from the Fiscal Year.

10.2.11. Organic Documents. Amend, modify or otherwise change any of the terms or provisions in any of its Organic Documents as in effect on the date hereof, except for changes that do not affect in any way (i) such Borrower's or any of its Subsidiaries' right and authority to enter into and perform the DIP Financing Documents to which it is a party, (ii) the perfection of Lender's Liens in any Collateral, or (iii) the authority or obligation of an Obligor to pay or perform any of the Obligations.

10.2.12. Restrictive Agreements. Enter into or become a party to any Restrictive Agreement, other than a Permitted Restrictive Agreement.

10.2.13. Hedging Agreements. Enter into any Hedging Agreement, other than Hedging Agreements entered into in the Ordinary Course of Business to hedge or mitigate risks to which any Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities and not for any speculative purpose.

10.2.14. Anti-Terrorism Laws. Conduct any business or engage in any transaction or dealing with any Blocked Person (as defined in **Section 9.1.25(ii)**), including making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person; deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or the USA Patriot Act. Borrowers shall deliver to Lender any certification or other evidence requested from time to time by Lender, in its discretion, confirming each Borrower's compliance with this **Section 10.2.14**.

10.2.15. Conduct of Business. Engage in any business other than the business engaged in by it on the Petition Date and any business or activities which are substantially similar, related or incidental thereto and reasonable extensions thereof.

10.2.16. Multiemployer Plans. Become, or permit any Subsidiary to become a party to a Multiemployer Plan.

10.2.17. Amendments to Senior Note Indenture. Amend, modify or supplement, or permit any Subsidiary to amend, modify or supplement (or consent to any amendment, modification or supplement of) any of the Senior Note Documents if such amendment, modification or supplement provides for any of the following or has any of the following effects:

(i) increases the overall principal amount of any Debt evidenced by any of the Senior Notes or increases the amount of any single scheduled installment of principal or interest in excess of amounts otherwise permitted under this Agreement;

(ii) shortens or accelerates the date upon which any installment of principal or interest becomes due under the Senior Notes or adds any additional redemption or pre-payment provisions;

(iii) shortens the final maturity date of such Debt or otherwise accelerates the amortization schedule with respect to such Debt;

(iv) increases the rate of interest accruing in respect of the principal amount of such Debt;

(v) provides for the payment of additional fees or increases the amount of existing fees with respect to such Debt;

(vi) amends or modifies any financial or negative covenant (or a covenant that prohibits or restricts a Borrower or any of its Subsidiaries from taking certain actions) in a manner which is more onerous or more restrictive in any material respect to such Borrower or such Subsidiary or that is otherwise materially adverse to such Borrower or its Subsidiaries or Lender, or, in the case of adding covenants, that places material additional restriction on such Borrower or such Subsidiary or that requires such Borrower or such Subsidiary to comply with more restrictive financial ratios or requires such Borrower to better its financial performance from that set forth in the existing financial covenants (taking into account, the aggregate adjustments, if any, to the thresholds and exceptions applicable thereto on a covenant-by-covenant basis);

(vii) results in any of the DIP Financing Documents not constituting a "Credit Agreement" under the Senior Note Documents; or

(viii) amends, modifies or adds any affirmative covenant in a manner which, when taken as a whole, is materially adverse to a Borrower or its Subsidiaries or Lender.

10.2.18. Modifications to Financing Orders. Seek or consent to any amendment, supplement or any other modification of any of the terms of the Financing Orders without the prior written consent of Lender.

10.2.19. Filing of Motions or Applications. Without the prior written consent of Lender, apply to the Court for authority to (a) take any action that is prohibited by the terms of any of the DIP Financing Documents, (b) refrain from taking any action that is required to be taken by the terms of any of the DIP Financing Documents or the Financing Orders or (c) permit any Debt, claim or Lien to be *pari passu* with or senior to any of the Obligations or Liens in favor of Lender.

10.3. Filing of Plan. Obligors shall file (as sole proponents or jointly with one or more Committees), on or before the termination of Obligors' exclusivity under Section 1121 of the Bankruptcy Code and, in all events, within 120 days after the Petition Date, a Reorganization Plan which shall provide, among other things, for the Full Payment on the effective date of all Obligations and, to the extent not otherwise fully paid, the Pre-Petition Debt, including the Cash Collateralization of all of Obligors' outstanding contingent obligations with respect to Pre-Petition LCs, Letters of Credit and Banking Relationship Debt (including repayment in the form of refinancing thereof pursuant to exit financing provided by Lender); for the allowance of the Pre-Petition Debt as a fully secured claim; for a and a full and complete release of any and all Claims that any Obligor or the Estate of any Obligor might have or assert against Lender, in its capacity as Pre-Petition Agent or Pre-Petition Lender or any "issuing bank" under the Pre-Petition Loan Agreement, that arise under any provision in Chapter 5 of the Bankruptcy Code and have not been asserted during the pendency of the Chapter 11 Cases; and which shall contain such other terms and conditions as are reasonably acceptable to Pre-Petition Agent and Lender .

SECTION 11. CONDITIONS PRECEDENT

11.1. Conditions Precedent to Initial Credit Extensions. Lender shall not be required to fund any Loan requested by Borrowers on the Closing Date or otherwise to extend credit to Borrowers on the Closing Date, and Lender shall have no obligation to issue any Letter of Credit on the Closing Date, unless each of the following conditions has been satisfied, no later than 10 days after the Petition Date:

11.1.1. DIP Financing Documents. Each of this Agreement and the other DIP Financing Documents shall have been duly executed and delivered to Lender by each of the signatories thereto.

11.1.2. Dates. The Chapter 11 Cases shall have commenced on or before December [10], 2010, and the closing of the transactions contemplated by this Agreement occurs on or before the Closing Date.

11.1.3. Absence of Default or Event of Default. The absence of any Default or Event of Default under the this Agreement or the other DIP Financing Documents.

11.1.4. Representations and Warranties. All representations and warranties made by Borrowers under this Agreement and the other DIP Financing Documents are true and correct in all material respects as if made on the Closing Date and on the date of each request for a Loan, except to the extent such representations or warranties relate solely to an earlier date (in which case, they shall be true and correct in all material respects as of such earlier date).

11.1.5. Legal Opinions. Lender shall have received the favorable written legal opinions of Borrowers' and Guarantors' counsel with respect to the due authorization, execution and delivery of the DIP Financing Documents by those Borrowers and Guarantors organized under the laws of New York or Delaware, the validity and enforceability of the DIP Financing Documents (with customary exceptions and qualifications) under New York law and such other matters as may be reasonably required by Lender (excluding, in any event, any opinions with respect to the creation or perfection of security interests).

11.1.6. Reserved.

11.1.7. Reserved.

11.1.8. Fees and Expenses. Borrowers shall have paid to Lender (or made adequate provision for the payment on the Closing Date of) all fees and expenses payable to Lender on or before the Closing Date pursuant to this Agreement or any of the other DIP Financing Documents and the transactions contemplated thereby (and, in the case of expenses, as and to the extent invoiced), including the closing fee set forth in **Section 3.2.1** of this Agreement.

11.1.9. Organic Documents. Lender shall have received copies of the Organic Documents of each Chapter 11 Debtor, and all amendments thereto, certified by the Secretary of State or other appropriate official of the jurisdiction of such Chapter 11 Debtor's organization.

11.1.10. Financial Statements. Lender shall have received, reviewed and found acceptable all financial statements as of September 30, 2010, a Budget, and such additional financial statements as Lender shall reasonably require.

11.1.11. Borrowing Base Certificates. Lender shall have received the Borrowing Base Certificate to be delivered pursuant to **Section 8.4(a)** of this Agreement.

11.1.12. Other Proceedings. All proceedings taken in connection with the execution of the DIP Financing Documents and approval thereof by the Court (including the nature, scope and extent of notices to interested parties with respect to all hearings related to this Agreement) shall be reasonably satisfactory in form, scope, and substance to Lender.

11.1.13. Liens. Lender shall have received evidence reasonably satisfactory to Lender that there are no other Liens upon any Collateral except for Permitted Liens.

11.1.14. LC Conditions. With respect to the issuance of any Letter of Credit on the Closing Date, each of the LC Conditions is satisfied.

11.1.15 Reserved.

11.1.16 Court Orders. Lender shall have reviewed and found acceptable an order providing for joint administration of Borrowers' Chapter 11 Cases, the Interim Financing Order, and all "first day" orders that, in Lender's reasonable judgment, may have an impact on the Liens of or Debt owing to Lender, Pre-Petition Agent and Pre-Petition Lenders, including the Cash Management Order, and all such orders shall have been entered by the Court.

11.1.17 No Material Adverse Change. Except solely as a result of the filing of the Chapter 11 Cases, since September 30, 2010, there has occurred no change in the business or financial condition of Borrowers, taken as a whole, that has had or could reasonably be expected to have a Material Adverse Effect.

11.1.20 Reserved.

11.1.21 Exclusivity. The Court shall not have entered any order terminating any of Borrowers' exclusive time periods under Section 1121 of the Bankruptcy Code within which to file a Reorganization Plan.

11.1.22 Budget. Lender shall have reviewed and approved the Budget and the reasonableness of all projections therein of expenses and collections.

11.2. Conditions Precedent to All Credit Extensions. Lender shall not be required to fund any Loans or otherwise extend any credit to or for the benefit of Borrowers, and Lender shall have no obligation to issue any Letter of Credit, unless and until each of the following conditions has been and continues to be satisfied:

11.2.1. No Defaults. No Default or Event of Default exists at the time, or would result from the funding, of any Loan or other extension of credit.

11.2.2. Representations and Warranties. Each of the representations and warranties by an Obligor in any of the DIP Financing Documents (including any representations and warranties in any certificate furnished at any time in connection herewith) are true and correct in all material respects on and as of the date of each extension of credit hereunder (except for those representations or warranties which expressly relate to an earlier date, in which case, such representations or warranties are true and correct in all material respects as of such earlier date).

11.2.3. No Litigation. Except for the Chapter 11 Cases, no action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or which is related to or arises out of, this Agreement or any of the other DIP Financing Documents or the consummation of the transactions contemplated hereby or thereby.

11.2.4. No Material Adverse Effect. No event shall have occurred and no condition shall exist which has or could be reasonably expected to have a Material Adverse Effect.

11.2.5. Borrowing Base Certificate. Lender shall have received each Borrowing Base Certificate then required by the terms of this Agreement.

11.2.6. LC Conditions. With respect to the issuance of any Letter of Credit after the Closing Date, each of the LC Conditions is satisfied.

11.2.7. Hearing on the Final Financing Order. With respect to all Revolver Loans requested after the expiration of the Interim Period, following proper notice and a hearing thereon, the final hearing on the motion requesting the Court's approval of the Final Financing Order shall have been held on or before the date that is forty-five (45) days after the Interim Financing Order is entered by the Court, with the presentation of evidence and the resolution of any objections to such motion or the proposed Final Financing Order in a manner reasonably satisfactory to Lender, and the Final Financing Order shall have been entered, shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed without the prior written consent of Lender.

11.3. Limited Waiver of Conditions Precedent. If Lender shall make any Loan or otherwise extend any credit to Borrowers under this Agreement at a time when any of the foregoing conditions precedent are not satisfied (regardless of whether the failure of satisfaction of any such conditions

precedent was known or unknown to Lender), the funding of such Loan or other extension of credit shall not operate as a waiver of the right of Lender to insist upon the satisfaction of all conditions precedent with respect to each subsequent Borrowing requested by Borrowers or a waiver of any Event of Default as a consequence of the failure of any such conditions to be satisfied, unless Lender, in writing waives the satisfaction of any condition precedent, in which event such waiver shall only be applicable for the specific instance given and only to the extent and for the period of time expressly stated in such written waiver.

SECTION 12. EVENTS OF DEFAULT; REMEDIES ON DEFAULT

12.1. Events of Default. The occurrence or existence of any one or more of the following events or conditions shall constitute an "Event of Default" (each of which Events of Default shall be deemed to exist unless and until waived by Lender in writing):

12.1.1. Payment of Obligations. A Borrower fails to pay any Obligations when due (whether at stated maturity, on demand, upon acceleration or otherwise).

12.1.2. Misrepresentations. Any representation, warranty or other written statement to Lender by or on behalf of any Obligor, whether made in or furnished in compliance with or in reference to any of the DIP Financing Documents (including any representation made in any Borrowing Base Certificate), proves to have been false or misleading in any material respect when made or furnished or when reaffirmed pursuant to **Section 9.2**.

12.1.3. Breach of Specific Covenants. Any Borrower shall fail or neglect to perform, keep or observe any covenant contained in **Sections 7.6, 8.2.5, 8.2.6, 10.1.1, 10.1.6, or 10.2** on the date that such Borrower is required to perform, keep or observe such covenant.

12.1.4. Breach of Other Covenants. Any Obligor shall fail or neglect to perform, keep or observe any covenant contained in this Agreement (other than a covenant which is dealt with specifically elsewhere in **Section 12.1**) or any other DIP Financing Document and the breach of such other covenant is not cured within 30 days after the sooner to occur of any Senior Officer's receipt of notice of such breach from Lender or the date on which such failure or neglect first becomes known to any Senior Officer.

12.1.5. Bankruptcy Defaults. Any Obligor shall fail to comply with any of the provisions of the Financing Orders; a trustee shall be appointed in the Chapter 11 Cases; an examiner shall be appointed in the Chapter 11 Cases with enlarged powers (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1106(b) of the Bankruptcy Code; any Chapter 11 Case shall be dismissed or converted to a case under Chapter 7 or a motion for any such dismissal or conversion shall be filed by any Obligor; confirmation of a Reorganization Plan in the Chapter 11 Case, other than one providing for Full Payment of all of the Pre-Petition Debt and of obligations under the DIP Facility; a Confirmation Order shall be entered with respect to a Reorganization Plan (regardless of the proponent of such Reorganization Plan) if such Reorganization Plan is not an Acceptable Plan; there shall be filed by any Obligor any motion to sell all or a substantial part of the Collateral on terms that are not acceptable to Lender in its sole and absolute discretion, unless such sale shall result at the closing thereof in the Full Payment, in cash, of the Obligations and the Pre-Petition Debt; any substantial part of any Obligor's assets, other than the Collateral, shall be sold by such and, as a consequence of such sale, such Obligor is not able to continue its business operations in substantially the same manner as was conducted by it prior to such sale; any Obligor shall file any motion to alter, amend, vacate, supplement, modify, or reconsider, in any respect, either of the Financing Orders or, without Lender's prior written consent, either of the Financing Orders is amended, vacated, stayed, reversed or

otherwise modified, whether on appeal or otherwise; the Court shall enter an order granting to any Person other than Lender relief from the automatic stay to foreclose upon a Lien with respect to any Collateral, provided that (i) Lender has a first priority Lien on such Collateral or (ii) such relief from stay could not reasonably be expected to have a Material Adverse Effect on the ongoing business operations or financial performance of Obligors; an order shall be entered for the substantive consolidation of the Estates of Obligors with any other Person; no Borrower shall have sufficient Availability on any date to pay, or shall otherwise fail to pay as and when due and payable, all costs and expenses of administration that are incurred by Borrowers in the Chapter 11 Cases that are due and payable on such date; the filing of any motion or other request with the Court seeking authority to use any cash proceeds of the Collateral or to obtain any financing under Section 364(d) of the Bankruptcy Code secured by a priming Lien, or Lien of equal priority with Lender's Liens, upon any Collateral, in each case without Lender's prior written consent; an application shall be filed by any Obligor for the approval of any superpriority claim in the Chapter 11 Cases that is *pari passu* with or senior to the Obligations or any of the Pre-Petition Debt or there shall arise or be granted any such *pari passu* or superpriority claim; any Obligor shall file any action, suit or other proceeding or contested matter challenging the validity, perfection or priority of any Liens of Lender securing the Pre-Petition Debt, or the validity or enforceability of any of the Pre-Petition Loan Documents, or asserting any Avoidance Claim against Lender or seeking to recover any monetary damages from Lender; or, without Lender's consent, any Obligor shall discontinue or suspend all or any material part of its business operations or commence an orderly wind-down or liquidation of any material part of the Collateral. Notwithstanding anything in this Agreement to the contrary, Borrowers' failure to comply with the Plan Benchmarks or the Sale Benchmarks, as applicable, shall not constitute an Event of Default under this Agreement.

12.1.6. Business Disruption. There shall occur a cessation of a substantial part of the business of any Obligor for a period which could be reasonably expected to have a Material Adverse Effect; or any Obligor shall suffer the loss or revocation of any license or permit now held or hereafter acquired by such Obligor which could reasonably be expected to have a Material Adverse Effect; or any Obligor shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs which could reasonably be expected to have a Material Adverse Effect.

12.1.7. ERISA. A Reportable Event shall occur which Lender, in its reasonable discretion, shall determine constitutes grounds for the termination by the Pension Benefit Guaranty Corporation of any Plan or for the appointment by the appropriate United States district court of a trustee for any Plan, or if any Plan shall be terminated or any such trustee shall be requested or appointed, or if any Borrower, any Subsidiary or any Obligor is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Plan resulting from such Borrower's, such Subsidiary's or such Obligor's complete or partial withdrawal from such Plan, in each case to the extent such occurrence could reasonably be expected to have a Material Adverse Effect.

12.1.8. Challenge to or Insufficiency of DIP Financing Documents. Any Obligor or any of its Affiliates shall challenge or contest (or support the challenge or contest of others) in any action, suit or proceeding the validity or enforceability of any of the DIP Financing Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Lender, or any of the DIP Financing Documents ceases to be in full force or effect for any reason other than a full or partial waiver or release by Lender in accordance with the terms thereof.

12.1.9. Judgment. One or more judgments or orders for the payment of money in an amount that exceeds, individually or in the aggregate, \$1,000,000 (other than amounts covered by (x) insurance for which the insurer thereof has been notified of such claim and has not challenged such coverage or (y) valid third party indemnifications for which the indemnifying party thereof has been

notified of such claim and has not challenged such indemnification) shall be entered against any Borrower or any other Obligor and (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order, (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect or (iii) results in the creation or imposition of a Lien upon any of the Collateral that is not a Permitted Lien.

12.1.10. Repudiation of or Default Under Guaranty. Any Guarantor shall revoke or attempt to revoke the Guaranty signed by such Guarantor or shall repudiate such Guarantor's liability thereunder.

12.1.11. Criminal Forfeiture. Any Obligor is criminally indicted or convicted for (i) a felony committed in the conducted of the business of such Obligor or (ii) any state or federal law (including the Controlled Substances Act, the Money Laundering Control Act of 1986, and the Illegal Exportation of War Materials Act) that could lead to a forfeiture of any material (as determined by Lender in the exercise of its discretion) Collateral.

12.1.12. Change of Control. A Change of Control shall occur.

12.1.13. Loss of Certification. Any Medicaid Certification or Medicare Certification of a Borrower, or any physician, medical professional corporation or other Person with which a Borrower has entered into a services, management or similar agreement shall expire, terminate, be canceled or otherwise lost, the result of which shall or could reasonably be expected to have a Material Adverse Effect.

12.1.14. Change of Deposit Account Instructions. Any action is taken by a Borrower in contravention of any instruction given by Lender regarding the Collection Accounts or any Deposit Accounts subject to Control Agreements, including the Dominion Account, any Control Agreement is amended or terminated without the written consent of Lender, or if any Borrower fails, within 7 Business Days of receipt, to forward collections of Accounts that it receives to a Collection Account.

12.2. Acceleration of Obligations; Termination of Commitment. Without in any way limiting the right of Lender to demand payment of any portion of the Obligations payable on demand in accordance with this Agreement upon or at any time after the occurrence of an Event of Default and for so long as such Event of Default shall exist, Lender may in its discretion (a) declare the principal of and any accrued interest on the Loans and all other Obligations owing under any of the DIP Financing Documents to be, whereupon the same shall become without further notice or demand (all of which notice and demand each Borrower expressly waives), forthwith due and payable and Borrowers shall forthwith pay to Lender the entire principal of and accrued and unpaid interest on the Loans and other Obligations plus reasonable attorneys' fees and court costs if such principal and interest are collected by or through an attorney-at-law and (b) terminate the Commitment.

12.3. Other Remedies. Upon and after the occurrence of an Event of Default and for so long as such Event of Default shall exist, Lender may in its discretion institute any Enforcement Action and exercise from time to time the following rights and remedies (subject to Applicable Law):

12.3.1. All of the rights and remedies of a secured party under the UCC or under other Applicable Law, and all other legal and equitable rights to which Lender may be entitled under any of the DIP Financing Documents, all of which rights and remedies shall be cumulative and shall be in addition to any other rights or remedies contained in this Agreement or any of the other DIP Financing Documents, and none of which shall be exclusive.

12.3.2. The right to collect all amounts at any time payable to a Borrower from any Account Debtor or other Person at any time indebted to such Borrower.

12.3.3. The right to enter any premises where any of the Collateral shall be located (or deemed to be located) or where any books and records comprising part of the Collateral shall be located and to keep and, if applicable, store such Collateral on said premises until sold (and if said premises be owned or leased by a Borrower, then such Borrower agrees not to charge Lender for storage of any Collateral therein).

12.3.4. The right to sell or otherwise dispose of all or any Collateral in its then condition, at public or private sale or sales, with such notice as may be required by Applicable Law, in lots or in bulk, for cash or on credit, all as Lender, in its discretion, may deem advisable. Each Borrower agrees that any requirement of notice to any Borrower or any other Obligor of any proposed public or private sale or other disposition of Collateral by Lender shall be deemed reasonable notice thereof if given at least 10 days prior thereto, and such sale may be at such locations as Lender may designate in said notice. Lender shall have the right to conduct such sales on any Borrower's or any other Obligor's premises, without charge therefor, and such sales may be adjourned from time to time in accordance with Applicable Law. Lender shall have the right to sell, lease or otherwise dispose of the Collateral, or any part thereof, for cash, credit or any combination thereof, and Lender may purchase all or any part of the Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations. The proceeds realized from the sale or other disposition of any Collateral may be applied, after allowing 2 Business Days for collection, first to any Extraordinary Expenses incurred by Lender and then to the remainder of the Obligations.

12.3.5. The right to obtain the appointment of a receiver, without notice of any kind whatsoever, to take possession of the Collateral and to exercise such rights and powers as the court appointing such receiver shall confer upon such receiver.

12.3.6. The right to require Borrowers to Cash Collateralize outstanding Letters of Credit, and, if Borrowers fail promptly to make such deposit, Lender may advance such amount as a Revolver Loan (whether or not an Out-of-Formula Condition exists or is created thereby or the Commitment has been terminated). Any such deposit or advance shall be held by Lender in the Cash Collateral Account to fund future payments on any Letter of Credit. When all Letters of Credit have been drawn upon or expired, any amounts remaining in the Cash Collateral Account shall be applied against any outstanding Obligations, or, after Full Payment of all Obligations, returned to Borrowers.

Lender is hereby granted an irrevocable, non-exclusive license or other right to use, license or sub-license (exercisable without payment of royalty or other compensation to any Obligor or any other Person) any or all of each Borrower's Intellectual Property and all of each Borrower's computer hardware and software, and any Property of a similar nature, in realizing on the Collateral.

12.4. Setoff. In addition to any Liens granted under any of the DIP Financing Documents and any rights now or hereafter available under Applicable Law, Lender (and each of its Affiliates) is hereby authorized by Borrowers at any time that an Event of Default exists, without notice to Borrowers or any other Person (any such notice being hereby expressly waived), to set off and to appropriate and apply any and all deposits, general or special (including certificates of deposit whether matured or unmatured (but not including trust accounts or any Collection Account into which payments with respect to Governmental Receivables are directly deposited or transferred)) and any other Debt at any time held or owing by Lender or any of its Affiliates to or for the credit or the account of any Borrower against and on account of the Obligations of Borrowers arising under the DIP Financing Documents to Lender or any of its Affiliates, including all Loans and LC Obligations and all claims of any nature or description

arising out of or in connection with this Agreement, irrespective of whether or not (i) Lender shall have made any demand hereunder, (ii) Lender shall have declared the principal of and interest on the Loans and other amounts due hereunder to be due and payable as permitted by this Agreement and even though such Obligations may be contingent or unmatured or (iii) the Collateral for the Obligations is adequate. Notwithstanding anything herein to the contrary, Lender and its Affiliates shall not, nor shall they be entitled to, and each other Secured Party and its Affiliates hereby waives any and all rights it may have to, set-off or appropriate any or all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by Lender and its Affiliates or any branch or agency thereof to or for the credit or the account of any Obligor, to the extent necessary for the Obligors and Lender and its Affiliates to remain in compliance with all Healthcare Laws.

12.5. Remedies Cumulative; No Waiver.

12.5.1. All covenants, conditions, provisions, warranties, guaranties, indemnities, and other undertakings of Borrowers contained in this Agreement, the other DIP Financing Documents, or any other agreement between Lender and any Obligor, heretofore, concurrently, or hereafter entered into, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Borrowers herein contained. The rights and remedies of Lender under this Agreement and the other DIP Financing Documents shall be cumulative and not exclusive of any rights or remedies that Lender would otherwise have.

12.5.2. The failure or delay of Lender to require strict performance by Borrowers of any provision of any of the DIP Financing Documents or to exercise or enforce any rights, Liens, powers or remedies under any of the DIP Financing Documents or with respect to any Collateral shall not operate as a waiver of such performance, Liens, rights, powers and remedies, but all such requirements, Liens, rights, powers, and remedies shall continue in full force and effect until all Loans and all other Obligations owing or to become owing from Borrowers to Lender shall have been fully satisfied. None of the undertakings, agreements, warranties, covenants and representations of Borrowers contained in this Agreement or any of the other DIP Financing Documents and no Event of Default by any Borrower under this Agreement or any other DIP Financing Documents shall be deemed to have been suspended or waived by Lender, unless such suspension or waiver is by an instrument in writing specifying such suspension or waiver and is signed by a duly authorized representative of Lender and directed to Borrowers.

12.5.3. If Lender shall accept performance by a Borrower, in whole or in part, of any obligation that such Borrower is required by any of the DIP Financing Documents to perform only when a Default or Event of Default exists, or if Lender shall exercise any right or remedy under any of the DIP Financing Documents that may not be exercised other than when a Default or Event of Default exists, Lender's acceptance of such performance by a Borrower or Lender's exercise of any such right or remedy shall not operate to waive any such Event of Default or to preclude the exercise by Lender of any other right or remedy, unless otherwise expressly agreed in writing by Lender.

12.6 Requirements Under Financing Orders. Irrespective of any provision in this Agreement or any of the other DIP Financing Documents that authorize Lender to take action or exercise remedies with or without notice, such provision shall nevertheless be subject to any requirements for the giving of notice, and for obtaining relief from the automatic stay imposed by Section 362 of the Bankruptcy Code, that are contained in the Financing Orders.

SECTION 13. RESERVED

SECTION 14. BENEFIT OF AGREEMENT

14.1. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrowers, Lender and their respective successors and assigns, except that no Borrower shall have the right to assign its rights or delegate performance of any of its obligations under any of the DIP Financing Documents. Any assignee or transferee of any rights with respect to the Note or any Loan agrees by acceptance thereof to be bound by all the terms and provisions of the DIP Financing Documents, provided that, in the event of a proposed assignment by Lender of less than the full amount of its Commitment, Lender and Borrowers agree to negotiate, in good faith, to amend this Agreement and the other DIP Financing Documents to provide for customary agency and amendment provisions, as applicable. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of the Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of the Note or of any Note issued in exchange therefor.

SECTION 15. MISCELLANEOUS

15.1. Power of Attorney. Each Borrower hereby irrevocably designates, makes, constitutes and appoints Lender (and all Persons designated by Lender) as such Borrower's true and lawful attorney (and agent in-fact) and Lender, or Lender's designee, may, without notice to such Borrower and in either such Borrower's or Lender's name, but at the cost and expense of Borrowers:

15.1.1. At such time or times as Lender or said designee, in its discretion, may determine, endorse such Borrower's name on any Payment Item or other proceeds of the Collateral (including proceeds of insurance) which come into the possession of Lender or under Lender's control.

15.1.2. At any time that an Event of Default exists and subject to Applicable Law: (i) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of such Borrower's rights and remedies with respect to the collection of the Accounts; (ii) settle, adjust, compromise, discharge or release any of the Accounts or other Collateral or any legal proceedings brought to collect any of the Accounts or other Collateral; (iii) sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Lender deems advisable; (iv) prepare, file and sign such Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of Lien, assignment or satisfaction of Lien or similar document in connection with any of the Collateral; (v) receive, open and dispose of all mail addressed to such Borrower and to notify postal authorities to change the address for delivery thereof to such address as Lender may designate; (vi) endorse the name of such Borrower upon any Payment Item relating to any Collateral and deposit the same to the account of Lender for application to the Obligations; (vii) endorse the name of such Borrower upon any Chattel Paper, Document, Instrument, invoice, freight bill, bill of lading or similar document or agreement relating to any Accounts or Inventory of any Obligor and any other Collateral; (viii) use such Borrower's stationery and sign the name of such Borrower to verifications of the Accounts and notices thereof to Account Debtors; (ix) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to any Collateral; (x) make and adjust claims under policies of insurance; (xi) sign the name of such Borrower to and file any proof of claim in an Insolvency Proceeding of any Account Debtor and on notices of Liens; (xii) take all action as may be necessary to obtain the payment of any letter of credit or banker's acceptance of which such Borrower is a beneficiary; and (xiii) do all other acts and things necessary, in Lender's determination, to fulfill such Borrower's obligations under any of the DIP Financing Documents.

15.2. General Indemnity. Whether or not any of the transactions contemplated by any of the DIP Financing Documents are consummated, each Borrower agrees to indemnify and defend the Lender Indemnitees and hold the Lender Indemnitees harmless from and against any Claims that may be instituted or asserted against or are incurred by any of the Lender Indemnitees. Without limiting the generality of the foregoing, this indemnity shall extend to any Claims instituted or asserted against or incurred by any of the Lender Indemnitees (x) under any Environmental Laws or (other similar laws by reason of a Borrower's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials or other toxic substances) or (y) under any Anti-Terrorism Laws, including any fines assessed against Lender by any Governmental Authority as a result of conduct of an Obligor. Additionally, if any Taxes (excluding Excluded Taxes but including any intangibles tax, stamp tax or recording tax) shall be payable by any party on account of the execution or delivery of this Agreement, or the execution, delivery, issuance or recording of any of the other DIP Financing Documents, or the creation or repayment of any of the Obligations hereunder, by reason of any Applicable Law now or hereafter in effect, Borrowers shall pay (and shall promptly reimburse Lender for its payment of) all such Taxes, including any interest and penalties thereon, and will indemnify and hold Lender Indemnitees harmless from and against all liability in connection therewith.

15.3. Survival of and Limitations Upon Indemnities. Notwithstanding anything to the contrary in this Agreement or any of the other DIP Financing Documents, the obligation of each Borrower with respect to each indemnity given by it in this Agreement shall survive the Full Payment of the Obligations and the termination of the Commitment. Notwithstanding anything to the contrary contained in this Agreement, no Borrower shall have any obligation under this Agreement to indemnify a Lender Indemnitee with respect to any Claim to the extent that it is determined in a final, non-appealable judgment by a court of competent jurisdiction that such Claim resulted from the gross negligence or willful misconduct of such Lender Indemnitee.

15.4. Reserved.

15.5. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law, but if any provision of this Agreement shall be prohibited by or invalid under Applicable Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

15.6. Cumulative Effect; Conflict of Terms. The provisions of the Other Agreements and the Security Documents are hereby made cumulative with the provisions of this Agreement. Without limiting the generality of the foregoing, the parties acknowledge that this Agreement and the other DIP Financing Documents may use several different limitations, tests or measurements to regulate the same or similar matters and that such limitations, tests and measures are cumulative and each must be performed, except as may be expressly stated to the contrary in this Agreement. Except as otherwise provided in any of the other DIP Financing Documents by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in direct conflict with, or inconsistent with, any provision in any of the other DIP Financing Documents, the provision contained in this Agreement shall govern and control.

15.7. Counterparts; Facsimile Signatures. This Agreement and any amendments hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. DIP Financing Documents may be executed by facsimile and the effectiveness of any such DIP Financing Documents and signatures thereon shall, subject to Applicable Law, have the same force and effect as manually signed originals and shall be

binding on all parties thereto. Lender may require that any such documents and signatures be confirmed by a manually-signed original thereof, provided that the failure to request or deliver the same shall not limit the effectiveness of any facsimile signature.

15.8. Consent. Whenever the consent of Lender is required to be obtained under this Agreement or any of the other DIP Financing Documents as a condition to any action, inaction, condition or event, Lender shall be authorized to give or withhold its consent in its discretion and to condition its consent upon the giving of additional collateral security for the Obligations, the payment of money or any other matter.

15.9. Notices and Communications.

15.9.1. All notices, requests and other communications to or upon a party hereto shall be in writing (including facsimile transmission or similar writing) and shall be given to such party at the address or facsimile number for such party on the signature pages hereof or at such other address or facsimile number as such party may hereafter specify for the purpose by notice to Lender and Borrowers in accordance with the provisions of this **Section 15.9**.

15.9.2. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified herein for the noticed party and confirmation of receipt is received, (ii) if given by mail, 3 Business Days after such communication is deposited in the U.S. Mail, with first-class postage pre-paid, addressed to the noticed party at the address specified herein, or (iii) if given by personal delivery, when duly delivered with receipt acknowledged in writing by the noticed party. In no event shall a voicemail message be effective as a notice, communication or confirmation under any of the DIP Financing Documents. Notwithstanding the foregoing, no notice to or upon Lender pursuant to **Sections 2.3, 4.1 or 6.2.2** shall be effective until after actually received by Lender. Any written notice, request or demand that is not sent in conformity with the provisions hereof shall nevertheless be effective on the date that such notice, request or demand is actually received by the individual to whose attention at the noticed party such notice, request or demand is required to be sent. Any notice received by Borrower Agent shall be deemed to have been received by all Borrowers.

15.9.3. Electronic mail and intranet websites may be used only to distribute routine communications, such as financial statements, Borrowing Base Certificates and other information required by **Section 8** and **Section 10.1.3**, and to distribute DIP Financing Documents for execution by the parties thereto, and may not be used for any other purpose as effective notice under this Agreement or any of the other DIP Financing Documents.

Lender shall be authorized to rely and act upon any notices (including telephonic communications) purportedly given by or on behalf of any Borrower even if such notices were made in a manner other than as specified herein, were incomplete or were not preceded or followed by any other form of notice specified or required herein, or the terms thereof, as understood by the recipient, varied from any confirmation thereof. Borrowers jointly and severally agree to indemnify and defend each Lender Indemnitee from all losses, costs, expenses and liabilities resulting from the reliance by any such Lender Indemnitee on each telephone communication purportedly given by or on behalf of any Borrower other than to the extent constituting gross negligence or willful misconduct of the Lender Indemnitee.

15.10. Performance of Borrowers' Obligations. If any Borrower shall fail to discharge any covenant, duty or obligation hereunder or under any of the other DIP Financing Documents, Lender may, in its discretion at any time or from time to time during the continuance of an Event of Default and subject to Applicable Law, for such Borrower's account and at Borrowers' expense, pay any amount or do

any act required of Borrowers hereunder or under any of the other DIP Financing Documents or otherwise lawfully requested by Lender to (i) enforce any of the DIP Financing Documents or collect any of the Obligations, (ii) preserve, protect, insure or maintain or realize upon any of the Collateral, or (iii) preserve, defend, protect or maintain the validity or priority of Lender's Liens in any of the Collateral, including the payment of any judgment against any Borrower. All payments that Lender may make under this Section and all reasonable out-of-pocket costs and expenses (including Extraordinary Expenses) that Lender pays or incurs in connection with any action taken by it hereunder shall be reimbursed to Lender by Borrowers, **on demand**, with interest from the date such payment is made or such costs or expenses are incurred to the date of payment thereof at the Default Rate applicable for Revolver Loans that are Base Rate Loans. Any payment made or other action taken by Lender under this Section shall be without prejudice to any right to assert, and without waiver of, an Event of Default hereunder and to without prejudice to Lender's right proceed thereafter as provided herein or in any of the other DIP Financing Documents.

15.11. Credit Inquiries. Each Borrower hereby authorizes and permits Lender to (but Lender shall have no obligation to) respond to usual and customary credit inquiries from third parties concerning such Borrower or any of its Subsidiaries.

15.12. Time of Essence. Time is of the essence of this Agreement, the Other Agreements and the Security Documents.

15.13. Indulgences Not Waivers. Lender's failure at any time or times hereafter, to require strict performance by Borrowers of any provision of this Agreement shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith.

15.14. Entire Agreement; Exhibits and Schedules. This Agreement and the other DIP Financing Documents, together with all other instruments, agreements and certificates executed by the parties pursuant to any DIP Financing Document, embody the entire understanding and agreement between the parties hereto and thereto with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings and inducements, whether express or implied, oral or written, regarding the same subject matter. Each of the Exhibits and each of the Schedules attached hereto are incorporated into this Agreement and by this reference made a part hereof.

15.15. Interpretation. No provision of this Agreement or any of the other DIP Financing Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having, or being deemed to have, structured, drafted or dictated such provision. The paragraph and section headings are for convenience of reference only and shall not affect the substantive meaning of any provision of this Agreement.

15.16. Confidentiality. Lender agrees to take normal and reasonable precautions to maintain the confidentiality of any Information (defined below) for a period of 24 months following the Commitment Termination Date, except that Lender may disclose such information (i) to their respective Affiliates and individuals employed or retained by Lender who are or are expected to become engaged in evaluating, approving, structuring, administering or otherwise giving professional advice with respect to any of the Loans or Collateral, including any of their respective legal counsel, auditors or other professional advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (ii) to any party to this Agreement from time to time; (iii) pursuant to Applicable Law, the order of any court or administrative agency provided, however, that, prior to disclosure pursuant to this clause (iii), reasonable efforts shall be made to give the Borrowers notice of request for disclosure and the Borrowers shall be given a reasonable opportunity, at its expense, to prevent the disclosure or have the

Information maintained as confidential under a protective order; (iv) upon the request or demand of any regulatory agency or other Governmental Authority having jurisdiction over Lender or in accordance with Lender's regulatory compliance policies, (v) to the extent reasonably required in connection with any litigation (with respect to any of the DIP Financing Documents or any of the transactions contemplated thereby) to which Lender or its Affiliates may be a party, (vi) to the extent reasonably required in connection with the exercise of any remedies hereunder, (vii) [Reserved], (viii) to the National Association of Insurance Commissioners or any similar organization or to any nationally recognized rating agency that requires access to information about Lender's portfolio in connection with ratings issued with respect to Lender, or (ix) with the consent of Borrowers. As used in this **Section 15.16**, "Information" means all information received from the Obligor relating to an Obligor or any of its Subsidiaries or their business, other than any such information that is available to Lender on a nonconfidential basis prior to disclosure by an Obligor.

15.17. Reserved.

15.18. Governing Law. This Agreement has been negotiated, executed and delivered, and shall be deemed to have been made, in New York, New York, and shall be governed by and construed in accordance with the internal laws (but without regard to conflict of law principles) of the State of New York, but giving effect to federal laws relating to national banks.

15.19. USA Patriot Act Notice. Lender hereby notifies Borrowers that pursuant to the requirements of the USA Patriot Act, Lender is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow Lender to identify each Borrower in accordance with the USA Patriot Act.

15.20. Consent to Forum. Each Borrower hereby consents to the non-exclusive jurisdiction of any United States federal court sitting in or with direct or indirect jurisdiction over the Southern District of New York or any New York state or superior court sitting in New York County, New York, in any action, suit or other proceeding arising out of or relating to this Agreement or any of the other DIP Financing Documents and each Borrower irrevocably agrees that all claims and demands in respect of any such action, suit or proceeding may be heard and determined in any such court and irrevocably waives any objection it may now or hereafter have as to the venue of any such action, suit or proceeding brought in any such court or that such court is an inconvenient forum. Nothing herein shall limit the right of Lender to bring proceedings against any Borrower in the courts of any other jurisdiction. Any judicial proceeding commenced by any Borrower against Lender or any holder of any of the Obligations, or any Affiliate of Lender or any holder of any Obligations, involving, directly or indirectly, any matter in any way arising out of, related to or connected with any DIP Financing Document shall be brought only in the Court or a United States federal court sitting in or with direct jurisdiction over the District of Delaware, the Southern District of New York or any New York state or superior court sitting in New York County, New York. Nothing in this Agreement shall be deemed to preclude the enforcement by Lender of any judgment or order obtained in such forum or the taking of any action under this Agreement to enforce same in any other appropriate forum or jurisdiction.

15.21. Waivers by Borrowers. To the fullest extent permitted by Applicable Law and the Financing Orders, each Borrower waives (i) the right to trial by jury (which Lender hereby also waives) in any action, suit, proceeding or counterclaim of any kind arising out of or related to any of the DIP Financing Documents, the Obligations or the Collateral; (ii) presentment, demand and protest and notice of presentment, protest, default, non payment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Lender on which such Borrower may in any way be liable and hereby ratifies and confirms whatever Lender may do in

this regard in connection with an Enforcement Action by Lender; (iii) notice prior to taking possession or control of the Collateral or any bond or security which might be required by any court prior to allowing Lender to exercise any of Lender's remedies; (iv) the benefit of all valuation, appraisal and exemption laws; (v) any claim against Lender, on any theory of liability, for special, indirect, consequential, exemplary or punitive damages (as opposed to direct or actual damages) in respect of any claim for breach of contract or any other theory of liability arising out of, or the taking of any Enforcement Action; or related to any of the DIP Financing Documents, any transaction thereunder or the use of the proceeds of any Loans; and (vi) notice of acceptance hereof. Each Borrower acknowledges that the foregoing waivers are a material inducement to Lender's entering into this Agreement and that Lender is relying upon the foregoing waivers in its future dealings with Borrowers. Each Borrower warrants and represents that it has reviewed the foregoing waivers with its legal counsel and has knowingly and voluntarily waived its jury trial rights following consultation with legal counsel. In the event of litigation, this Agreement may be filed as a written consent to a trial by a court sitting without a jury.

[Remainder of page intentionally left blank; Signatures appear on following page.]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered on the day and year specified at the beginning of this Agreement.

BORROWERS:

**INSIGHT HEALTH SERVICES HOLDINGS
CORP.
INSIGHT HEALTH SERVICES CORP.
INSIGHT HEALTH CORP.
INSIGHT HEALTH SERVICES CORP.
MAXUM HEALTH SERVICES CORP.
OPEN MRI, INC.
SIGNAL MEDICAL SERVICES, INC.
COMPREHENSIVE MEDICAL
IMAGING, INC.
COMPREHENSIVE MEDICAL IMAGING
CENTERS, INC.**

By: _____
Keith S. Kelson, Executive Vice President
and Chief Financial Officer

**ORANGE COUNTY REGIONAL PET CENTER
– IRVINE, LLC
PARKWAY IMAGING CENTER, LLC**

By: InSight Health Corp., as the sole member

By: _____
Keith S. Kelson, Executive Vice
President and Chief Financial Officer

[Signatures continued on following page]

Address for all Borrowers:

c/o InSight Health Corp.
26250 Enterprise Court
Suite 100
Lake Forest, California 92630
Attention: Mitch C. Hill
Telecopier: (949) 462-0042

With copies to:

Kirkland & Ellis LLP
300 North LaSalle Street
Chicago, Illinois 60654
Attention: Maureen Sweeney and Kurt von Moltke

[Signatures continued on following page]

LENDER:

BANK OF AMERICA, N.A.

By: _____

Name: _____

Title: _____

Address for Lender:

Bank of America, N.A.

300 Galleria Parkway

Suite 800

Atlanta, Georgia 30339

Attention: Loan Administration Manager

Telecopier: (404) 607-3277

With a copy to:

Parker, Hudson, Rainer & Dobbs LLP

1500 Marquis Two Tower

285 Peachtree Center Avenue, N.E.

Atlanta, Georgia 30303

Attention: Douglas A. Nail, Esq.

Telecopier: (404) 522-8409

EXHIBIT A

REVOLVER NOTE

U.S. \$15,000,000.00

December __, 2010
New York, New York

FOR VALUE RECEIVED, the undersigned, **INSIGHT HEALTH SERVICES HOLDINGS CORP.**, a Delaware corporation ("Parent"), **INSIGHT HEALTH SERVICES CORP.**, a Delaware corporation ("InSight Health"), **INSIGHT HEALTH CORP.**, a Delaware corporation (hereinafter referred to as "Borrower Agent"), and those affiliates of Borrower Agent listed on the signature pages hereto (Parent, InSight Health, Borrower Agent and each of such affiliates being referred to collectively herein as "Borrowers," and individually as a "Borrower"), hereby unconditionally, and jointly and severally, promise to pay to the order of **BANK OF AMERICA, N.A.** (herein, together with any subsequent holder hereof, called "Holder") the principal sum of \$15,000,000 or such lesser sum as may constitute the outstanding principal amount of all Holder's Revolver Loans pursuant to the terms of the Loan Agreement (as defined below) on the date on which such outstanding principal amounts become due and payable pursuant to **Section 5.2** of the Loan Agreement, in strict accordance with the terms thereof. Borrowers likewise unconditionally, and jointly and severally, promise to pay to Holder interest from and after the date hereof on the outstanding principal amount of Holder's Revolver Loans at such interest rates, payable at such times, and computed in such manner as are specified in **Section 3.1** of the Loan Agreement, in strict accordance with the terms thereof.

This Revolver Note (this "Note") is issued pursuant to, and is the "Revolver Note" referred to in, the Post-Petition Loan and Security Agreement dated on or about the date of this Note (as the same may be amended, modified, restated or supplemented from time to time, the "Loan Agreement"), among Borrowers and Holder, and Holder is and shall be entitled to all benefits thereof and of all DIP Financing Documents executed and delivered in connection therewith. This Note is subject to certain restrictions on transfer or assignment as provided in the Loan Agreement. All capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Loan Agreement.

The repayment of the principal balance of this Note is subject to the provisions of **Section 5.2** of the Loan Agreement. The entire unpaid principal balance and all accrued interest on this Note shall be due and payable immediately upon the Commitment Termination Date.

All payments of principal and interest shall be made in Dollars in immediately available funds to Lender as specified in the Loan Agreement.

Upon or after the occurrence of an Event of Default and for so long as such Event of Default exists, the principal balance and all accrued interest of this Note may be declared (or shall become) due and payable in the manner and with the effect provided in the Loan Agreement, and the unpaid principal balance hereof shall bear interest at the Default Rate as and when provided in **Section 3.1.5** of the Loan Agreement. Borrowers jointly and severally agree to pay, and save Holder harmless against, any liability for the payment of, all costs and expenses, including, but not limited to, reasonable attorneys' fees, if this Note is collected by or through an attorney-at-law.

All principal amounts of Revolver Loans made by Holder to Borrowers pursuant to the Loan Agreement, and all accrued and unpaid interest thereon, shall be deemed outstanding under this Note and shall continue to be owing by Borrowers until paid in accordance with the terms of this Note and the Loan Agreement.

In no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof or otherwise, shall the amount paid or agreed to be paid to Holder for the use, forbearance or detention of money advanced hereunder exceed the highest lawful rate permissible under any law which a court of competent jurisdiction may deem applicable hereto; and, in the event of any such payment inadvertently paid by Borrowers or inadvertently received by Holder, such excess sum shall be, at Borrowers' option, returned to Borrowers forthwith or credited as a payment of principal, but shall not be applied to the payment of interest. It is the intent hereof that Borrowers not pay or contract to pay, and that Holder not receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by Borrowers under Applicable Law.

Time is of the essence of this Note. To the fullest extent permitted by Applicable Law and the Financing Orders, each Borrower, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of non-payment, notice of maturity, notice of protest, presentment for the purpose of accelerating maturity and diligence in collection.

Wherever possible each provision of this Note shall be interpreted in such a manner as to be effective and valid under Applicable Law, but if any provision of this Note shall be prohibited or invalid under Applicable Law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note. No delay or failure on the part of Holder in the exercise of any right or remedy hereunder shall operate as a waiver thereof, nor as an acquiescence in any default, nor shall any single or partial exercise by Holder of any right or remedy preclude any other right or remedy. Holder, at its option, may enforce its rights against any Collateral securing this Note without Holder enforcing its rights against any Borrower, any Guarantor of the indebtedness evidenced hereby or any other property or indebtedness due or to become due to any Borrower. Each Borrower agrees that, without releasing or impairing any Borrower's liability hereunder, Holder may at any time release, surrender, substitute or exchange any Collateral securing this Note and may at any time release any party primarily or secondarily liable for the indebtedness evidenced by this Note.

The rights of Holder and obligations of Borrowers hereunder shall be construed in accordance with and governed by the laws (without giving effect to the conflict of law principles thereof) of the State of New York. This Note is intended to take effect as an instrument under seal under New York law.

[Remainder of page intentionally left blank; Signatures appear on following page.]

IN WITNESS WHEREOF, each Borrower has caused this Note to be executed under seal and delivered by its duly authorized officers on the date first above written.

BORROWERS:

**INSIGHT HEALTH SERVICES HOLDINGS
CORP.**

INSIGHT HEALTH SERVICES CORP.

INSIGHT HEALTH CORP.

INSIGHT HEALTH SERVICES CORP.

MAXUM HEALTH SERVICES CORP.

OPEN MRI, INC.

SIGNAL MEDICAL SERVICES, INC.

COMPREHENSIVE MEDICAL

IMAGING, INC.

**COMPREHENSIVE MEDICAL IMAGING
CENTERS, INC.**

By: _____
Keith S. Kelson, Executive Vice President
and Chief Financial Officer

**ORANGE COUNTY REGIONAL PET CENTER
– IRVINE, LLC
PARKWAY IMAGING CENTER, LLC**

By: InSight Health Corp., as the sole member

By: _____
Keith S. Kelson, Executive Vice
President and Chief Financial Officer

[Signatures continued on following page]

EXHIBIT B

[Reserved.]

EXHIBIT C

Form of Notice of Borrowing

Date _____, 20__

Bank of America, N.A.
300 Galleria Parkway, Suite 800
Atlanta, Georgia 30339
Attention: Loan Administration Officer

Re: Post-Petition Loan and Security Agreement dated December __, 2010, by and among **INSIGHT HEALTH SERVICES HOLDINGS CORP.**, a Delaware corporation ("Parent"), **INSIGHT HEALTH SERVICES CORP.**, a Delaware corporation ("InSight Health"), **INSIGHT HEALTH CORP.**, a Delaware corporation (hereinafter referred to as "Borrower Agent"), and those affiliates of Borrower Agent listed on the signature pages thereto (Parent, InSight Health, Borrower Agent and each of Borrower Agent's affiliates listed on the signature pages thereto, being referred to collectively herein as "Borrowers" and individually as a "Borrower") and **BANK OF AMERICA, N.A.** (as at any time amended, modified, restated or supplemented, the "Loan Agreement")

Ladies and Gentlemen:

This Notice of Borrowing is delivered to you pursuant to **Section 4.1** of the Loan Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings attributable thereto in the Loan Agreement. Borrowers hereby request a Revolver Loan in the aggregate principal amount of \$_____, to be made on _____, _____.

Each Borrower hereby ratifies and reaffirms all of its liabilities and obligations under the DIP Financing Documents and hereby certifies that no Default or Event of Default exists on the date hereof.

Borrowers have caused this Notice of Borrowing to be executed and delivered by their duly authorized representative, this _____ day of _____, 20__.

INSIGHT HEALTH CORP., as
Borrower Agent

By: _____
Title: _____

EXHIBIT D

COMPLIANCE CERTIFICATE¹

[Letterhead of Borrower]

_____, 20__

Bank of America, N.A.
300 Galleria Parkway, N.W.
Suite 800
Atlanta, Georgia 30339

The undersigned, the chief financial officer of **INSIGHT HEALTH SERVICES HOLDINGS CORP.**, a Delaware corporation ("Parent"), **INSIGHT HEALTH SERVICES CORP.**, a Delaware corporation ("InSight Health"), **INSIGHT HEALTH CORP.**, a Delaware corporation (hereinafter referred to as "Borrower Agent"), and those affiliates of Borrower Agent listed on the signature pages thereto (Parent, InSight Health, Borrower Agent and each of Borrower Agent's affiliates listed on the signature pages thereto, being referred to collectively herein as "Borrowers" and individually as a "Borrower"), in his capacity as an officer, gives this certificate to **BANK OF AMERICA, N.A.** ("Lender") in accordance with the requirements of **Section 10.1.3** of that certain Post-Petition Loan and Security Agreement dated December __, 2010, among Borrowers and Lender (as at any time amended, modified, restated or supplemented, the "Loan Agreement"). Capitalized terms used in this Certificate, unless otherwise defined herein, shall have the meanings ascribed to them in the Loan Agreement. I hereby certify in my capacity as an officer:

1. I have reviewed the Budget, a true, correct and complete copy of which is attached hereto;
2. No Default or Event of Default exists on the date hereof, other than:
_____ [if none, so state];
3. The cash collections received by Borrowers are not less than 85% of the amount specified as "total cash receipts" in the Budget for the Applicable Budget Period immediately preceding the date hereof;
4. The cash disbursements made by Borrowers do not exceed 115% of the amount specified as "total cash disbursements" in the Budget for the Applicable Budget Period immediately preceding the date hereof; and
5. As of the date hereof, each Borrower is current in its payment of all accrued rent and other charges to Persons who own or lease any premises where any of the Collateral is located, and there are no pending disputes or claims regarding any Borrower's failure to pay or delay in payment of any such rent or other charges.

¹ To be updated pending finalization of budget compliance provisions.

Borrowers have caused this Compliance Certificate to be executed and delivered by their duly authorized representative, this _____ day of _____, 20__.

INSIGHT HEALTH CORP., as
Borrower Agent

By: _____
Title: Chief Financial Officer

EXHIBIT E

LETTER OF CREDIT REQUEST

Bank of America, N.A.
The Treasury and International Services Group,
GA1-006-10-32
600 Peachtree Street, NE, 10th Floor
Atlanta, Georgia 30308
Attention: Ms. Sue Sewell

This Letter of Credit Request is delivered to you pursuant to that certain Post-Petition Loan and Security Agreement, dated December __, 2010, among **INSIGHT HEALTH SERVICES HOLDINGS CORP.**, a Delaware corporation ("Parent"), **INSIGHT HEALTH SERVICES CORP.**, a Delaware corporation ("InSight Health"), **INSIGHT HEALTH CORP.**, a Delaware corporation (hereinafter referred to as "Borrower Agent"), and those affiliates of Borrower Agent listed on the signature pages thereto (Parent, InSight Health, Borrower Agent and each of Borrower Agent's affiliates listed on the signature pages thereto, being referred to collectively herein as "Borrowers" and individually as a "Borrower"), and **BANK OF AMERICA, N.A.** ("Lender") (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"). Unless otherwise defined herein, terms used herein have the meanings assigned to them in the Loan Agreement.

Borrowers hereby request Lender to issue a Letter of Credit, as follows:

- (1) Borrower's/Account Party's Name _____
- (2) Amount of Letter of Credit: \$ _____
- (3) Issuance Date: _____
- (4) Beneficiary's Name: _____
- (5) Beneficiary's Address: _____

- (6) Expiry Date: _____
- (7) Draw Conditions: _____

- (8) Single draw : or Multiple draw : _____
- (9) Purpose of Letter of Credit: _____

Attached hereto is Lender's form of LC Application, completed with the details of the Letter of Credit requested herein.

Each Borrower hereby certifies that each of the LC Conditions is now, and will on the date of issuance of the Letter of Credit, be satisfied in all respects and that no Default or Event of Default exists. Each Borrower hereby ratifies and reaffirms all of the DIP Financing Documents and Obligations arising thereunder.

IN WITNESS WHEREOF, each Borrower has caused this Letter of Credit Request to be executed and delivered by its duly authorized officer, this ___ day of _____, 20__.

INSIGHT HEALTH CORP.
("Borrower Agent")

By: _____
Name: _____
Title: _____

EXHIBIT F

Most Recent Filed Annual Report

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

10-K

FORM 10-K

Filed on 09/24/2010 – Period: 06/30/2010

File Number 333-75984-12



UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 333-75984-12

INSIGHT HEALTH SERVICES HOLDINGS CORP.
(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

04-3570028
(I.R.S. Employer Identification No.)

26250 ENTERPRISE COURT, SUITE 100,
LAKE FOREST, CA
(Address of principal executive offices)

92630
(Zip code)

(949) 282-6000
(Registrant's telephone number including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE
(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or informative statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of December 31, 2009 (based on the price at which the common stock was last sold on the Over-The-Counter Bulletin Board on the last business day of the registrant's most recent completed second fiscal quarter) was \$984,086.

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares outstanding of the Registrant's common stock as of September 23, 2010 was 8,644,444.

INSIGHT HEALTH SERVICES HOLDINGS CORP.
ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

OVERVIEW

All references to “we,” “us,” “our,” “our company” or the “Company” in this annual report on Form 10–K, or Form 10–K, mean Insight Health Services Holdings Corp., a Delaware corporation incorporated in 2001, and all entities and subsidiaries owned or controlled by Insight Health Services Holdings Corp. All references to “Holdings” in this Form 10–K mean Insight Health Services Holdings Corp. by itself. All references to “Insight” in this Form 10–K mean Insight Health Services Corp., a Delaware corporation and a wholly owned subsidiary of Holdings, by itself. All references to “fiscal 2010” mean our fiscal year ended June 30, 2010.

We are a provider of diagnostic imaging services through a network of fixed–site centers and mobile facilities. Our services are noninvasive procedures that generate representations of internal anatomy on film or digital media, which are used by physicians for the diagnosis and assessment of diseases and disorders.

We serve a diverse portfolio of customers, including healthcare providers, such as hospitals and physicians, and payors, such as managed care organizations, Medicare, Medicaid and insurance companies. We operate in more than 30 states including the following targeted regional markets: Arizona, certain markets in California, the Carolinas, Florida, New England, and the Mid–Atlantic states. We generated approximately 68% of our total revenues from MRI services during fiscal 2010, as well as provided a comprehensive offering of diagnostic imaging services, including PET/CT, CT, mammography, bone densitometry, ultrasound and x–ray.

As of June 30, 2010, our network consisted of 62 fixed–site centers and 104 mobile facilities. This combination allows us to provide a full range of imaging services to better meet the varying needs of our customers. Our fixed–site centers include freestanding centers and joint ventures with hospitals and radiology groups. Our mobile facilities provide hospitals and physician groups access to imaging technologies when they lack either the resources or patient volume to provide their own imaging services or require incremental capacity. We do not engage in the practice of medicine; instead we contract with radiologists to provide professional services, including supervision, interpretation and quality assurance.

We have three reportable segments: contract services, patient services and other operations. Please see “Segments” below for a discussion of our segments. In our contract services segment we generate revenue principally from 99 mobile units and 17 fixed sites. In our patient services segment we generate revenues principally from 45 fixed–site centers and 5 mobile units. In our other operations segment, we generate revenues principally from agreements with customers to provide management services and technical solutions.

Our principal executive offices are located at 26250 Enterprise Court, Suite 100, Lake Forest, California 92630, and our telephone number is (949) 282–6000. Our internet address is www.insighthealth.com. www.insighthealth.com is a textual reference only, meaning that the information contained on the website is not part of this Form 10–K and is not incorporated by reference in this Form 10–K or in any other filings we make with the Securities and Exchange Commission, or SEC.

We file annual, quarterly and special reports and other information with the SEC. You may read and copy materials that we have filed with the SEC at the following SEC public reference room:

100 F Street, N.E. Washington, D.C. 20549

Please call the SEC at 1–800–SEC–0330 for further information on the public reference room. Our SEC filings are also available to the public on the SEC’s internet website at <http://www.sec.gov>.

Reorganization

On May 29, 2007, Holdings and Insight filed voluntary petitions to reorganize their business under chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (Case No. 07–10700). The filing was in connection with a prepackaged plan of reorganization and related exchange offer. The other subsidiaries of Holdings were not included in the bankruptcy filing and continued to operate their business. On July 10, 2007, the

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bankruptcy court confirmed Holdings' and Insight's Second Amended Joint Plan of Reorganization pursuant to chapter 11 of the Bankruptcy Code. The plan of reorganization became effective and Holdings and Insight emerged from bankruptcy protection on August 1, 2007, or the effective date. Pursuant to the confirmed plan of reorganization and the related exchange offer, (1) all of Holdings' common stock, all options for Holdings' common stock and all of Insight's 9.875% senior subordinated notes due 2011, or senior subordinated notes, were cancelled, and (2) holders of Insight's senior subordinated notes and holders of Holdings' common stock prior to the effective date received 7,780,000 and 864,444 shares of newly issued Holdings' common stock, respectively, in each case after giving effect to a one for 6.326392 reverse stock split of Holdings' common stock.

This reorganization significantly deleveraged our balance sheet and improved our projected cash flow after debt service. However, we still have a substantial amount of debt, which requires significant interest and principal payments. As of June 30, 2010, we had total indebtedness of approximately \$298.1 million in aggregate principal amount, including Insight's \$293.5 million of senior secured floating rate notes due 2011, or floating rate notes, which come due in November 2011. Additionally, the opinion of our independent registered public accounting firm, relating to our financial statements for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable. We did not have any borrowings outstanding on the revolver as of June 30, 2010 and do not currently have any borrowings outstanding on the revolver. We have approximately \$1.6 million outstanding in letters of credit which would need to be cash collateralized in the event our revolver is eliminated.

We believe that future net cash provided by operating activities will be adequate to meet our operating cash and debt service requirements through December 1, 2010. If our cash requirements exceed the cash provided by our operating activities, then we would look to our cash balance, asset sales and revolving credit line to satisfy those needs. However, following December 1, 2010, we may not be able to access our existing revolver if we are in default under our revolving credit agreement and our lender refuses to extend the forbearance period. In the event net cash provided by operating activities declines further than we have anticipated, or if the availability under our revolving credit facility is reduced or eliminated by our lender in light of the existing default under that facility, any future defaults or otherwise, we are prepared to take steps to conserve our cash, including delaying or further restricting our capital projects and sale of certain assets. In any event, we will likely need to restructure or refinance all or a portion of our indebtedness on or before the maturity of such indebtedness. In the event such steps are not successful in enabling us to meet our liquidity needs or to restructure or refinance our outstanding indebtedness when due, we may need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged a financial advisory firm and are working closely with them to develop and finalize a restructuring and refinancing plan to significantly reduce our outstanding debt and improve our cash and liquidity position.

Nevertheless, the floating rate notes mature in November 2011 and require substantial quarterly interest payments leading up to maturity. Unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness and cause a material adverse effect on our liquidity and financial condition. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more restrictive covenants, which could further restrict our business operations and have a material adverse effect on our results of operations. Although we are prepared to take additional steps as necessary to improve our liquidity and financial condition, we cannot be certain such steps would be effective.

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Segments

Effective July 1, 2009, we redefined our business segments based on how our chief operating decision maker views the businesses and assesses the performance of our business managers. We now have three reportable segments: contract services, patient services and other operations, which are business units defined primarily by the type of service provided.

Contract Services. Contract services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to our healthcare provider customers, such as hospitals, which we refer to as wholesale operations. Hospitals, physician groups and other healthcare providers can access our diagnostic imaging technology through our network of 99 mobile facilities and 17 fixed-site centers currently serving our wholesale customers. We currently have contracts with approximately 200 hospitals, physician groups and other healthcare providers. We enable hospitals, physician groups and other healthcare providers to benefit from our imaging equipment without investing their own capital directly. Interpretation services are generally provided by the hospital's radiologists or physician groups and not by us. Our contract services revenue is generated primarily from fee-for-service arrangements and fixed-fee contracts billed directly to our wholesale customers. We handle the billing and collections for our contract services internally at a relatively low cost, and we do not bear the direct risk of collections from third party-payers or patients.

After reviewing the needs of our customers, route patterns, travel times, fuel costs and equipment utilization, our field managers implement planning and route management to maximize the utilization of our mobile facilities while controlling the costs to transport the mobile facilities from one location to another. Our mobile facilities are scheduled for as little as one-half day and up to seven days per week at any particular site. We generally enter into one to five year-term contracts with our mobile customers under which they assume responsibility for billing directly to patients and payors, and collections. Our mobile customers directly pay us a contracted amount for our services, regardless of whether they are reimbursed.

Our mobile facilities provide a significant advantage for establishing long-term arrangements with hospitals, physician groups and other healthcare providers and expanding our fixed-site business. We establish mobile routes in selected markets with the intent of growing with our customers. Our mobile facilities give us the flexibility to (1) supplement fixed-site centers operating at or near capacity until volume has grown sufficiently to warrant additional fixed-site equipment or centers, and (2) test new markets on a short-term basis prior to establishing new mobile routes or opening new fixed-site centers. Our goal is to enter into long-term joint venture relationships with our contract services customers once the local market matures and sufficient patient volume is achieved to support a fixed-site center.

Patient Services. Patient services consist of centers (primarily fixed-sites) that primarily generate revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, such as Medicare, Medicaid, insurance companies and health maintenance organizations, which we refer to as our retail operations. We have primarily outsourced the billing and collections for our patient services to Dell Perot Systems, and we bear the direct risk of collections from third-party payors and patients. Our patient services centers provide a full range of diagnostic imaging services to patients, physicians, insurance payors and managed care organizations. Of our 45 fixed-site patient services centers, 15 offer MRI services. Our remaining 30 fixed-site centers are multi-modality sites typically offering MRI and one or more of CT, PET/CT, x-ray, mammography, ultrasound, nuclear medicine, bone densitometry and nuclear cardiology. Our five mobile units within our patient services are single modality units offering MRI services. Diagnostic services are provided to a patient upon referral by a physician. Physicians refer patients to our patient services centers based on our service reputation, equipment, breadth of managed care contracts and convenient locations. Our patient services centers provide the equipment and technologists for the procedures, contract with radiologists to interpret the procedures, and bill payors directly. We have contracts with managed care organizations for our patient services centers, which often last for a period of multiple years because (1) they do not have specific terms or specific termination dates or (2) they contain annual "evergreen" provisions that provide for the contract to automatically renew unless either party terminates the contract. In addition to our independent facilities, we enter into joint ventures with hospitals and radiology groups. Our joint ventures allow us to charge a management and billing fee for supporting their day-to-day operations.

Other Operations. Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections, and accounting and other office services. We refer to this revenue as generated from our solutions business. In addition to our traditional offerings of

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equipment and management services, we believe that we have the ability to offer packaged technology solutions to hospitals and other medical imaging services providers. Besides our traditional offerings, these customers would have a broad spectrum of systems and services, including, but not limited to, image archiving and Picture Archiving Communication System (PACS) services, patient registration portals, radiology information systems, receivables and collections management services, and financial and operational tools. We launched this offering of solutions in fiscal 2010 and we recently extended a contract with an existing customer, implemented a new contract, and have three additional contracts with implementation dates within our first fiscal quarter of 2011.

Additional Information. Financial information concerning our three segments is set forth in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in Note 19 of our consolidated financial statements, all of which are incorporated herein by reference.

DIAGNOSTIC IMAGING TECHNOLOGY

Our diagnostic imaging systems consist of MRI systems, PET/CT systems, CT systems, ultrasound systems, x-ray, analog and digital mammography, radiography/fluoroscopy systems and bone densitometry. Each of these types of imaging systems (other than analog mammography) represents the marriage of computer technology and various medical imaging modalities. The following highlights our primary imaging systems:

Magnetic Resonance Imaging or MRI

MRI is a technique that involves the use of high-strength magnetic fields to produce computer-processed, three-dimensional, cross-sectional images of the body. The resulting image reproduces soft tissue anatomy (as found in the brain, breast tissue, spinal cord and interior ligaments of body joints such as the knee) with superior clarity, and without exposing patients to ionizing radiation. MRI systems are classified into two classes, conventional MRI systems and Open MRI systems. The structure of conventional MRI systems allows for higher magnet field strengths, better image quality and faster scanning times than Open MRI systems. However, Open MRI systems are able to service patients who have access difficulties with conventional MRI systems, including pediatric patients and patients suffering from post-traumatic stress, claustrophobia or significant obesity. A typical conventional MRI examination takes from 20 to 45 minutes. A typical Open MRI examination takes from 30 to 60 minutes. MRI systems are typically priced in the range of \$0.9 million to \$2.5 million each.

Computed Tomography or CT

In CT imaging, a computer analyzes the information received from x-ray beams to produce multiple cross-sectional images of a particular organ or area of the body. CT imaging is used to detect tumors and other conditions affecting bones and internal organs. A typical CT examination takes from five to 20 minutes. CT systems are typically priced in the range of \$0.4 million to \$1.5 million each.

Positron Emission Tomography or PET

PET is a nuclear medicine procedure that produces pictures of the body's metabolic and biological functions. PET can provide earlier detection as well as monitoring of certain cancers, coronary diseases or neurological problems than other diagnostic imaging systems. The information provided by PET technology often obviates the need to perform further highly invasive or diagnostic surgical procedures. PET/CT systems fuse together the results of a PET scan and CT scan, which makes it possible to collect both anatomical and biological information during a single procedure. A typical PET or PET/CT examination takes from 20 to 60 minutes. PET/CT systems are typically priced in the range of \$1.3 million to \$2.0 million each.

Other Imaging Technologies

- Ultrasound systems use, detect and process high frequency sound waves to generate images of soft tissues and internal body organs.
- X-ray is the most common energy source used in imaging the body and is now employed in conventional x-ray systems, CT and digital x-ray systems.
- Mammography is a low-level conventional examination of the breasts, primarily for detecting lesions in the breast that may be too small or deeply buried to be felt in a regular breast examination.

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- Bone densitometry uses an advanced technology called dual–energy x–ray absorptiometry, or DEXA, which safely, accurately and painlessly measures bone density and the mineral content of bone for the diagnosis of osteoporosis.

STRATEGY

Patient Services Strategy

We have pursued a strategy based on core markets in our patient services segment. We believe this strategy will allow us more operating efficiencies and synergies than are available in a nationwide strategy. Our core market is determined by many factors, including, without limitation, demographic and population trends, utilization and reimbursement rates, existing and potential market share, the potential for profitability and return on assets, competition within the surrounding area, regulatory restrictions, such as certificates of need, and potential for alignment with radiologists, hospitals or payors. This strategy has resulted in us exiting some markets while increasing our presence in others or establishing new markets through acquisitions and dispositions. In implementing our core market strategy, we have taken the following actions:

- During fiscal 2009, we sold eight fixed–site centers (six in California, one in Illinois and one in Tennessee), and equity interests in three joint ventures that operated five fixed–site centers (four in New York and one in California) and we closed three fixed–site centers (two in California and one in Arizona).
- During fiscal 2009, we acquired two fixed–site centers in Boston, Massachusetts and two fixed–site centers in Phoenix, Arizona.
- During fiscal 2010, we expanded our presence in two regional markets: Texas and the Mid–Atlantic states. In March, 2010 we acquired an equity interest in a joint venture that operates a fixed–site center in the Dallas/Fort Worth, Texas area. In May, 2010 we acquired two fixed–site centers through a joint venture in the Toms River, New Jersey area.
- During fiscal 2010, we sold three fixed–site centers (two in Pennsylvania and one in California), and closed two fixed–site centers (one in California and one in Arizona).
- In August, 2010 we expanded our presence in the Southwest market by acquiring eight fixed–site centers in the areas of Phoenix, Arizona, El Paso, Texas, and Las Cruces, New Mexico. Also, we sold one fixed–site center in California.

Contract Services Strategy

Within our contract services segment we have pursued a strategy based on optimizing our mobile MRI and PET/CT routes, and of converting strategic mobile imaging customers to fixed site accounts. We have targeted our contract services sales efforts in regions where we have an existing presence, taking into account such factors as demographic and population trends, utilization and reimbursement rates, existing and potential market share, the potential for profitability and return on assets, competition within the surrounding area and regulatory restrictions, such as certificates of need, which provide a barrier to competition.

As a result of implementing our core market strategy in the patient services segment, we have reduced our overall cost of services as a percentage of revenues from 67.4% for fiscal 2009 to 67.0% for fiscal 2010. The decrease is primarily due to disposing of low margin patient services centers, which had an average cost of services as a percentage of revenues of approximately 125%. Notwithstanding the overall growth in the industry in which we operate, as a result of the various factors that affect our industry generally and our business specifically, we have experienced declines in Adjusted EBITDA as compared to prior fiscal year periods. See our discussion regarding results of operations, our definition of Adjusted EBITDA and reconciliation of net cash provided by operating activities to Adjusted EBITDA in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

We are continuously evaluating opportunities for the acquisition and disposition of certain businesses. There can be no assurance that we can complete sales and/or purchases of these businesses on terms favorable to us in a timely manner to replace the loss of Adjusted EBITDA related to the businesses we sell.

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BUSINESS DEVELOPMENT

Our objective is to be a leading provider of diagnostic imaging services in our core markets. Our efforts are focused on two components.

First, we strive to maximize utilization of our existing facilities by:

- broadening our physician referral base and generating new sources of revenues through selective marketing activities;
- focusing our marketing efforts on attracting additional managed care customers;
- emphasizing quality of care and convenience to our customers; and
- expanding current imaging applications of existing modalities to increase overall procedure volume.

Second, we continuously refine our core market strategy by:

- seeking to develop new fixed–site centers, mobile routes, and joint ventures with hospitals or radiologists and making disciplined acquisitions where attractive returns on investment can be achieved and sustained; and
- seeking opportunities to exit underperforming businesses or businesses in non–core markets and redeploying such capital to achieve more attractive returns.

Generally, these activities are aimed at increasing revenues and gross profit, maximizing utilization of existing capacity and increasing economies of scale. Incremental gross profit resulting from such activities will vary depending on geographic area, whether facilities are mobile or fixed, the range of services provided and the strength of our joint venture partners. We believe that our core market strategy is a key factor to improve our operating results.

GOVERNMENT REGULATION

The healthcare industry is highly regulated and changes in laws and regulations can be significant. Changes in the law or new interpretation of existing laws can have a material effect on our permissible activities, the relative costs associated with doing business and the amount of reimbursement by government and other third–party payors. The federal government and all states in which we currently operate regulate various aspects of our business. Failure to comply with these laws could adversely affect our ability to receive reimbursement for our services and subject us and our officers and agents to civil and criminal penalties.

Federal False Claims Act The federal False Claims Act and, in particular, the False Claims Act’s “qui tam” or “whistleblower” provisions allow a private individual to bring actions in the name of the government alleging that a defendant has made false claims for payment from federal funds. After the individual has initiated the lawsuit, the government must decide whether to intervene in the lawsuit and to become the primary prosecutor. Until the government makes a decision, the lawsuit is kept secret. If the government declines to join the lawsuit, the individual may choose to pursue the case alone, in which case the individual’s counsel will have primary control over the prosecution, although the government must be kept apprised of the progress of the lawsuit, and may intervene later. Whether or not the federal government intervenes in the case, it will receive the majority of any recovery. If the litigation is successful, the individual is entitled to no less than 15%, but no more than 30%, of whatever amount the government recovers that is related to the whistleblower’s allegations. The percentage of the individual’s recovery varies, depending on whether the government intervened in the case and other factors. In recent years the number of suits brought against healthcare providers by government regulators and private individuals has increased dramatically. In addition, various states are considering or have enacted laws modeled after the federal False Claims Act, penalizing false claims against state funds. If a whistleblower action is brought against us, even if it is dismissed with no judgment or settlement, we may incur substantial legal fees and other costs relating to an investigation. Actions brought under the False Claims Act may result in significant fines and legal fees and distract our management’s attention, which would adversely affect our financial condition and results of operations.

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When an entity is determined to have violated the federal False Claims Act, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties of between \$5,500 to \$11,000 for each separate false claim, as well as the government's attorneys' fees. Liability arises when an entity knowingly submits, or causes someone else to submit, a false claim for reimbursement to the federal government. The False Claims Act defines the term "knowingly" broadly. Though simple negligence will not give rise to liability under the False Claims Act, submitting a claim with reckless disregard to its truth or falsity constitutes a "knowing" submission under the False Claims Act and, therefore, will qualify for liability. Examples of the other actions which may lead to liability under the False Claims Act:

- Failure to comply with the many technical billing requirements applicable to our Medicare and Medicaid business.
- Failure to comply with Medicare requirements concerning the circumstances in which a hospital, rather than we, must bill Medicare for diagnostic imaging services we provide to outpatients treated by the hospital.
- Failure of our hospital customers to accurately identify and report our reimbursable and allowable services to Medicare.
- Failure to comply with the prohibition against billing for services ordered or supervised by a physician who is excluded from any federal healthcare program, or the prohibition against employing or contracting with any person or entity excluded from any federal healthcare program.
- Failure to comply with the Medicare physician supervision requirements for the services we provide, or the Medicare documentation requirements concerning physician supervision.
- The past conduct of the businesses we have acquired.

In addition, recent changes to the federal False Claims Act have increased the compliance risks faced by healthcare providers furnishing Medicare and Medicaid services. These changes were enacted through the passage of the Fraud Enforcement Recovery Act of 2009. The Fraud Enforcement and Recovery Act of 2009 expanded the scope of the False Claims Act by, among other things, broadening protections for whistleblowers and creating liability for knowingly retaining a government overpayment, acting in deliberate ignorance of a government overpayment or acting in reckless disregard of a government overpayment. The recently enacted healthcare reform bills in the form of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, "PPACA") expanded on changes made by the 2009 Fraud Enforcement and Recovery Act with regard to such "reverse false claims." Under PPACA, the knowing failure to report and return an overpayment within 60 days of identifying the overpayment or by the date a corresponding cost report is due, whichever is later, constitutes a violation of the False Claims Act. Because Medicare and Medicaid overpayments can be predicated on a wide array of conduct, there is increased risk that we may incur substantial legal fees and other costs related to investigating any possible government overpayments, and making the appropriate repayment to the government.

We strive to ensure that we meet applicable billing requirements. However, the costs of defending claims under the False Claims Act, as well as sanctions imposed under the Act, could significantly affect our business, financial condition and results of operations.

Anti-kickback Statutes We are subject to federal and state laws which govern financial and other arrangements between healthcare providers. These include the federal anti-kickback statute which, among other things, prohibits the knowing and willful solicitation, offer, payment or receipt of any remuneration, direct or indirect, in cash or in kind, in return for or to induce the referral of patients for items or services covered by Medicare, Medicaid and certain other governmental health programs. Under PPACA, knowledge of the anti-kickback statute or the specific intent to violate the law is not required. Violation of the anti-kickback statute may result in civil or criminal penalties and exclusion from the Medicare, Medicaid and other federal healthcare programs, and according to PPACA, now provides a basis for liability under the False Claims Act. In addition, it is possible that private parties may file "qui tam" actions based on claims resulting from relationships that violate the anti-kickback statute, seeking significant financial rewards. Many states have enacted similar statutes, which are not limited to items and services paid for under Medicare or a federally funded healthcare program. In recent years, there has been

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increasing scrutiny by law enforcement authorities, the Department of Health and Human Services, or HHS, the courts and Congress of financial arrangements between healthcare providers and potential sources of referrals to ensure that such arrangements do not violate the anti-kickback provisions. HHS and the federal courts interpret "remuneration" broadly to apply to a wide range of financial incentives, including, under certain circumstances, distributions of partnership and corporate profits to investors who refer federal healthcare program patients to a corporation or partnership in which they have an ownership interest and payments for service contracts and equipment leases that are designed, even if only in part, to provide direct or indirect remuneration for patient referrals or similar opportunities to furnish reimbursable items or services. HHS has issued "safe harbor" regulations that set forth certain provisions which, if met, will assure that healthcare providers and other parties who refer patients or other business opportunities, or who provide reimbursable items or services, will be deemed not to violate the anti-kickback statutes. The safe harbors are narrowly drawn and some of our relationships may not qualify for any "safe harbor"; however, failure to comply with a "safe harbor" does not create a presumption of liability. We believe that our operations materially comply with the anti-kickback statutes; however, because these provisions are interpreted broadly by regulatory authorities, we cannot be assured that law enforcement officials or others will not challenge our operations under these statutes.

Civil Money Penalty Law and Other Federal Statutes The Civil Money Penalty, or CMP, law covers a variety of practices. It provides a means of administrative enforcement of the anti-kickback statute, and prohibits false claims, claims for medically unnecessary services, violations of Medicare participating provider or assignment agreements and other practices. The statute gives the Office of Inspector General of the HHS the power to seek substantial civil fines, exclusion and other sanctions against providers or others who violate the CMP prohibitions.

In addition, in 1996, Congress created a new federal crime: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs such as the Medicare and Medicaid programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services, including those provided by private payors. A violation of this statute is a felony and may result in fines or imprisonment.

We believe that our operations materially comply with the CMP law and the healthcare fraud and false statements statutes. These prohibitions, however, are broadly worded and there is limited authority interpreting their parameters. Therefore, we can give no assurance that the government will not pursue a claim against us based on these statutes. Such a claim would divert the attention of management and could result in substantial penalties, which could adversely affect our financial condition and results of operations.

Health Insurance Portability and Accountability Act In 1996, Congress passed the Health Insurance Portability and Accountability Act, or HIPAA. Although the main focus of HIPAA was to make health insurance coverage portable, HIPAA has become a short-hand reference to new standards for electronic transactions and privacy and security obligations imposed on providers and others who handle personal health information. HIPAA requires healthcare providers to adopt standard formats for common electronic transactions with health plans, and to maintain the privacy and security of individual patients' health information. A violation of HIPAA's standard transactions, privacy and security provisions may result in criminal and civil penalties, which could adversely affect our financial condition and results of operations.

Stark and State Physician Self-Referral Laws The federal Physician Self-Referral or "Stark" Law prohibits a physician from referring Medicare patients for certain "designated health services" to an entity with which the physician (or an immediate family member of the physician) has a financial relationship unless an exception applies. In addition, the receiving entity is prohibited from billing for services provided pursuant to the prohibited referral.

Designated health services under Stark include radiology services (MRI, CT, x-ray, ultrasound and others), radiation therapy, inpatient and outpatient hospital services and several other services. A violation of the Stark Law does not require a showing of intent. If a physician has a financial relationship with an entity that does not qualify for

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an exception, the referral of Medicare patients to that entity for designated health services is prohibited and, if the entity bills for such services, the Stark sanctions apply.

Sanctions for violating Stark include denial of payment, mandatory refunds, civil money penalties and/or exclusion from the Medicare program. In addition, some courts have allowed federal False Claims Act lawsuits premised on Stark Law violations.

The federal Stark Law prohibition is expansive, and its statutory language and implementing regulations are ambiguous. Consequently, the statute has been difficult to interpret. Since 1995, the Centers for Medicare and Medicaid Services, or CMS, has published numerous sets of regulations implementing the Stark Law with more to come. With each set of regulations, CMS's interpretation of the statute has evolved. This has resulted in considerable confusion concerning the scope of the referral prohibition and the requirements of the various exceptions. It is noteworthy, however, that CMS has taken the position that the Stark Law is self-effectuating and does not require implementing regulations. Thus, the government believes that physicians and others must comply with the Stark Law prohibitions regardless of the state of the regulatory guidance.

The Stark Law does not directly prohibit referral of Medicaid patients, but rather denies federal financial participation to state Medicaid programs for services provided pursuant to a tainted referral. Thus, Medicaid referrals are subject to whatever sanctions the relevant state has adopted. Several states in which we operate have enacted or are considering legislation that prohibits "self-referral" arrangements or requires physicians or other healthcare providers to disclose to patients any financial interest they have in a healthcare provider to whom they refer patients. Possible sanctions for violating these state statutes include loss of participation, civil fines and criminal penalties. The laws vary from state to state and seldom have been interpreted by the courts or regulatory agencies. Nonetheless, strict enforcement of these requirements is likely.

We believe our operations materially comply with the federal and state physician self-referral laws. However, given the ambiguity of these statutes, the uncertainty of the regulations and the lack of judicial guidance on many key issues, we can give no assurance that the Stark Law or other physician self-referral regulations will not be interpreted in a manner that could adversely affect our financial condition and results of operations.

FDA The Food and Drug Administration, or FDA, has issued the requisite premarket approval for all of our MRI, PET/CT and CT systems. We do not believe that any further FDA approval is required in connection with equipment currently in operation or proposed to be operated; however, under FDA regulations related to the Mammography Quality Standards Act of 1992, all mammography facilities must have a certificate issued by the FDA. In order to obtain a certificate, a mammography facility is required to be accredited by an FDA approved accrediting body (a private, non-profit organization or state agency) or other entity designated by the FDA. Pursuant to the accreditation process, each facility providing mammography services must comply with certain standards including annual inspection.

Compliance with these standards is required to obtain payment for Medicare services and to avoid various sanctions, including monetary penalties, or suspension of certification. Although all of our facilities which provide mammography services are currently accredited by the Mammography Accreditation Program of the American College of Radiology and we anticipate continuing to meet the requirements for accreditation, the withdrawal of such accreditation could result in the revocation or suspension of certification by the FDA, ineligibility for Medicare reimbursement and sanctions, including monetary penalties. Congress has extended Medicare benefits to include coverage of screening mammography subject to the prescribed quality standards described above. The regulations apply to diagnostic mammography as well as screening mammography.

Radiologist and Facility Licensing The radiologists with whom we contract to provide professional services are subject to licensing and related regulations by the states, including registrations to use radioactive materials. As a result, we require our radiologists to have and maintain appropriate licensure and registrations. In addition, some states also impose licensing or other requirements on us at our facilities and other states may impose similar requirements in the future. Some local authorities may also require us to obtain various licenses, permits and approvals. We believe that we have obtained all required licenses and permits; however, the criteria governing licensing or permitting may change or additional laws and licensing requirements governing our facilities may be enacted. These changes could adversely affect our financial condition and results of operations.

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Liability Insurance The hospitals, physician groups and other healthcare providers who use our diagnostic imaging systems are involved in the delivery of healthcare services to the public and, therefore, are exposed to the risk of liability claims. Our position is that we do not engage in the practice of medicine. We provide only the equipment and technical components of diagnostic imaging, including certain limited nursing services, and we have not experienced any material losses due to claims for malpractice. Nevertheless, claims for malpractice have been asserted against us in the past and any future claims, if successful, could entail significant defense costs and could result in substantial damage awards to the claimants, which may exceed the limits of any applicable insurance coverage. We maintain professional liability insurance in amounts we believe are adequate for our business of providing diagnostic imaging, treatment and management services. In addition, the radiologists or other healthcare professionals with whom we contract are required by such contracts to carry adequate medical malpractice insurance. Successful malpractice claims asserted against us, to the extent not covered by our liability insurance, could adversely affect our financial condition and results of operations.

Independent Diagnostic Treatment Facilities CMS has established a category of Medicare provider referred to as Independent Diagnostic Treatment Facilities, or IDTFs. Imaging centers have the option to participate in the Medicare program as either IDTFs or medical groups. Most of our fixed-site centers are IDTFs, which must comply with certain certification standards. In addition, the Medicare Improvements for Patients and Providers Act of 2008 requires imaging centers to be accredited by 2012. Although we expect our IDTFs to meet these certification and accreditation standards, increased oversight by CMS could adversely affect our financial condition and results of operations.

Certificates of Need Some states require hospitals and certain other healthcare facilities and providers to obtain a certificate of need, or CON, or similar regulatory approval prior to establishing certain healthcare operations or services, incurring certain capital projects and/or the acquisition of major medical equipment including MRI and PET/CT systems. We believe that we have complied or will comply with applicable requirements in those states where we operate. Nevertheless, this is an area of continuing legislative activity, and statutes and regulations may be modified in the future in a manner that could adversely affect our financial condition and results of operations.

Environmental, Health and Safety Laws Our PET/CT services and some of our other imaging services require the use of radioactive materials, which are subject to federal, state and local regulations governing the storage, use and disposal of materials and waste products. We could incur significant costs in order to comply with current or future environmental, health and safety laws and regulations. However, we believe that environmental, health and safety laws and regulations will not (1) cause us to incur any material capital expenditures in our current year or the succeeding year, including costs for environmental control facilities or (2) materially impact our revenues or our competitive position.

SALES AND MARKETING

We engage in sales and marketing activities to obtain new sources of revenues, expand business relationships, grow revenues at existing facilities, and maintain present business alliances and contractual relationships. Sales and marketing activities for our fixed operations include educating physicians on new applications and uses of the technology and customer service programs. In addition, we seek to leverage our core market concentration to continue to develop contractual relationships with managed care payors to increase patient volume. Sales and marketing activities for our mobile business include direct marketing to hospitals and developing leads through current customers, equipment manufacturers, and other vendors. In addition, marketing activities for our mobile operations include contacting referring physicians associated with hospital customers and educating physicians.

COMPETITION

The healthcare industry in general, and the market for diagnostic imaging services in particular, is highly competitive and fragmented, with only a few national providers. We compete principally on the basis of our service reputation, equipment, breadth of managed care contracts and convenient locations. Our operations must compete with hospitals, physician groups and certain other independent organizations, including equipment manufacturers and leasing companies that own and operate imaging equipment. We will continue to encounter substantial

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competition from hospitals and independent organizations, including Alliance Healthcare Services, Inc., Radnet, Inc., Diagnostic Health Corporation, MedQuest, Inc., Shared Imaging and Otter Tail Corporation doing business as DMS Imaging. Some of our direct competitors may have access to greater financial resources than we do and have less debt in relation their operating profit.

Certain hospitals, particularly the larger or more financially stable hospitals, have and may be expected to directly acquire and operate imaging equipment on-site as part of their overall inpatient servicing capability. Historically, smaller hospitals have been reluctant to purchase imaging equipment, but some have chosen to do so with attractive financing offered by equipment manufacturers. Some physician practices have also established diagnostic imaging centers or purchased imaging equipment for their own offices, and we anticipate that others will as well. In addition, attractive financing from equipment manufacturers, as well as attractive gross margins, have caused hospitals and physician groups who have utilized mobile services from our company and our competitors to purchase and operate their own equipment. Although reimbursement reductions and reduced access to credit may dissuade physician groups from operating their own equipment, we expect that some high volume customer accounts will continue to elect not to renew their contracts with us and instead acquire their own diagnostic imaging equipment.

CUSTOMERS AND CONTRACTS

Our revenues are primarily generated from patient services and contract services. Our fixed-site centers primarily generate patient services revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, which we refer to as our retail operations. With respect to our retail operations we bear the direct risk of collections from third-party payors and patients. Contract services revenues are generally earned from services billed to a hospital, physician group or other healthcare provider, which include fee-for-service arrangements in which revenues are based upon a contractual rate per procedure and fixed fee contracts, which we refer to as our wholesale operations. With respect to our wholesale operations we do not bear direct risk of collections from third-party payors or patients. Contract services revenues are primarily earned through mobile facilities pursuant to contracts with a term from one to five years. A significant number of our mobile contracts will expire each year. We expect that some high volume customer accounts will elect not to renew their contracts and instead will purchase or lease their own diagnostic imaging equipment and some customers may choose an alternative services provider.

During fiscal 2010, approximately 49% of our revenues were generated from patient services, approximately 50% were generated from contract services and approximately 1% was generated from other operations.

DIAGNOSTIC IMAGING AND OTHER EQUIPMENT

As of September 23, 2010, we owned or leased 223 diagnostic imaging systems, with the following classifications: 3.0 Tesla MRI, 1.5 Tesla MRI, 1.0 Tesla MRI, Open MRI, PET, PET/CT, CT and other technology. Magnetic field strength is the measurement of the magnet used inside an MRI system. If the magnetic field strength is increased the image quality of scans is improved and the time required to complete scans is decreased. Magnetic field strength on our MRI systems currently ranges from 0.2 to 3.0 Tesla. Of our 174 conventional MRI systems, three have a magnetic field strength of 3.0 Tesla, while 136 have a magnetic field strength of 1.5 Tesla, which is the industry standard magnetic strength for conventional fixed and mobile MRI systems. Other than ultra-high field MRI systems and 256-slice CT systems, we are aware of no substantial technological changes; however, should such changes occur, we may not be able to acquire the new or improved systems.

We continue to evaluate the mix of our diagnostic imaging equipment in response to changes in technology and to any overcapacity in the marketplace. We improve our equipment through upgrades, disposal and/or trade-in of older equipment and the purchase or execution of leases for new equipment in response to market demands.

Several large companies presently manufacture MRI (including Open MRI), PET/CT, CT and other diagnostic imaging equipment, including General Electric Healthcare, Hitachi Medical Systems, Siemens Medical Systems, Toshiba American Medical Systems and Phillips Medical Systems. We have acquired systems that were manufactured by each of the foregoing companies. We enter into individual purchase orders for each system that we acquire, and we do not have long-term purchase arrangements with any equipment manufacturer. We maintain good working relationships with many of the major manufacturers to better ensure adequate supply as well as access to

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those types of diagnostic imaging systems which appear most appropriate for the specific imaging facility to be established.

INFORMATION SYSTEMS

Our internal information technology systems allow us to manage our operations, accounting and finance, human resources, payroll, document imaging, and data warehousing. Our primary operating system is the Insight Radiology Information System, or IRIS, our proprietary information system. IRIS provides front-office support for scheduling and administration of imaging procedures and back office support for billing and collections. Additional functionality includes workflow, transcription, and image management. We have recently purchased new billing system software to substantially replace the billing and collection component of IRIS and we expect to implement the new software in late calendar year 2010. We use picture archiving and communication systems, or PACS, at certain of our fixed-site centers for the digital management of diagnostic images.

COMPLIANCE PROGRAM

We have voluntarily implemented a program to monitor compliance with federal and state laws and regulations applicable to healthcare organizations. We have appointed a compliance officer who is charged with implementing and supervising our compliance program, which includes a code of ethical conduct for our employees and a process for reporting regulatory or ethical concerns to our compliance officer, including a toll-free telephone hotline. We believe that our compliance program meets the relevant standards provided by the Office of Inspector General of the HHS. An important part of our compliance program consists of conducting periodic reviews of various aspects of our operations. Our compliance program also contemplates mandatory education programs designed to familiarize our employees with the regulatory requirements and specific elements of our compliance program.

EMPLOYEES

As of June 30, 2010, we had approximately 1,094 full-time and 456 part-time employees. None of our employees is covered by a collective bargaining agreement. Management believes its employee relations to be satisfactory.

FORWARD-LOOKING STATEMENTS DISCLOSURE

This Form 10-K includes “forward-looking statements.” Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital projects, financing needs, debt repurchases, plans or intentions relating to asset dispositions, acquisitions and new fixed-site developments, competitive strengths and weaknesses, business strategy and the trends that we anticipate in the industry and economies in which we operate and other information that is not historical information. When used in this Form 10-K the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we can give no assurance that our expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-K. Important factors that could cause our actual results to differ materially from the forward-looking statements made in this Form 10-K are set forth in this Form 10-K, including the factors described in Item 1A. “Risk Factors” below and the following:

- our ability to successfully implement our core market strategy;
- overcapacity and competition in our markets;
- reductions, limitations and delays in reimbursement by third-party payors;
- contract renewals and financial stability of customers;

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- changes in the nature of commercial health care insurance arrangements, so that individuals bear greater financial responsibility through high deductible plans, co-insurance and co-payments;
- conditions within the healthcare environment;
- the potential for rapid and significant changes in technology and their effect on our operations;
- operating, legal, governmental and regulatory risks;
- conditions within the capital markets, including liquidity and interest rates; and
- economic (including financial and employment markets), political and competitive forces affecting our business, and the country's economic condition as a whole.

If any of these risks or uncertainties materializes, or if any of our underlying assumptions is incorrect, our actual results may differ significantly from the results that we express in or imply by any of our forward-looking statements. We disclaim any intention or obligation to update or revise forward-looking statements to reflect future events or circumstances.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Form 10-K, the following risk factors should be carefully considered. If any of these risks actually occurs, our financial condition and results of operations could be adversely affected.

RISKS RELATING TO OUR INDEBTEDNESS AND FINANCIAL CONDITION

Our recurring losses from operations and net capital deficiency raise substantial doubt as to our ability to continue as a going concern.

In their report dated September 23, 2010, which is also included in this Form 10-K, our independent registered public accounting firm stated that our consolidated financial statements were prepared assuming we would continue as a going concern; however, our recurring losses from operations and net capital deficiency raise substantial doubt about our ability to continue as a going concern. Our accompanying financial statements have been prepared assuming that we will continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. We currently are evaluating steps to conserve our cash, including delaying or further restricting our capital projects and sale of certain assets. In any event, we have a large amount of indebtedness outstanding that will mature in November 2011. We will likely need to restructure or refinance all or a portion of our indebtedness on or before the maturity of such indebtedness. In the event such steps were not successful in enabling us to meet our liquidity needs or refinancing this indebtedness, we may need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged a financial advisory firm and are working closely with them to develop and finalize a restructuring and refinancing plan to significantly reduce our outstanding debt and improve our cash and liquidity position.

Our substantial indebtedness could adversely affect our financial condition.

We have a substantial amount of debt, which requires significant interest and principal payments. As of June 30, 2010, we had total indebtedness of approximately \$298.1 million in aggregate principal amount. Most of this indebtedness will come due in November 2011. In addition, subject to the restrictions contained in the indenture governing the floating rate notes and in our other debt instruments, we may be able to incur additional indebtedness from time to time to finance working capital, capital projects, investments or acquisitions, or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to the floating rate notes and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital projects, acquisitions or other general corporate requirements;

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- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- placing us at a competitive disadvantage compared to our competitors that have stronger capital structures, more flexibility in operating their businesses and greater access to capital; and
- increasing our cost of borrowing.

Some or all of these factors may be beyond our control. We also cannot give assurance that we will continue to maintain covenant compliance under our credit facilities and meet our interest payment obligations on the floating rate notes, the failure of which would have a material adverse effect on our business, financial condition and operating results. Additionally, the opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable, which would have a material adverse effect on our business, financial condition and operating results. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources — Liquidity” for additional information regarding our liquidity.

We may be unable to service our debt.

Our ability to make scheduled payments on or to refinance our obligations with respect to our debt, including, but not limited to, the floating rate notes, will depend on our financial and operating performance, which will be affected by general economic, financial, competitive, business and other factors beyond our control. 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, including, but not limited to, the floating rate notes, 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 sell certain of our assets, restructure or refinance all or a portion of our debt on or before maturity, including, but not limited to, the floating rate notes. The floating rate notes mature in November 2011 and unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness and due to cross-default and cross-acceleration provisions, could result in a default under our other debt instruments. Upon the occurrence of an event of default under our debt instruments, the lenders may be able to elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. Such event would have a material adverse effect on our liquidity and financial condition and we may not, in such event, be able to continue as a going concern.

If our cash provided by operating and financing activities continues to be insufficient to fund our cash requirements, we will face substantial liquidity problems without a restructuring.

Our working capital requirements and the cash provided by operating activities can vary greatly from quarter to quarter and from year to year, depending in part on the level, variability and timing of our sales and our ability to execute our cash management plans as expected.

We currently believe that, unless our floating rate notes are restructured in a manner that will decrease our cash requirements, including funding their maturity in November 2011 and if Bank of America terminates the line of

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credit commitment on December 1, 2010, we may not be able to satisfy our cash requirements including funding minimum capital expenditures required to maintain the business beyond December 1, 2010 from cash provided by operating activities. If our cash requirements exceed the cash provided by our operating activities, then we would look to our cash balance, assets sales and revolving credit line to satisfy those needs. However, we may not be able to access our existing revolver if we are in default under our revolving credit agreement and our lender refuses to extend the forbearance period beyond December 1, 2010. Current credit and capital market conditions combined with our recent history of operating losses and negative cash flows are likely to restrict our ability to access capital markets in the near-term and any such access would likely be at an increased cost and under more restrictive terms and conditions.

Absent access to additional liquidity from credit markets or other sources of external financial support, we expect that we may not have the minimum levels of cash necessary to operate the business after December 1, 2010. We may need to delay capital expenditures, curtail, eliminate or dispose of substantial assets or operations, or undertake significant restructuring measures, including protection under Chapter 11 of the Bankruptcy Code.

Our operations may be restricted by the terms of our debt, which could adversely affect us and increase our credit risk.

The agreements governing our material indebtedness include a number of significant restrictive covenants. These covenants could adversely affect us, and adversely affect investors, by limiting our ability to plan for or react to market conditions or to meet our capital needs. These covenants, among other things, restrict our ability to:

- incur more debt;
- create liens;
- pay dividends and make distributions or repurchase stock;
- make certain investments;
- merge, consolidate or transfer or sell assets; and
- engage in transactions with affiliates.

A breach of a covenant or other provision in any debt instrument governing our current or future indebtedness could result in a default under that instrument and, due to cross-default and cross-acceleration provisions, could result in a default under our other debt instruments. Upon the occurrence of an event of default under our debt instruments, the lenders may be able to elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we are unable to repay those amounts, the lenders could proceed against the collateral granted to them, if any, to secure the indebtedness. If the lenders under our current or future indebtedness accelerate the payment of the indebtedness, we can give no assurance that our assets or cash flow would be sufficient to repay in full our outstanding indebtedness. Substantially all of our assets, other than those assets consisting of accounts receivables and related assets or cash accounts related to receivables, which secure our credit facility, and a portion of Insight's stock and the stock of its subsidiaries, are subject to the liens in favor of the holders of the floating rate notes. This may further limit our flexibility in obtaining secured or unsecured financing in the future. Such event would have a material adverse effect on our liquidity and financial condition and we may not, in such event, be able to continue as a going concern.

We may not have sufficient funds to purchase all outstanding floating rate notes and our other debt upon a change of control.

Upon a change of control, we will be required to make an offer to purchase all outstanding floating rate notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. Under the terms of the indenture for the floating rate notes, a change of control includes, among things, if a person or group becomes directly or indirectly the beneficial owner of 35% or more of Holdings' common stock. We believe that as of September 23, 2010, one person holds beneficial ownership in excess of 20% of Holdings' common stock and another holds beneficial ownership in excess of 10% of Holdings' common stock. Because of the low trading price of our common stock, \$0.10, as of June 30, 2010, a person or group may be able to acquire 35% or more of Holdings' common stock

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for a relatively small amount of money. We cannot assure you that we will have or will be able to borrow sufficient funds at the time of any change of control to make any required purchases of such notes or our other debt. If we failed to make a change of control offer and to purchase all of the tendered notes, it would constitute an event of default under the indenture for the floating rate notes, and potentially, other debt. Any future credit arrangements or other debt agreements to which we become party may contain similar agreements.

If there is a default under the agreements governing our material indebtedness, the value of our assets may not be sufficient to repay our creditors.

Our property and equipment (other than land, building and leasehold improvements and assets securing our capital lease obligations), which make up a significant portion of our tangible assets, had a net book value as of June 30, 2010 of approximately \$56.8 million. The book value of these assets should not be relied on as a measure of realizable value for such assets. The realizable value of our assets may be greater or lower than such net book value. The value of our assets in the event of liquidation will depend upon market, credit and economic conditions, the availability of buyers and similar factors. A sale of these assets in a bankruptcy or similar proceeding would likely be made under duress, which would reduce the amounts that could be recovered. Furthermore, such a sale could occur when other companies in our industry also are distressed, which might increase the supply of similar assets and therefore reduce the amounts that could be recovered. Our intangible assets had a net book value as of June 30, 2010 of approximately \$20.0 million. As a result, in the event of a default under the agreements governing our material indebtedness or any bankruptcy or dissolution of our company, the realizable value of these assets will likely be substantially lower and may be insufficient to satisfy the claims of our creditors.

The condition of our assets will likely deteriorate during any period of financial distress preceding a sale of our assets. In addition, a material amount of our assets consist of illiquid assets that may have to be sold at a substantial discount in an insolvency situation.

Accordingly, the proceeds of any such sale of our assets may not be sufficient to satisfy, and may be substantially less than, amounts due to our creditors.

We may be unable to obtain necessary capital to finance certain projects or refinance our existing indebtedness because of conditions in the financial markets and economic conditions generally.

Our ability to obtain necessary capital is affected by conditions in the financial markets and economic conditions generally. Slowing growth, contraction of credit, increasing energy prices, declines in business or investor confidence or risk tolerance, increases in inflation, higher unemployment, outbreaks of hostilities or other geopolitical instability, corporate, political or other scandals that reduce investor confidence in capital markets and natural disasters, among other things, can affect the financial markets and economic conditions generally. If we are unable to obtain sufficient capital at commercially reasonable rates, we may be unable to fund certain capital projects or refinance our existing indebtedness, including the floating rate notes, which may erode our competitive positions in various markets and may have a material adverse effect on our financial condition.

A refinancing or restructuring of our floating rate notes may require a debt-for-equity exchange in which case we may be required to issue a substantial number of shares of our common stock and substantially dilute the equity ownership of existing stockholders, as well as possibly cause a change in control under the indenture governing our floating rate notes.

A refinancing or restructuring of our floating rate notes may involve a debt-for-equity exchange, in which case we may be required to issue to the holders of our floating rate notes shares of our common stock representing a significant portion of the equity ownership of our Company. In such an event, the equity ownership of our existing stockholders would be substantially diluted. We also cannot predict what the demand for our common stock will be following any debt-for-equity exchange, how many shares of our common stock will be offered for sale or be sold following any such exchange or the price at which our common stock will trade following any such exchange. Sales of a large number of shares of common stock after any such exchange could materially depress the trading price of our common stock.

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Increases in interest rates could adversely affect our financial condition and results of operations.

An increase in prevailing interest rates would have an immediate effect on the interest rates charged on our variable rate indebtedness, which rise and fall upon changes in interest rates. At June 30, 2010, approximately 98% of our indebtedness was variable rate indebtedness. We have an interest rate hedging agreement with a notional amount to which the agreement applies of \$190 million, on which the agreement provided for a LIBOR cap of 3.0%. As a result of this contract our exposure on variable rate indebtedness was reduced by \$190 million, or to approximately 35% of our indebtedness as of June 30, 2010. Increases in interest rates could also impact the refinancing of our existing indebtedness, including the floating rate notes. Moreover, the increased interest expense would adversely affect our cash flow and our ability to service our indebtedness. As a protection against rising interest rates, we may enter into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts. These agreements, however, subject us to the risk that the other parties to the agreements may not perform their obligations thereunder or that the agreements could be unenforceable.

RISKS RELATING TO OUR BUSINESS

Our efforts to implement initiatives to enhance revenues and reduce costs may not be adequate or successful.

We have implemented steps to improve our financial performance, including, a core market strategy, optimizing our mobile route, converting mobile to fixed sites, as well as various operations and cash flow initiatives in response to these losses. We have focused on implementing, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives. Revenue enhancement initiatives have and will continue to focus on our sales and marketing efforts to maintain or improve our procedural volume and contractual rates, and our solutions initiative. Receivables and collections management initiatives have and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and claim information when a procedure is scheduled or completed, and our initiative with Dell Perot Systems. Cost reduction initiatives have and will continue to focus on streamlining our organizational structure and expenses including enhancing and leveraging our technology to create greater efficiencies, and leveraging relationships with strategic vendors. While we have experienced some improvements through our receivables and collections management and cost reduction initiatives, benefits from our revenue enhancement initiatives have yet to materialize and our revenues have continued to decline. Moreover, future revenue enhancement initiatives will face significant challenges because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the effects of the country's recession, including higher unemployment. We can give no assurance that these steps will be adequate to improve our financial performance. Unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes, which mature in November 2011, on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness, and cause a material adverse effect on our liquidity and financial condition.

Because a high percentage of our operating expenses are fixed, a relatively small decrease in revenues could have a significant negative impact on our financial condition and results of operations.

A high percentage of our expenses are fixed, meaning they do not vary significantly with the increase or decrease in revenues. Such expenses include, but are not limited to, debt service, lease payments, depreciation and amortization, salaries and benefit obligations, equipment maintenance expenses, insurance and vehicle operations costs. As a result, a relatively small reduction in the prices we charge for our services or procedural volume could have a disproportionate negative effect on our financial condition and results of operations.

Technological change in our industry could reduce the demand for our services and our ability to maintain a competitive position.

We operate in a competitive, capital intensive, high fixed-cost industry. The development of new technologies or refinements of existing ones have made and continue to make our existing systems technologically or

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economically obsolete, or reduce the need for our systems. Competition among manufacturers has resulted in and likely will continue to result in technological advances in the speed and imaging capacity of new systems. Consequently, the obsolescence of our systems may be accelerated. Other than ultra-high field MRI systems and 256-slice CT systems, we are aware of no substantial technological changes; however, should such changes occur, we may not be able to acquire the new or improved systems. In the future, to the extent we are unable to generate sufficient cash from our operations or obtain additional funds through bank or equipment vendor financing, the issuance of equity or debt securities, and operating leases, we may be unable to maintain a competitive equipment base. In addition, advancing technology may enable hospitals, physicians or other diagnostic imaging service providers to perform procedures without the assistance of diagnostic imaging service providers such as ourselves. As a result of the age of our imaging equipment, we may not be able to maintain our competitive position in our core markets or expand our business.

Changes in the rates or methods of third-party reimbursements for our services could result in reduced demand for our services or create downward pricing pressure, which would result in a decline in our revenues and adversely affect our financial condition and results of operations.

For fiscal 2010, we derived approximately 49% of our revenues from direct billings to patients and third-party payors such as Medicare, Medicaid, managed care and private health insurance companies. Certain third-party payors have proposed and implemented changes in the methods and rates of reimbursement that have had the effect of substantially decreasing reimbursement for diagnostic imaging services that we provide. Moreover, our healthcare provider customers, which provided approximately 50% of our revenues during fiscal 2010, generally rely on reimbursement from third-party payors. To the extent our healthcare provider customers' reimbursement from third-party payors is reduced, it will likely have an adverse impact on the rates they pay us as they would seek to offset such decreased reimbursement rates. Furthermore, many commercial health care insurance arrangements are changing, so that individuals bear greater financial responsibility through high deductible plans, co-insurance and higher co-payments, which may result in patients delaying or foregoing medical procedures. We expect that any further changes to the rates or methods of reimbursement for our services, whether directly through billings to third-party payors or indirectly through our healthcare provider customers, will result in a further decline in our revenues and adversely affect our financial condition and results of operations. See our discussion regarding reimbursement changes in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reimbursement".

Negative trends could continue to adversely affect our financial condition and results of operations.

As a result of the various factors that affect our industry generally and our business specifically, we have experienced declines in Adjusted EBITDA as compared to prior fiscal year periods (see our definition of Adjusted EBITDA and reconciliation of net cash provided by operating activities to Adjusted EBITDA in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources"). Our Adjusted EBITDA for fiscal 2010, declined approximately 25.7% as compared to our Adjusted EBITDA for the year ended June 30, 2009. Our Adjusted EBITDA declined approximately 1.2% for the year ended June 30, 2009 as compared to the year ended June 30, 2008. We have had a negative historical trend of declining Adjusted EBITDA for the past five fiscal years, which may continue and be exacerbated by negative effects of the recession and the reimbursement reductions discussed in the subsection entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Reimbursement."

If we are unable to renew our existing customer contracts on favorable terms or at all, our financial condition and results of operations would be adversely affected.

Our financial condition and results of operations depend on our ability to sustain and grow our revenues from existing customers. Our revenues would decline if we are unable to renew our existing customer contracts on favorable terms. For our mobile facilities, we generally enter into contracts with hospitals having one to five year terms. A significant number of our mobile contracts will expire each year. To the extent we do not renew a customer contract it is not always possible to immediately obtain replacement customers. Historically, many replacement customers have been smaller, with lower procedural volumes. Recently, there has been an increase in the amount of available equipment for lease within the industry. This increase in availability has caused a decline in demand for

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our contract services mobile systems, which has resulted in (1) a lower than normal success rate in replacing lost revenues, (2) lower contractual reimbursement as compared to prior periods and (3) an increase in the number of our idle mobile systems. In addition, attractive gross margins have caused hospitals and physician groups who have utilized mobile services from our company and our competitors to purchase and operate their own equipment. Although reimbursement reductions may dissuade physician groups from operating their own equipment, we expect that some high volume customer accounts will continue to elect not to renew their contracts with us and instead acquire their own diagnostic imaging equipment. As a result of the age of our imaging equipment, we may not be able to renew contracts of existing customers or attract new customers on favorable terms. This would adversely affect our financial condition and results of operations.

We have experienced, and will continue to experience, competition from hospitals, physician groups and other diagnostic imaging companies and this competition could adversely affect our financial condition and results of operations.

The healthcare industry in general and the market for diagnostic imaging services in particular, is highly competitive and fragmented, with only a few national providers. We compete principally on the basis of our service reputation, equipment, breadth of managed care contracts and convenient locations. Our operations must compete with hospitals, physician groups and certain other independent organizations, including equipment manufacturers and leasing companies that own and operate imaging equipment. We have encountered and we will continue to encounter competition from hospitals and physician groups that purchase their own diagnostic imaging equipment. Some of our direct competitors may have access to greater financial resources than we do. If we are unable to successfully compete, our customer base would decline and our financial condition and results of operations would be adversely affected.

Our failure to effectively integrate acquisitions and establish joint venture arrangements through partnerships with hospitals and other healthcare providers could impair our business.

As part of our core market strategy, we have pursued, and may continue to pursue, selective acquisitions and arrangements through partnerships and joint ventures with hospitals and other healthcare providers. Acquisitions and joint ventures require substantial capital which may exceed the funds available to us from internally generated funds and our available financing arrangements. We may not be able to raise any necessary additional funds through bank or equipment vendor financing or through the issuance of equity or debt securities on terms acceptable to us, if at all.

Additionally, acquisitions involve the integration of acquired operations with our operations. Integration involves a number of risks, including:

- demands on management related to the increase in our size after an acquisition;
- the diversion of our management's attention from daily operations to the integration of operations;
- integration of information systems;
- risks associated with unanticipated events or liabilities;
- difficulties in the assimilation and retention of employees;
- potential adverse effects on operating results;
- challenges in retaining customers and referral sources; and
- amortization or write-offs of acquired intangible assets.

If we do not successfully identify, complete and integrate our acquisitions, we may not realize anticipated operating advantages, economies of scale and cost savings. Also, we may not be able to maintain the levels of operating efficiency that the acquired companies would have achieved or might have achieved separately. Successful integration of acquisitions will depend upon our ability to manage their operations and to eliminate excess costs.

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Our efforts to implement initiatives to enhance revenues and reduce costs may not be adequate or successful

We have implemented steps to improve our financial performance, including, our core market strategy, optimizing our mobile routes, and various operations and cash flow initiatives in response to our declining financial performance. Unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes, which mature in November 2011, on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness, and cause a material adverse effect on our liquidity and financial condition.

Consolidation in the imaging industry could adversely affect our financial condition and results of operations.

We compete with several national and regional providers of diagnostic imaging services, as well as local providers. As a result of the reimbursement reductions by Medicare and other third-party payors, some of these competitors may consolidate their operations in order to obtain certain cost structure advantages and improve equipment utilization. Certain of our competitors have certain advantages over us including larger financial and business resources, economies of scale, breadth of service offerings, and favored relationships with equipment vendors, hospital systems, leading radiologists and third-party payors. We may be forced to exit certain markets, reduce our prices or provide state-of-the-art equipment in order to retain and attract customers. These pressures could adversely affect our financial condition and results of operations.

Failure to attract and retain qualified employees and contracted radiologists could hinder our business strategy and negatively impact our financial condition and results of operations.

Our future success depends on our continuing ability to identify, hire or contract with, develop, motivate and retain highly skilled persons for all areas of our organization, including senior executives and contracted radiologists. Competition in our industry for qualified employees is intense. There is a very high demand for qualified technologists, particularly MRI and PET/CT technologists, and we may not be able to hire and retain a sufficient number of technologists. Failure to attract and retain qualified employees and contracted radiologists could hinder our business strategy and negatively impact our financial condition and results of operations.

Managed care organizations may limit healthcare providers from using our services, causing us to lose procedural volume.

Our fixed-site centers are dependent on our ability to attract referrals from physicians and other healthcare providers representing a variety of specialties. Our eligibility to provide services in response to a referral is often dependent on the existence of a contractual arrangement with the referred patient's managed care organization. Despite having a large number of contracts with managed care organizations, healthcare providers may be inhibited from referring patients to us in cases where the patient is not associated with one of the managed care organizations with which we have contracted. A significant decline in referrals would have a material adverse effect on our financial condition and results of operations. Moreover, our aging equipment and declining financial performance may increase the likelihood of managed care organizations opting not to renew existing contracts or enter into new contracts with our centers.

We may be subject to professional liability risks which could be costly and negatively impact our financial condition and results of operations.

We have not experienced any material losses due to claims for malpractice. However, claims for malpractice have been asserted against us in the past and any future claims, if successful, could entail significant defense costs and could result in substantial damage awards to the claimants, which may exceed the limits of any applicable insurance coverage. Successful malpractice claims asserted against us, to the extent not covered by our liability insurance, could have a material adverse effect on our financial condition and results of operations. In addition to claims for malpractice, there are other professional liability risks to which we are exposed through our operation of diagnostic imaging systems, including liabilities associated with the improper use or malfunction of our diagnostic imaging equipment.

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To protect against possible professional liability from malpractice claims, we maintain professional liability insurance in amounts that we believe are appropriate in light of the risks and industry practice. However, if we are unable to maintain insurance in the future at an acceptable cost or at all or if our insurance does not fully cover us in the event a successful claim was made against us, we could incur substantial losses. Any successful malpractice or other professional liability claim made against us not fully covered by insurance could be costly to defend against, result in a substantial damage award against us and divert the attention of our management from our operations, which could have a material adverse effect on our financial condition and results of operations.

Our PET/CT service and some of our other imaging services require the use of radioactive materials, which could subject us to regulation, related costs and delays and potential liabilities for injuries or violations of environmental, health and safety laws.

Our PET/CT services and some of our other imaging services require the use of radioactive materials to produce images. While this radioactive material has a short half-life, meaning it quickly breaks down into non-radioactive substances, storage, use and disposal of these materials 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 and waste products. Although we believe that our safety procedures for storing, handling and disposing of these hazardous materials comply with the standards prescribed by law and regulation, we cannot completely eliminate the risk of accidental contamination or injury from those hazardous materials. In the event of an accident, we would be held liable for any resulting damages, and any liability could exceed the limits of or fall outside the coverage of our insurance. In addition, we may not be able to maintain insurance on acceptable terms, or at all. We could incur significant costs in order to comply with current or future environmental, health and safety laws and regulations which would adversely affect our financial condition and results of operations.

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. We have experienced, and expect to continue to experience, write-offs of accounts receivables from healthcare provider customers that become insolvent, file for bankruptcy or are otherwise unable to pay amounts owed to us. A significant deterioration in general or local economic conditions could have a material adverse affect 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.

We may be unable to generate revenue when our equipment is not operational.

Timely, effective service is essential to maintaining our reputation and utilization rates on our imaging equipment. Our warranties and maintenance contracts do not compensate us for the loss of revenue when our systems are not fully operational. Equipment manufacturers may not be able to perform repairs or supply needed parts in a timely manner. Thus, 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 financial condition and results of operations would be adversely affected.

Natural disasters and harsh weather conditions could adversely affect our business and operations.

Our corporate headquarters, including our information technology center, and a material number of our fixed-site centers are located in California, which has a high risk for natural disasters, including earthquakes and wildfires. Depending upon its severity, a natural disaster could severely damage our facilities or our information technology system, interrupt our business or prevent potential patients from traveling to our centers, each of which would adversely affect our financial condition and results of operations. We currently do not maintain a secondary disaster recovery facility for our information technology system. In addition, while we presently carry earthquake and business interruption insurance in amounts we believe are appropriate in light of the risks, the amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes. We may discontinue some or all of this insurance coverage on some or all of our centers in the future if the cost of premiums exceeds the value of the coverage

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discounted for the risk of loss. If we experience a loss which is uninsured or which exceeds policy limits, we could lose the capital invested in the damaged centers as well as the anticipated future cash flows from those centers.

To the extent severe weather patterns affect the regions in which we operate (e.g., hurricanes and snow storms), potential patients may find it difficult to travel to our centers and we may have difficulty moving our mobile facilities along their scheduled routes. As a result, we would experience a decrease in procedural volume during that period. Accordingly, harsh weather conditions could adversely impact our financial condition and results of operations.

High fuel costs would adversely affect our financial condition and results of operations.

Fuel costs constitute a significant portion of our mobile operating expenses. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Fuel availability is also affected by demand for home heating oil, diesel, gasoline and other petroleum products. Because of the effect of these events on the price and availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. In the event of a fuel supply shortage or further increases in fuel prices, we may need to curtail certain mobile routes or redeploy our mobile facilities. There have been significant fluctuations in fuel costs and any further increases to already high fuel costs would adversely affect our financial condition and results of operations.

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 financial condition and results of operations.

All of the states in which we operate require that technologists who operate our CT and PET systems be licensed or certified. Also, each of our fixed-site centers must continue to meet various requirements in order to receive payments from Medicare. In addition, our mobile facilities are currently accredited by The Joint Commission, formerly the Joint Commission on Accreditation of Healthcare Organizations, an independent, non-profit organization that accredits various types of healthcare providers, such as hospitals, nursing homes, outpatient ambulatory care centers and diagnostic imaging providers. If we were to lose such accreditation for our mobile facilities, it could adversely affect our mobile operations because some of our mobile customer contracts require accreditation by The Joint Commission and one of our primary competitors has such accreditation.

Managed care providers prefer to contract with accredited organizations. Any lapse in our licenses, certifications or accreditations, or those of our technologists, or the failure of any of our fixed-site centers to satisfy the necessary requirements under Medicare could adversely affect our financial condition and results of operations.

RISKS RELATING TO GOVERNMENT REGULATION OF OUR BUSINESS

Complying with federal and state regulations pertaining to our business is an expensive and time-consuming process, and any failure to comply could result in substantial penalties and adversely affect our ability to operate our business and our financial condition and results of operations.

We are directly or indirectly through our customers subject to extensive regulation by both the federal government and the states in which we conduct our business, including:

- the federal False Claims Act;
- the federal Medicare and Medicaid Anti-kickback Law, and state anti-kickback prohibitions;
- the federal Civil Money Penalty law;
- the Health Insurance Portability and Accountability Act of 1996 and other state and federal legislation dealing with patient privacy;
- the federal physician self-referral prohibition commonly known as the Stark Law and the state law equivalents of the Stark Law;
- state laws that prohibit the practice of medicine by non-physicians, and prohibit fee-splitting arrangements involving physicians;

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- Food and Drug Administration requirements;
- state licensing and certification requirements, including certificates of need; and
- federal and state laws governing the diagnostic imaging equipment used in our business concerning patient safety, equipment operating specifications and radiation exposure levels.

If our operations are found to be in violation of any of the laws and regulations to which we or our customers are subject, we may be subject to the applicable penalty associated with the violation, including civil and criminal penalties, damages, fines, exclusion from Medicare, Medicaid or other governmental programs 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 condition and results of operations. 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. Moreover, if we are unsuccessful in defending against such action, the imposition of certain penalties would adversely affect our financial condition and results of operations. If we were excluded from Medicare, Medicaid or other governmental programs, not only would we lose the revenues associated with such payors, but we anticipate that our other customers and partners would terminate their contracts or relationships with us.

The regulatory and political framework 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. However, we may not be able to adapt our operations to address new regulations, which could adversely affect our financial condition and results of operations. 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 our contracted radiology groups have been the subject of judicial or regulatory interpretation. A review of our business by courts or regulatory authorities may result in a determination that could adversely affect or restrict our operations.

On March 23, 2010, President Obama signed into law healthcare reform legislation in the form of PPACA. The implementation of this law will likely have a profound impact on the healthcare industry. Most of the provisions of PPACA will be phased in over the next four years and can be conceptualized as a broad framework not only to provide health insurance coverage to millions of Americans, but to fundamentally change the delivery of care by bringing together elements of health information technology, evidence-based medicine, chronic disease management, medical "homes," care collaboration and shared financial risk in a way that will accelerate industry adoption and change. There are also many provisions addressing cost containment, reductions of Medicare and other payments and heightened compliance requirements and additional penalties, which will create further challenges for providers. We are unable to predict the full impact of PPACA at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. Moving forward, we believe that the federal government will likely have greater involvement in the healthcare industry than in prior years, and such greater involvement may adversely affect our financial condition and results of operations. See our discussion regarding the impact of PPACA in "Management's Discussion and Analysis of Financial Condition and Results of Operation — Reimbursement".

RISKS RELATED TO RELATIONSHIPS WITH STOCKHOLDERS, AFFILIATES AND RELATED PARTIES

A small number of stockholders control a significant portion of Holdings' common stock.

A significant portion of Holdings' outstanding common stock is held by a small number of holders. We believe that as of September 23, 2010, one person holds beneficial ownership in excess of 20% of Holdings' common stock and another holds beneficial ownership in excess of 10% of Holdings' common stock. As a result, these stockholders will have significant voting power with respect to the ability to:

- authorize additional shares of Holdings' capital stock;

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- amend Holdings' certificate of incorporation or bylaws;
- elect Holdings' directors; or
- effect or reject a merger, sale of assets or other fundamental transaction.

The extent of ownership by these stockholders may also discourage a potential acquirer from making an offer to acquire us. This could reduce the value of Holdings' common stock.

ITEM 2. PROPERTIES

As of September 23, 2010, we lease approximately 30,000 square feet of office space for our corporate headquarters at 26250 Enterprise Court, Lake Forest, California 92630. The lease for this location expires in 2013.

As of September 23, 2010, in addition to our corporate headquarters we leased approximately 68 facilities or offices and owned one facility. A substantial majority of these facilities and offices were in the following states: California, Arizona, Texas, Maine and Virginia.

ITEM 3. LEGAL PROCEEDINGS

On January 5, 2010, Holdings, InSight and InSight Health Corp., a wholly-owned subsidiary of InSight, were served with a complaint filed in the Los Angeles County Superior Court alleging claims on behalf of current and former employees. In *Kevin Harold and Denise Langhoff, on their own behalf and on behalf of others similarly situated v. InSight Health Services Holdings Corp., et al.*, the plaintiffs allege violations of California's wage, overtime, meal period, break time and business practice laws and regulations. Plaintiffs seek recovery of unspecified economic damages, statutory penalties, punitive damages, interest, attorneys' fees and costs of suit. We are currently evaluating the allegations of the complaint and are unable to predict the likely timing or outcome of this lawsuit. In the meantime, we intend to vigorously defend this lawsuit. We are engaged from time to time in the defense of other lawsuits arising out of the ordinary course and conduct of our business and have insurance policies covering certain potential insurable losses where such coverage is cost-effective. We do not believe that the outcome of any such other lawsuit will have a material adverse impact on our financial condition and results of operations

ITEM 4. *Removed and Reserved*

PART II**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Holdings' common stock is listed on the Over-The-Counter Bulletin Board, or the OTCBB, under the symbol "ISGT". As of September 23, 2010, there were six record holders of Holdings' common stock and we believe approximately 350 beneficial holders of Holdings' common stock. Holdings' has never paid a cash dividend on its common stock and does not expect to do so in the foreseeable future. The agreements governing our material indebtedness contain restrictions on Holdings' ability to pay dividends on its common stock.

The following table sets forth the high and low prices as reported by the OTCBB for Holdings' common stock for each of the fiscal quarters indicated. Holdings' common stock began trading on the OTCBB on August 3, 2007. The prices represent quotations between dealers without adjustment for mark-up, mark-down or commission, and may not necessarily represent actual transactions.

| Fiscal Quarter | 2010 | | 2009 | |
|-----------------------|-------------|-------------|-------------|-------------|
| | Low | High | Low | High |
| First Quarter | \$ 0.05 | \$ 0.40 | \$ 0.08 | \$ 0.63 |
| Second Quarter | 0.11 | 0.40 | 0.01 | 0.20 |
| Third Quarter | 0.08 | 0.21 | 0.02 | 0.55 |
| Fourth Quarter | 0.10 | 0.55 | 0.03 | 0.28 |

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ITEM 6. SELECTED FINANCIAL DATA

In their report dated September 23, 2010, which is also included in this Form 10-K, our independent registered public accounting firm stated that our consolidated financial statements were prepared assuming we would continue as a going concern; however, our recurring losses from operations and net capital deficiency raise substantial doubt about our ability to continue as a going concern. The following Selected Financial Data taken from our accompanying financial statements have been prepared assuming that we will continue as a going concern. The following financial data do not include any adjustments that might result from the outcome of this uncertainty.

The selected consolidated financial data presented as of, and for the years ended, June 30, 2010 and 2009, the eleven months ended June 30, 2008, the one month ended July 31, 2008, and the years ended June 30, 2007 and 2006 has been derived from our audited consolidated financial statements. The information in the following table should be read together with our audited consolidated financial statements and related notes, and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included elsewhere in this Form 10-K.

On August 1, 2007, we implemented fresh-start reporting in accordance with Accounting Standards Codifications (ASC) 852, "Financial Reorganizations" (ASC 852). The provisions of fresh-start reporting required that we revalue our assets and liabilities to fair value, reestablish stockholders' equity and record any applicable reorganization value in excess of amounts allocable to identifiable assets as an intangible asset. Under fresh-start reporting, our asset values are remeasured using fair value, and are allocated in conformity with ASC Topic 805 "Business Combinations" (ASC 805). Fresh-start reporting also requires that all liabilities, other than deferred taxes, should be stated at fair value or at the present value of the amounts to be paid using appropriate market interest rates. Deferred taxes are determined in conformity with ASC 740 "Income Taxes" (ASC 740).

References to "Successor" refer to our company on or after August 1, 2007, after giving effect to (1) the cancellation of Holdings' common stock prior to the effective date; (2) the issuance of new Holdings' common stock in exchange for all of Insight's senior subordinated notes and the cancelled Holdings' common stock; and (3) the application of fresh-start reporting. References to "Predecessor" refer to our company prior to August 1, 2007.

| | Successor | | | Predecessor | | |
|---|--------------------------|--------------------------|-----------------------------------|-------------------------------|--------------------------------|-------------|
| | Year Ended June 30, 2010 | Year Ended June 30, 2009 | Eleven Months Ended June 30, 2008 | One Month Ended July 31, 2007 | Years Ended June 30, 2007 2006 | |
| (Amounts in thousands) | | | | | | |
| STATEMENT OF OPERATIONS DATA: | | | | | | |
| Revenues | \$ 190,938 | \$ 227,782 | \$ 240,744 | \$ 22,187 | \$ 286,914 | \$ 306,298 |
| Costs of operations | 176,106 | 214,046 | 234,409 | 20,311 | 261,426 | 271,272 |
| Interest expense, net | 25,599 | 30,164 | 32,480 | 2,918 | 52,780 | 50,754 |
| Net (loss) income attributable to Holdings(1)(2)(3) | (31,802) | (19,754) | (169,185) | 196,326 | (99,041) | (210,218) |
| Net (loss) income per common share: | | | | | | |
| Basic | \$ (3.68) | \$ (2.29) | \$ (19.57) | \$ 227.23 | \$ (114.63) | \$ (243.31) |
| Diluted | (3.68) | (2.29) | (19.57) | 227.23 | (114.63) | (243.31) |

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| | June 30, | | | June 30, | |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| BALANCE SHEET DATA: | | | | | |
| Working capital | \$ 12,787 | \$ 17,475 | \$ 28,207 | \$ 24,567 | \$ 34,550 |
| Property and equipment, net | 73,315 | 79,837 | 113,684 | 144,823 | 181,026 |
| Goodwill and other intangible assets | 20,002 | 24,878 | 24,370 | 95,084 | 125,936 |
| Total assets | 140,681 | 176,124 | 217,691 | 323,051 | 408,204 |
| Total long-term liabilities | 294,629 | 290,515 | 312,915 | 517,200 | 504,360 |
| Stockholders' deficit | (180,656) | (152,138) | (130,712) | (241,432) | (141,893) |

- (1) No cash dividends have been paid on Holdings' common stock for the periods indicated above.
- (2) Includes impairment charges related to our other long-lived assets of \$4.4 million and \$5.3 million for fiscal years ended June 30, 2010 and 2009, respectively, and \$12.4 million for the eleven months ended June 30, 2008, and impairment of goodwill of \$107.4 million for the eleven months ended June 30, 2008 and \$29.6 million for the year ended June 30, 2007.
- (3) Includes reorganization items, net of approximately \$199.0 million of income for the one month ended July 31, 2007 and approximately \$17.5 million of expense for the year ended June 30, 2007, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes which appear elsewhere in this Form 10-K. It contains forward-looking statements that reflect our plans, estimates and beliefs, and which involve risks, uncertainties and assumptions. Please see "Forward-Looking Statements Disclosure" for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Form 10-K, particularly under the headings "Forward-Looking Statements Disclosure" and Item 1A. "Risk Factors".

Overview

We are a provider of retail and wholesale diagnostic imaging services. Our services are noninvasive procedures that generate representations of internal anatomy on film or digital media, which are used by physicians for the diagnosis and assessment of diseases and disorders.

We serve a diverse portfolio of customers, including healthcare providers, such as hospitals and physicians, and payors, such as managed care organizations, Medicare, Medicaid and insurance companies. We operate in more than 30 states including the following targeted regional markets: Arizona, certain markets in California, Texas, New England, the Carolinas, Florida and the Mid-Atlantic states. While we generated approximately 68% of our total revenues from MRI services during fiscal 2010, we provide a comprehensive offering of diagnostic imaging services, including PET/CT, CT, mammography, bone densitometry, ultrasound and x-ray.

As of June 30, 2010, our network consists of 62 fixed-site centers and 104 mobile facilities. This combination allows us to provide a full range of imaging services to better meet the varying needs of our customers. Our fixed-site centers include freestanding centers and joint ventures with hospitals and radiology groups. Our mobile facilities provide hospitals and physician groups access to imaging technologies when they lack either the resources or patient volume to provide their own imaging services or require incremental capacity. We do not engage in the practice of medicine, instead we contract with radiologists to provide professional services, including supervision, interpretation and quality assurance. We have three reportable segments; contract services, patient services and other operations. Please see below for a discussion of our segments. In our contract services segment we generate revenue principally from 99 mobile units and 17 fixed sites. In our patient services segment we generate revenues principally from 45 fixed-site centers and 5 mobile units. In our other operations segment, we generate revenues principally from agreements with customers to provide management services and technical solutions.

The diagnostic imaging industry has grown, and we believe will continue to grow, because of (1) an aging population, (2) the increasing acceptance of diagnostic imaging, particularly PET/CT and (3) expanding applications of CT, MRI and PET technologies. Notwithstanding the growth in the industry, as a result of the various factors that affect our industry generally and our business specifically, we have experienced declines in Adjusted EBITDA as compared to prior fiscal year periods (see our definition of Adjusted EBITDA and reconciliation of net cash provided by operating activities to Adjusted EBITDA in the subsection "Financial Condition, Liquidity and Capital Resources" below). Our Adjusted EBITDA for fiscal 2010 declined approximately 25.7% as compared to our Adjusted EBITDA for the year ended June 30, 2009. Our Adjusted EBITDA declined approximately 1.2% for the year ended June 30, 2009 as compared to the year ended June 30, 2008. We have had a negative historical trend of declining Adjusted EBITDA for the past six fiscal years, which may continue and be exacerbated by negative effects of the country's economic condition, increased competition in our contract services segment and the reimbursement reductions discussed in the subsection "Reimbursement" below.

We have implemented the following steps in an attempt to reverse the negative trend in Adjusted EBITDA:

Core Market Strategy. We have pursued a strategy based on core markets in our patient services segment. We believe this strategy will provide us more operating efficiencies and synergies than are available in a nationwide strategy. A core market is based on many factors, including, without limitation, demographic and population trends, utilization and reimbursement rates, existing and potential market share, the potential for profitability and return on assets, competition within the surrounding area, regulatory restrictions, such as certificates of need, and potential

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for alignment with radiologists, hospitals or payors. This strategy has resulted in our exiting some markets while increasing our presence in others or establishing new markets through acquisitions and dispositions. In implementing our core market strategy, we have taken the following actions:

- During fiscal 2009, we sold eight fixed-site centers (six in California, one in Illinois and one in Tennessee), and equity interests in three joint ventures that operated five fixed-site centers (four in New York and one in California) and we closed three fixed-site centers (two in California and one in Arizona).
- During fiscal 2009, we acquired two fixed-site centers in Boston, Massachusetts and two fixed-site centers in Phoenix, Arizona.
- During fiscal 2010, we expanded our presence in two regional markets: Texas and the Mid-Atlantic states. In March, 2010 we acquired an equity interest in a joint venture that operates a fixed-site center in the Dallas/Fort Worth, Texas area. In May, 2010 we acquired two fixed-site centers through a joint venture in the Toms River, New Jersey area.
- During fiscal 2010, we sold three fixed-site centers (two in Pennsylvania and one in California), and closed two fixed-site centers (one in California and one in Arizona).
- In August, 2010 we expanded our presence in the Southwest market by acquiring eight fixed-site centers in the areas of Phoenix, Arizona, El Paso, Texas, and Las Cruces, New Mexico. Also, we sold one fixed-site center in California.

Contract Services Strategy

Within our contract services segment we have pursued a strategy based on optimizing our mobile MRI and PET/CT routes, and of converting strategic mobile imaging customers to fixed site accounts. We have targeted our contract services sales efforts in regions where we have an existing presence, taking into account such factors as demographic and population trends, utilization and reimbursement rates, existing and potential market share, the potential for profitability and return on assets, competition within the surrounding area and regulatory restrictions, such as certificates of need, which provide a barrier to competition.

As a result of implementing our core market strategy in our patient services segment, we have reduced our cost of services as a percentage of revenues from 67.4% for the year ended June 30, 2009 to 67.0% for fiscal 2010. The decrease is primarily due to disposing of low margin patient services centers, which had an average cost of services as a percentage of revenues of approximately 125%.

We are continuously evaluating opportunities for the acquisition and disposition of certain businesses. There can be no assurance that we can complete purchases of these businesses on terms favorable to us in a timely manner to replace the loss of Adjusted EBITDA related to the businesses we sell.

Initiatives. We have attempted to implement, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives:

- Revenue enhancement initiatives have focused and will focus on our sales and marketing efforts to maintain or improve our procedural volumes and contractual rates, and our solutions initiatives discussed below.
- Receivables and collections management initiatives have focused and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and claim information when a procedure is scheduled or completed, and the initiative with Dell Perot Systems discussed below.
- Cost reduction initiatives have focused and will continue to focus on streamlining our organizational structure and expenses including enhancing and leveraging our technology to create greater efficiencies, and leveraging relationships with strategic vendors.

While we have experienced some improvements through our receivables and collections management and cost reduction initiatives, benefits from our revenue enhancement initiatives have yet to materialize and our revenues have continued to decline. Moreover, future revenue enhancement initiatives will face significant challenges

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because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the country's economic condition, including higher unemployment.

In February 2009, we entered into a seven-year agreement with Dell Perot Systems to provide enhanced revenue cycle services and assist in the implementation of upgraded technology and IT services, which will provide new technology to manage our back-office billing, accounts receivable and collections functions. As a result of this agreement, we, terminated certain employees and transitioned certain other employees to Dell Perot Systems. We implemented the revenue cycle services in June 2009 and we expect to implement the new upgraded technology and IT services in the first half of fiscal year 2011. We estimate start-up costs (excluding internal capitalized salary costs) of this initiative to be approximately \$3.8 million (including \$3.3 million of capital expenditures), of which \$3.3 million (including \$2.8 million of capital expenditure) has been incurred as of June 30, 2010.

In addition to our traditional offerings of equipment and management services, we believe that we have the ability to offer packaged technology solutions to hospitals and other medical imaging services providers. Besides our traditional offerings, these customers would have a broad spectrum of systems and services, including, but not limited to, image archiving and Picture Archiving Communication System (PACS) services, patient registration portals, radiology information systems, receivables and collections management services, and financial and operational tools. We launched our solutions initiative in fiscal 2010 and we recently extended a contract with an existing customer, implemented a new contract, and have and three additional contracts with implementation dates within our first fiscal quarter of 2011.

Reorganization

On May 29, 2007, Holdings and Insight filed voluntary petitions to reorganize their business under chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (Case No. 07-10700). The filing was in connection with a prepackaged plan of reorganization and related exchange offer. The other subsidiaries of Holdings were not included in the bankruptcy filing and continued to operate their business. On July 10, 2007, the bankruptcy court confirmed Holdings' and Insight's Second Amended Joint Plan of Reorganization pursuant to chapter 11 of the Bankruptcy Code. The plan of reorganization became effective and Holdings and Insight emerged from bankruptcy protection on August 1, 2007, or the effective date. Pursuant to the confirmed plan of reorganization and the related exchange offer, (1) all of Holdings' common stock, all options for Holdings' common stock and all of Insight's senior subordinated notes were cancelled, and (2) holders of Insight's senior subordinated notes and holders of Holdings' common stock prior to the effective date received 7,780,000 and 864,444 shares of newly issued Holdings' common stock, respectively, in each case after giving effect to a one for 6.326392 reverse stock split of Holdings' common stock.

This reorganization significantly deleveraged our balance sheet and improved our projected cash flow after debt service. However, we still have a substantial amount of debt, which requires significant interest and principal payments. As of June 30, 2010, we had total indebtedness of approximately \$298.1 million in aggregate principal amount, including Insight's \$293.5 million of senior secured floating rate notes due 2011, or floating rate notes, which come due in November 2011. Additionally, the opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable. We did not have any borrowings outstanding on the revolver as of June 30, 2010 and do not currently have any borrowings outstanding on the revolver. We have approximately \$1.6 million outstanding in letters of credit which would need to be cash collateralized in the event our revolver is eliminated.

We believe that future net cash provided by operating activities will be adequate to meet our operating cash and debt service requirements through December 1, 2010. If our cash requirements exceed the cash provided by our operating activities, then we would look to our cash balance, asset sales and revolving credit line to satisfy those needs. However, following December 1, 2010, we may not be able to access our existing revolver if we are in default under our revolving credit agreement and our lender refuses to extend the forbearance period. In the event net cash

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provided by operating activities declines further than we have anticipated, or if the availability under our revolving credit facility is reduced or eliminated by our lender in light of the existing default under that facility, any future defaults or otherwise, we are prepared to take steps to conserve our cash, including delaying or further restricting our capital projects and sale of certain assets. In any event, we will likely need to restructure or refinance all or a portion of our indebtedness on or before the maturity of such indebtedness. In the event such steps are not successful in enabling us to meet our liquidity needs or to restructure or refinance our outstanding indebtedness when due, we may need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged a financial advisory firm and are working closely with them to develop and finalize a restructuring and refinancing plan to significantly reduce our outstanding debt and improve our cash and liquidity position.

Nevertheless, the floating rate notes mature in November 2011 and require substantial quarterly interest payments leading up to maturity. Unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness and cause a material adverse effect on our liquidity and financial condition. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more restrictive covenants, which could further restrict our business operations and have a material adverse effect on our results of operations. Although we are prepared to take additional steps as necessary to improve our liquidity and financial condition, we cannot be certain such steps would be effective.

Segments

Effective July 1, 2009, we redefined the business segments based on how our chief operating decision maker views the businesses and assesses the performance of our business managers. We now have three reportable segments: contract services, patient services and other operations, which are business units defined primarily by the type of service provided. Contract services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to our healthcare provider customers, such as hospitals, which we refer to as wholesale operations. We internally handle the billing and collections for our contract services at relatively low cost, and we do not bear the direct risk of collections from third party-payers or patients. Patient services consist of centers (mainly fixed-sites) that primarily generate revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, such as Medicare, Medicaid, insurance companies and health maintenance organizations, which we refer to as our retail operations. We have primarily outsourced the billing and collections for our patient services to Dell Perot Systems, and we bear the direct risk of collections from third-party payors and patients. We allocate corporate overhead, depreciation related to our billing system and income taxes to other operations. Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. We refer to this revenue as generated from our solutions business. Other operations include all unallocated corporate expenses. We manage cash flows and assets on a consolidated basis, and not by segment.

Negative Trends

Our operations have been and will continue to be adversely affected by the following negative trends:

- overcapacity in the diagnostic imaging industry;
- reductions in reimbursement from certain third-party payors including Medicare;
- reductions in compensation paid by our wholesale customers;
- shifting of health care costs from private insurers and employers to patients with high deductible plans, who may elect to delay or forego medical procedures;
- limited capital to invest in our business, especially for new or upgraded medical equipment;
- lower revenues due to our aging equipment in our patient and contract services segments;
- competition from other wholesale and retail providers;
- competition from equipment manufacturers;
- loss of revenues from former referral sources that invested in their own diagnostic imaging equipment; and
- loss of revenues from former wholesale customers that invested in their own diagnostic imaging equipment.

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Recently there has been an increase in the amount of available equipment for lease within the industry. This has caused a decline in demand for our contract services mobile systems, which has resulted in (1) a lower than normal success rate in replacing lost revenues, (2) lower contractual reimbursement as compared to prior periods and (3) an increase in the number of our underutilized mobile systems.

Reimbursement

Medicare. The Medicare program provides reimbursement for hospitalization, physician, diagnostic and certain other services to eligible persons 65 years of age and over and certain other individuals. Providers are paid by the federal government in accordance with regulations promulgated by HSS and generally accept the payment with nominal deductible and co-insurance amounts required to be paid by the service recipient, as payment in full. Hospital inpatient services are reimbursed under a prospective payment system. Hospitals receive a specific prospective payment for inpatient treatment services based upon the diagnosis of the patient.

Under Medicare's prospective payment system for hospital outpatient services, or OPSS, a hospital is paid for outpatient services on a rate per service basis that varies according to the ambulatory payment classification group, or APC, to which the service is assigned rather than on a hospital's costs. Each year the Centers for Medicare and Medicaid Services, or CMS, publishes new APC rates that are determined in accordance with the promulgated methodology.

In recent years, CMS modified the OPSS with the effect of reducing the reimbursement received by hospitals for certain outpatient radiological services, including PET/CT, and CMS continues to examine imaging with a view toward potential further reductions. Because unfavorable reimbursement policies constrict the profit margins of the mobile customers we bill directly, we have and may continue to lower our fees to retain existing PET/CT customers and attract new ones. Although CMS continues to expand reimbursement for new applications of PET/CT, broader applications are unlikely to significantly offset the anticipated overall reductions in PET/CT reimbursement. Any modifications under OPSS further reducing reimbursement to hospitals may adversely impact our financial condition and results of operations since hospitals will seek to offset such modifications.

Services provided in non-hospital based freestanding facilities, such as independent diagnostic treatment facilities, are paid under the Medicare Physician Fee Schedule, or MPFS. The MPFS is updated on an annual basis. Several years ago, CMS reduced the reimbursement for certain diagnostic procedures performed together on the same day. They did so by modifying Medicare to pay 100% of the technical component of the higher priced procedure and 75% for the technical component of each additional procedure for procedures involving contiguous body parts within a family of codes when performed in the same session. Under the recently enacted PPACA, CMS further reduced the payment for contiguous body parts within the same session from 75% to 50% for the technical component of CT, MRI and ultrasound services, effective July 1, 2010. These reductions in payment by CMS may adversely impact our financial condition and results of operations since they result in lower reimbursement for our services and the services of our non-hospital clients. In fact, on June 25, 2010, CMS issued the proposed MPFS for 2011. Under the proposed rule, CMS is now proposing to apply this payment reduction to the technical component of all studies of these three imaging modalities that are performed on a patient in the same session, even if they are non-contiguous.

CMS has also published proposed regulations for hospital outpatient services that would implement the same multi procedure reimbursement methodology set forth under the MPFS; however it has delayed the implementation of this reimbursement methodology for an indefinite period of time. As a result Medicare continues to pay 100% of the technical component of each procedure for hospital outpatient services. If CMS implements this reimbursement methodology, it would adversely impact our financial condition and results of operations since our hospital customers would seek to offset their reduced reimbursement through lower rates with us.

We have experienced significant reimbursement reductions for radiology services provided to Medicare beneficiaries, including reductions pursuant to the Deficit Reduction Act, or DRA. The DRA, which became effective in 2007, set reimbursement for the technical component for imaging services (excluding diagnostic and screening mammography) in non-hospital based freestanding facilities at the lesser of OPSS or the MPFS.

Medicare reimbursement rates under the MPFS are calculated in accordance with a statutory formula. As a result, for calendar years 2008, 2009 and 2010, CMS published regulations decreasing the fee schedule rates by 10.1% 5.4% and 21.2% respectively. In each instance, Congress enacted legislation preventing the decreases from taking effect and in fact on June 25, 2010, the "Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010"

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prevented the rate reduction and also established a 2.2% payment rate increase to the MPFS retroactive from June 1 through Nov. 30, 2010. Under the proposed MPFS for 2011, however, CMS proposes to reduce rates in 2011 by an additional 6.1%. This cut does not account for the 2010 legislative changes to the MPFS and would be added to the 21.2% cut that was previously delayed. We anticipate that CMS will continue to release regulations for decreases in fee schedule rates under the MPFS until the statutory formula is changed through enactment of new legislation. We do not know if Congress will continue to enact legislation to prevent future decreases under the statutory formula, but if Congress failed to act, there could be significant decreases to the MPFS.

On Nov. 25, 2009, CMS released the 2010 MPFS final rule (the “Final Rule”) which updated the payment policies and rates for the MPFS, for calendar year 2010. In addition to other changes to the physician payment formulae, the MPFS reduces payment rates for services using equipment costing more than \$1.0 million by increasing the usage assumptions from the current 50% usage rate to a 90% usage rate. This change in the usage rate was to be phased in over a four year period and primarily impacted MRI and CT services. The Final Rule was superseded, however, by passage of PPACA, but only with respect to the usage assumptions. All other CMS issued updates for 2010 remain in effect. Under PPACA, beginning Jan. 1, 2011, the usage rate assumption for diagnostic imaging equipment priced at more than \$1 million will be set at 75% for 2011 and subsequent years.

In addition to the foregoing changes to the usage assumptions, CMS’ 2010 regulatory changes to the MPFS also included a downward adjustment to services primarily involving the technical component rather than the physician work component, by adjusting downward malpractice payments for these services. The reductions will affect the services we provide, primarily impacting radiology and other diagnostic tests. As noted above, the changes to the MPFS will be transitioned over a four–year period such that beginning in 2013, CMS will fully implement the revised payment rates. This change to the MPFS, could have an adverse effect on our financial condition and results of operations. For our fiscal year ended June 30, 2010, Medicare revenues represented \$17.6 million, or approximately 9.7% of our total revenues for such period. If the Final Rule had been fully phased in during our fiscal year ended June 30, 2010, we estimate that our total revenues would have been reduced by approximately \$2.6 million, or 1.1%. The impact of the new MPFS will increase over the four–year transition period unless mitigated by future legislation (either currently proposed or pledged by Congress and the federal government administration).

In addition to reimbursement cuts, the new MPFS confirms that suppliers of technical component advanced imaging services must be accredited by January 1, 2012. Our fixed–site centers are currently accredited by American College of Radiology or ACR, which has been designated by CMS as an authorized accrediting body. In addition, our mobile facilities are currently accredited by The Joint Commission. We are currently unable to assess what, if any, impact the accreditation requirements may have on future results of operations and our financial position.

Many of PPACA’s provisions will not take effect for months or several years, while others are effective immediately. Many provisions also will require the federal government and individual state governments to interpret and implement the new requirements. In addition, PPACA remains the subject of significant debate, and proposals to repeal, block or amend the law have been introduced in Congress and many state legislatures. Finally, a number of state attorneys general have filed legal challenges to PPACA seeking to block its implementation on constitutional grounds. Because of the many variables involved, we are unable to predict how many of the legislative mandates contained in PPACA will be implemented or in what form, whether any additional or similar changes to statutes or regulations (including interpretations), will occur in the future, or what effect any future legislation or regulation would have on our business. We do believe, however, that there will likely be changes to reimbursement for services provided to Medicare patients, and the federal government will likely have greater involvement in the healthcare industry than in prior years, and such reimbursement changes and greater involvement may adversely affect our financial condition and results of operations.

All of the congressional and regulatory actions described above reflect industry–wide cost–containment pressures that we believe will continue to affect healthcare providers for the foreseeable future.

Medicaid. The Medicaid program is a jointly–funded federal and state program providing coverage for low–income persons. In addition to federally–mandated basic services, the services offered and reimbursement methods vary from state to state. In many states, Medicaid reimbursement is patterned after the Medicare program; however,

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an increasing number of states have established or are establishing payment methodologies intended to provide healthcare services to Medicaid patients through managed care arrangements.

Managed Care and Private Insurance. Health Maintenance Organizations, or HMO's, Preferred Provider Organizations, or PPOs, and other managed care organizations attempt to control the cost of healthcare services by a variety of measures, including imposing lower payment rates, preauthorization requirements, limiting services and mandating less costly treatment alternatives. Managed care contracting is competitive and reimbursement schedules are at or below Medicare reimbursement levels. However, some managed care organizations have reduced or otherwise limited, and we believe that other managed care organizations may reduce or otherwise limit, reimbursement in response to reductions in government reimbursement. These reductions have had, and any future reductions could have, an adverse impact on our financial condition and results of operations. These reductions have been, and any future reductions may be, similar to the reimbursement reductions proposed by CMS, Congress and the current federal government administration. The development and expansion of HMOs, PPOs and other managed care organizations within our core markets could have a negative impact on utilization of our services in certain markets and/or affect the revenues per procedure we can collect, since such organizations will exert greater control over patients' access to diagnostic imaging services, the selection of the provider of such services and the reimbursement thereof.

Some states have adopted or expanded laws or regulations restricting the assumption of financial risk by healthcare providers which contract with health plans. While we are not currently subject to such regulation, we or our customers may in the future be restricted in our ability to assume financial risk, or may be subjected to reporting requirements if we do so. Any such restrictions or reporting requirements could negatively affect our contracting relationships with health plans.

Private health insurance programs generally have authorized payment for our services on satisfactory terms. However, we believe that private health insurance programs may also reduce or otherwise limit reimbursement in response to reductions in government reimbursement, which could have an adverse impact on our financial condition and results of operations.

Several significant third-party payors implemented the reduction for multiple images on contiguous body parts (as currently in effect under CMS regulations) and additional payors may propose to implement this reduction as well. If the government implements a discount on the technical component discount on imaging of contiguous body parts third-party payors may follow this practice and implement a similar reduction. Such reduction would further negatively affect our financial condition and results of operations.

Furthermore, certain third-party payors have proposed and implemented initiatives which have the effect of substantially decreasing reimbursement rates for diagnostic imaging services provided at non-hospital facilities, and payors are continuing to monitor reimbursement for diagnostic imaging services. A third-party payor has instituted a requirement of participation that requires freestanding imaging center providers to offer multi-modality imaging services and not simply offer one type of diagnostic imaging service. Other third-party payors have instituted specific credentialing requirements on imaging center providers and physicians performing interpretations and providing supervision. Similar initiatives enacted in the future by a significant number of additional third-party payors may have a significant adverse impact on our financial condition and results of operations.

Revenues

We earn revenues by providing services to patients, hospitals and other healthcare providers. Our patient services revenue is billed, on a fee-for-service basis, directly to patients or third-party payors such as managed care organizations, Medicare, Medicaid, commercial insurance carriers and workers' compensation funds, collectively, payors. Patient services revenues also include balances due from patients, which are primarily collected at the time the procedure is performed. We refer to our patient services revenues as our retail operations. With respect to our retail operations, we bear the direct risk of collections from third-party payors and patients. Our charge for a procedure is comprised of charges for both the technical and professional components of the service. Patient services revenues are presented net of (1) related contractual adjustments, which represent the difference between our charge for a procedure and what we will ultimately receive from the payors, and (2) payments due to radiologists for interpreting the results of the diagnostic imaging procedures.

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Historically and through fiscal 2009, reports from our billing system did not generate contractual adjustments. Consequently, contractual adjustments had been manual estimates based upon an analysis of historical experience of contractual payments from payors and the outstanding accounts receivables from payors. In July 2009, we completed the implementation of a new report that extracts data from our billing system and automatically generates the contractual adjustments based on actual contractual rates with our payors in effect at the time the service is provided to the patient. Contractual adjustments are written-off against contractual fee rates with our payors in effect when the service was provided to the patient.

We report net the payments due to radiologist from our revenue because (1) we are not the primary obligor for the provision of professional services and (2) because the radiologists receive contractually agreed upon percentage of collections, the radiologists bear the risk of non-collection. In the past we had arrangements with certain radiologists pursuant to which we paid the radiologists for their professional services at an agreed upon contractual rate irrespective of the ultimate collections. With respect to these arrangements, the professional component is included in our revenues, and our payments to the radiologists are included in costs of services. These type of arrangements were in effect in fiscal 2008 and fiscal 2009. In fiscal 2010, we no longer had these types of arrangements.

Our collection policy is to obtain all required insurance information at the time a procedure is scheduled, and to submit an invoice to the payor immediately after a procedure is completed. Most third-party payors require preauthorization before an MRI, CT or PET/CT procedure is performed on a patient.

We refer to our revenues from hospitals, physician groups and other healthcare providers as contract services revenues or our wholesale operations. Contract services revenues are primarily generated from fee-for-service arrangements, fixed-fee contracts and management fees billed to the hospital, physician group or other healthcare provider. Contract service revenues are generally billed to our customers on a monthly basis and revenues are recognized when the service is provided. Revenues collected in advance are recorded as unearned revenue. Fee for services revenues are affected by the timing of holidays, patient and referring physicians vacation schedules and inclement weather.

The provision for doubtful accounts is reflected as an operating expense and represents our estimate of amounts that are legally owed to us but will be uncollectible from patients, payors, hospitals, physician groups and other healthcare providers. The provision for doubtful accounts includes amounts to be written off with respect to specific accounts involving customers that are financially unstable or materially fail to comply with the payment terms of their contracts and other accounts based on our historical collection experience, including payor mix and the aging of patient accounts receivables balances. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. Receivables deemed to be uncollectible, either through a customer default on payment terms or after reasonable collection efforts have been exhausted, are fully written-off against their corresponding asset account, with a reduction to the allowance for doubtful accounts to the extent such an allowance was previously recorded. Our historical write-offs for uncollectible accounts are not concentrated in a specific payor class.

The following illustrates our payor mix based on revenues for fiscal 2010:

Percentage of Total Revenues

| | |
|--|-----|
| Hospitals, physician groups and other healthcare providers(1)(2) | 53% |
| Managed care and insurance | 33% |
| Medicare / Medicaid | 12% |
| Other, including workers compensation and self-pay patients | 2% |

(1) We have one healthcare provider that accounted for approximately 6% of our total revenues during the year ended June 30, 2010. No other single hospital, physician group or other healthcare provider accounted for more than 5% of our total revenues.

(2) These payors principally represent our contract services or wholesale operations.

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The aging of our gross and net trade accounts receivables as of June 30, 2010 is as follows (amounts in thousands):

| | <u>Current</u> | <u>30 Days</u> | <u>60 Days</u> | <u>90 Days</u> | <u>120 Days and Older</u> | <u>Total</u> |
|---|----------------|----------------|----------------|----------------|-------------------------------|--------------|
| | | | | (Unaudited) | | |
| Hospitals, physician groups and other healthcare providers | \$ 7,799 | \$ 3,264 | \$ 737 | \$ 537 | \$ 542 | \$ 12,879 |
| Managed care and insurance | 11,680 | 3,344 | 1,874 | 1,131 | 2,158 | 20,187 |
| Medicare/Medicaid | 4,368 | 647 | 469 | 297 | 703 | 6,484 |
| Workers' compensation | 837 | 496 | 326 | 226 | 268 | 2,153 |
| Other, including self-pay patients | 77 | 42 | 25 | 31 | 43 | 218 |
| Trade accounts receivables | 24,761 | 7,793 | 3,431 | 2,222 | 3,714 | 41,921 |
| Less: Allowances for professional fees | (2,710) | (675) | (395) | (262) | (485) | (4,527) |
| Allowances for contractual adjustments | (8,065) | (2,056) | (1,182) | (46) | (80) | (11,429) |
| Allowances for doubtful accounts | (181) | (79) | (74) | (1,100) | (1,937) | (3,371) |
| Trade accounts receivables, net | \$ 13,805 | \$ 4,983 | \$ 1,780 | \$ 814 | \$ 1,212 | \$ 22,594 |
| | 61% | 22% | 8% | 4% | 5% | 100% |

As of June 30, 2010, our days sales outstanding, or DSO's, for trade accounts receivables on a net basis was 41 days as compared to 43 days at June 30, 2009. We believe that this decrease in DSO's is primarily a result of lower denial rates and improved collections times due to increased use of billing applications and improved collection practices.

Operating Expenses

We operate in a capital intensive industry that requires significant amounts of capital to fund operations. As a result, a high percentage of our total operating expenses are fixed. Our fixed costs include depreciation and amortization, debt service, lease payments, salaries and benefit obligations, equipment maintenance expenses, insurance and vehicle operations costs. Because a large portion of our operating expenses are fixed, any increase in our procedure volume or reimbursement rates disproportionately increases our operating cash flow. Conversely, any decrease in our procedure volume or reimbursement rates disproportionately decreases our operating cash flow. Our variable costs, which comprise only a small portion of our total operating expenses, include billing fees related to patient services, bad debt expense and the cost of service supplies such as film, contrast media and radiopharmaceuticals.

Results of Operations

Upon Holdings' and Insight's emergence from chapter 11, we adopted fresh-start reporting in accordance with ASC Topic 852, formerly SOP 90-7 "Financial Reporting by Entities in Reorganization under the Bankruptcy Code". The adoption of fresh-start reporting results in our becoming a new entity for financial reporting purposes. Accordingly, our consolidated financial statements on or after August 1, 2007 are not comparable to our consolidated financial statements prior to that date. The adoption of fresh-start reporting primarily affects depreciation and amortization and interest expense in the consolidated statements of operations. The accompanying consolidated statements of operations for the year ended June 30, 2008 combine the results of operations for the one month ended July 31, 2007 of the Predecessor and the eleven months ended June 30, 2008 of the Successor. We then compare the combined results of operations with the corresponding period in the ensuing year.

Presentation of the combined results of operations for all of fiscal 2008 does not comply with accounting principles generally accepted in the United States; however, we believe the combined results of operations for the year ended June 30, 2008 provide management and investors with a more meaningful perspective on our financial performance and operating trends than if we did not combine the results of operations of Predecessor and Successor in this manner. Similarly, we combine the financial results of Predecessor and Successor when discussing sources and uses of cash for the year ended June 30, 2008.

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The following table sets forth the results of operations for the years ended June 30, 2010, 2009 and 2008. The combined results for the year ended June 30, 2008 have been prepared for comparative purposes only and do not purport to be indicative of what results of operations would have been, and are not indicative of future operating results (amounts in thousands):

| | Years Ended June 30, | | |
|---|-----------------------------|--------------------|-------------------|
| | 2010 | 2009 | 2008 |
| | (Successor) | (Successor) | (Combined) |
| REVENUES: | | | |
| Contract services | \$ 96,066 | \$ 115,055 | \$ 120,601 |
| Patient services | 92,898 | 110,557 | 140,401 |
| Other operations | 1,974 | 2,170 | 1,929 |
| Total revenues | 190,938 | 227,782 | 262,931 |
| COSTS OF OPERATIONS: | | | |
| Costs of services | 127,856 | 153,491 | 180,369 |
| Provision for doubtful accounts | 4,390 | 4,021 | 6,179 |
| Equipment leases | 10,641 | 10,950 | 10,006 |
| Depreciation and amortization | 33,219 | 45,584 | 58,166 |
| Total costs of operations | 176,106 | 214,046 | 254,720 |
| CORPORATE OPERATING EXPENSES | (20,191) | (21,564) | (27,422) |
| EQUITY IN EARNINGS OF UNCONSOLIDATED PARTNERSHIPS | 2,358 | 2,642 | 2,065 |
| INTEREST EXPENSE, net | (25,599) | (30,164) | (35,398) |
| GAIN (LOSS) ON SALES OF CENTERS | 118 | 7,885 | (644) |
| GAIN ON PURCHASE OF NOTES PAYABLE | — | 12,065 | — |
| IMPAIRMENT OF GOODWILL | — | — | (107,405) |
| IMPAIRMENT OF OTHER LONG-LIVED ASSETS | (4,414) | (5,308) | (12,366) |
| Loss before reorganization items and income taxes | (32,896) | (20,708) | (172,959) |
| REORGANIZATION ITEMS, net | — | — | 198,998 |
| Income (loss) before income taxes | (32,896) | (20,708) | 26,039 |
| BENEFIT FOR INCOME TAXES | (1,832) | (1,652) | (1,947) |
| Net income (loss) | (31,064) | (19,056) | 27,986 |
| Less: net income attributable to noncontrolling interests | 738 | 698 | 845 |
| Net loss attributable to InSight Health Services Holdings Corp | \$ (31,802) | \$ (19,754) | \$ 27,141 |

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The following table sets forth certain historical financial data expressed as a percentage of revenues for each of the years indicated:

| | Years Ended June 30, | | |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| | 2010 (Successor) | 2009 (Successor) | 2008 (Combined) |
| REVENUES | 100.0% | 100.0% | 100.0% |
| COSTS OF OPERATIONS: | | | |
| Costs of services | 67.0 | 67.4 | 68.6 |
| Provision for doubtful accounts | 2.3 | 1.8 | 2.4 |
| Equipment leases | 5.6 | 4.8 | 3.8 |
| Depreciation and amortization | 17.4 | 20.0 | 22.1 |
| Total costs of operations | 92.3 | 94.0 | 96.9 |
| CORPORATE OPERATING EXPENSES | (10.6) | (9.5) | (10.4) |
| EQUITY IN EARNINGS OF UNCONSOLIDATED PARTNERSHIPS | 1.2 | 1.2 | 0.8 |
| INTEREST EXPENSE, net | (13.4) | (13.2) | (13.5) |
| GAIN (LOSS) ON SALES OF CENTERS | 0.1 | 3.5 | (0.2) |
| GAIN ON PURCHASE OF NOTES PAYABLE | — | 5.3 | — |
| IMPAIRMENT OF GOODWILL | — | — | (40.8) |
| IMPAIRMENT OF OTHER LONG-LIVED ASSETS | (2.3) | (2.3) | (4.7) |
| Loss before reorganization items and income taxes | (17.3) | (9.0) | (65.7) |
| REORGANIZATION ITEMS, net | — | — | 75.7 |
| Income (loss) before income taxes | (17.3) | (9.0) | 10.0 |
| BENEFIT FOR INCOME TAXES | (1.0) | (0.7) | (0.7) |
| Net income (loss) | (16.3) | (8.3) | 10.7 |
| Less: net income attributable to noncontrolling interests | 0.4 | 0.3 | 0.3 |
| Net loss attributable to InSight Health Services Holdings Corp | (16.7)% | (8.6)% | 10.4% |

Years ended June 30, 2010 and 2009

The following table sets forth certain historical financial data by segment for the periods indicated (amounts in thousands):

| | Years Ended June 30, | | | | Variance | Variance |
|--------------------------|-----------------------------|---------------------|--------------------|---------------------|-----------------|-----------------|
| | 2010 | % of Revenue | 2009 | % of Revenue | | |
| | | | (Unaudited) | | | |
| Revenues | | | | | | |
| Patient services(1) | \$ 92,898 | 48.7% | \$ 110,557 | 48.5% | \$ (17,659) | (16.0)% |
| Contract services | 96,066 | 50.3% | 115,055 | 50.5% | (18,989) | (16.5)% |
| Other operations | 1,974 | 1.0% | 2,170 | 1.0% | (196) | (9.0)% |
| Total | \$ 190,938 | 100.0% | \$ 227,782 | 100.0% | \$ (36,844) | (16.2)% |
| Costs of Services | | | | | | |
| Patient services(2) | \$ 73,786 | 38.6% | \$ 90,946 | 39.9% | \$ (17,160) | (18.9)% |
| Contract services | 53,307 | 27.9% | 61,857 | 27.2% | (8,550) | (13.8)% |
| Other operations | 763 | 0.4% | 688 | 0.3% | 75 | 10.9% |
| Total | \$ 127,856 | 67.0% | \$ 153,491 | 67.4% | \$ (25,635) | (16.7)% |

- (1) Patient services revenues for the year ended June 30, 2009 include \$17.5 million related to patient services centers that were sold or closed in fiscal 2009 and 2010. Patient services revenues for the year ended June 30, 2010 include \$2.0 million related to centers that were sold or closed in fiscal year 2010. Patient services revenues for the year ended June 30, 2009 include \$2.2 million from centers acquired in fiscal 2009. Patient services revenues for the year ended June 30, 2010 include \$7.9 million in revenues from acquired patient services centers that were not in operation for all of fiscal 2009.

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- (2) Patient services cost of services for the year ended June 30, 2009 include \$15.3 million related to patient services centers that were sold or closed in fiscal 2009 and 2010. Patient services cost of services for the year ended June 30, 2010 include \$2.5 million related to patient services centers that were sold or closed in fiscal 2010. Patient services costs of services for the year ended June 30, 2009 include \$1.3 million in costs from acquired patient services centers were acquired in fiscal year 2009. Patient services costs of services for the year ended June 30, 2010 include \$4.7 million in costs from acquired patient services centers in fiscal year 2009 and 2010 that were not in operation for all of fiscal 2009 and patient services for the year ended June 30, 2009, included \$1.3 million in cost of services from patient services centers acquired during fiscal 2009.

Non-GAAP Measure — Revenues and costs of operations (including costs of services, provision for doubtful accounts, equipment leases and depreciation and amortization), net of acquisitions and dispositions as presented herein is defined as revenue and services excluding the effects of acquisitions and dispositions. We believe this metric is a useful financial measure for investors in evaluating our operating performance for the periods presented, as when read in conjunction with our revenues and costs of services, it presents a useful tool to evaluate our ongoing operations and provides investors with a tool they can use to evaluate our management of assets held from period to period. In addition, revenues and costs of services net of acquisitions and dispositions is one of the factors we use in internal evaluations of the overall performance of our business. This metric, however, is not a measure of financial performance under accounting principles generally accepted in the United States (“GAAP”) and should not be considered a substitute for revenues and costs of services as determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other companies.

Revenues Net of acquisitions and dispositions, revenues decreased \$27.0 million or 13% to \$181.0 million for the year ended June 30, 2010, from \$208.0 million for the year ended June 30, 2009. This decrease was primarily due to lower contract services revenues (\$19.0 million), lower revenues from existing patient services centers (\$7.8 million) and lower revenues from other operations (\$0.2 million).

Our patient services revenues, net of acquisitions and dispositions, decreased 8.6% from \$90.8 million for the year ended June 30, 2009, to \$83.0 million for the year ended June 30, 2010. This decrease was primarily a result of a decrease in scan volumes, which we attribute to various factors, including high unemployment rates and the impact of high deductible health plans. The decrease is also due to a decline in the percentage of scans related to more expensive procedures, coupled with reimbursement rate reductions from various payors.

Our contract services revenues decreased 16.5% from \$115.1 million for the year ended June 30, 2009 to \$96.1 million for the year ended June 30, 2010. This decrease was partially due to the closure of a fixed-site center related to a large healthcare provider contract (\$5.1 million) in conjunction with the renewal of the continuing four centers under a multi-year agreement. The remaining decrease from our contract services operations is a result of a reduction in the number of active contracts and reductions in reimbursement from our contract services customers for all modalities. The reductions in reimbursement are primarily the result of competition from other contract services providers and fewer mobile units in service. Our aging mobile fleet also contributed to the decline in revenues as did the continued propensity for customers to take their business in-house.

We believe we may continue to experience declining revenues due to the negative trends discussed above, which may be intensified by the negative effects of the country’s economic condition, including higher unemployment, higher deductible plans, fewer individuals with healthcare insurance and reductions in third-party payor reimbursement.

Costs of services As a percentage of revenues, costs of services decreased 0.4% to 67.0% for the year ended June 30, 2010 as compared to 67.4% for fiscal 2009. Cost of services decreased \$25.6 million to \$127.9 million for the year ended June 30, 2010 from \$153.5 million for the year ended June 30, 2009. The decrease is attributable partially to lower costs in our contract services (\$8.5 million) and in our existing patient services (\$7.7 million) coupled with the disposition of certain of our patient services centers (\$12.8 million), partially offset by acquisitions (\$3.4 million).

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As a percentage of revenues, costs of services at our patient services centers decreased 2.9% to 79.4% for the year ended June 30, 2010 from 82.3% for the prior fiscal year. The decrease is partially the result of the disposition of patient services centers with costs of services as a percentage of revenue of over 87%. Total costs of services in our patient services segment decreased \$17.1 million to \$73.8 million in fiscal 2010 from \$90.9 million in fiscal 2009. Our dispositions eliminated \$12.8 million of costs in our patient services segment from the year ended June 30, 2009 to the current year, which was partially offset by acquisitions (\$3.4 million). Additionally we also reduced the cost of services for our existing patient services centers by \$7.7 million. The decrease in costs of services for our existing patient services centers was due primarily to decreased salary related expenses (\$2.6 million), reading fees (\$1.0 million), billing fees (\$1.3 million), equipment maintenance (\$1.0 million), and other operating costs (\$1.5 million). Net of acquisitions and dispositions, as a percentage of revenues, our cost of services decreased 1.6% to 80.2% for the year ended June 30, 2010 from 81.8% for the year ended June 30, 2009.

As a percentage of revenues our cost of services in our contract services segment increased 1.7% to 55.5% for the year ended June 30, 2010 from 53.8% for the prior fiscal year. The increase is attributable to the decline in revenues. Costs of services in our contract services segment decreased \$8.6 million to \$53.3 million for the year ended June 30, 2010 from \$61.9 million for the prior fiscal year. The decrease was due partially to the closure of a fixed-site center related to a large health care provider contract (\$2.2 million) in conjunction with the renewal of the continuing four centers under a multi-year agreement. The remaining decrease in costs of services for our contract services operations is a result of our cost reduction initiatives. Notable variances included a decrease in salary related expenses (\$3.0 million), a decrease in our mobile fleet related costs (\$2.8 million), and decreases in supplies, insurance, and taxes and license fees (\$0.5 million) as compared to the prior fiscal year.

Provision for doubtful accounts The provision for doubtful accounts increased by \$0.4 million for the year ended June 30, 2010 to \$4.4 million for the fiscal year ended June 30, 2010 from \$4.0 million as compared to the prior fiscal year. Net of acquisitions and dispositions, our provision for doubtful accounts increased \$0.6 million to \$4.1 million for the year ended June 30, 2010 as compared to \$3.5 million in the prior fiscal year, related primarily to patient services operations. We attribute the negative trend to the increase in the patient portion of our receivables due to the high unemployment rate coupled with higher deductible plans.

Equipment leases Equipment leases decreased \$0.3 million for the year ended June 30, 2010 as compared to the prior fiscal year. Equipment leases, net of acquisitions and dispositions, decreased \$0.3 million, to \$10.2 million from \$10.5 million for the years ended June 30, 2010 and 2009, respectively.

Depreciation and amortization Depreciation and amortization expense decreased \$12.4 million for the year ended June 30, 2010 to \$33.2 million from \$45.6 million for the prior fiscal year. Net of acquisitions and dispositions, depreciation and amortization decreased \$9.8 million to \$32.2 million for the year ended June 30, 2010 as compared to \$42.0 million in the prior fiscal year. The decrease can be primarily attributed to the age of our equipment resulting in more fully depreciated equipment during the year ended June 30, 2010 than the prior fiscal year, partially offset by purchases of new property and equipment.

Corporate Operating Expenses Corporate operating expenses decreased \$1.4 million, or 6.4%, to \$20.2 million for the year ended June 30, 2010 from \$21.6 million for the year ended June 30, 2009. Our cost reduction initiatives primarily contributed to decreases in office related expenses (\$0.7 million) and professional and regulatory costs (\$0.3 million). In addition, during the year ended June 30, 2009, we incurred a \$1.1 million charge relating to a contingent non-income tax liability which did not recur in fiscal 2010. After taking into consideration the \$1.1 million one-time charge for the non-income tax liability in the prior fiscal year, corporate operating expenses as a percentage of revenues increased by 1.6% to 10.6% for the year ended June 30, 2010 from 9.0% for the prior fiscal year. This increase is primarily due to the decline in revenues as discussed above, exceeding our reduction in costs. During the quarter ended June 30, 2010, our corporate operating expenses included approximately \$0.7 million of costs related to our recent acquisition of eight retail centers and severance and disposal costs primarily associated with planned sales and closures of several retail centers.

Equity in Earnings of Unconsolidated Partnerships Equity in earnings in our unconsolidated partnerships decreased \$0.3 million in fiscal 2010 as compared to the prior fiscal year because of lower earnings in the unconsolidated partnerships as our unconsolidated partnerships are experiencing some of the same fiscal and operating challenges that we are.

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Interest Expense, Interest expense, net decreased \$4.6 million from \$30.2 million for the year ended June 30, 2009, to \$25.6 million for the year ended June 30, 2010. The decrease was due primarily to lower interest rates (\$6.2 million) on the floating rate notes coupled with lower debt balances resulting from our purchase of \$21.5 million of floating rate notes in fiscal year 2009 partially offset by increased payments on our interest rate collar (\$1.1 million) and amortization of the bond discount (\$0.5 million). Our interest rate collar matured on February 1, 2010.

Gain on Sales of Centers During fiscal 2009, we sold six fixed-site centers in California, one fixed-site center in Illinois and one fixed-site center in Tennessee and our equity interest in three joint ventures in New York and California that operated five fixed-site centers. We received \$20.0 million, net of cash sold, from these sales and recorded a gain of \$7.9 million. In addition, we deferred recognition of a \$0.3 million contingent payment upon the satisfaction of a certain guaranty as measured on the first anniversary of the transaction. During fiscal 2010, the contingency was satisfied and we recognized the deferred gain on sale of center, which was partially offset by a \$0.2 million loss on sale of a fixed-site center in California.

Gain on Purchase of Notes Payable During fiscal 2009, we purchased \$21.5 million in principal amount of our floating rate notes for approximately \$8.4 million. We realized a gain of approximately \$12.1 million, after the write-off of unamortized discount of approximately \$1.0 million.

Impairment of Other Long-Lived Assets. Impairment of other long-lived assets decreased \$0.9 million from \$5.3 million for the year ended June 30, 2009 to \$4.4 million for the year ended June 30, 2010. Based on our annual evaluation of the carrying value of our indefinite-lived intangible assets as of December 31, 2009, we concluded that impairments had occurred and we recorded a non-cash impairment charge of \$1.9 million in our contract services segment related to our trademark (\$0.8 million) and our certificates of need (\$0.9 million) and our patient services segment related to our certificates of need (\$0.2 million). This impairment charge primarily resulted from a decline in our mobile business within our contract services segment. As of June 30, 2010, we completed an analysis of our operations and determined that there were indications of possible impairment of our indefinite lived assets including our certificates of need and our trademark due to the decline in our revenues and EBITDA in both our patient services and contract services segments during the second half of fiscal 2010. Our contract services decline primarily relates to our mobile operations. We did not note any indication of impairment of our goodwill. Accordingly, we completed a valuation of our certificates of need and trademark and recorded an impairment charge of \$1.4 million for our patient services certificates of need and \$0.3 million for our contract services certificates of need, and \$0.8 million related to our trademark. (see Note 10)

Loss before Income Taxes Loss before income taxes increased from \$20.7 million for the year ended June 30, 2009, to \$32.9 million for the year ended June 30, 2010. An analysis of the change in loss before income taxes is as follows (amounts in thousands)

| | <u>Consolidated</u> |
|---|---------------------|
| Loss before income taxes — | |
| Year ended June 30, 2009 | \$ (20,708) |
| Decrease in existing centers revenues | (21,898) |
| Decrease in existing centers costs of services | 14,056 |
| Decrease in existing centers equipment leases | 200 |
| Increase in existing centers provision for doubtful accounts | (630) |
| Decrease in existing centers depreciation and amortization | 8,875 |
| Decrease in existing centers interest expense, net | 4,366 |
| Impact of centers sold, closed or acquired | 511 |
| Decrease in corporate operating expenses | 1,373 |
| Decrease in equity in earnings of unconsolidated partnerships | (284) |
| Gain on sales of centers | (7,585) |
| Gain on purchase of notes payable | (12,065) |
| Decrease in impairment of other long-lived assets | 894 |
| Loss before income taxes — | |
| Year ended June 30, 2010 | \$ (32,896) |

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Benefit for Income Taxes For the year ended June 30, 2010, we recorded a benefit for income taxes of \$1.8 million as compared to a benefit for income taxes of \$1.7 million for the year ended June 30, 2009. The benefit for income taxes is related to a decrease in our deferred income tax liability of approximately \$1.4 million due to the impairment of our indefinite-lived intangible assets, and a decrease in income taxes associated with uncertain tax positions of \$0.7 million, offset partially by a provision primarily related to state income taxes of \$0.1 million and interest expense related to the uncertain tax positions.

Years Ended June 30, 2009 and 2008

The following table sets forth certain historical financial data by segment for the periods indicated (amounts in thousands):

| | Years Ended June 30, | | | | | |
|--------------------------|----------------------|---------------|-------------------|---------------|--------------------|----------------|
| | 2009 | % of Revenue | 2008 | % of Revenue | Variance | Variance |
| | Successor | | Combined | | | (Unaudited) |
| Revenues | | | | | | |
| Patient services(1) | \$ 110,557 | 48.5% | \$ 140,401 | 53.4% | \$ (29,844) | (21.3)% |
| Contract services | 115,055 | 50.5% | 120,601 | 45.9% | \$ (5,546) | (4.6)% |
| Other operations | 2,170 | 1.0% | 1,929 | 0.7% | 241 | 12.5% |
| Total | \$ 227,782 | 100.0% | \$ 262,931 | 100.0% | \$ (35,149) | (13.4)% |
| Costs of Services | | | | | | |
| Patient services(2) | \$ 90,946 | 39.9% | \$ 111,408 | 42.4% | \$ (20,462) | (18.4)% |
| Contract services | 61,857 | 27.2% | 68,282 | 26.0% | (6,425) | (9.4)% |
| Other operations | 688 | 0.3% | 679 | 0.3% | 9 | 1.3% |
| Total | \$ 153,491 | 67.4% | \$ 180,369 | 68.6% | \$ (26,878) | 14.9% |

- (1) Patient services revenues for the year ended June 30, 2008 include \$38.6 million related to patient services centers that were sold or closed in fiscal 2008 and 2009. Patient services revenues for the year ended June 30, 2009 include \$10.5 million related to patient services centers that were sold or closed in fiscal 2009. Patient services revenues for the year ended June 30, 2009 include \$2.5 million in revenues from acquired patient services centers that were not in operation during fiscal 2008.
- (2) Patient services cost of services for the year ended June 30, 2008 include \$32.7 million related to patient services centers that were sold or closed in fiscal 2008 and 2009. Patient services cost of services for the year ended June 30, 2009 include \$9.2 million related to patient services centers that were sold or closed in fiscal 2009. Patient services costs of services for the year ended June 30, 2009 include \$1.7 million in costs from acquired patient services centers that were not in operation during fiscal 2008.

Revenues Net of acquisitions and dispositions, revenues decreased \$9.5 million or 4.2% to \$214.8 million for the year ended June 30, 2009, from \$224.3 million for the year ended June 30, 2008. This decrease was primarily due to lower revenues from existing patient services revenues (\$4.2 million) and contract services revenues (\$5.5 million), partially offset by an increase from other operations (\$0.2 million).

Net of acquisitions and dispositions, our patient services revenues decreased 4.1% from \$101.8 million for the year ended June 30, 2008, to \$97.6 million for the year ended June 30, 2009. This decrease was primarily a result of a decrease in scan volumes, which we attribute to various factors, including high unemployment rates and the impact of high deductible health plans. The decrease is also due to a decline in the percentage of scans related to more expensive procedures, coupled with reimbursement rate reductions from various payors.

Our contract services revenues decreased \$5.5 million or 4.6% to \$115.1 million for the year ended June 30, 2009 from \$120.6 million for the year ended June 30, 2008. This decrease was partially due to the closure of a fixed-site center related to a large healthcare provider (\$2.6 million) in conjunction with the renewal of the continuing four centers under a multi-year agreement. The remaining decrease in our contract services operations is a result of a

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reduction in the number of active contracts and reductions in reimbursement from our contract services customers for all modalities. The reductions in reimbursement are primarily the result of competition from other contract services providers and fewer mobile units in service. Our aging mobile fleet also contributed to the decline in revenues as did the continued propensity for customers to take their business in-house.

Costs of services As a percentage of revenues, costs of services decreased 1.2% to 67.4% for the year ended June 30, 2009 as compared to 68.6% for fiscal 2008. Cost of services decreased \$26.9 million to \$153.5 million for the year ended June 30, 2009 from \$180.4 million for the year ended June 30, 2008. The decrease was attributable to our patient services centers (\$20.5 million) and contract services (\$6.4 million).

As a percentage of revenues, costs of services at our patient services centers increased 2.9% to 82.3% for the year ended June 30, 2009 from 79.3% for the prior fiscal year due to a decline in revenues. Our dispositions were related to patient services centers with costs of services as a percentage of revenues of over 87% for the year ended June 30, 2009 as compared to 84.8% for the prior fiscal year. Total costs of services for patient services decreased \$20.5 million. Our dispositions eliminated \$23.5 million of costs from the year ended June 30, 2008 to the year ended June 30, 2009, which was partially offset by acquisitions (\$1.7 million) and an increase in cost of services for our existing patient services centers (\$1.3 million). The increase in costs of services for our existing patient services centers was due to severance and closing costs (\$1.0 million) and start-up costs relating to the implementation of the revenue cycle services (\$0.5 million). Net of acquisitions and dispositions, as a percentage of revenues, our cost of services increased 4.7% to 82.0% for the year ended June 30, 2009 from 77.3% for the year ended June 30, 2008, however, after considering the effect of the \$1.5 million charge for severance, closing costs and start-up costs during fiscal 2009, costs of services increased 3.2%.

As a percentage of revenues our contract services costs of services decreased 2.9% to 53.8% for the year ended June 30, 2009 from 56.6% for the prior fiscal year. The decrease is attributable primarily to our cost reduction initiatives. Costs of services in our contract services operations decreased \$6.4 million for the year ended June 30, 2009 as compared to the prior fiscal year. The decrease was due partially to the closure of a fixed-site center related to a large health care provider contract (\$0.5 million) in conjunction with the renewal of the continuing four centers under a multi-year agreement. The remaining decrease in costs of services for our contract services operations is a result of our cost reduction initiatives. Notable variances included a decrease in salary related expenses (\$4.2 million), a decrease in our mobile fleet related costs (\$0.9 million), and decreases in supplies, insurance and taxes and license fees (\$0.6 million).

Provision for doubtful accounts The provision for doubtful accounts decreased by \$2.2 million for the year ended June 30, 2009 as compared to the prior fiscal year. Net of acquisitions and dispositions, our provision for doubtful accounts decreased \$1.2 million to \$3.7 million for the year ended June 30, 2009 as compared to \$4.9 million in the prior fiscal year, related primarily to increased efficiencies in, and effectiveness of, our collections process on current receivables and the collection of old receivables within our patient services operations.

Equipment leases Equipment leases increased \$0.9 million for the year ended June 30, 2009 as compared to the prior fiscal year. Equipment leases, net of acquisitions and dispositions, increased \$1.4 million, to \$10.5 million from \$9.1 million for the years ended June 30, 2009 and 2008, respectively. The increase was primarily attributable to our contract services operations acquiring equipment through leases.

Depreciation and amortization Depreciation and amortization expense decreased \$12.6 million for the year ended June 30, 2009 to \$45.6 million from \$58.2 million for the prior fiscal year. Net of acquisitions and dispositions, depreciation and amortization decreased \$6.5 million for the year ended June 30, 2009 as compared to prior fiscal year. The decrease is attributable to the age of our equipment resulting in more fully depreciated equipment during the year ended June 30, 2009 than the prior fiscal year, partially offset by purchases of new property and equipment.

Corporate Operating Expenses Corporate operating expenses decreased \$5.9 million, or 21.4%, to \$21.6 million for the year ended June 30, 2009 from \$27.4 million for the year ended June 30, 2008. Our cost reduction initiatives primarily contributed to decreases in salaries and benefits related expenses (\$2.8 million) and professional and regulatory fees expenses (\$0.6 million), after considering the effects of \$2.2 million of litigation costs incurred in fiscal 2008 that did not recur in fiscal 2009. As a percentage of revenues corporate operating

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expenses decreased by 0.9% to 9.5% for the year ended June 30, 2009 from 10.4% for the prior fiscal year. This decrease is attributable to our cost reduction initiatives exceeding the decline in revenues. During the year ended June 30, 2009, our corporate operating expenses included \$0.3 million of transaction costs associated with our acquisitions.

Equity in Earnings of Unconsolidated Partnerships Equity earnings in our unconsolidated partnerships increased \$0.6 million in fiscal 2009 as compared to the prior fiscal year period because of greater earnings in the unconsolidated partnerships.

Interest Expense, net Interest expense, net decreased \$5.2 million from \$35.4 million for the year ended June 30, 2008, to \$30.2 million for the year ended June 30, 2009. The decrease was due primarily to lower interest rates (\$6.0 million) on the floating rate notes coupled with lower debt balances resulting from our purchase of \$21.5 million of floating rate notes in fiscal year 2009 partially offset by increased amortization of the bond discount (\$0.8 million).

Gain (Loss) on Sales of Centers During fiscal 2008, we sold seven fixed-site centers in California and our majority ownership interest in a joint venture that operated a fixed-site center in Ohio. We received \$9.1 million, net of cash sold, from the sales and recorded a loss of \$0.6 million. During fiscal 2009, we sold six fixed-site centers in California, one fixed-site center in Illinois and one fixed-site center in Tennessee and our equity interest in three joint ventures in New York and California that operated five fixed-site centers. We received \$20.0 million, net of cash sold, from the sales and recorded a gain of \$7.9 million. In addition, we deferred recognition of a \$0.3 million contingent payment upon the satisfaction of a certain guaranty as measured on the first anniversary of the transaction.

Impairment of Goodwill For the year ended June 30, 2008, we recorded a non-cash impairment charge of \$107.4 million. This charge is a reduction in the carrying value of goodwill.

Impairment of Other Long-Lived Assets Impairment of other long-lived assets decreased \$7.1 million from \$12.4 million for the year ended June 30, 2008 to \$5.3 million for the year ended June 30, 2009. For fiscal 2009 we completed our annual evaluation of the carrying value of our indefinite-lived intangible assets as of December 31, 2008, based on this evaluation we concluded that impairments had occurred and we recorded a non-cash impairment charge of \$4.6 million in our contract services segment related to our trademark (\$2.2 million) and our certificates of need (\$2.4 million). This impairment charge primarily resulted from a decline in our mobile business within our contract services segment. Additionally, as of June 30, 2009, we made the decision to sell certain assets related to two fixed-site centers in Pennsylvania for an amount expected to be less than their then-current carrying amount. As a result, we recorded an impairment loss of \$0.7 million to write down the assets associated with these two fixed-site centers to their estimated realizable value. These assets were subsequently sold in July 2009.

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Loss Before Reorganization Items, net and Income Taxes Loss before reorganization items, net and income taxes decreased to \$20.7 million for the year ended June 30, 2009, from \$173.0 million for the year ended June 30, 2008. An analysis of the change in loss before reorganization items, net and income taxes is as follows (amounts in thousands)

| | <u>Consolidated</u> |
|---|---------------------|
| Loss before reorganization items, net and income taxes — | |
| Year ended June 30, 2008 | \$ (172,959) |
| Decrease in existing centers revenues | (6,943) |
| Decrease in existing centers costs of services | 4,588 |
| Increase in existing centers equipment leases | (1,497) |
| Decrease in existing centers and facilities depreciation and amortization | 6,851 |
| Decrease in existing centers and facilities provision for doubtful accounts | 1,202 |
| Decrease in interest expense, net | 4,545 |
| Impact of centers sold, closed or acquired | 2,013 |
| Impairment of goodwill | 107,405 |
| Impairment of other long-lived assets | 7,058 |
| Decrease in corporate operating expenses | 5,858 |
| Increase in equity in earnings of unconsolidated partnerships | 577 |
| Gain on sales of centers | 8,529 |
| Gain on purchase of notes payable | 12,065 |
| Loss before reorganization items, net and income taxes — | |
| Year ended June 30, 2009 | \$ (20,708) |

Reorganization Items, net During the one month ended July 31, 2007, Predecessor recorded net gains of \$199.0 million for items in accordance with ASC 852 related to Holdings' and Insight's reorganization, primarily due to a gain on debt discharge, revaluation of assets and liabilities, professional fees and consent fees.

Benefit for Income Taxes For the year ended June 30, 2009, we recorded a benefit for income taxes of \$1.7 million as compared to a benefit for income taxes of \$1.9 million for the year ended June 30, 2008. The benefit for income taxes is related to a decrease in our deferred income tax liability due to the impairment of our indefinite-lived intangible assets discussed above.

Financial Condition, Liquidity and Capital Resources

We have historically funded our operations and capital project requirements from net cash provided by operating activities and capital and operating leases. We expect to fund future working capital and capital project requirements from cash on hand, sales of fixed-site centers and mobile facilities, net cash provided by operating activities and our credit facility. To the extent available, we will also use capital and operating leases, but the current conditions in the capital markets and our high level of leverage have limited our ability to obtain attractive lease financing. Our operating cash flows have been negatively impacted by the sales and closures of certain centers and the negative trends we have experienced within each of our segments. If our operating cash flows continue to be negatively impacted by these and other factors and we are unable to offset them with cost savings and other initiatives, it will result in:

- a reduction in our borrowing base, and therefore a decline in the amounts available under our credit facility;
- difficulty funding our capital projects;
- more stringent financing from equipment manufacturers and other financing resources; and
- an inability to meet our interest payment obligations on the floating rate notes, refinance or restructure our floating rate notes or redeem or retire the floating rate notes when due.

Liquidity

We have suffered recurring losses from operations and have a net capital deficiency that raises substantial doubt about our ability to continue as a going concern. Additionally, the opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding

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substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder, if any, to become immediately due and payable. We did not have any borrowings outstanding on the revolver as of June 30, 2010 and do not currently have any borrowings outstanding on the revolver. We have approximately \$1.6 million outstanding in letters of credit that would need to be cash collateralized in the event our revolver is eliminated. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit limit from \$15 million to \$5 million, and also increases our interest rate on outstanding borrowings to Prime +2.75% or LIBOR +3.75%, at our discretion. The unused line fee is increased to 0.75%.

We have a substantial amount of debt, which requires significant interest and principal payments. As of June 30, 2010, we had total indebtedness of \$298.1 million in aggregate principal amount, including \$293.5 million of floating rate notes which come due in November 2011. We believe that future net cash provided by operating activities will be adequate to meet our operating cash and debt service requirements through December 1, 2010. If our cash requirements exceed the cash provided by our operating activities, then we would look to our cash balance, proceeds from asset sales and revolving credit line to satisfy those needs. However, following December 1, 2010, we may not be able to access our existing revolver if we are in default under our revolving credit agreement and our lender refuses to extend the forbearance period. In the event net cash provided by operating activities declines further than we have anticipated, or if the availability under our revolving credit facility is reduced or eliminated by our lender in light of the existing default, any future defaults or otherwise, we are prepared to take steps to conserve our cash, including delaying or further restricting our capital projects and sale of certain assets. In any event, we will likely need to restructure or refinance all or a portion of our indebtedness on or before maturity of such indebtedness. In the event such steps are not successful in enabling us to meet our liquidity needs or to restructure or refinance our outstanding indebtedness when due, we may need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged a financial advisory firm and are working closely with them to develop and finalize a restructuring and refinancing plan to significantly reduce our outstanding debt and improve our cash and liquidity position.

Nevertheless, the floating rate notes mature in November 2011 and unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness, and cause a material adverse effect on our liquidity and financial condition. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more restrictive covenants, which could further restrict our business operations and have a material adverse effect on our results of operations. Although we are prepared to take additional steps as necessary, we cannot be certain such steps would be effective.

We reported net losses attributable to Holdings of approximately \$31.8 million, \$19.8 million and \$169.2 million for the years ended June 30, 2010 and 2009, and the eleven months ended June 30, 2008, respectively. We have implemented steps in response to these losses, including a core market strategy and various revenue cycle enhancement and cost reduction initiatives. We have focused on implementing, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives:

- Revenue enhancement initiatives have focused and will continue to focus on our sales and marketing efforts to maintain or improve our procedural volumes and contractual rates, and our solutions initiative.
- Receivables and collections management initiatives have focused and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and claim information when a procedure is scheduled or completed, and our initiative with Dell Perot Systems.

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- Cost reduction initiatives have focused and will continue to focus on streamlining our organizational structure and expenses including enhancing and leveraging our technology to create greater efficiencies, and leveraging relationships with strategic vendors.

While we have experienced some improvements through our receivables and collections management and notable improvements due to our cost reduction initiatives, benefits from our revenue enhancement initiatives have yet to materialize and our revenues continue to decline. Moreover, future revenue enhancement initiatives will face significant challenges because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the country's economic condition, including higher unemployment. We can give no assurance that these steps will be adequate to improve our financial performance. Unless our financial performance significantly improves, we can give no assurance that we will be able to refinance the floating rate notes, which mature in November 2011, on commercially reasonable terms, if at all.

Our short-term liquidity needs relate primarily to:

- interest payments relating to the floating rate notes;
- capital projects;
- working capital requirements;
- potential acquisitions; and

Our long-term liquidity needs relate primarily to the maturity of the floating rate notes in November 2011.

As mentioned above, in the past we have from time to time purchased a portion of our outstanding floating rate notes. Any such purchases shall be in accordance with the terms of agreements governing our material indebtedness. During fiscal 2009, we purchased \$21.5 million in principal amount of floating rate notes for approximately \$8.4 million. We realized a gain of approximately \$12.1 million, after the write-off of unamortized discount of approximately \$1.0 million.

Cash, cash equivalents and restricted cash as of June 30, 2010 were \$9.4 million (including \$0.3 million that was subject to the lien for the benefit of the floating rate note holders, and may only be used for wholly owned capital projects or under certain circumstances the purchase of floating rate notes). Our primary source of liquidity is typically cash provided by operating activities. Our ability to generate cash flows from operating activities is based upon several factors including the following:

- the procedure volume of patients at our patient services centers for our retail operations;
- the reimbursement we receive for our services;
- the demand for our wholesale operations, our ability to renew mobile contracts and/or efficiently utilize our mobile equipment in the contract services segment;
- our ability to control expenses;
- our ability to collect our trade accounts receivables from third-party payors, hospitals, physician groups, other healthcare providers and patients; and
- our ability to implement steps to improve our financial performance.

A summary of cash flows is as follows (amounts in thousands):

| | Years Ended June 30, | | |
|---|----------------------|---------------------|--------------------|
| | 2010 (Successor) | 2009 (Successor) | 2008 (Combined) |
| Net cash provided by operating activities | \$ 5,342 | \$ 17,713 | \$ 2,961 |
| Net cash used in investing activities | (14,241) | (7,400) | (5,565) |
| Net cash provided by (used in) financing activities | (1,685) | (11,675) | 2,774 |
| Increase (decrease) in cash and cash equivalents | \$ (10,584) | \$ (1,362) | \$ 170 |

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Net cash provided by operating activities was \$5.3 million for the year ended June 30, 2010 and resulted primarily from our Adjusted EBITDA (\$29.5 million) (see reconciliation below) less cash paid for interest and taxes (\$20.1 million) and changes in certain assets and liabilities (\$4.1 million). The changes in certain assets and liabilities primarily consist of a decrease in accounts payable and other accrued expenses of \$9.0 million. Of this \$9.0 million, \$0.4 million relates to a decrease in accrued costs related to capital expenditures, \$0.8 million relates to a reduction in accrued interest on notes payable due to the termination of an interest rate collar agreement, \$0.7 million is due to a decline in accrued disposal costs, \$0.5 million relates to payment of a tax matter which was accrued at June 30, 2009, with the remaining \$6.6 million variance and due to a decline in the Company's operating costs and normal short term timing of payments. The decrease in accounts payable and accrued liabilities was partially offset by a decrease in net accounts receivable of \$3.0 million, due principally to the decline in our revenue, and a decrease in other assets of \$1.9 million, of which \$0.5 million relates to the collection of an escrow deposit from the sale of a fixed-site center in fiscal 2009 and \$0.6 million which relates to an increase in collections of our receivables from unconsolidated partnerships.

Net cash used in investing activities was \$14.2 million for the year ended June 30, 2010 and resulted primarily from the purchase or upgrade of diagnostic imaging equipment and construction projects at certain of our centers (\$23.5 million), the acquisition of a fixed-site center (\$0.9 million) and cash contributions into joint ventures (\$0.7 million), partially offset by proceeds from the sales of certain centers (\$2.9 million) and equipment sales (\$1.8 million), and a decrease in restricted cash (\$6.2 million).

Net cash used in financing activities was \$1.7 million for the year ended June 30, 2010 and resulted primarily from principal payments on notes payable and capital lease obligations, offset partially by borrowings for debt obligations.

We define Adjusted EBITDA as our earnings before interest expense, income taxes, depreciation and amortization, excluding impairment of tangible and intangible assets, gain on sales of centers, and gain on purchase of notes payable. Adjusted EBITDA has been included because we believe that it is a useful tool for us and our investors to measure our ability to provide cash flows to meet debt service, capital projects and working capital requirements. Adjusted EBITDA should not be considered an alternative to, or more meaningful than, income from company operations or other traditional indicators of operating performance and cash flow from operating activities determined in accordance with GAAP. We present the discussion of Adjusted EBITDA because covenants in the agreements governing our material indebtedness contain ratios based on this measure. While Adjusted EBITDA is used as a measure of liquidity and the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Our reconciliation of net cash provided by operating activities to Adjusted EBITDA is as follows (amounts in thousands):

| | Years Ended June 30, | | |
|---|-----------------------------|--------------------|-------------------|
| | 2010 | 2009 | 2008 |
| | (Successor) | (Successor) | (Combined) |
| Net cash provided by operating activities | \$ 5,342 | \$ 17,713 | \$ 2,961 |
| Cash used for reorganization items | — | — | 8,027 |
| (Benefit) provision for income taxes | (1,832) | (1,652) | (1,947) |
| Interest expense, net | 25,599 | 30,164 | 35,398 |
| Amortization of bond discount | (5,881) | (5,375) | (4,522) |
| Share-based compensation | (73) | (73) | (15) |
| Amortization of deferred financing costs | — | — | (145) |
| Equity in earnings of unconsolidated partnerships | 2,358 | 2,642 | 2,065 |
| Distributions from unconsolidated partnerships | (2,485) | (2,645) | (2,621) |
| Gain on sales of equipment | 1,125 | 1,000 | 772 |
| Net change in operating assets and liabilities | 4,091 | (3,599) | (817) |
| Effect of noncontrolling interests | (738) | (698) | (845) |
| Net change in deferred income taxes | 1,974 | 2,223 | 1,864 |
| Adjusted EBITDA | \$ 29,480 | \$ 39,700 | \$ 40,175 |

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Our reconciliation of income (loss) before income taxes to Adjusted EBITDA by segment for the years ended June 30, 2010, 2009 and 2008 is as follows (amounts in thousands):

| | <u>Patient Services</u> | <u>Contract Services</u> | <u>Other Operations</u> | <u>Consolidated</u> |
|---|-------------------------|--------------------------|-------------------------|---------------------|
| Year Ended June 30, 2010 (Successor) | | | | |
| Income (loss) before income taxes | \$ 322 | \$ 12,606 | \$ (45,824) | \$ (32,896) |
| Interest expense, net | 471 | 580 | 24,548 | 25,599 |
| Depreciation and amortization | 12,473 | 18,424 | 2,322 | 33,219 |
| Effect of noncontrolling interest | (738) | — | — | (738) |
| Gain on sales of centers | (118) | — | — | (118) |
| Impairment of other long-lived assets | 1,577 | 2,837 | — | 4,414 |
| Adjusted EBITDA | \$ 13,987 | \$ 34,447 | \$ (18,954) | \$ 29,480 |
| Year Ended June 30, 2009 (Successor) | | | | |
| Loss before reorganization items and income taxes | \$ 5,307 | \$ 12,662 | \$ (38,677) | \$ (20,708) |
| Interest expense, net | 1,203 | 1,345 | 27,616 | 30,164 |
| Depreciation and amortization | 16,777 | 25,793 | 3,014 | 45,584 |
| Effect of noncontrolling interest | (698) | — | — | (698) |
| Gain on sales of centers | (7,885) | — | — | (7,885) |
| Gain on purchase of notes payable | — | — | (12,065) | (12,065) |
| Impairment of other long-lived assets | 708 | 4,600 | — | 5,308 |
| Adjusted EBITDA | \$ 15,412 | \$ 44,400 | \$ (20,112) | \$ 39,700 |
| Year Ended June 30, 2008 (Combined) | | | | |
| Loss before reorganization items and income taxes | \$ (3,486) | \$ 10,843 | \$ (180,316) | \$ (172,959) |
| Interest expense, net | 2,392 | 2,603 | 30,403 | 35,398 |
| Depreciation and amortization | 24,731 | 29,465 | 3,970 | 58,166 |
| Effect of noncontrolling interest | (845) | — | — | (845) |
| Loss on sales of centers | 644 | — | — | 644 |
| Impairment of goodwill | — | — | 107,405 | 107,405 |
| Impairment of long-lived assets | — | — | 12,366 | 12,366 |
| Adjusted EBITDA | \$ 23,436 | \$ 42,911 | \$ (26,172) | \$ 40,175 |

Years Ended June 30, 2010 and 2009

Adjusted EBITDA decreased 25.7% for the year ended June 30, 2010 compared to the year ended June 30, 2009. This decrease was due primarily to reductions in Adjusted EBITDA from our contract services (\$10.0 million) and patient services (\$1.4 million) partially offset by a decrease in the negative Adjusted EBITDA in our other operations (\$1.2 million). The decrease in the negative Adjusted EBITDA from our other operations is due to reductions in costs mainly attributable to our cost reduction initiatives discussed previously, including a \$1.4 million decrease in corporate operating expenses.

Adjusted EBITDA from our patient services operations decreased 9.2% to \$14.0 million for the year ended June 30, 2010 from \$15.4 million for the year ended June 30, 2009. This decrease was due primarily to decreased Adjusted EBITDA from our existing patient services centers (\$1.1 million) and our dispositions (\$2.2 million), offset by our acquisitions (\$1.9 million).

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Adjusted EBITDA from our contract services operations decreased 22.4% to \$34.4 million for the year ended June 30, 2010 from \$44.4 million for the year ended June 30, 2009. This decrease was due to Adjusted EBITDA lost due to the closure of one center serving a large health care provider (\$2.8 million) in conjunction with the renewal of the continuing four centers under a multi-year agreement and the reduction in revenues discussed above, partially offset by the reduction in costs additionally discussed above.

Years Ended June 30, 2009 and 2008

Adjusted EBITDA decreased approximately 1.2% from approximately \$40.2 million for the year ended June 30, 2008, to approximately \$39.7 million for the year ended June 30, 2009. This decrease was due primarily to reductions in Adjusted EBITDA from our patient services segment (approximately \$8.0 million) partially offset by an increase in adjusted EBITDA in our contract services segment (approximately \$1.5 million) and other operations (approximately \$6.1 million).

Adjusted EBITDA from our patient services segment decreased approximately 34.2% from approximately \$23.4 million for the year ended June 30, 2008, to approximately \$15.4 million for the year ended June 30, 2009. Of the \$8.0 million decrease, \$2.3 million was related to dispositions of patient services centers, net of acquisitions. The decrease was due primarily to a reduction in Adjusted EBITDA at our existing patient service centers (approximately \$5.7 million) attributable to the reduction in revenues, including the reimbursement reductions from the DRA, and a decrease in equity in earnings from unconsolidated partnerships.

Adjusted EBITDA from our contract services segment increased approximately 3.5% from approximately \$42.9 million for the year ended June 30, 2008, to approximately \$44.4 million for the year ended June 30, 2009. This increase was due primarily to cost savings initiatives.

Capital Projects As of June 30, 2010, we have committed to capital projects of approximately \$3.3 million through November 2010. We expect to use either internally generated funds, operating leases, cash on hand, including restricted cash, and the proceeds from the sale of fixed-site centers to finance the acquisition of such equipment. We may purchase, lease or upgrade other diagnostic imaging systems as opportunities arise to place new equipment into service when new contract services agreements are signed, existing agreements are renewed, acquisitions are completed, or new fixed-site centers and mobile facilities are developed in accordance with our core market strategy. If we are unable to generate sufficient cash from our operations or obtain additional funds through bank financing, the issuance of equity or debt securities, or operating leases, we may be unable to maintain a competitive equipment base. As a result, we may not be able to maintain our competitive position in our core markets or expand our business.

Floating Rate Notes and Credit Facility As of June 30, 2010, we had outstanding, through Insight, \$293.5 million of aggregate principal amount of floating rate notes. The floating rate notes mature in November 2011 and bear interest at LIBOR plus 5.25% per annum, payable quarterly. As of June 30, 2010 interest rate on the floating rate notes was 5.59%. If prior to the maturity of the floating rate notes, we elect to redeem the floating rate notes or are otherwise required to make a prepayment with respect to the floating rate notes for which a redemption price is not otherwise specified in the indenture, regardless of whether such prepayment is made voluntarily or mandatorily, as a result of acceleration upon the occurrence of an event of default or otherwise, we are required to pay 102% of the principal amount plus accrued and unpaid interest. An open-market purchase of floating rate notes would not require a prepayment price at the foregoing rates. In addition, the indenture provides that if there is a change of control, we will be required to make an offer to purchase all outstanding floating rate notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. The indenture provides that a change of control includes, among other things, if a person or group becomes directly or indirectly the beneficial owner of 35% or more of Holdings' common stock. The fair value of the floating rate notes as of June 30, 2010 was approximately \$123.3 million.

Holdings' and Insight's wholly owned subsidiaries unconditionally guarantee all of Insight's obligations under the indenture for the floating rate notes. The floating rate notes are secured by a first priority lien on substantially all of Insight's and the guarantors' existing and future tangible and intangible property including, without limitation, equipment, certain real property, certain contracts and intellectual property and a cash account related to the foregoing, but are not secured by a lien on their accounts receivables and related assets, cash accounts related to

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receivables and certain other assets. In addition, the floating rate notes are secured by a portion of Insight's stock and the stock or other equity interests of Insight's subsidiaries.

Through certain of Insight's wholly owned subsidiaries we have an asset-based revolving credit facility of up to \$30 million, which matures in June 2011, with the lenders named therein and Bank of America, N.A. as collateral and administrative agent. The credit facility is scheduled to terminate in June 2011. As of June 30, 2010, we had approximately \$12.8 million of availability under the credit facility, based on our borrowing base. At June 30, 2010, there were no outstanding borrowings under the credit facility; however, there were letters of credit of approximately \$1.6 million outstanding under the credit facility. As a result of our current fixed charge coverage ratio, we would only be able to borrow up to \$5.3 million of the \$12.8 million of availability under the borrowing base due to a restriction in the future if our liquidity, as defined in the credit facility agreement, falls below \$7.5 million.

Holdings and Insight unconditionally guarantee all obligations of Insight's subsidiaries that are borrowers under the credit facility. All obligations under the credit facility and the obligations of Holdings and Insight under the guarantees are secured, subject to certain exceptions, by a first priority security interest in all of Holdings', Insight's and the borrowers': (i) accounts; (ii) instruments, chattel paper (including, without limitation, electronic chattel paper), documents, letter-of-credit rights and supporting obligations relating to any account; (iii) general intangibles that relate to any account; (iv) monies in the possession or under the control of the lenders under the credit facility; (v) products and cash and non-cash proceeds of the foregoing; (vi) deposit accounts established for the collection of proceeds from the assets described above; and (vii) books and records pertaining to any of the foregoing.

Borrowings under the credit facility bear interest at a per annum rate equal to LIBOR plus 2.5%, or, at our option, the base rate (which is the Bank of America, N.A. prime rate); however, the applicable margin will be adjusted in accordance with a pricing grid based on our fixed charge coverage ratio, and will range from 2.00% to 2.50% per annum. In addition to paying interest on outstanding loans under the credit facility, we are required to pay a commitment fee to the lenders in respect to unutilized commitments thereunder at a rate equal to 0.50% per annum, subject to reduction based on a performance grid tied to our fixed charge coverage ratio, as well as customary letter-of-credit fees and fees of Bank of America, N.A. There are no financial covenants included in the credit facility, except a minimum fixed charge coverage ratio test which will be triggered if our liquidity, as defined in the credit facility, falls below \$7.5 million.

At June 30, 2010, there were no borrowings outstanding under the credit facility; however, there were letters of credit of approximately \$1.6 million outstanding under the credit facility. The credit facility agreement also contains customary borrowing conditions, including a material adverse effect provision. If we were to experience a material adverse effect, as defined by our credit facility agreement, we would be unable to borrow under the credit facility. On September 10, 2010, we entered into the First Amendment to our Second Amended and Restated Loan and Security Agreement. The opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable and any outstanding letters of credit, currently \$1.6 million, would need to be cash collateralized. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit from \$15 million to \$5 million, and also increases our interest rate on outstanding borrowings to Prime + 2.75% or LIBOR + 3.75% at our discretion. The unused line fee is increased to 0.75%.

The agreements governing our credit facility and floating rate notes contain restrictions on among other things, our ability to incur additional liens and indebtedness, engage in mergers, consolidations and asset sales, make dividend payments, prepay other indebtedness, make investments and engage in transactions with affiliates.

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Contractual Commitments Our contractual obligations as of June 30, 2010 are as follows (amounts in thousands):

| | <u>Total</u> | <u>Payments Due by Period</u> | | | |
|-------------------------------|--------------|-------------------------------|----------------------|----------------------|------------------------------|
| | | <u>Less Than 1 Year</u> | <u>1-3 Years</u> | <u>3-5 Years</u> | <u>More Than 5 Years</u> |
| Long-term debt obligations | \$ 294,635 | \$ 154 | \$ 293,842 | \$ 328 | \$ 311 |
| Capital lease obligations | 3,889 | 1,517 | 2,291 | 81 | — |
| Operating lease obligations | 35,716 | 13,845 | 16,236 | 4,020 | 1,615 |
| Other contractual obligations | 63,374 | 18,079 | 31,184 | 14,111 | — |
| Purchase commitments | 2,517 | 2,517 | — | — | — |
| Total contractual obligations | \$ 400,131 | \$ 36,112 | \$ 343,553 | \$ 18,540 | \$ 1,926 |

The long-term debt obligations and capital lease obligations include both principal and interest commitments for the periods presented. The interest commitment on the floating rate notes is based on the effective interest rate at June 30, 2010 (5.59%).

Off-Balance Sheet Arrangements

There are no off-balance sheet transactions, arrangements or obligations (including contingent obligations) that have, or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital projects or capital resources.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations, as well as disclosures included elsewhere in this Form 10-K are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingencies. We believe the critical accounting policies that most impact the consolidated financial statements are described below. A summary of our significant accounting policies can be found in the notes to our consolidated financial statements, which are a part of this Form 10-K.

Reorganization value and equity value To facilitate the calculation of reorganization value and equity value, management, with the assistance of outside financial advisors, developed an estimate of the enterprise value of the successor entity, including \$322.5 million in aggregate principal amount of total debt and capital leases as of the date of consummation of the confirmed plan of reorganization.

In establishing an estimate of enterprise value, management primarily focused on the market value of the two publicly traded securities that were most affected by the confirmed plan of reorganization:

- the market value of Holdings' 8,644,444 shares of common stock from August 3, 2007, the date the shares first traded after consummation of the confirmed plan of reorganization, through September 30, 2007. The value range of Holdings' common stock was estimated from a low of \$35 million (based on \$4 per share) to a high of \$61 million (based on \$7 per share). The range of enterprise value to correspond with the foregoing range would be from a low of \$357 million to a high of \$383 million. Management recognized that the common stock valuation approach may have been somewhat limited because the shares of common stock issued after the consummation of the confirmed plan of reorganization did not necessarily have the same liquidity as shares issued in connection with an underwritten public offering. Nevertheless, management primarily relied on this valuation method because (i) orderly observable trading activity in the common stock, though limited in volume, did take place, (ii) the trading activity did not indicate that the transactions were forced or distressed sales, and (iii) as articulated by the hierarchy of inputs set forth in ASC 820, observable inputs (regardless as to whether an active market exists) generally are more useful in calculating fair value than unobservable inputs, which require a reporting entity to develop its own assumptions.

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- the market value of the \$194.5 million of senior subordinated notes for a period of time leading up to cancellation of such debt on the date of the consummation of the confirmed plan of reorganization. The value range of Insight's senior subordinated notes was estimated from a low of \$65 million to a high of \$74 million during an approximately 30 day period of time leading up to the date of consummation of the plan. The range of enterprise value to correspond with the foregoing range would be from a low of \$387 million to a high of \$396 million.

Management considered the above values in light of various relevant market comparables, which are not specific to our publicly traded securities, such as (A) the market values of comparable companies and (B) recent transactions in our industry.

To a lesser extent, management considered the estimated present value of projected future cash flows in order to validate the determinations it made through the market comparable methods described above. Management estimated that the discounted cash flow value of the Company's two reporting segments was slightly less than the low point of the enterprise range determined by the trading value of the common stock. The projected future cash flows were particularly sensitive to our assumptions regarding revenues because of (a) the high fixed cost nature of our business, and (b) the difficulty of estimating changes in reimbursement and procedure volume for future years. In developing these estimates, management assumed, among other things (i) a decline in revenues for the Company's fiscal year ending June 30, 2008 as a result of reimbursement reductions, and (ii) for the Company's fiscal years ending June 30, 2009 and 2010, (I) modest increases in revenues (approximately 3.0% each year) for its fixed operations segment as a result of the anticipated deceleration in the growth of additional imaging capacity within the Company's industry, and (II) an insignificant increase in the Company's revenues for its mobile operations segment (an approximate 1.0% increase each year). If known and unknown risks materialize, or if our revenue assumptions were incorrect, our future cash flows could differ significantly from our projections. The sensitivity of the revenue assumptions contributed to management's decision to focus on market values (observable inputs) in determining the Company's enterprise value. Management believed that the projected cash flows were appropriately discounted to reflect, among other things, the capital structure and cost of capital (both debt and equity) for the Company's two operating segments at the time as well as industry risks.

Utilizing the methodologies described above, management determined that the enterprise value of the successor entity was estimated to be in the range of \$344 million to \$396 million. Based on this range, management deemed \$360 million to be an appropriate estimate of the enterprise value of the successor entity. The enterprise value estimate of \$360 million fell within the range established above, and management believed the estimate was appropriate since the value was primarily derived from the trading value of the common stock and senior subordinated notes described above. Management believed that the enterprise value of \$360 million best reflected the value of the successor entity because trading activity reflected market based judgments as to the current business and industry challenges the successor entity faces, including the negative trends and numerous risks described elsewhere in this Form 10-K. Furthermore, in estimating the enterprise value of \$360 million management determined that a valuation at the low end of the value range based on the trading price of the common stock was appropriate because (i) a substantial majority of transactions in the common stock from August 3, 2007 through September 30, 2007, were for prices between \$4.00 and \$5.15 per share, and (ii) there was limited volume in the trading activity in the common stock. If the long-term debt and capital leases of \$322.5 million in aggregate principal amount as of August 1, 2007, the effective date of the confirmed plan of reorganization and exchange offer, without giving effect to the net fair value discount associated with Insight's \$315 million in aggregate principal amount of senior secured floating rate notes due 2011, were subtracted from the successor entity's estimated enterprise value of \$360 million the resulting equity value was \$37.5 million.

The foregoing estimates of enterprise value and corresponding equity value were based upon certain projections and assumptions. Neither the projections nor the assumptions are incorporated into this Form 10-K.

Goodwill and Other Intangible Assets As of August 1, 2007, goodwill represented the reorganization value of the Successor in excess of the fair value of tangible and identified intangible assets and liabilities from our adoption of fresh-start reporting. We recorded approximately \$110.1 million of goodwill upon Holdings' and Insight's emergence from bankruptcy (see Note 2). As of June 30, 2010 goodwill represented the excess in purchase price over the fair value of the assets of certain acquisitions we have made since August 1, 2007. Identified

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intangible assets consist primarily of our trademark, certificates of need, customer relationships and wholesale contracts. The intangible assets, excluding the wholesale contracts and customer relationships, are indefinite-lived assets and are not amortized. Wholesale contracts and customer relationships are definite-lived assets and are amortized over the expected term of the respective contracts and relationships, respectively. In accordance with ASC 350, "Goodwill and Other Intangible Assets", the goodwill and indefinite-lived intangible asset balances are not being amortized, but instead are subject to an annual assessment of impairment by applying a fair-value based test.

We evaluate the carrying value of goodwill and other indefinite-lived intangible assets in the second quarter of each fiscal year. Additionally, we review the carrying amount of goodwill and other indefinite-lived intangible assets whenever events and circumstances indicate that their respective carrying amounts may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit and adverse legal or regulatory developments. At June 30, 2010, we completed an analysis of our operations and determined that there were indication of possible impairment of our indefinite lived assets including our certificates of need and our trademark due to the decline in our revenues and EBITDA in both our patient services and contract services segments during the second half of fiscal 2010. We did not note any indication of impairment of our goodwill. Accordingly, we completed a valuation of our certificates of need and trademark and recorded an impairment charge of \$1.4 million for our patient services certificates of need and \$0.3 million for our contract services certificates of need, and \$0.8 million related to our trademark.

As of June 30, 2010, we had goodwill of \$1.6 million. In evaluating goodwill, we complete the two-step impairment test as required by ASC 350. In the first of a two-step impairment test, we determine the fair value of our reporting units (defined as our operating centers) using a discounted cash flow valuation model, market multiple model or appraised values, as appropriate. ASC 350 requires us to compare the fair value for the reporting unit to its carrying value on an annual basis to determine if there is potential impairment. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired and no further testing is required. If the fair value does not exceed the carrying value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the goodwill with the carrying amount of that goodwill. Impairment losses, if any, are reflected in the consolidated statements of operations.

We assess the ongoing recoverability of our intangible assets subject to amortization in accordance with SFAS No. 144 which has been incorporated into ASC Topic 360, "Property, Plant and Equipment" by determining whether the long-lived asset can be recovered over the remaining amortization period through projected undiscounted future cash flows. If projected future cash flows indicate that the long-lived asset balances will not be recovered, an adjustment is made to reduce the asset the estimated fair value. Cash flow projections, although subject to a degree of uncertainty, are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions.

Revenue recognition Revenues from contract services and from patient services are recognized when services are provided. Patient services revenues are presented net of related contractual adjustments, which represent the difference between our charge for a procedure and what we will ultimately receive from private health insurance programs, Medicare, Medicaid and other federal healthcare programs, these adjustments are estimates based on the actual contract, or in cases where there is no contract, the estimate is based on historical collections. Additionally, we record revenues net of payments due to radiologists because (i) we are not the primary obligor for the provision of professional services, (ii) the radiologists receive contractually agreed upon amounts from collections and (iii) the radiologists bear the risk of non-collection. The recorded amount due to radiologists is an estimate based on our recorded revenue, net of contractual allowances. We have entered into arrangements with certain radiologists pursuant to which we pay the radiologists directly for their professional services at an agreed upon contractual rate which does not depend upon the ultimate collections. With respect to these arrangements, the professional component billed is included in our revenues, and our payments to the radiologists are included in costs of services. Contract services revenues are recognized over the applicable contract period. Revenues collected in advance are recorded as unearned revenue.

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New Pronouncements

FASB ASC Topic 805 “Business Combinations” formerly SFAS 141(R) (ASC 805) establishes principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any noncontrolling interest in an acquisition, at their fair value as of the acquisition date. ASC 805 is effective for fiscal years beginning after December 15, 2008. The adoption of ASC 805 did not have a material effect on our financial position or cash flows.

ASC 805 formerly FSP No. FAS 141(R)-1 is effective for contingent assets or contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this standard did not have a material impact on our consolidated financial statements.

FASB ASC Topic 810 “Consolidation” formerly SFAS 160 (ASC 810) establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 is effective for fiscal years beginning after December 15, 2008. On July 1, 2009 we adopted ASC 810. As of June 30, 2010, ASC 810 only effected our financial statement presentation and therefore had no impact on our consolidated financial position, results of operations or cash flows.

FASB ASC Topic 815 “Derivatives and Hedging” formerly SFAS 161 (ASC 815) requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under this topic, and how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. We adopted ASC 815 on January 1, 2009. As ASC 815 only requires enhanced disclosures, it had no impact on our consolidated financial statements.

FASB ASC Topic 810 “Amendments to FASB Interpretation No. 46(R)” formerly SFAS No. 167 (ASC 810) enhances the current guidance on disclosure requirements for companies with financial interest in a variable interest entity. This statement amends Interpretation 46(R) to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance and (a) the obligation to absorb losses of the entity or (b) the right to receive benefits from the entity. This statement requires an additional reconsideration event when determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity’s economic performance. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. This statement amends Interpretation 46(R) to require additional disclosures about an enterprise’s involvement in variable interest entities. ASC 810 is effective for fiscal years beginning after November 15, 2009, with early application prohibited. We are currently evaluating the impact of the adoption of ASC 810 on our consolidated financial statements.

FASB ASC Topic 105 “Generally Accepted Accounting Principles” formerly SFAS 168 (ASC 105) is the single source of authoritative Generally Accepted Accounting Principles (“GAAP”) in the United States. The previous GAAP hierarchy consisted of four levels of authoritative accounting and reporting guidance levels. The ASC 105 eliminated this hierarchy and replaced the previous GAAP with just two levels of literature: authoritative and non-authoritative. The ASC 105 was effective as of July 1, 2009.

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05 to provide guidance on measuring the fair value of liabilities. The ASU provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques:

- (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset; or, quoted prices for similar liabilities, or similar liabilities when traded as assets, or
- (ii) another valuation technique consistent with the principles of ASC Topic 820 — Fair Value Measurements and Disclosures, such as an income approach or market approach.

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Additionally, when estimating the fair value of a liability, a reporting entity is not required to make an adjustment relating to the existence of a restriction that prevents the transfer of the liability. This ASU also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments are required, are Level 1 fair value measurements under ASC Topic 820. The adoption of this standard did not have a material impact on our consolidated financial statements.

In September 2009, the FASB issued ASU 2009-13, which eliminates the criterion for objective and reliable evidence of fair value for the undelivered products or services. Instead, revenue arrangements with multiple deliverables should be divided into separate units of accounting provided the deliverables meet certain criteria. ASU 2009-13 provides a hierarchy for estimating the selling price for each of the deliverables. ASU 2009-13 eliminates the use of the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables based on their relative selling price. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. We are currently assessing the impact of this accounting standards update on our consolidated financial position and results of operation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We provide our services in the United States and receive payment for our services exclusively in United States dollars. Accordingly, our business is unlikely to be affected by factors such as changes in foreign market conditions or foreign currency exchange rates.

Our market risk exposure relates primarily to interest rates relating to the floating rate notes and our credit facility. As a result, we will periodically use interest rate swaps, caps and collars to hedge variable interest rates on long-term debt. We believe there was not a material quantitative change in our market risk exposure during the quarter ended June 30, 2010, as compared to prior periods. At June 30, 2010, approximately 98% of our indebtedness was variable rate indebtedness; however, as a result of the interest rate cap contract discussed below our exposure on variable rate indebtedness was reduced by \$190 million, to approximately 35% of our total indebtedness as of June 30, 2010. We do not engage in activities using complex or highly leveraged instruments.

Interest Rate Risk

In order to modify and manage the interest characteristics of our outstanding indebtedness and limit the effects of interest rates on our operations, we may use a variety of financial instruments, including interest rate hedges, caps, floors and other interest rate exchange contracts. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks such as counter-party credit risk and legal enforceability of hedging contracts. We do not enter into any transactions for speculative or trading purposes.

We had an interest rate hedging agreement with Bank of America, N.A. which effectively provided us with an interest rate collar. The notional amount to which the agreement applied was \$190 million, and it provided for a LIBOR cap of 3.25% and a LIBOR floor of 2.59% on that amount. Our obligations under the agreement were secured on a *pari passu* basis by the same collateral that secures our credit facility, and the agreement was cross-defaulted to our credit facility. This agreement expired on February 1, 2010.

In August 2009, we entered into an interest rate cap agreement with Bank of America, N.A. with a notional amount of \$190 million and a three-month LIBOR cap of 3.0% effective between February 1, 2010 and January 31, 2011. The terms of the agreement call for us to pay a fee of approximately \$0.5 million over the contract period. The contract exposes us to credit risk in the event that the counterparty to the contract does not or cannot meet its obligations; however, Bank of America, N.A. is a major financial institution and we expect that it will perform its obligations under the contract. We designated this contract as a highly effective cash flow hedge of the floating rate notes under ASC 815. Accordingly, the value of the contract is marked-to-market quarterly, with effective changes in the intrinsic value of the contract included as a separate component of other comprehensive income (loss). The net effect of the hedge is to cap interest payments for \$190 million of our debt at a rate of 8.25%, because our floating rate notes incur interest at three-month LIBOR plus 5.25%. As of June 30, 2010, the asset value and fair market value offset one another and the net value is zero.

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Our future earnings and cash flows and some of our fair values relating to financial instruments are dependent upon prevailing market rates of interest, such as LIBOR. Based on interest rates and outstanding balances as of June 30, 2010, a 1.0% increase in interest rates on our \$293.5 million of floating rate debt would affect annual future earnings and cash flows by approximately \$1.0 million. Since the interest on our floating rates notes is based on LIBOR, and LIBOR was less than 1.0% as of June 30, 2010, if LIBOR were to drop to zero, our annual future earnings and cash flows would be affected by approximately \$0.4 million. The interest rate on the floating debt as of June 30, 2010, including the effects of the interest rate hedging agreement was 5.59%.

These amounts are determined by considering the impact of hypothetical interest rates on our borrowing cost. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in that environment. Further, in the event of a change of this magnitude, we would consider taking actions to further mitigate our exposure to any such change. Due to the uncertainty of the specific actions that would be taken and their possible effects, however, this sensitivity analysis assumes no changes in our capital structure.

Inflation Risk

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented. We cannot assure you, however, that our business will not be affected by inflation in the future.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES

Index to Consolidated Financial Statements
For the Years Ended June 30, 2010, 2009 and 2008

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In accordance with SEC Rule 3-10 of Regulation S-X, the consolidated financial statements of Insight Health Services Holdings Corp., or the Company, are included herein and separate financial statements of Insight Health Services Corp., or Insight, the Company's wholly owned subsidiary, and Insight's subsidiary guarantors are not included. Condensed financial data for Insight and its subsidiary guarantors is included in Note 25 to the consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of InSight Health Services Holdings Corp.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of InSight Health Services Holdings Corp. and its subsidiaries (Successor Company) at June 30, 2010 and 2009 and the results of their operations and their cash flows for the years ended June 30, 2010 and 2009 and for the period from August 1, 2007 to June 30, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for noncontrolling interests in its subsidiaries effective July 1, 2009.

As discussed in Note 2 to the consolidated financial statements, the United States Bankruptcy Court for the District of Delaware confirmed the Company's Second Amended Joint Plan of Reorganization (the "plan") on July 10, 2007. The plan was substantially consummated on August 1, 2007 and the Company emerged from bankruptcy which resulted in the discharge of liabilities subject to compromise and substantially altered the rights and interests of equity security holders as provided for in the plan. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting as of August 1, 2007.

/s/ PRICEWATERHOUSECOOPERS LLP

Orange County, California
September 23, 2010

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of InSight Health Services Holdings Corp.:

In our opinion, the accompanying statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the results of operations and the cash flows of InSight Health Services Holdings Corp. and its subsidiaries (Predecessor Company) for the period from July 1, 2007 to July 31, 2007, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company filed a petition on May 29, 2007 with the United States Bankruptcy Court for the District of Delaware for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Second Amended Joint Plan of Reorganization was substantially consummated on August 1, 2007 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting.

/s/ PRICEWATERHOUSECOOPERS LLP

Orange County, California
September 25, 2008

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND 2009
(Amounts in thousands, except share data)

| | 2010 | 2009 |
|---|-------------|-------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 9,056 | \$ 19,640 |
| Trade accounts receivables, net | 22,594 | 25,594 |
| Other current assets | 7,845 | 9,988 |
| Total current assets | 39,495 | 55,222 |
| ASSETS HELD FOR SALE | | |
| PROPERTY AND EQUIPMENT, net | 73,315 | 79,837 |
| CASH, restricted | 319 | 6,488 |
| INVESTMENTS IN PARTNERSHIPS | 7,254 | 6,791 |
| OTHER ASSETS | 296 | 208 |
| GOODWILL AND OTHER INTANGIBLE ASSETS, net | 20,002 | 24,878 |
| | \$ 140,681 | \$ 176,124 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Current portion of notes payable | \$ 154 | \$ 242 |
| Current portion of capital lease obligations | 1,279 | 1,468 |
| Accounts payable and other accrued expenses | 25,275 | 36,037 |
| Total current liabilities | 26,708 | 37,747 |
| LONG-TERM LIABILITIES: | | |
| Notes payable, less current portion | 286,199 | 279,726 |
| Capital lease obligations, less current portion | 2,204 | 2,589 |
| Other long-term liabilities | 764 | 1,408 |
| Deferred income taxes | 5,462 | 6,792 |
| Total long-term liabilities | 294,629 | 290,515 |
| COMMITMENTS AND CONTINGENCIES (Note 13) | | |
| STOCKHOLDERS' DEFICIT: | | |
| Common stock, \$.001 par value, 10,000,000 shares authorized, 8,644,444 shares issued and outstanding | 9 | 9 |
| Additional paid-in capital | 37,609 | 37,536 |
| Accumulated other comprehensive income | (212) | (2,528) |
| Accumulated deficit | (220,741) | (188,939) |
| Total stockholders' equity (deficit) attributable to InSight Health Services Holdings Corp. | (183,335) | (153,922) |
| Noncontrolling interest | 2,679 | 1,784 |
| Total stockholders' deficit | (180,656) | (152,138) |
| | \$ 140,681 | \$ 176,124 |

The accompanying notes are an integral part of these consolidated financial statements.

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009, THE ELEVEN MONTHS ENDED
JUNE 30, 2008 AND THE ONE MONTH ENDED JULY 31, 2007
(Amounts in thousands, except per share data)

| | Successor | | | Predecessor |
|---|-----------------------------------|-----------------------------------|--|--|
| | Year Ended June 30, 2010 | Year Ended June 30, 2009 | Eleven Months Ended June 30, 2008 | One Month Ended July 31, 2007 |
| REVENUES: | | | | |
| Contract services | \$ 96,066 | \$ 115,055 | \$ 110,476 | \$ 10,125 |
| Patient services | 92,898 | 110,557 | 128,519 | 11,882 |
| Other operations | 1,974 | 2,170 | 1,749 | 180 |
| Total revenues | 190,938 | 227,782 | 240,744 | 22,187 |
| COSTS OF OPERATIONS: | | | | |
| Costs of services | 127,856 | 153,491 | 165,675 | 14,694 |
| Provision for doubtful accounts | 4,390 | 4,021 | 5,790 | 389 |
| Equipment leases | 10,641 | 10,950 | 9,246 | 760 |
| Depreciation and amortization | 33,219 | 45,584 | 53,698 | 4,468 |
| Total costs of operations | 176,106 | 214,046 | 234,409 | 20,311 |
| CORPORATE OPERATING EXPENSES | (20,191) | (21,564) | (25,744) | (1,678) |
| EQUITY IN EARNINGS OF UNCONSOLIDATED PARTNERSHIPS | 2,358 | 2,642 | 1,891 | 174 |
| INTEREST EXPENSE, net | (25,599) | (30,164) | (32,480) | (2,918) |
| GAIN (LOSS) ON SALES OF CENTERS | 118 | 7,885 | (644) | — |
| GAIN ON PURCHASE OF NOTES PAYABLE | — | 12,065 | — | — |
| IMPAIRMENT OF GOODWILL | — | — | (107,405) | — |
| IMPAIRMENT OF OTHER LONG-LIVED ASSETS | (4,414) | (5,308) | (12,366) | — |
| Loss before reorganization items and income taxes | (32,896) | (20,708) | (170,413) | (2,546) |
| REORGANIZATION ITEMS, net | — | — | — | 198,998 |
| (Loss) income before income taxes | (32,896) | (20,708) | (170,413) | 196,452 |
| (BENEFIT) PROVISION FOR INCOME TAXES | (1,832) | (1,652) | (2,009) | 62 |
| Net (loss) income | (31,064) | (19,056) | (168,404) | 196,390 |
| Less: net income attributable to noncontrolling interests | 738 | 698 | 781 | 64 |
| Net loss attributable to InSight Health Services Holdings Corp | \$ (31,802) | \$ (19,754) | \$ (169,185) | \$ 196,326 |
| Basic and diluted (loss) income per common share | \$ (3.68) | \$ (2.29) | \$ (19.57) | \$ 227.23 |
| Weighted average number of basic and diluted common shares outstanding | 8,644 | 8,644 | 8,644 | 864 |

The accompanying notes are an integral part of these consolidated financial statements.

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009, THE ELEVEN MONTHS ENDED
JUNE 30, 2008 AND THE ONE MONTH ENDED JULY 31, 2007
(Amounts in thousands, except share data)

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Gain (Loss) | Retained Deficit | InSight Health Services Holdings Corp. | Noncontrolling Interest | Total Stockholders' Equity |
|---|------------------|-------------|----------------------------------|--|---------------------|--|----------------------------|----------------------------------|
| | Shares | Amount | | | | | | |
| BALANCE AT JUNE 30, 2007 | 864,444 | \$ 1 | \$ 87,085 | \$ 103 | \$ (328,621) | \$ (241,432) | \$ 3,310 | \$ (238,122) |
| Net income from July 1 to July 31, 2007 | — | — | — | — | 196,326 | 196,326 | 64 | 196,390 |
| Net contributions | — | — | — | — | — | — | — | — |
| Fresh-start adjustments: | | | | | | | | |
| Elimination of Predecessor common stock, additional paid-in capital, accumulated other comprehensive income and accumulated deficit | (864,444) | (1) | (87,085) | (103) | 132,295 | 45,106 | — | 45,106 |
| Reorganization value ascribed to Successor | — | — | 37,456 | — | — | 37,456 | — | 37,456 |
| BALANCE AT JULY 31, 2007 (PREDECESSOR) | — | — | 37,456 | — | — | 37,456 | 3,374 | 40,830 |
| Issuance of 864,444 shares of common stock to existing stockholders | 864,444 | 1 | — | — | — | 1 | — | 1 |
| Issuance of 7,780,000 shares of common stock to holders of senior subordinated notes | 7,780,000 | 8 | (8) | — | — | — | — | — |
| Share-based compensation | — | — | 15 | — | — | 15 | — | 15 |
| Net loss from August 1, 2007 to June 30, 2008 | — | — | — | — | (169,185) | (169,185) | 781 | (168,404) |
| Net contributions | — | — | — | — | — | — | (1,050) | (1,050) |
| Other comprehensive income: | | | | | | | | |
| Unrealized gain attributable to change in fair value of derivative | — | — | — | 1,001 | — | 1,001 | — | 1,001 |
| Comprehensive loss | — | — | — | — | — | (168,184) | — | (168,184) |
| BALANCE AT JUNE 30, 2008 (SUCCESSOR) | 8,644,444 | 9 | 37,463 | 1,001 | (169,185) | (130,712) | 3,105 | (127,607) |
| Net loss | — | — | — | — | (19,754) | (19,754) | 698 | (19,056) |
| Net contributions | — | — | — | — | — | — | (2,019) | (2,019) |
| Share-based compensation | — | — | 73 | — | — | 73 | — | 73 |
| Other comprehensive income: | | | | | | | | |
| Unrealized loss attributable to change in fair value of derivative | — | — | — | (3,529) | — | (3,529) | — | (3,529) |
| Comprehensive loss | — | — | — | — | — | (23,283) | — | (23,283) |
| BALANCE AT JUNE 30, 2009 | 8,644,444 | 9 | 37,536 | (2,528) | (188,939) | (153,922) | 1,784 | (152,138) |
| Net income (loss) | — | — | — | — | (31,802) | (31,802) | 738 | (31,064) |
| Share-based compensation | — | — | 73 | — | — | 73 | — | 73 |
| Net contributions | — | — | — | — | — | — | 157 | 157 |
| Other comprehensive income: | | | | | | | | |
| Unrealized income attributable to change in fair value of interest rate contracts | — | — | — | 2,316 | — | 2,316 | — | 2,316 |
| Comprehensive loss | — | — | — | — | — | (29,486) | — | (29,486) |
| BALANCE AT JUNE 30, 2010 | 8,644,444 | \$ 9 | \$ 37,609 | \$ (212) | \$ (220,741) | \$ (183,335) | \$ 2,679 | \$ (180,656) |

The accompanying notes are an integral part of these consolidated financial statements.

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010
AND 2009, THE ELEVEN MONTHS
ENDED JUNE 30, 2008 AND THE
ONE MONTH ENDED JULY 31, 2007

| | Successor | | | Predecessor |
|--|-----------------------------------|-----------------------------------|--|--|
| | Year Ended June 30, 2010 | Year Ended June 30, 2009 | Eleven Months Ended June 30, 2008 | One Month Ended July 31, 2007 |
| OPERATING ACTIVITIES: | | | | |
| Net (loss) income | \$ (31,064) | \$ (19,056) | \$ (168,404) | \$ 196,390 |
| Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities: | | | | |
| Cash used for reorganization items | — | — | 4,764 | 3,263 |
| Noncash reorganization items | — | — | — | (207,025) |
| Depreciation and amortization | 33,219 | 45,584 | 53,698 | 4,468 |
| Amortization of bond discount | 5,881 | 5,375 | 4,522 | — |
| Amortization of deferred financing costs | — | — | — | 145 |
| Share-based compensation | 73 | 73 | 15 | — |
| Equity in earnings of unconsolidated partnerships | (2,358) | (2,642) | (1,891) | (174) |
| Distributions from unconsolidated partnerships | 2,485 | 2,645 | 2,563 | 58 |
| (Gain) loss on sales of centers | (118) | (7,885) | 644 | — |
| Gain on purchase of notes payable | — | (12,065) | — | — |
| Gain on sales of equipment | (1,125) | (1,000) | (436) | (336) |
| Impairment of goodwill | — | — | 107,405 | — |
| Impairment of other long-lived assets | 4,414 | 5,308 | 12,366 | — |
| Income tax related liabilities | (1,974) | (2,223) | (1,864) | — |
| Changes in operating assets and liabilities: | | | | |
| Trade accounts receivables, net | 3,000 | 7,854 | 7,679 | 510 |
| Other current assets | 1,949 | (2,639) | (798) | 387 |
| Accounts payable, other accrued expenses and accrued interest subject to compromise | — | — | — | (1,634) |
| Accounts payable, other accrued expenses and accrued interest | (9,040) | (1,616) | (5,327) | — |
| Net cash provided by (used in) operating activities before reorganization items | 5,342 | 17,713 | 14,936 | (3,948) |
| Cash used for reorganization items | — | — | (4,764) | (3,263) |
| Net cash provided by (used in) operating activities | 5,342 | 17,713 | 10,172 | (7,211) |
| INVESTING ACTIVITIES: | | | | |
| Acquisition of fixed-site centers, net of cash acquired | (918) | (8,400) | — | — |
| Proceeds from sales of centers | 2,861 | 19,987 | 9,050 | — |
| Proceeds from sales of equipment | 1,797 | 1,322 | 1,012 | 436 |
| Decrease (increase) in restricted cash | 6,169 | 1,584 | (8,072) | — |
| Additions to property and equipment | (23,483) | (21,893) | (8,262) | — |
| Cash contribution into joint venture | (692) | — | — | — |
| Other | 25 | — | 154 | 117 |
| Net cash provided by (used in) investing activities | (14,241) | (7,400) | (6,118) | 553 |
| FINANCING ACTIVITIES: | | | | |
| Principal payments of notes payable and capital lease obligations | (2,560) | (2,303) | (3,474) | (470) |
| Purchase of floating rate notes | — | (8,438) | — | — |
| Proceeds from issuance of notes payable | 1,215 | — | — | 12,768 |
| Principal borrowings (payments) on credit facility | — | — | — | (5,000) |
| Cash contributions from non-controlling interests | 88 | — | — | — |
| Distributions to non-controlling interests | (237) | (934) | (1,050) | — |
| Other | (191) | — | — | — |
| Net cash (used in) provided by financing activities | (1,685) | (11,675) | (4,524) | 7,298 |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS: | (10,584) | (1,362) | (470) | 640 |
| Cash, beginning of period | 19,640 | 21,002 | 21,472 | 20,832 |
| Cash, end of period | \$ 9,056 | \$ 19,640 | \$ 21,002 | \$ 21,472 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | | |
| Interest paid | \$ 19,954 | \$ 25,271 | \$ 24,004 | \$ 8,184 |
| Income taxes paid | 182 | 436 | 581 | — |
| Equipment additions under capital leases | — | — | 3,338 | — |
| Non-cash acquisition | 975 | 884 | — | — |
| Non-cash contributions from non-controlling interests | 306 | — | — | — |

The accompanying notes are an integral part of these consolidated financial statements.

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIALS STATEMENTS
JUNE 30, 2010

1. NATURE OF BUSINESS

All references to “we,” “us,” “our,” “our company” or “the Company” in this annual report on Form 10–K, or Form 10–K, mean Insight Health Services Holdings Corp., a Delaware corporation, and all entities and subsidiaries owned or controlled by Insight Health Services Holdings Corp. All references to “Holdings” mean Insight Health Services Holdings Corp. by itself. All references to “Insight” mean Insight Health Services Corp., a Delaware corporation and a wholly–owned subsidiary of Holdings, by itself. Through Insight and its subsidiaries, we provide diagnostic imaging services in more than 30 states throughout the United States. Our operations are primarily concentrated in, Arizona, certain markets California, Texas, New England, the Carolinas, Florida, and the Mid–Atlantic states. Our services are provided through a network of 84 mobile magnetic resonance imaging, or MRI, facilities, one mobile computed tomography, or CT, facility, and 14 mobile positron emission tomography and computed tomography, or PET/CT, facilities (collectively, mobile facilities) and 31 fixed–site MRI centers and 31 multi–modality fixed–site centers (collectively, fixed–site centers). At our multi–modality fixed–site centers, we typically offer other services in addition to MRI, including PET/CT, CT, x–ray, mammography, ultrasound, nuclear medicine and bone densitometry services.

We have three reportable segments: contract services, patient services and other operations. In our contract services segment, we generate revenue principally from 99 mobile facilities and 17 fixed–site centers. In our patient services segment, we generate revenues principally from 45 fixed–site centers and 5 mobile facilities. Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. See additional information regarding our segments in Note 19 “Segment Information” below.

2. REORGANIZATION

General Information

On May 29, 2007, Holdings and Insight filed voluntary petitions to reorganize their business under chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware (Case No. 07–10700). The filing was in connection with a prepackaged plan of reorganization and related exchange offer. The other subsidiaries of Holdings were not included in the bankruptcy filing and continued to operate their business. On July 10, 2007, the bankruptcy court confirmed Holdings’ and Insight’s Second Amended Joint Plan of Reorganization pursuant to chapter 11 of the Bankruptcy Code. The plan of reorganization became effective and Holdings and Insight emerged from bankruptcy protection on August 1, 2007, or the effective date. Pursuant to the confirmed plan of reorganization and the related exchange offer, (1) all of Holdings’ common stock, all options for Holdings’ common stock and all of Insight’s 9.875% senior subordinated notes due 2011, or senior subordinated notes, were cancelled, and (2) holders of Insight’s senior subordinated notes and holders of Holdings’ common stock prior to the effective date received 7,780,000 and 864,444 shares of newly issued Holdings’ common stock, respectively, in each case after giving effect to a one for 6.326392 reverse stock split of Holdings’ common stock.

On August 1, 2007, we implemented fresh–start reporting in accordance with Accounting Standards Codifications (ASC) 852, “Financial Reorganizations” (ASC 852). The provisions of fresh–start reporting required that we revalue our assets and liabilities to fair value, reestablish stockholders’ equity and record any applicable reorganization value in excess of amounts allocable to identifiable assets as an intangible asset. Under fresh–start reporting, our asset values are remeasured using fair value, and are allocated in conformity with Accounting Standards Codifications (ASC) 805 “Business Combinations” (ASC 805). Fresh–start reporting also requires that all liabilities, other than deferred taxes, should be stated at fair value or at the present value of the amounts to be paid using appropriate market interest rates. Deferred taxes are determined in conformity with Accounting Standards Codifications (ASC) 740 “Income Taxes” (ASC 740).

Additional information regarding the impact of fresh–start reporting on our condensed consolidated balance sheet on the effective date is included in “Condensed Consolidated Fresh–Start Balance Sheet” below.

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References to “Successor” refer to our company on or after August 1, 2007, after giving effect to (1) the cancellation of Holdings’ common stock prior to the effective date; (2) the issuance of new Holdings’ common stock in exchange for all of Insight’s senior subordinated notes and the cancelled Holdings’ common stock; and (3) the application of fresh-start reporting. References to “Predecessor” refer to our company prior to August 1, 2007.

Reorganization Items, net

ASC 852 requires that the consolidated financial statements for periods subsequent to a chapter 11 filing separate transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, all transactions (including, but not limited to, all professional fees) directly associated with the reorganization of the business are reported separately in the financial statements.

Predecessor recognized the following reorganization items in its consolidated statement of operations (amounts in thousands):

| | <u>Predecessor</u> <u>One Month</u> <u>Ended</u> <u>July 31,</u> <u>2007</u> |
|---------------------------------------|--|
| Gain on discharge of debt | \$ 168,248 |
| Revaluation of assets and liabilities | 38,674 |
| Professional fees | (4,962) |
| Consent fees | (2,954) |
| Other | (8) |
| | \$ 198,998 |

Condensed Consolidated Fresh-Start Balance Sheet

ASC 852 requires an entity to adopt fresh-start reporting if the reorganization value of the assets of the emerging entity immediately before the consummation of the confirmed plan of reorganization is less than the total of all post-petition liabilities and allowed claims, and if holders of existing voting shares immediately before confirmation receive less than 50% of the voting shares of the emerging entity. The Company met both criteria and adopted fresh-start reporting upon Holdings’ and Insight’s emergence from chapter 11. Fresh-start reporting required us to revalue our assets and liabilities to fair value. In estimating fair value we based our estimates and assumptions on the guidance prescribed by ASC 820, “Fair Value Measurements and Disclosures” (ASC 820), which we adopted in conjunction with our adoption of fresh-start reporting. ASC 820, among other things, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements (see Note 23).

Our estimates of fair value of our tangible and identifiable intangible assets were determined by management with the assistance of outside financial advisors. Adjustments to the recorded fair values of these assets and liabilities may impact the amount of recorded goodwill.

To facilitate the calculation of reorganization value and equity value, management, with the assistance of outside financial advisors, developed an estimate of the enterprise value of the successor entity, including \$322.5 million in aggregate principal amount of total debt and capital leases as of the date of consummation of the confirmed plan of reorganization.

In establishing an estimate of enterprise value, management primarily focused on the market value of the two publicly traded securities that were most affected by the confirmed plan of reorganization:

- the market value of Holdings’ 8,644,444 shares of common stock from August 3, 2007, the date the shares first traded after consummation of the confirmed plan of reorganization, through September 30, 2007. The value range of Holdings’ common stock was estimated from a low of \$35 million (based on \$4 per share) to a

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high of \$61 million (based on \$7 per share). The range of enterprise value to correspond with the foregoing range would be from a low of \$357 million to a high of \$383 million. Management recognized that the common stock valuation approach may have been somewhat limited because the shares of common stock issued after the consummation of the confirmed plan of reorganization did not necessarily have the same liquidity as shares issued in connection with an underwritten public offering. Nevertheless, management primarily relied on this valuation method because (i) orderly observable trading activity in the common stock, though limited in volume, did take place, (ii) the trading activity did not indicate that the transactions were forced or distressed sales, and (iii) as articulated by the hierarchy of inputs set forth in ASC 820, observable inputs (regardless as to whether an active market exists) generally are more useful in calculating fair value than unobservable inputs, which require a reporting entity to develop its own assumptions.

- the market value of the \$194.5 million of senior subordinated notes for a period of time leading up to cancellation of such debt on the date of the consummation of the confirmed plan of reorganization. The value range of Insight's senior subordinated notes was estimated from a low of \$65 million to a high of \$74 million during an approximate 30 day period of time leading up to the date of consummation of the plan. The range of enterprise value to correspond with the foregoing range would be from a low of \$387 million to a high of \$396 million.

Management considered the above values in light of various relevant market comparables, which are not specific to our publicly traded securities, such as (A) the market values of comparable companies and (B) recent transactions in our industry.

To a lesser extent, management considered the estimated present value of projected future cash flows in order to validate the determinations it made through the market comparable methods described above. Management estimated that the discounted cash flow value of the Company's two reporting segments was slightly less than the low point of the enterprise range determined by the trading value of the common stock. The projected future cash flows were particularly sensitive to our assumptions regarding revenues because of (a) the high fixed cost nature of our business, and (b) the difficulty of estimating changes in reimbursement and procedure volume for future years. In developing these estimates, management assumed, among other things (i) a decline in revenues for the Company's fiscal year ending June 30, 2008 as a result of reimbursement reductions, and (ii) for the Company's fiscal years ending June 30, 2009 and 2010, (I) modest increases in revenues (approximately 3.0% each year) for its fixed operations segment as a result of the anticipated deceleration in the growth of additional imaging capacity within the Company's industry, and (II) an insignificant increase in the Company's revenues for its mobile operations segment (an approximate 1.0% increase each year). If known and unknown risks materialize, or if our revenue assumptions were incorrect, our future cash flows could differ significantly from our projections. The sensitivity of the revenue assumptions contributed to management's decision to focus on market values (observable inputs) in determining the Company's enterprise value. Management believed that the projected cash flows were appropriately discounted to reflect, among other things, the capital structure and cost of capital (both debt and equity) for the Company's two operating segments as well as industry risks.

Utilizing the methodologies described above, management determined that the enterprise value of the successor entity was estimated to be in the range of \$344 million to \$396 million. Based on this range, management deemed \$360 million to be an appropriate estimate of the enterprise value of the successor entity. The enterprise value estimate of \$360 million fell within the range established above, and management believed the estimate was appropriate since the value was primarily derived from the trading value of the common stock and senior subordinated notes as described above. Management believed that the enterprise value of \$360 million best reflected the value of the successor entity because trading activity reflected market based judgments as to the current business and industry challenges the successor entity faces, including negative trends. Furthermore, in estimating the enterprise value of \$360 million management determined that a valuation at the low end of the value range based on the trading price of the common stock was appropriate because (i) a substantial majority of transactions in the common stock from August 3, 2007 through September 30, 2007, were for prices between \$4.00 and \$5.15 per share, and (ii) there was limited volume in the trading activity in the common stock. If the long-term debt and capital leases of \$322.5 million in aggregate principal amount as of August 1, 2007, the effective date of the plan of reorganization and exchange offer, without giving effect to the net fair value discount associated with Insight's \$315 million in aggregate principal amount of senior secured floating rate notes due 2011, were subtracted from the successor entity's estimated enterprise value of \$360 million the resulting equity value was \$37.5 million.

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The foregoing estimates of enterprise value and corresponding equity value, were based upon certain projections and assumptions. Neither the projections nor the assumptions are incorporated into these consolidated financial statements.

The adjustments set forth in the following Condensed Consolidated Fresh–Start Balance Sheet in the columns “Debt Discharge” and “Revaluation of Assets and Liabilities” which reflect the effect of the consummation of the confirmed plan of reorganization and the adoption of fresh–start reporting on our condensed consolidated balance sheet at August 1, 2007 are as follows (amounts in thousands):

| | <u>Predecessor</u> | <u>Fresh–Start Adjustments</u> | | <u>Successor</u> |
|---|--------------------------|--------------------------------|---|---|
| | <u>July 31, 2007</u> | <u>Debt Discharge(a)</u> | <u>Revaluation of Assets and Liabilities(b)</u> | <u>Reorganized Balance Sheet August 1, 2007</u> |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 21,472 | \$ — | \$ — | \$ 21,472 |
| Trade accounts receivables, net | 42,173 | — | — | 42,173 |
| Other current assets | 7,948 | — | (195) | 7,753 |
| Total current assets | 71,593 | — | (195) | 71,398 |
| Property and equipment, net | 140,345 | — | 18,295 | 158,640 |
| Investments in partnerships | 3,529 | — | 7,698 | 11,227 |
| Other assets | 7,731 | — | (7,587) | 144 |
| Other intangible assets, net | 30,111 | — | 5,889 | 36,000 |
| Goodwill | 64,868 | — | 45,208 | 110,076 |
| | \$ 318,177 | \$ — | \$ 69,308 | \$ 387,485 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | | |
| Current liabilities: | | | | |
| Current portion of notes payable and capital lease obligations | \$ 3,359 | \$ — | \$ — | \$ 3,359 |
| Accounts payable and other accrued expenses | 37,084 | — | — | 37,084 |
| Total current liabilities | 40,443 | — | — | 40,443 |
| Long–term liabilities: | | | | |
| Notes payable and capital lease obligations, less current portion | 315,795 | — | (21,818) | 293,977 |
| Liabilities subject to compromise | 205,704 | (205,704) | — | — |
| Other long–term liabilities | 8,365 | — | 7,243 | 15,608 |
| Total long–term liabilities | 529,864 | (205,704) | (14,575) | 309,585 |
| Stockholders' equity (deficit) | | | | |
| Predecessor | | | | |
| Common stock | 1 | — | (1) | — |
| Additional paid–in capital | 87,085 | — | (87,085) | — |
| Accumulated other comprehensive income | 103 | — | (103) | — |
| Accumulated deficit | (339,319) | 168,248 | 171,071 | — |
| Successor | | | | |
| Common stock | — | 8 | 1 | 9 |
| Additional paid–in capital | — | 37,448 | — | 37,448 |
| Total stockholders' equity (deficit) | (252,130) | 205,704 | 83,883 | 37,457 |
| | \$ 318,177 | \$ — | \$ 69,308 | \$ 387,485 |

(a) Debt Discharge. This reflects the cancellation of \$205,704 of liabilities subject to compromise pursuant to the terms of the confirmed plan of reorganization. The holders of senior subordinated notes received 7,780 shares of Holdings' common stock in satisfaction of such claims.

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(b) Revaluation of Assets and Liabilities. Fresh-start adjustments made to reflect asset and liability values at estimated fair value are summarized as follows:

- *Other current assets.* An adjustment of \$195 was recorded to decrease the value of deferred tax benefit.
- *Property and equipment, net.* An adjustment of \$18,295 was recorded to increase the net book value of property and equipment, net.
- *Investments in partnerships.* An adjustment of \$7,698 was recorded to recognize the estimated fair value of our investments in partnerships.
- *Other assets.* Adjustments of \$7,587 were recorded to reduce the value of deferred financing costs and the value of the interest rate cap contract.
- *Other intangible assets, net.* An adjustment of \$5,889 was recorded to recognize identifiable intangible assets. These intangible assets reflect the estimated fair value of our trademark, wholesale contracts and certificates of need. These assets will be subject to an annual impairment review (see Note 10).
- *Goodwill.* An adjustment of \$45,208 was recorded to reflect reorganization value of the successor equity in excess of the fair value of tangible and identified intangible assets and liabilities. This amount was determined as the stockholders' deficit immediately prior to Holdings' and Insight's emergence from bankruptcy (\$252,130), offset by the gain on discharge of debt (\$168,248) and revaluation of assets and liabilities (\$38,674). This amount was subsequently impaired as of June 30, 2008 (see Note 10).
- *Notes payable.* An adjustment of \$21,818 was recorded to reflect a net fair value discount associated with Insight's senior secured floating rate notes due 2011, to be amortized in interest expense over the remaining life of such notes. The fair market value of the notes was determined based on the quoted market value as of August 1, 2007, which represented the present value of amounts to be paid at appropriate current interest rates.
- *Other long-term liabilities.* An adjustment of \$7,243 was recorded to increase the value of deferred tax liabilities related to the increase in value of our other indefinite-lived intangible assets.
- *Total stockholders' deficit.* The adoption of fresh-start reporting resulted in a new entity with no beginning retained earnings or accumulated deficit. The condensed consolidated balance sheet reflected initial stockholders' equity value of approximately \$37,457 estimated as described above.

3. LIQUIDITY AND CAPITAL RESOURCES

We have suffered recurring losses from operations and have a net capital deficiency that raise substantial doubt about our ability to continue as a going concern. Additionally, the opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder, if any, to become immediately due and payable. We did not have any borrowings outstanding on the revolver as of June 30, 2010 and do not currently have any borrowings outstanding on the revolver. We have approximately \$1.6 million outstanding in letters of credit that would need to be cash collateralized in the event our revolver is eliminated. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit limit from \$15 million to \$5 million, and also increases our interest rate on outstanding borrowings to Prime +2.75% or LIBOR +3.75%, at our discretion. The unused line fee is increased to 0.75%.

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We have a substantial amount of debt, which requires significant interest and principal payments. As of June 30, 2010, we had total indebtedness of \$298.1 million in aggregate principal amount, including \$293.5 million of floating rate notes which come due in November 2011. We believe that future net cash provided by operating activities will be adequate to meet our operating cash and debt service requirements through December 1, 2010. If our cash requirements exceed the cash provided by our operating activities, then we would look to our cash balance, proceeds from asset sales and revolving credit line to satisfy those needs. However, following December 1, 2010, we may not be able to access our existing revolver if we are in default under our revolving credit agreement and our lender refuses to extend the forbearance period. In the event net cash provided by operating activities declines further than we have anticipated, or if the availability under our revolving credit facility is reduced or eliminated by our lender in light of the existing default, any future defaults or otherwise, we are prepared to take steps to conserve our cash, including delaying or further restricting our capital projects and sale of certain assets. In any event, we will likely need to restructure or refinance all or a portion of our indebtedness on or before maturity of such indebtedness. In the event such steps are not successful in enabling us to meet our liquidity needs or to restructure or refinance our outstanding indebtedness when due, we may need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged a financial advisory firm and are working closely with them to develop and finalize a restructuring and refinancing plan to significantly reduce our outstanding debt and improve our cash and liquidity position.

Nevertheless, the floating rate notes mature in November 2011 and unless our financial performance significantly improves, we can give no assurance that we will be able to meet our interest payment obligations on the floating rate notes, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness, and cause a material adverse effect on our liquidity and financial condition. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more restrictive covenants, which could further restrict our business operations and have a material adverse effect on our results of operations. Although we are prepared to take additional steps as necessary, we cannot be certain such steps would be effective.

We reported net losses attributable to Holdings of approximately \$31.8 million, \$19.8 million and \$169.2 million for the year ended June 30, 2010, the year ended June 30, 2009 and eleven months ended June 30, 2008, respectively. We have implemented steps to improve our financial performance, including, a core market strategy and various operations and cash flow initiatives in response to these losses. We have focused on implementing, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives. Revenue enhancement initiatives have and will continue to focus on our sales and marketing efforts to maintain or improve our procedural volume and contractual rates, and our solutions initiative. Receivables and collections management initiatives have focused and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and claim information when a procedure is scheduled or completed, and our initiative with Dell Perot Systems. Cost reduction initiatives have and will continue to focus on streamlining our organizational structure and expenses including enhancing and leveraging our technology to create greater efficiencies, and leveraging relationships with strategic vendors. While we have experienced some improvements through our receivables and collections management and cost reduction initiatives, benefits from our revenue enhancement initiatives have yet to materialize and our revenues have continued to decline. Moreover, future revenue enhancement initiatives will face significant challenges because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the effects of the country's recession, including higher unemployment. We can give no assurance that these steps will be adequate to improve our financial performance. Unless our financial performance significantly improves, we can give no assurance that we will be able to refinance the floating rate notes, which mature in November 2011, on commercially reasonable terms, if at all.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. CONSOLIDATED FINANCIAL STATEMENTS

Our condensed consolidated financial statements include our accounts and those of all controlled subsidiaries. All significant intercompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence but does not control, and is not the primary beneficiary are accounted for

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using the equity method. Investments in which the Company does not exercise significant influence over the investee are accounted for under the cost method.

On July 1, 2009, we adopted the provisions of Topic 810 "Consolidation" (ASC 810), which establishes the accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. As a result of the adoption of ASC 810, we are presenting noncontrolling interest as a component of stockholders' deficit rather than a liability for all periods presented. In addition, ASC 810 required the presentation of net income attributable to noncontrolling interest, rather than minority interest expense for the years ended June 30, 2010 and 2009, respectively.

Certain reclassifications have been made to previously reported amounts to conform to the current period presentation of non-controlling interest and segment reporting (see Note 19).

b. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c. REVENUE RECOGNITION

Revenues from contract services and from patient services are recognized when services are provided. Patient services revenues are presented net of related contractual adjustments, which represent the difference between our charge for a procedure and what we will ultimately receive from private health insurance programs, Medicare, Medicaid and other federal healthcare programs, these adjustments are estimates based on the actual contract, or in cases where there is no contract, the estimate is based on historical collections. Additionally, we record revenues net of payments due to radiologists because (i) we are not the primary obligor for the provision of professional services, (ii) the radiologists receive contractually agreed upon amounts from collections and (iii) the radiologists bear the risk of non-collection. The recorded amount due to radiologists is an estimate based on our recorded revenue, net of contractual allowances. We have entered into arrangements with certain radiologists pursuant to which we pay the radiologists directly for their professional services at an agreed upon contractual rate which does not depend upon the ultimate collections. With respect to these arrangements, the professional component billed is included in our revenues, and our payments to the radiologists are included in costs of services. These types of arrangements were in effect as of June 30, 2008 and 2009. As of June 30, 2010 we no longer had these types of arrangements. Contract services revenues are recognized over the applicable contract period. Revenues billed in advance are recorded as unearned revenue.

d. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash equivalents are generally composed of liquid investments with original maturities of three months or less, such as certificates of deposit and commercial paper. As of June 30, 2010, there was restricted cash of approximately \$0.3 million, that was subject to the lien for the benefit of the floating rate note holders, and may only be used for wholly owned capital projects or under certain circumstances the purchase of floating rate notes. These funds are classified as restricted cash on our consolidated balance sheet.

e. TRADE ACCOUNTS RECEIVABLES

We review our trade accounts receivables and our estimates of the allowance for doubtful accounts and contractual adjustments each period. Historically and through fiscal 2009, our billing system did not generate contractual adjustments. Consequently, contractual adjustments had been manual estimates based upon an analysis of historical experience of contractual payments from payors and the outstanding accounts receivables from payors. In July 2009, we completed the implementation of a new report that extracts data from our billing system and automatically generates the contractual adjustments based on actual contractual rates with our payors in effect at the time the service is provided to the patient. Contractual adjustments are written-off against contractual fee rates with

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our payors in effect when the service was provided to the patient. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. The provision for doubtful accounts includes amounts to be written-off with respect to (1) specific accounts involving customers, which are financially unstable or materially fail to comply with the payment terms of their contract and (2) other accounts based on our historical collection experience, including payor mix and the aging of patient accounts receivables balances. Receivables deemed to be uncollectible, either through a customer default on payment terms or after reasonable collection efforts have been exhausted, are fully written off against their corresponding asset account with a reduction to the allowance for doubtful accounts to the extent such an allowance was previously recorded.

f. LONG-LIVED ASSETS

Property and Equipment. Property and equipment are depreciated and amortized on the straight-line method using the following estimated useful lives:

| | |
|---|--|
| Vehicles | 3 to 8 years |
| Buildings | 7 to 20 years |
| Leasehold improvements | Lesser of the useful life or term of lease |
| Computer and office equipment | 3 to 5 years |
| Diagnostic and related equipment | 5 to 8 years |
| Equipment and vehicles under capital leases | Lesser of the useful life or term of lease |

We capitalize expenditures for improvements and major equipment upgrades. Maintenance, repairs and minor replacements are charged to operations as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations.

Capitalized Internal Use Software Costs We capitalize the costs of computer software developed or obtained for internal use in accordance with ASC 340, "Other Assets and Deferred Costs", (ASC 340). Capitalized computer software costs consist of purchased software licenses and implementation costs. The capitalized software costs are being amortized on a straight-line basis over a period of three to seven years.

Long-lived Asset Impairment. We review long-lived assets, including identified intangible assets, for impairment when events or changes in business conditions indicate that their full carrying value may not be recovered. We consider assets to be impaired and write them down to fair value if expected associated undiscounted cash flows are less than the carrying amounts. Fair value is determined based on the present value of the expected associated cash flows.

g. DEFERRED FINANCING COSTS

Costs incurred in connection with financing activities are deferred and amortized using the effective interest method over the terms of the related debt agreements ranging from seven to ten years. Amortization of these costs is charged to interest expense in the accompanying consolidated statements of operations. During the one month ended July 31, 2007, approximately \$7.6 million of deferred financing costs were adjusted as part of our revaluation of assets and liabilities in fresh-start reporting which are included in reorganization items, net in the consolidated statements of operations (see Note 2).

h. GOODWILL AND OTHER INTANGIBLE ASSETS

As of August 1, 2007, goodwill represented the reorganization value of the Successor in excess of the fair value of tangible and identified intangible assets and liabilities from our adoption of fresh-start reporting. We recorded approximately \$110.1 million of goodwill upon Holdings' and Insight's emergence from bankruptcy (see Note 2). As of June 30, 2010 goodwill represented the excess in purchase price over the fair value of the assets of certain acquisitions we have made since August 1, 2007. Identified intangible assets consist primarily of our trademark, certificates of need, wholesale contracts and customer relationships. The intangible assets, excluding the wholesale contracts and customer relationships, are indefinite-lived assets and are not amortized. Wholesale contracts and customer relationships are definite-lived intangible assets and are amortized over the expected term of the

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respective contracts. In accordance with ASC Topic 350, “Goodwill and Other Intangible Assets” (ASC 350), the goodwill and indefinite-lived intangible asset balances are not being amortized, but instead are subject to an annual assessment of impairment by applying a fair-value based test. Wholesale contracts and customer relationships are amortized on a straight-line basis over the estimated lives of the assets.

We evaluate the carrying value of goodwill and other indefinite-lived intangible assets in the second quarter of each fiscal year. Additionally, we review the carrying amount of goodwill and other indefinite-lived intangible assets whenever events and circumstances indicate that their respective carrying amounts may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit and adverse legal or regulatory developments. At June 30, 2010, we completed an analysis of our operations and determined that there were indications of possible impairment of our indefinite lived assets including our certificates of need and our trademark due to the decline in our revenues and EBITDA in both our patient services and contract services segments during the second half of fiscal 2010. We did not note any indication of impairment of our goodwill. (see Note 10).

In evaluating goodwill, we complete the two-step impairment test as required by ASC 350. In the first of a two-step impairment test, we determine the fair value of our reporting units, which we define as fixed-site center or mobile units, using a discounted cash flow valuation model, market multiple model or appraised values, as appropriate. ASC 350 requires us to compare the fair value for the reporting unit to its carrying value on an annual basis to determine if there is potential impairment. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not impaired and no further testing is required. If the fair value does not exceed the carrying value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the goodwill with the carrying amount of that goodwill. Impairment losses, if any, are reflected in the consolidated statements of operations. We completed our annual impairment testing of our goodwill during the second quarter and determined that our goodwill was not impaired.

We assess the ongoing recoverability of our other intangible assets subject to amortization in accordance with ASC Topic 360, “Property, Plant and Equipment” or ASC 360, by determining whether the long-lived asset can be recovered over the remaining amortization period through projected undiscounted future cash flows. If projected future cash flows indicate that the unamortized long-lived asset will not be recovered, an adjustment is made to reduce the asset to the estimated fair value, although subject to a degree of uncertainty, are based on trends of historical performance and management’s estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions.

i. INCOME TAXES

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

j. COMPREHENSIVE INCOME (LOSS)

Components of comprehensive income (loss) are changes in equity other than those resulting from investments by owners and distributions to owners. Net income (loss) is the primary component of comprehensive income (loss), and our only other component of comprehensive income (loss) is the change in unrealized gain or loss on derivatives qualifying for hedge accounting, net of tax. The aggregate amount of such changes to equity that have not yet been recognized in net income (loss) is reported in the equity portion of the accompanying consolidated balance sheets as accumulated other comprehensive income.

k. NEW PRONOUNCEMENTS

FASB ASC Topic 805 “Business Combinations” formerly SFAS 141(R) (ASC 805) establishes principles and requirements for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed and any noncontrolling interest in an acquisition, at their fair value as of the acquisition date. ASC 805 is effective for fiscal years beginning after December 15, 2008. The adoption of ASC 805 did not have a material effect on our financial position or cash flows.

ASC 805 formerly FSP No. FAS 141(R)-1 is effective for contingent assets or contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this standard did not have a material impact on our consolidated financial statements.

FASB ASC Topic 810 “Consolidation” formerly SFAS 160 (ASC 810) establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. ASC 810 is effective for fiscal years beginning after December 15, 2008. On July 1, 2009 we adopted ASC 810. As of June 30, 2010, ASC 810 only effected our financial statement presentation and therefore had no impact on our consolidated financial position, results of operations or cash flows.

FASB ASC Topic 815 “Derivatives and Hedging” formerly SFAS 161 (ASC 815) requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under this topic, and how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. We adopted ASC 815 on January 1, 2009. As ASC 815 only requires enhanced disclosures, it had no impact on our consolidated financial statements.

FASB ASC Topic 810 “Amendments to FASB Interpretation No. 46(R)” formerly SFAS No. 167 (ASC 810) enhances the current guidance for companies with financial interest in a variable interest entity. This statement amends Interpretation 46(R) to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance and (a) the obligation to absorb losses of the entity or (b) the right to receive benefits from the entity. This statement requires an additional reconsideration event when determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity’s economic performance. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. This statement amends Interpretation 46(R) to require additional disclosures about an enterprise’s involvement in variable interest entities. ASC 810 is effective for fiscal years beginning after November 15, 2009, with early application prohibited. We are currently evaluating the impact of the adoption of ASC 810 on our consolidated financial statements.

FASB ASC Topic 105 “Generally Accepted Accounting Principles” formerly SFAS 168 (ASC 105) is the single source of authoritative Generally Accepted Accounting Principles (“GAAP”) in the United States. The previous GAAP hierarchy consisted of four levels of authoritative accounting and reporting guidance levels. The ASC 105 eliminated this hierarchy and replaced the previous GAAP with just two levels of literature: authoritative and non-authoritative. The ASC 105 was effective as of July 1, 2009.

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05 to provide guidance on measuring the fair value of liabilities. The ASU provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques:

- (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset; or, quoted prices for similar liabilities, or similar liabilities when traded as assets, or
- (ii) another valuation technique consistent with the principles of ASC Topic 820 — Fair Value Measurements and Disclosures, such as an income approach or market approach.

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Additionally, when estimating the fair value of a liability, a reporting entity is not required to make an adjustment relating to the existence of a restriction that prevents the transfer of the liability. This ASU also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments are required, are Level 1 fair value measurements under ASC Topic 820. The adoption of this standard did not have a material impact on our consolidated financial statements.

In September 2009, the FASB issued ASU 2009-13, which eliminates the criterion for objective and reliable evidence of fair value for the undelivered products or services. Instead, revenue arrangements with multiple deliverables should be divided into separate units of accounting provided the deliverables meet certain criteria. ASU 2009-13 provides a hierarchy for estimating the selling price for each of the deliverables. ASU 2009-13 eliminates the use of the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables based on their relative selling price. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. We are currently assessing the impact of this accounting standards update on our consolidated financial position and results of operations.

5. TRADE ACCOUNTS RECEIVABLES

Trade accounts receivables, net are comprised of the following (amounts in thousands):

| | <u>June 30,</u> | |
|--|-----------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Trade accounts receivables | \$ 41,922 | \$ 48,571 |
| Less: Allowances for professional fees | (4,527) | (5,654) |
| Allowances for contractual adjustments | (11,430) | (12,919) |
| Allowances for doubtful accounts | (3,371) | (4,404) |
| Trade accounts receivables, net | \$ 22,594 | \$ 25,594 |

The allowances for doubtful accounts and contractual adjustments include management's estimate of the amounts expected to be written off on specific accounts and for write-offs on other unidentified accounts included in accounts receivables. In estimating the write-offs and adjustments on specific accounts, management relies on a combination of in-house analysis and a review of contractual payment rates from private health insurance programs or under the federal Medicare or State Medicaid programs. In estimating the allowance for unidentified write-offs and adjustments, management relies on historical experience. The amounts we will ultimately realize could differ materially in the near term from the amounts assumed in arriving at the allowances for doubtful accounts and contractual adjustments in the accompanying consolidated financial statements at June 30, 2010.

We reserve a contractually agreed upon percentage at several of our fixed-site centers, averaging 14.3 percent of the accounts receivables balance from patients and third-party payors for payments to radiologists representing professional fees for interpreting the results of the diagnostic imaging procedures. Payments to radiologists are only due when amounts are received. At that time, the balance is transferred from the allowance account to a professional fees payable account.

6. OTHER CURRENT ASSETS

Other current assets are comprised of the following (amounts in thousands):

| | <u>June 30,</u> | |
|---|-----------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Prepaid expenses | \$ 4,696 | \$ 6,789 |
| Amounts due from our unconsolidated partnerships(1) | 2,216 | 2,844 |
| Other | 933 | 355 |
| | \$ 7,845 | \$ 9,988 |

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(1) For the year ended June 30, 2010 we recorded a \$0.1 million bad debt charge to write down a receivable due from an unconsolidated partnership to its estimated realizable value.

7. ASSETS HELD FOR SALE

In June 2009, we made the decision to sell certain assets related to two fixed-site centers in Pennsylvania for an amount expected to be less than their then-current carrying amount. As a result, we recorded a non-cash impairment loss of approximately \$0.7 million to write down the assets at these two fixed-site centers to their estimated realizable value of \$2.7 million and reclassified the associated assets to "Assets held for sale" on our consolidated balance sheet as of June 30, 2009. The impairment loss is included in the line item "Impairment of Assets" in the consolidated statement of operations for the year ended June 30, 2009. We ceased depreciating the assets at these two fixed-site centers at the time they were classified as held for sale. In July 2009, we completed the sale of these assets for \$2.7 million. We had no assets held for sale as of June 30, 2010.

The following table presents the carrying amount as of June 30, 2009 of the major classes of assets held for sale (amounts in thousands):

| | |
|-----------------------------------|-----------------|
| Other current assets | \$ 122 |
| Property and equipment, net | 2,578 |
| Total assets held for sale | \$ 2,700 |

8. PROPERTY AND EQUIPMENT

Property and equipment, net are stated at cost and are comprised of the following (amounts in thousands):

| | <u>June 30,</u> | |
|---|------------------|------------------|
| | <u>2010</u> | <u>2009</u> |
| Vehicles | \$ 2,237 | \$ 1,927 |
| Land, building and leasehold improvements | 19,659 | 12,577 |
| Computer and office equipment | 19,599 | 15,370 |
| Diagnostic and related equipment | 128,907 | 113,149 |
| Equipment and vehicles under capital leases | 6,104 | 5,775 |
| Construction in progress | 8,245 | 10,593 |
| | 184,751 | 159,391 |
| Less: Accumulated depreciation and amortization | (111,436) | (79,554) |
| Property and equipment, net | \$ 73,315 | \$ 79,837 |

Depreciation expense was approximately \$31.5 million, \$44.0 million, \$50.6 million and \$4.4 million for the years ended June 30, 2010 and 2009, eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007, respectively.

9. ACQUISITIONS

In March, 2010 we acquired a controlling equity interest in a joint venture with a prominent radiology group in the Dallas/Fort Worth, Texas area. The joint venture is a fixed-site multi-modality center. The total investment was \$1.8 million, of which \$0.9 was paid in cash. Acquisition-related transaction costs were minimal and expensed as incurred. In accordance with ASC 805, we allocated the purchase price of this joint venture based on the fair value of the assets acquired with the residual recorded to goodwill. We considered a number of factors in performing this valuation, including the valuation of identifiable intangible assets. Goodwill and intangible assets acquired included approximately \$1.0 million for customer relationships (amortized over 30 years), and \$0.2 million of goodwill which we reported in our patient services business segment. The goodwill and other intangibles recognized in this transaction are deductible for tax purposes.

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Insight is the majority owner of the joint venture and therefore the results of operations and the financial position of the joint venture will be consolidated with Insight. The fair value of the noncontrolling interest at acquisition was \$0.5 million.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill and indefinite-lived intangible assets by segment are as follows for the years ended June 30, 2010 and 2009 (amounts in thousands):

| | <u>Goodwill</u> | | | <u>Trademark</u> | <u>Certificates of Need (CON)</u> | | |
|-------------------------------------|--------------------------|-------------------------|---------------------|--------------------------|-----------------------------------|-------------------------|---------------------|
| | <u>Contract Services</u> | <u>Patient Services</u> | <u>Consolidated</u> | <u>Contract Services</u> | <u>Contract Services</u> | <u>Patient Services</u> | <u>Consolidated</u> |
| Predecessor | | | | | | | |
| Balance at June 30, 2007 | \$ 44,172 | \$ 20,696 | \$ 64,868 | \$ 8,680 | \$ — | \$ — | \$ — |
| Fresh-start reporting adjustment(1) | 18,676 | 26,532 | 45,208 | 220 | 5,600 | 5,000 | 10,600 |
| Balance at July 31, 2007 | 62,848 | 47,228 | 110,076 | 8,900 | 5,600 | 5,000 | 10,600 |
| Successor | | | | | | | |
| Sales of centers(2) | — | (2,671) | (2,671) | — | — | — | — |
| Impairment(3) | (62,848) | (44,557) | (107,405) | (1,500) | — | — | — |
| Balance at June 30, 2008 | — | — | — | 7,400 | 5,600 | 5,000 | 10,600 |
| Impairment(4) | — | — | — | (2,200) | (2,400) | — | (2,400) |
| Disposition | — | — | — | — | — | (935) | (935) |
| Acquisition(5) | — | 1,403 | 1,403 | — | — | 3,400 | 3,400 |
| Other(6) | — | — | — | — | 176 | (176) | — |
| Balance at June 30, 2009 | — | 1,403 | 1,403 | 5,200 | 3,376 | 7,289 | 10,665 |
| Impairment(7) | — | — | — | (1,600) | (1,236) | (1,577) | (2,813) |
| Disposition | — | — | — | — | — | — | — |
| Acquisition(8) | — | 214 | 214 | — | — | — | — |
| Other(9) | — | — | — | — | 470 | (470) | — |
| Balance at June 30, 2010 | \$ — | \$ 1,617 | \$ 1,617 | \$ 3,600 | \$ 2,610 | \$ 5,242 | \$ 7,852 |

(1) See Note 2.

(2) During the eleven months ended June 30, 2008 we sold seven fixed-site centers and our controlling interest in a joint venture that operated a fixed-site center. Goodwill associated with these centers was written-off and is included in loss on sales of centers in the consolidated statement of operations.

(3) During the fourth quarter of fiscal 2008, we recorded goodwill impairment charges discussed below.

(4) During the second quarter of fiscal 2009, we recorded impairment charge relating to our indefinite-lived assets discussed below.

(5) During the fourth quarter of fiscal 2009, we acquired two fixed-site imaging centers in the Boston-metropolitan area.

(6) During the fourth quarter of fiscal 2009, we discovered an error in the calculation of the value of our certificates of need, or CONs, for our mobile and fixed segments. We completed a quantitative and qualitative assessment of the error and determined that it was not material to either the second fiscal quarter or the fiscal year ended June 30, 2009. The adjustment of this error resulted in an increase in the value of our mobile CONs and an offsetting decrease in our fixed CONs.

(7) During the second and fourth quarters of fiscal 2010, we recorded impairment charge relating to our indefinite-lived assets discussed below.

- (8) During the third quarter of fiscal 2010, we acquired a controlling equity interest in a joint venture with a prominent radiology group in the Dallas/Fort Worth, Texas area.
- (9) Reclassification adjustment resulting from re-defining our business segments. See Note 19.

Impairment Testing

Fiscal year 2010 We completed our evaluation of the carrying value of our indefinite-lived intangible assets as of December 31, 2009. Our evaluation of the carrying value of intangible assets compares the fair value of the assets with their corresponding carrying value. The fair value of intangible assets is determined primarily using an income approach (see Note 23). Based on our annual evaluation of the carrying value of our indefinite-lived intangible assets in the second quarter of fiscal year 2010, we concluded that impairments had occurred and we recorded a non-cash impairment charge of \$1.9 million in our contract services segment related to our trademark (\$0.8 million) and our certificates of need (\$0.9 million) and our patient services segment related to our certificates of need (\$0.2 million). This impairment charge primarily resulted from a decline in our mobile business within our contract services segment. As of June 30, 2010, we completed an analysis of our operations and determined that there were indication of possible impairment of our indefinite lived assets including our certificates of need and our trademark due to the decline in our revenues and EBITDA in both our patient services and contract services segments during the second half of fiscal 2010. Our contract services decline primarily relates to our mobile operations. We did not note any indication of impairment of our goodwill. Accordingly, we completed a valuation of our certificates of need and trademark and recorded an impairment charge of \$1.4 million for our patient services certificates of need and \$0.3 million for our contract services certificates of need, and \$0.8 million related to our trademark. (see Note 10)

Fiscal year 2009 During the second quarter of fiscal 2009, we completed our annual impairment testing of indefinite-lived intangible assets and recorded a non-cash impairment charge of \$4.6 million in our mobile reporting unit related to our trademark (\$2.2 million) and our CONs (\$2.4 million). This impairment charge primarily resulted from an increase in the discount rate used to value our indefinite-lived intangible assets as a result of the significant decline in the financial markets in the fourth calendar quarter of 2008 which led to an overall increase in discount rates for the diagnostic imaging industry. In addition to the impairment charge related to our certificates of need in our mobile reporting unit, our sale of a fixed-site center in Tennessee in November 2008 included a certificate of need with an estimated value of approximately \$0.9 million, which was eliminated upon closing of the sale.

Fiscal year 2008 During the fourth quarter of fiscal 2008, as a result of our continued declining performance and the declining market values of both our common stock and floating rate notes, we determined that an interim impairment analysis of the fair value of our then two reporting units (mobile and fixed) should be performed in accordance with ASC 350 "Accounting for Business Combinations, Goodwill, and Other Intangible Assets" using a discounted cash flow model and a market multiples model. We completed our analysis of the fair value of our reporting units utilizing the assistance of an independent valuation firm. Our analysis of the fair value of our reporting units incorporated the use of a three-year plus terminal value discounted cash flow valuation model, among other valuation methods. The starting point in our discounted cash flow valuation model was our actual financial results for fiscal 2008. The assumptions used in our discounted cash flow valuation model included the following: (i) market attrition rates applied to revenue ranged from 4.6% to 4.0% in our mobile reporting unit and ranged from 11.4% to 0.0% in our fixed reporting unit; and (ii) operating profit margins ranged from 14.3% to 24.6% in our mobile reporting unit and from 13.1% to 14.1% in our fixed reporting unit. These market attrition rates and operating profit margins reflective of the current general economic pressures now impacting us and the overall diagnostic imaging services industry.

Based on our analysis of the fair value of our reporting units, we concluded that impairments had occurred and we recorded a non-cash goodwill impairment charge of approximately \$107.4 million related to our reporting units (approximately \$44.6 million for our fixed reporting unit and approximately \$62.8 million for our mobile reporting unit). We also recorded a non-cash impairment charge in our mobile reporting unit related to one of our indefinite-lived intangible assets (trademark) of approximately \$1.5 million. Additionally, in accordance with ASC 360 "Impairment or Disposal of Long-Lived Assets", we considered whether there were any impairments of other long-lived assets included in the fixed and mobile asset groups. We compared projected undiscounted cash flows for each

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of the asset groups to the carrying value of the assets, including amortized wholesale contracts and depreciable property and equipment. In each case, the carrying value of the asset groups exceeded the undiscounted cash flows. Therefore, the carrying value of the long-lived assets included in the asset groups were compared to their estimated fair values, resulting in a non-cash impairment charge of approximately \$7.1 million related to wholesale contracts in our mobile reporting unit.

Finally, we also recorded other than temporary impairments of approximately \$3.8 million in our fixed reporting unit related to the fair value in excess of our equity in the net assets of our investment in partnerships that had been recorded in fresh-start reporting.

The following table provides the gross carrying amount and related accumulated amortization of definite-lived intangible assets (amounts in thousands):

| | <u>June 30, 2010</u> | | <u>June 30, 2009</u> | |
|------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | <u>Gross Carrying Value</u> | <u>Accumulated Amortization</u> | <u>Gross Carrying Value</u> | <u>Accumulated Amortization</u> |
| Amortized intangible assets: | | | | |
| Wholesale contracts | \$ 7,800 | \$ 4,550 | \$ 7,800 | \$ 2,990 |
| Customer relationships(1) | 3,800 | 117 | 2,800 | — |
| Total | \$ 11,600 | \$ 4,667 | \$ 10,600 | \$ 2,990 |

(1) During the third quarter of fiscal 2010, we acquired an equity interest in a joint venture with a prominent radiology group in the Dallas/Fort Worth, Texas area. See Note 9 — Acquisitions.

Other intangible assets are amortized on a straight-line method using the following estimated useful lives:

| | |
|------------------------|----------|
| Wholesale contracts | 5 years |
| Customer relationships | 30 years |

Amortization of intangible assets was approximately \$1.7 million, \$1.6 million, \$3.0 million and \$0.1 million for the year ended June 30, 2010, the year ended June 30, 2009, eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007, respectively.

Estimated amortization expense for the years ending June 30, are as follows (amounts in thousands):

| | |
|------------|----------|
| 2011 | \$ 1,683 |
| 2012 | 1,683 |
| 2013 | 253 |
| 2014 | 123 |
| 2015 | 123 |
| Thereafter | 3,069 |

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11. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses are comprised of the following (amounts in thousands):

| | <u>June 30,</u> | |
|---|-----------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Accounts payable | \$ 2,126 | \$ 4,664 |
| Accrued equipment related costs | 1,487 | 1,717 |
| Accrued payroll and related costs | 10,200 | 10,737 |
| Accrued interest expense | 2,798 | 3,639 |
| Accrued professional and legal fees | 1,646 | 2,015 |
| Asset retirement obligations & other center closure costs | 779 | 1,483 |
| Accrued interest rate collar obligation | 212 | 2,528 |
| Deferred revenue | 440 | 737 |
| Other accrued expenses | 5,587 | 8,517 |
| | \$ 25,275 | \$ 36,037 |

12. NOTES PAYABLE

Notes payable are comprised of the following (amounts in thousands):

| | <u>June 30,</u> | |
|--|-----------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Senior secured floating rate notes payable (floating rate notes), bearing interest at three month LIBOR plus 5.25% (5.59% and 6.28% at June 30, 2010 and 2009, respectively), interest payable quarterly, principal due in November 2011. At June 30, 2010 and 2009, the fair value of the notes was approximately \$123.3 million and \$124.0 million, respectively | \$ 293,500 | \$ 293,500 |
| Other notes payable | 1,135 | 630 |
| Total notes payable | 294,635 | 294,130 |
| Less: Unamortized discount on floating rate notes | (8,282) | (14,162) |
| Less: Current portion | (154) | (242) |
| Long-term notes payable | \$ 286,199 | \$ 279,726 |

Through Insight, we had outstanding \$293.5 million of aggregate principal amount of senior secured floating rate notes due 2011, (floating rate notes), as of June 30, 2010. The floating rate notes mature in November 2011 and bear interest at three month LIBOR plus 5.25% per annum, payable quarterly. As of June 30, 2010, the interest rate on the floating rate notes was 5.59%. If prior to the maturity of the floating rate notes, we elect to redeem the floating rate notes or are otherwise required to make a prepayment with respect to the floating rate notes for which a redemption price is not otherwise specified in the indenture, regardless of whether such prepayment is made voluntarily or mandatorily, as a result of acceleration upon the occurrence of an event of default or otherwise, we are required to pay 102% of the principal amount plus accrued and unpaid interest. An open-market purchase of floating rate notes would not require a prepayment price at the foregoing rates. In addition, the indenture provides that if there is a change of control, we will be required to make an offer to purchase all outstanding floating rate notes at a price equal to 101% of their principal amount plus accrued and unpaid interest. The indenture provides that a change of control includes, among other things, if a person or group becomes directly or indirectly the beneficial owner of 35% or more of Holdings' common stock. The fair value of the floating rate notes as of June 30, 2010 was approximately \$123.3 million based on the quoted market price on that date.

Holdings' and Insight's wholly owned subsidiaries unconditionally guarantee all of Insight's obligations under the indenture for the floating rate notes. The floating rate notes are secured by a first priority lien on substantially all of Insight's and the guarantors' existing and future tangible and intangible personal property including, without

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limitation, equipment, certain real property, certain contracts and intellectual property and a cash account related to the foregoing but are not secured by a lien on their accounts receivables and related assets, cash accounts related to receivables and certain other assets. In addition, the floating rate notes are secured by a portion of Insight's stock and the stock or other equity interests of Insight's subsidiaries.

Through certain of Insight's wholly owned subsidiaries, we have an asset-based revolving credit facility of up to \$30 million, which matures in June 2011, with the lenders named therein and Bank of America, N.A., as collateral and administrative agent. As of June 30, 2010, we had approximately \$12.8 million of availability under the credit facility, based on our borrowing base. As a result of our current fixed charge coverage ratio, \$5.3 million of the \$12.8 million of availability under the borrowing base would be restricted in the event that our liquidity, as defined in the credit facility agreement, falls below the \$7.5 million. Borrowings under the credit facility bear interest at a per annum rate equal to LIBOR plus 2.5%, or, at our option, the base rate (which is the Bank of America, N.A. prime rate); however, the applicable margin will be adjusted in accordance with a pricing grid based on our fixed charge coverage ratio, and will range from 2.0% to 2.5% per annum. In addition to paying interest on outstanding loans under the credit facility, we are required to pay a commitment fee to the lenders in respect of unutilized commitments thereunder at a rate equal to 0.50% per annum, subject to reduction based on a performance grid tied to our fixed charge coverage ratio, as well as customary letter-of-credit fees and fees of Bank of America, N.A. There are no other financial covenants included in the credit facility, except a fixed charge coverage ratio as discussed above. At June 30, 2010, there were no borrowings outstanding under the credit facility; however, there were letters of credit of approximately \$1.6 million outstanding under the credit facility. The credit facility agreement also contains customary borrowing conditions, including a material adverse effect provision. If we were to experience a material adverse effect, as defined by our credit facility agreement, we would be unable to borrow under the credit facility. On September 10, 2010, we entered into the First Amendment to our Second Amended and Restated Loan and Security Agreement. The opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We will not be able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we will not be in compliance with the revolving credit facility. We have executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the default under the agreement and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable and any outstanding letters of credit, currently \$1.6 million, would need to be cash collateralized. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit limit from \$15 million to \$5 million and also increases our interest rate on outstanding borrowings to prime + 2.75% or Libor + 3.75% at our discretion. The unused line fee is increased to 0.75%. We paid a \$ 50,000 one-time fee upon execution of the amendment.

The agreements governing our credit facility and floating rate notes contain restrictions on, among other things, our ability to incur additional liens and indebtedness, engage in mergers, consolidations and asset sales, make dividend payments, prepay other indebtedness, make investments and engage in transactions with affiliates.

Scheduled maturities of notes payable at June 30, 2010, are as follows for the fiscal years ending (amounts in thousands):

| | | |
|------------|----|---------|
| 2011 | \$ | 154 |
| 2012 | | 293,665 |
| 2013 | | 177 |
| 2014 | | 172 |
| 2015 | | 156 |
| Thereafter | | 311 |
| | \$ | 294,635 |

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13. LEASE OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

We lease diagnostic equipment, certain other equipment and our office and imaging facilities under various capital and operating leases. Future minimum scheduled rental payments required under these noncancelable leases at June 30, 2010 are as follows for the fiscal years ending (amounts in thousands):

| | <u>Capital</u> | <u>Operating</u> |
|--|----------------|------------------|
| 2011 | \$ 1,517 | \$ 13,845 |
| 2012 | 1,484 | 10,508 |
| 2013 | 807 | 5,728 |
| 2014 | 81 | 2,829 |
| 2015 | — | 1,191 |
| Thereafter | — | 1,615 |
| Total minimum lease payments | 3,889 | \$ 35,716 |
| Less: Amounts representing interest | (406) | |
| Present value of capital lease obligations | 3,483 | |
| Less: Current portion | (1,279) | |
| Long-term capital lease obligations | \$ 2,204 | |

The Company has entered into agreements with certain vendors over a seven year period of time, beginning on September 1, 2007 and ending on August 31, 2014, in the amount of approximately \$1.4 million per month.

Accumulated depreciation on assets under capital leases was \$1.9 million and \$2.2 million at June 30, 2010 and 2009, respectively.

Rental expense for diagnostic equipment and other equipment for the year ended June 30, 2010, the year ended June 30, 2009, eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007, was \$10.6 million, \$11.0 million, \$9.2 million and \$0.8 million, respectively.

We occupy facilities under lease agreements expiring through October 2017. Some of these lease agreements may include provisions for an increase in lease payments based on the Consumer Price Index or scheduled increases based on a guaranteed minimum percentage or dollar amount. Rental expense for these facilities for the year ended June 30, 2010, the year ended June 30, 2009, eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007, was \$6.0 million, \$8.1 million, \$7.9 million and \$0.7 million, respectively.

On January 5, 2010, Holdings, InSight and InSight Health Corp., a wholly-owned subsidiary of InSight, were served with a complaint filed in the Los Angeles County Superior Court alleging claims on behalf of current and former employees. In *Kevin Harold and Denise Langhoff, on their own behalf and on behalf of others similarly situated v. InSight Health Services Holdings Corp., et al.*, the plaintiffs allege violations of California's wage, overtime, meal period, break time and business practice laws and regulations. Plaintiffs seek recovery of unspecified economic damages, statutory penalties, punitive damages, interest, attorneys' fees and costs of suit. We are currently evaluating the allegations of the complaint and are unable to predict the likely timing or outcome of this lawsuit. In the meantime we intend to vigorously defend this lawsuit.

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our business and have insurance policies covering such potential insurable losses where such coverage is cost-effective. We believe that the outcome of any such lawsuits will not have a material adverse impact on our financial condition and results of operations.

14. EQUITY AND SHARE-BASED COMPENSATION

Equity

Common stock Prior to the effective date of the confirmed plan of reorganization, Holdings declared a one for 6.326392 reverse stock split. Pursuant to the confirmed plan of reorganization and the related exchange offer,

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(i) all of Holdings' common stock, all options for Holdings' common stock and all of the senior subordinated notes, were cancelled, and (ii) holders of the senior subordinated notes received 7,780,000 shares of newly issued Holdings' common stock, and holders of Holdings' common stock prior to the effective date received 864,444 shares of newly issued Holdings' common stock, in each case after giving effect to the reverse stock split.

Stock options. On April 14, 2008, the board of directors of Holdings adopted the 2008 Director Stock Option Plan (Director Plan) and the 2008 Employee Stock Option Plan (Employee Plan). The Director Plan permits the issuance of up to 192,096 shares of Holdings' common stock to Holdings' directors, and the Employee Plan permits the issuance of up to 768,000 shares of Holdings' common stock to employees and key non-employees of Holdings. Each of the plans was approved at Holdings' 2008 Annual Meeting of Stockholders.

On April 14, 2008, each of the Company's non-employee directors was granted options under the Director Plan to purchase (i) 16,008 shares of Holdings' common stock at an exercise price of \$1.01 per share and (ii) 16,008 shares of Holdings' common stock at an exercise price of \$1.16 per share. Each set of options becomes exercisable in increments of 1/3rd (5,336 per set) on December 31, 2008, December 31, 2009 and December 31, 2010. As of June 30, 2010, options to purchase 192,096 shares of Holdings' common stock were outstanding under this plan.

On August 19, 2008, we granted options under the Employee Plan to purchase 447,000 shares of our common stock to certain of our officers at an exercise price of \$0.36 per share. On November 11, 2008, we granted options under the Employee Plan to purchase 140,000 shares of our common stock to certain other officers at an exercise price of \$0.15 per share. In November, 2009, we entered into a separation agreement with one of our officers, which resulted in the cancellation of options to purchase 70,000 shares of common stock. On December 17, 2009, we granted options under the Employee Plan to purchase 95,000 shares of our common stock to certain other officers at an exercise price of \$0.14 per share. On March 31, 2010, we granted options under the Employee Plan to purchase 40,000 shares of our common stock to certain other officers at an exercise price of \$0.15 per share. In April, 2010, one of our officers was voluntarily terminated, which resulted in the cancellation of options to purchase 55,000 shares of common stock. As of June 30, 2010, options to purchase 597,000 shares of Holdings' common stock were outstanding under the Employee Plan.

The options granted under the Employee Plan expire ten years from the date of grant, and will vest and become exercisable if, and only if, a refinancing event (as defined in the option agreements) is achieved prior to the expiration of the options. Management has determined that such a financing event, is currently not probable. If a financing event were to become probable, the expense recorded related to the options that would immediately vest, would be minimal.

A summary of the status of options for shares of Holdings' common stock at June 30, 2010, 2009 and 2008 and changes during the periods is presented below:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|------------------------------|------------------------------|--|---|--|
| Successor | | | | |
| Outstanding, August 1, 2007 | — | — | — | |
| Granted | 192,096 | 1.09 | 1.01 | |
| Outstanding, June 30, 2008 | 192,096 | 1.09 | 1.01 | 9.83 |
| Granted | 587,000 | 0.31 | 0.31 | |
| Outstanding, June 30, 2009 | 779,096 | 0.50 | 0.48 | 8.95 |
| Granted | 135,000 | 0.15 | 0.14 | 9.85 |
| Forfeited | (125,000) | 0.14 | 0.15 | 9.17 |
| Outstanding, June 30, 2010 | 789,096 | 0.50 | 0.48 | 8.18 |
| Exercisable at June 30, 2008 | — | — | | |
| Exercisable at June 30, 2009 | 64,032 | 1.09 | | |
| Exercisable at June 30, 2010 | 128,064 | 1.09 | | |

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| | Number of Options | Weighted Average Exercise Price | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|------------------------------|----------------------|---------------------------------------|---|---|
| Predecessor | | | | |
| Outstanding, June 30, 2007 | 124,830 | 111.85 | 42.13 | |
| Forfeited | (124,830) | 111.85 | 42.13 | |
| Outstanding, July 31, 2007 | — | — | \$ — | |
| Exercisable at June 30, 2007 | 46,010 | 92.56 | | |

Of the options outstanding at June 30, 2010, the characteristics are as follows:

| Range | Exercise Price | Weighted Average Exercise Price | Options Exercisable | Total Options Outstanding | Remaining Contractual Life |
|-------|----------------|------------------------------------|------------------------|------------------------------|-------------------------------|
| | \$ 0.15 | \$ 0.15 | — | 40,000 | 9.5 years |
| | 0.14 | 0.14 | — | 40,000 | 9.5 years |
| | 0.15 | 0.15 | — | 70,000 | 8.42 years |
| | 0.36 | 0.36 | — | 447,000 | 8.17 years |
| | 1.01 | 1.01 | 64,032 | 96,048 | 7.83 years |
| | 1.16 | 1.16 | 64,032 | 96,048 | 7.83 years |
| | | | 128,064 | 789,096 | |

Share-based compensation

We account for share-based compensation under ASC 718. We recognized approximately \$0.1 million of compensation expense related to stock options in the consolidated statements of operations each of the year ended June 30, 2010, the year ended June 30, 2009, and the eleven months ended June 30, 2008. There were no options or other forms of share-based payment granted during the one month ended July 31, 2007 and no amounts of share-based compensation expense was recognized in the consolidated statements of operations for such period.

ASC 718 requires the use of a valuation model to calculate the fair value of share-based awards. We have elected to use the Black-Scholes option pricing model, which incorporates various assumptions including volatility, estimated life and interest rates. The estimated life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees. Of the non-employee directors' the average risk-free rate is based on the ten-year U.S. Treasury security rate in effect as of the grant date. Since the vesting of options granted under the employee plan are based on a refinancing event, management assessed whether a financing event, under the provisions of ASC 718, is considered probable. Given the current conditions in the capital markets, a refinancing event is currently not considered probable, and therefore, no share-based compensation expense has been recognized in the consolidated statement of operations related to the employee plan. The fair value of each non-employee director option grant issued was estimated on the date of grant or issuance using the Black-Scholes pricing model with the following assumptions used for grants and issuances during the eleven months ended June 30, 2008.

| Assumptions | Year Ended June 30, 2010 |
|--|--------------------------------|
| Weighted average estimated fair value per option granted | \$ 1.01 |
| Risk-free interest rate | 2.16% |
| Volatility | 113.00% |
| Expected dividend yield | 0.00% |
| Estimated life | 10.00 years |

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15. INCOME TAXES

The provision for income taxes includes income taxes currently payable and those deferred because of temporary differences between the consolidated financial statements and tax bases of assets and liabilities. The provision for income taxes for the year ended June 30, 2010, the year ended June 30, 2009 and eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007 is as follows (amounts in thousands):

| | Successor | | | Predecessor |
|---|--------------------------------|--------------------------------|--|--|
| | Year Ended June 30, 2010 | Year Ended June 30, 2009 | Eleven Months Ended June 30, 2008 | One Month Ended July 31, 2007 |
| Current provision: | | | | |
| Federal | \$ — | \$ — | \$ — | \$ — |
| State | (502) | 110 | (72) | 62 |
| | (502) | 110 | (72) | 62 |
| Deferred taxes arising from temporary differences: | | | | |
| Federal | (1,288) | (1,429) | (2,059) | (11) |
| State | (42) | (333) | 122 | 11 |
| Total deferred taxes arising from temporary differences | (1,330) | (1,762) | (1,937) | — |
| Total (benefit) provision for income taxes | \$ (1,832) | \$ (1,652) | \$ (2,009) | \$ 62 |

A reconciliation between the statutory federal income tax rate and our effective income tax rate is as follows:

| | Successor | | | Predecessor |
|--|--------------------------------|--------------------------------|--|--|
| | Year Ended June 30, 2010 | Year Ended June 30, 2009 | Eleven Months Ended June 30, 2008 | One Month Ended July 31, 2007 |
| Federal statutory tax rate | 34.00% | 34.0% | 34.0% | 34.0% |
| State income taxes | 8.5 | (1.1) | — | — |
| Permanent items and Other | 0.0 | (0.8) | — | — |
| Impairment of goodwill and other intangible assets | — | — | 1.1 | — |
| Changes in valuation allowance | (38.9) | (24.4) | (33.9) | (34.0) |
| Contingency Reserves | 2.0 | — | — | — |
| Net effective tax rate | 5.6% | 7.7% | 1.1% | —% |

The effective tax rate for 2010 is 5.6 percent compared to 7.7 percent for 2009. The change in the effective tax rate from the statutory rate in 2010 is primarily driven by permanent differences, the valuation allowance on deferred tax assets, the reduction of deferred income tax liabilities due to the impairment of intangible assets, and the favorable reduction of tax contingencies with various state jurisdictions. In addition, the state tax rate for 2010 is higher due to a change in the statutory rate due to changes in the company's apportionment. The entire amount of the change in the effective state rate on the deferred tax assets was offset by a similar change in the valuation allowance.

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The components of our net deferred tax liability (including current and non-current portions) as of June 30, 2010 and 2009, respectively, which arise due to timing differences between financial and tax reporting and net operating loss, or NOL, carryforwards are as follows (amounts in thousands):

| | <u>June 30,</u> | |
|-----------------------------|-----------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Accrued expenses | \$ 1,408 | \$ 1,756 |
| Property and equipment | (2,802) | (780) |
| Other intangible assets | 17,034 | 9,541 |
| Reserves | 1,839 | 1,542 |
| Investments in partnerships | 710 | 6,143 |
| State income taxes | — | 346 |
| NOL carryforwards | 61,739 | 52,180 |
| Other | 127 | 102 |
| Net deferred asset | 80,055 | 70,830 |
| Valuation allowance | (85,517) | (77,622) |
| | \$ (5,462) | \$ (6,792) |

As of June 30, 2010, we had federal net operating loss, or NOL, carryforwards of \$161.7 million and various state NOL carryforwards. These NOL carryforwards expire between 2010 and 2030. On August 1, 2007 a confirmed plan of reorganization and cancellation of indebtedness for Holdings and Insight became effective. Future utilization of NOL carryforwards will be limited by Internal Revenue Code section 382 and related provisions as a result of the change in control that occurred. Approximately \$105.8 million of the NOL is subject to a limitation as a result of the change of ownership that occurred on August 1, 2007. The annual limitation from 2008 through 2012 is \$9.7 million and from 2013 through 2027 is \$3.2 million.

A valuation allowance is provided against net deferred tax assets when it is more likely than not that the net deferred tax asset will not be realized. Based upon (1) our losses in recent years, (2) impairment charges recorded in fiscal years 2010, 2009, 2008 and 2007 and (3) the available evidence, management determined that it is more likely than not that the net deferred tax assets will not be realized. Consequently, we have a full valuation allowance against such net deferred tax assets. In determining the net asset subject to a valuation allowance, we excluded the deferred tax liability related to our indefinite-lived other intangible assets that is not expected to reverse in the foreseeable future resulting in a net deferred tax liability of \$5.5 million after application of the valuation allowance as of June 30, 2010. The valuation allowance may be reduced in the future if we forecast and realize future taxable income or other tax planning strategies are implemented. Future reversals of this valuation allowance recorded will be recorded as an income tax benefit.

On July 1, 2007, we adopted ASC 740 "Income Taxes" formerly the Financial Accounting Standards Board ("FASB") Interpretation No. 48 an interpretation of FASB Statement No. 109 (ASC 740). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in the tax return. The liability for income taxes associated with uncertain tax positions was \$0.7 and \$1.4 million as of June 30, 2010 and June 30, 2009, respectively, and is included in other long-term liabilities. This amount, if not required, would favorably affect our effective tax rate. We recognize interest and penalties, if any, related to uncertain tax positions in the provision for income taxes. For the year ended June 30, 2010, we recognized a tax benefit of \$0.7 million associated with the uncertain tax positions due to the expiration of certain state jurisdictions' statute of limitations. As of June 30, 2010, all material federal and state income tax matters have been concluded through June 30, 2004.

16. RETIREMENT SAVINGS PLAN

Insight has a 401(k) Savings Plan which is available to all eligible employees, pursuant to which Insight previously had matched a percentage of employee contributions. In the fourth quarter of fiscal 2009, Insight decided to change the match from a mandatory match to a discretionary match. Insight contributed approximately

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\$1.0 million, \$1.4 million and \$0.1 million for the year ended June 30, 2009, eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007.

17. INVESTMENTS IN AND TRANSACTIONS WITH PARTNERSHIPS

We have a minority ownership interests in six partnerships or limited liability companies, which we refer to as partnerships, at June 30, 2010, four of which operate fixed-site centers and two of which operate mobile facilities. We own between 24% and 50% of these partnerships, and provide certain management services pursuant to contracts or as a managing general partner. These partnerships are accounted for under the equity method.

Set forth below is certain financial data of these partnerships (amounts in thousands):

| | <u>June 30,</u> | |
|---------------------------------|-----------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Combined financial position: | | |
| Current assets: | | |
| Cash | \$ 4,206 | \$ 4,267 |
| Trade accounts receivables, net | 4,026 | 3,659 |
| Due from Insight | 20 | 132 |
| Other | 155 | 111 |
| Property and equipment, net | 3,561 | 2,305 |
| Other assets | 400 | 400 |
| Intangible assets, net | 1,000 | — |
| Total assets | 13,368 | 10,874 |
| Current liabilities | (1,888) | (1,587) |
| Due to Insight | (2,352) | (2,976) |
| Long-term liabilities | (2,181) | (337) |
| Net assets | \$ 6,947 | \$ 5,974 |

Set forth below are the combined operating results of the partnerships and our equity in earnings of the partnerships (amounts in thousands):

| | <u>Successor</u> | | | <u>Predecessor</u> |
|---|---|---|--|--|
| | <u>Year Ended June 30, 2010</u> | <u>Year Ended June 30, 2009</u> | <u>Eleven Months Ended June 30, 2008</u> | <u>One Month Ended July 31, 2007</u> |
| Operating Results: | | | | |
| Revenues | \$ 30,362 | \$ 24,466 | \$ 24,940 | \$ 2,159 |
| Expenses | 24,598 | 19,117 | 20,133 | 1,730 |
| Net income | \$ 5,764 | \$ 5,349 | \$ 4,807 | \$ 429 |
| Equity in earnings of unconsolidated partnerships | \$ 2,358 | \$ 2,642 | \$ 1,891 | \$ 174 |

18. RELATED PARTY TRANSACTIONS

None.

19. SEGMENT INFORMATION

Effective July 1, 2009, we redefined the business segments based on how our chief operating decision maker views the businesses and assesses the performance of our business managers. We now have three reportable segments: contract services, patient services and other operations, which are business units defined primarily by the type of service provided. Contract services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to our healthcare provider customers, such as hospitals, which we refer to as wholesale operations. We internally handle the billing and collections for our

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contract services at relatively low cost, and we do not bear the direct risk of collections from third party–payors or patients. Patient services consist of centers (primarily fixed sites) that primarily generate revenues from services billed, on a fee–for–service basis, directly to patients or third–party payors, such as Medicare, Medicaid and health maintenance organizations, which we refer to as our retail operations. We have primarily outsourced the billing and collections for our patient services to Dell Perot Systems, and we bear the direct risk of collections from third–party payors and patients. We allocate corporate overhead, depreciation related to our billing system and income taxes to other operations. Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. We refer to this revenue as generated from our solutions business. Other operations include all unallocated corporate expenses. We manage cash flows and assets on a consolidated basis, and not by segment.

The following tables summarize our operating results by segment (amounts in thousands):

| Successor | <u>Patient Services</u> | <u>Contract Services</u> | <u>Other Operations</u> | <u>Consolidated</u> |
|---|--------------------------------|---------------------------------|--------------------------------|----------------------------|
| Year ended June 30, 2010 | | | | |
| Total revenues | \$ 92,898 | \$ 96,066 | \$ 1,974 | \$ 190,938 |
| Equipment leases | 2,150 | 8,491 | — | 10,641 |
| Depreciation and amortization | 12,473 | 18,424 | 2,322 | 33,219 |
| Total costs of operations | 92,436 | 80,611 | 3,059 | 176,106 |
| Corporate operating expenses | — | — | (20,191) | (20,191) |
| Equity in earnings of unconsolidated partnerships | 1,790 | 568 | — | 2,358 |
| Interest expense, net | (471) | (580) | (24,548) | (25,599) |
| Gain on sales of centers | 118 | — | — | 118 |
| Impairment of other long–lived assets | (1,577) | (2,837) | — | (4,414) |
| Income (loss) before income taxes | 322 | 12,606 | (45,824) | (32,896) |
| Net Change in property and equipment | 13,147 | 13,759 | (1,885) | 25,021 |

| Successor | <u>Patient Services</u> | <u>Contract Services</u> | <u>Other Operations</u> | <u>Consolidated</u> |
|---|--------------------------------|---------------------------------|--------------------------------|----------------------------|
| Year ended June 30, 2009 | | | | |
| Total revenues | \$ 110,557 | \$ 115,055 | \$ 2,170 | \$ 227,782 |
| Equipment leases | 1,896 | 9,023 | 31 | 10,950 |
| Depreciation and amortization | 16,777 | 25,793 | 3,014 | 45,584 |
| Total costs of operations | 113,264 | 97,050 | 3,732 | 214,046 |
| Corporate operating expenses | — | — | (21,564) | (21,564) |
| Equity in earnings of unconsolidated partnerships | 2,040 | 602 | — | 2,642 |
| Interest expense, net | (1,203) | (1,345) | (27,616) | (30,164) |
| Gain on purchase of notes payable | — | — | 12,065 | 12,065 |
| Gain on sales of centers | 7,885 | — | — | 7,885 |
| Impairment of other long–lived assets | (708) | (4,600) | — | (5,308) |
| Income (loss) before income taxes | 5,307 | 12,662 | (38,677) | (20,708) |
| Net Change in property and equipment | (4,434) | 9,898 | 4,714 | 10,178 |

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| Successor | Patient Services | Contract Services | Other Operations | Consolidated |
|---|------------------|-------------------|------------------|--------------|
| Eleven months ended June 30, 2008: | | | | |
| Total revenues | \$ 128,519 | \$ 110,476 | \$ 1,749 | \$ 240,744 |
| Equipment leases | 1,649 | 7,597 | — | 9,246 |
| Depreciation and amortization | 22,900 | 27,179 | 3,619 | 53,698 |
| Total costs of operations | 130,963 | 99,210 | 4,236 | 234,409 |
| Corporate operating expenses | — | — | (25,744) | (25,744) |
| Equity in earnings of unconsolidated partnerships | 1,741 | 150 | — | 1,891 |
| Interest expense, net | (2,150) | (2,313) | (28,017) | (32,480) |
| Gain on sales of centers | (644) | — | — | (644) |
| Impairment of goodwill | — | — | (107,405) | (107,405) |
| Impairment of other long-lived assets | — | — | (12,366) | (12,366) |
| Income (loss) before income taxes | (3,497) | 9,103 | (176,019) | (170,413) |
| Net Change in property and equipment | 4,463 | 1,093 | 2,704 | 8,260 |
| Predecessor | | | | |
| One month ended July 31, 2007: | | | | |
| Total revenues | \$ 11,882 | \$ 10,125 | \$ 180 | \$ 22,187 |
| Equipment leases | 113 | 647 | — | 760 |
| Depreciation and amortization | 1,831 | 2,286 | 351 | 4,468 |
| Total costs of operations | 11,803 | 8,095 | 413 | 20,311 |
| Corporate operating expenses | — | — | (1,678) | (1,678) |
| Equity in earnings of unconsolidated partnerships | 174 | — | — | 174 |
| Interest expense, net | (242) | (290) | (2,386) | (2,918) |
| Income (loss) before income taxes | 11 | 1,740 | (4,297) | (2,546) |
| Net Change in property and equipment | — | — | — | — |

20. HEDGING ACTIVITIES

We account for hedging activities in accordance with ASC Topic 815, and we formally document our hedge relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for undertaking the hedge. We also formally assess, both at inception and at least quarterly thereafter, whether the derivative instruments that are used in hedging transactions are highly effective in offsetting the changes in either the fair value or cash flows of the hedged item.

We had an interest rate hedging agreement with Bank of America, N.A. which effectively provided us with an interest rate collar. The notional amount to which the agreement applied was \$190 million, and it provided for a LIBOR cap of 3.25% and a LIBOR floor of 2.59% on that amount. Our obligations under the agreement were secured on a *pari passu* basis by the same collateral that secures our credit facility, and the agreement was cross-defaulted to our credit facility. This agreement expired on February 1, 2010.

In August 2009, we entered into an interest rate cap agreement with Bank of America, N.A. with a notional amount of \$190 million and a three-month LIBOR cap of 3.0% effective between February 1, 2010 and January 31, 2011. The terms of the agreement call for us to pay a fee of approximately \$0.5 million over the contract period. The

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contract exposes us to credit risk in the event that the counterparty to the contract does not or cannot meet its obligations; however, Bank of America, N.A. is a major financial institution and we expect that it will perform its obligations under the contract. We designated this contract as a highly effective cash flow hedge of the floating rate notes under ASC 815. Accordingly, the value of the contract is marked-to-market quarterly, with effective changes in the intrinsic value of the contract included as a separate component of other comprehensive income (loss). The net effect of the hedge is to cap interest payments for \$190 million of our debt at a rate of 8.25%, because our floating rate notes incur interest at three-month LIBOR plus 5.25%.

21. **COMPREHENSIVE (LOSS) INCOME**

Comprehensive loss consisted of the following components for the year ended June 30, 2010, the year ended June 30, 2009, eleven months ended June 30, 2008 (Successor) and the one month ended July 31, 2007, respectively (amounts in thousands):

| | Successor | | | Predecessor |
|--|---------------------------------|---------------------------------|--|--------------------------------------|
| | Year Ended June 30, 2010 | Year Ended June 30, 2009 | Eleven Months Ended June 30, 2008 | One Month Ended July 31, 2007 |
| Net (loss) income | \$ (31,802) | \$ (19,754) | \$ (169,185) | \$ 196,326 |
| Unrealized gain (loss) attributable to change in fair value of interest rate contracts | 2,316 | (3,529) | 1,001 | — |
| Comprehensive (loss) income | \$ (29,486) | \$ (23,283) | \$ (168,184) | \$ 196,326 |

22. **(LOSS) INCOME PER COMMON SHARE**

We report basic and diluted earnings per share, or EPS, for our common stock. Basic EPS is computed by dividing reported earnings by the weighted average number of common shares outstanding during the respective period. Diluted EPS is computed by adding to the weighted average number of common shares the dilutive effect of stock options. There were no adjustments to net (loss) income (the numerator) for purposes of computing EPS. Due to the net losses reported for the years ended June 30, 2010 and 2009 and eleven months ended June 30, 2008 (Successor) and that no stock options were dilutive for the one month ended July 31, 2007 (Predecessor), the calculation of diluted EPS is the same as basic EPS.

23. **FAIR VALUE MEASUREMENTS**

We adopted ASC 820 upon Holdings and Insight emerging from bankruptcy. ASC 820, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in ASC 820. The three valuation techniques are identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- (a) Market approach — prices and other relevant information generated by market conditions involving identical or comparable assets or liabilities;

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(b) Cost approach — amounts that would be required to replace the service capacity of assets (replacement cost); and

(c) Income approach — techniques to convert future amounts to single present amounts based on market expectations (including present value techniques, option-pricing and excess earnings models).

Assets and liabilities measured at fair value on a recurring basis consist of an interest rate hedge contract, which is included in accounts payable and other accrued expenses (amounts in thousands):

| | <u>Amount</u> | <u>Fair Value Measurements Using</u> | | | <u>Valuation Technique</u> |
|---|---------------|--|--|---|----------------------------|
| | | <u>Quoted Price in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Other Unobservable Inputs (Level 3)(1)</u> | |
| Balance at June 30, 2010: | | | | | |
| Interest rate cap — liability position | \$ 212 | \$ — | \$ 212 | \$ — | (c) |
| Balance at June 30, 2009: | | | | | |
| Interest rate collar — liability position | 2,528 | — | 2,528 | — | (c) |

Assets and liabilities measured at fair value in connection with our annual evaluation of indefinite-lived intangible assets during the second quarter of fiscal 2010 and 2009 (amounts in thousands):

| | <u>Amounts</u> | <u>Fair Value Measurements Using</u> | | | <u>Valuation Technique</u> |
|---------------------------------------|----------------|--|--|---|----------------------------|
| | | <u>Quoted Price in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Other Unobservable Inputs (Level 3)(1)</u> | |
| Balance as of December 31, 2009 | | | | | |
| Indefinite-lived intangible assets(2) | \$ 13,916 | \$ — | \$ — | \$ 13,916 | (c) |
| Goodwill | 1,403 | — | — | 1,403 | (c) |
| Balance as of December 31, 2008 | | | | | |
| Indefinite-lived intangible assets(2) | 12,465 | — | — | 12,465 | (c) |
| Trademarks | — | — | — | — | (c) |

As of June 30, 2010, we completed an analysis of our operations and determined that there were indication of possible impairment of our indefinite lived assets including our certificates of need and our trademark due to the decline in our revenues and EBITDA in both our patient services and contract services segments during the second half of fiscal 2010.

Assets and liabilities measured at fair value in conjunction with this analysis as of June 30, 2010 (amounts shown in thousands):

| | <u>June 30, 2010</u> | <u>Fair Value Measurements Using</u> | | | <u>Valuation Technique</u> |
|------------------------------------|----------------------|--|--|---|----------------------------|
| | | <u>Quoted Price in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Other Unobservable Inputs (Level 3)(1)</u> | |
| Indefinite-lived intangible assets | \$ 11,452 | \$ — | \$ — | \$ 11,452 | (c) |
| Goodwill | 1,617 | — | — | 1,617 | (c) |

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Assets and liabilities measured at fair value in connection with our adoption of fresh-start reporting (amounts in thousands):

| | August 1, 2007 | Fair Value Measurements Using | | | Total Gain (Loss) | Valuation Technique |
|---|-------------------|---|---|--|----------------------|------------------------|
| | | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3)(1) | | |
| Property and equipment | \$ 158,640 | \$ — | \$ — | \$ 158,640 | \$ 18,295 | (b) |
| Investments in partnerships | 11,227 | — | — | 11,227 | 7,698 | (b)(c) |
| Interest rate cap contract | 144 | 144 | — | — | (11) | (a) |
| Indefinite-lived intangible assets(2) | 19,500 | — | — | 19,500 | (4,931) | (c) |
| Definite-lived intangible assets(2) | 16,500 | — | — | 16,500 | 10,820 | (c) |
| Floating rate notes | 289,800 | 289,800 | — | — | 21,981 | (a) |
| Capital lease obligations and other notes payable | 7,536 | — | 7,536 | — | — | (b) |

(1) These valuations were based on the present value of future cash flows for specific assets derived from our projections of future revenues, cash flows and market conditions. These cash flows were then discounted to their present value using a rate of return that considers the relative risk of not realizing the estimated annual cash flows and time value of money (see Note 4).

(2) Note 10.

24. RESULTS OF QUARTERLY OPERATIONS (unaudited)

| | Successor | | | | Total |
|---|---|-------------------|------------------|-------------------|------------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | |
| | (Amounts in thousands, except per share data) | | | | |
| 2010: | | | | | |
| Revenues | \$ 50,141 | \$ 47,612 | \$ 46,359 | \$ 46,826 | \$ 190,938 |
| Costs of operations | 45,392 | 43,610 | 43,191 | 43,913 | 176,106 |
| Net loss | (6,326) | (8,437) | (5,932) | (10,369) | (31,064) |
| Net loss attributable to Holdings | (6,592) | (8,556) | (6,057) | (10,597) | (31,802) |
| Basic and diluted net loss per common share | (0.76) | (0.99) | (0.70) | (1.23) | (3.68) |

| | Successor | | | | Total |
|---|---|-------------------|------------------|-------------------|----------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | |
| | (Amounts in thousands, except per share data) | | | | |
| 2009: | | | | | |
| Revenues | \$ 62,585 | \$ 58,746 | \$ 53,206 | \$ 53,245 | 227,782 |
| Costs of operations | 57,848 | 56,474 | 49,772 | 49,952 | 214,046 |
| Net loss | (6,965) | (6,667) | (3,242) | (2,182) | (19,056) |
| Net loss attributable to Holdings | (7,229) | (6,773) | (3,406) | (2,346) | (19,754) |
| Basic and diluted net loss per common share | (0.84) | (0.78) | (0.39) | (0.27) | (2.29) |

25. SUBSEQUENT EVENTS

In July 2010, we completed our acquisition of eight fixed-site centers in the Phoenix, Arizona, El Paso, Texas, and Las Cruces, New Mexico areas from MedQuest Associates (MedQuest), a subsidiary of Novant Health for a

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total purchase price of \$8.5 million. In a separate transaction, we agreed to sell certain assets in our contract services segment for \$9.2 million to MedQuest. Both transactions are funded entirely by cash with each party paying the gross purchase price for each transaction to the other. As of June 30, 2010, acquisition-related transaction costs were \$0.1 million. We will finalize our allocation of the purchase price to the acquired assets by the end of the first quarter of fiscal 2011.

26. SUPPLEMENTAL CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Holdings and all of Insight's wholly owned subsidiaries, or guarantor subsidiaries, guarantee Insight's payment obligations under the floating rate notes (see Note 12). These guarantees are full, unconditional and joint and several. The following condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10 "Financial statements of guarantors and issuers of guaranteed securities registered or being registered." We account for investment in Insight and its subsidiaries under the equity method of accounting. Dividends from Insight to Holdings are restricted under the agreements governing our material indebtedness. This information is not intended to present the financial position, results of operations and cash flows of the individual companies or groups of companies in accordance with accounting principles generally accepted in the United States.

**SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2010**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|--|---------------------------------------|----------------|-----------------------------------|--|---------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ — | \$ — | \$ 6,706 | \$ 2,350 | \$ — | \$ 9,056 |
| Trade accounts receivables, net | — | — | 19,999 | 2,595 | — | 22,594 |
| Other current assets | — | — | 7,689 | 156 | — | 7,845 |
| Intercompany accounts receivable | 37,617 | 285,318 | 2,892 | — | (325,827) | — |
| Total current assets | 37,617 | 285,318 | 37,286 | 5,101 | (325,827) | 39,495 |
| Assets held for sale | — | — | — | — | — | — |
| Property and equipment, net | — | — | 67,379 | 5,936 | — | 73,315 |
| Cash, restricted | — | — | 319 | — | — | 319 |
| Investments in partnerships | — | — | 7,254 | — | — | 7,254 |
| Investments in consolidated subsidiaries | (220,952) | (220,952) | 6,168 | — | 435,736 | — |
| Other assets | — | — | 296 | — | — | 296 |
| Goodwill and other intangible assets, net | — | — | 15,142 | 4,860 | — | 20,002 |
| | \$ (183,335) | \$ 64,366 | \$ 133,844 | \$ 15,897 | \$ 109,909 | \$ 140,681 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | | | | |
| Current liabilities: | | | | | | |
| Current portion of notes payable and capital lease obligations | \$ — | \$ — | \$ 487 | \$ 946 | \$ — | \$ 1,433 |
| Accounts payable and other accrued expenses | — | — | 24,153 | 1,122 | — | 25,275 |
| Intercompany accounts payable | — | — | 322,934 | 2,893 | (325,827) | — |
| Total current liabilities | — | — | 347,574 | 4,961 | (325,827) | 26,708 |
| Notes payable and capital lease obligations, less current portion | — | 285,318 | 996 | 2,089 | — | 288,403 |
| Other long-term liabilities | — | — | 6,226 | — | — | 6,226 |
| Total stockholders' equity (deficit) attributable to InSight Health Services | (183,335) | (220,952) | (220,952) | 6,168 | 435,736 | (183,335) |
| Noncontrolling interest | — | — | — | 2,679 | — | 2,679 |
| Total stockholders' equity (deficit) | (183,335) | (220,952) | (220,952) | 8,847 | 435,736 | (180,656) |
| | \$ (183,335) | \$ 64,366 | \$ 133,844 | \$ 15,897 | \$ 109,909 | \$ 140,681 |

**SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2009**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------------------------------|------------------|-----------------------------------|--|---------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ — | \$ — | \$ 17,443 | \$ 2,197 | \$ — | \$ 19,640 |
| Trade accounts receivables, net | — | — | 23,429 | 2,165 | — | 25,594 |
| Other current assets | — | — | 9,766 | 222 | — | 9,988 |
| Intercompany accounts receivable | 37,544 | 291,403 | 3,101 | — | (332,048) | — |
| Total current assets | 37,544 | 291,403 | 53,739 | 4,584 | (332,048) | 55,222 |
| Assets held for sale | | | 2,700 | | | 2,700 |
| Property and equipment, net | — | — | 74,820 | 5,017 | — | 79,837 |
| Cash, restricted | — | — | 6,488 | — | — | 6,488 |
| Investments in partnerships | — | — | 6,791 | — | — | 6,791 |
| Investments in consolidated subsidiaries | (191,466) | (203,532) | 4,308 | — | 390,690 | — |
| Other assets | — | — | 208 | — | — | 208 |
| Goodwill and other intangible assets, net | — | — | 21,233 | 3,645 | — | 24,878 |
| | \$ (153,922) | \$ 87,871 | \$ 170,287 | \$ 13,246 | \$ 58,642 | \$ 176,124 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | | | | |
| Current liabilities: | | | | | | |
| Current portion of notes payable and capital lease obligations | \$ — | \$ — | \$ 732 | \$ 978 | \$ — | \$ 1,710 |
| Accounts payable and other accrued expenses | — | — | 35,380 | 657 | — | 36,037 |
| Intercompany accounts payable | — | — | 328,948 | 3,100 | (332,048) | — |
| Total current liabilities | — | — | 365,060 | 4,735 | (332,048) | 37,747 |
| Notes payable and capital lease obligations, less current portion | — | 279,337 | 559 | 2,419 | — | 282,315 |
| Other long-term liabilities | — | — | 8,200 | — | — | 8,200 |
| Total stockholders' equity (deficit) attributable to InSight Health | | | | | | |
| Services Holdings Corp | (153,922) | (191,466) | (203,532) | 4,308 | 390,690 | (153,922) |
| Noncontrolling interest | — | — | — | 1,784 | — | 1,784 |
| Total stockholders' equity (deficit) | (153,922) | (191,466) | (203,532) | 6,092 | 390,690 | (152,138) |
| | \$ (153,922) | \$ 87,871 | \$ 170,287 | \$ 13,246 | \$ 58,642 | \$ 176,124 |

**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Elimination</u> | <u>Consolidated</u> |
|--|---------------------------------------|----------------|-----------------------------------|--|--------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| Total revenues | \$ — | \$ — | \$ 173,023 | \$ 17,915 | \$ — | \$ 190,938 |
| Costs of services | — | — | 116,586 | 11,270 | — | 127,856 |
| Provision for doubtful accounts | — | — | 3,687 | 703 | — | 4,390 |
| Equipment leases | — | — | 9,780 | 861 | — | 10,641 |
| Depreciation and amortization | — | — | 30,711 | 2,508 | — | 33,219 |
| Total costs of operations | — | — | 160,764 | 15,342 | — | 176,106 |
| Corporate operating expenses | (73) | — | (20,118) | — | — | (20,191) |
| Equity in earnings of unconsolidated partnerships | — | — | 2,358 | — | — | 2,358 |
| Interest expense, net | — | — | (25,340) | (259) | — | (25,599) |
| Gain on sales of centers | — | — | 118 | — | — | 118 |
| Gain on purchase of notes payable | — | — | — | — | — | — |
| Impairment of long-lived assets | — | — | (4,414) | — | — | (4,414) |
| Income (loss) before income taxes | (73) | — | (35,137) | 2,314 | — | (32,896) |
| Benefit for income taxes | — | — | (1,832) | — | — | (1,832) |
| Income (loss) before equity in loss of consolidated subsidiaries | (73) | — | (33,305) | 2,314 | — | (31,064) |
| Equity in income (loss) of consolidated subsidiaries | (31,729) | (31,729) | 1,576 | — | 61,882 | — |
| Net income (loss) | (31,802) | (31,729) | (31,729) | 2,314 | 61,882 | (31,064) |
| Less: net income attributable to noncontrolling interests | — | — | — | 738 | — | 738 |
| Net loss attributable to InSight Health Services Corp | \$ (31,802) | \$ (31,729) | \$ (31,729) | \$ 1,576 | \$ 61,882 | \$ (31,802) |

**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>Holdings</u> | <u>InSight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Elimination</u> | <u>Consolidated</u> |
|--|---------------------------------------|----------------|-----------------------------------|--|--------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| Total revenues | \$ — | \$ — | \$ 202,919 | \$ 24,863 | \$ — | \$ 227,782 |
| Costs of services | — | — | 137,656 | 15,835 | — | 153,491 |
| Provision for doubtful accounts | — | — | 3,219 | 802 | — | 4,021 |
| Equipment leases | — | — | 9,626 | 1,324 | — | 10,950 |
| Depreciation and amortization | — | — | 41,520 | 4,064 | — | 45,584 |
| Total costs of operations | — | — | 192,021 | 22,025 | — | 214,046 |
| Corporate operating expenses | (73) | — | (21,491) | — | — | (21,564) |
| Equity in earnings of unconsolidated partnerships | — | — | 2,642 | — | — | 2,642 |
| Interest expense, net | — | — | (29,712) | (452) | — | (30,164) |
| Gain on sales of centers | — | — | 7,885 | — | — | 7,885 |
| Gain on purchase of notes payable | — | 12,065 | — | — | — | 12,065 |
| Impairment of long-lived assets | — | — | (5,308) | — | — | (5,308) |
| Income (loss) before income taxes | (73) | 12,065 | (35,086) | 2,386 | — | (20,708) |
| Benefit for income taxes | — | — | (1,652) | — | — | (1,652) |
| Income (loss) before equity in loss of consolidated subsidiaries | (73) | 12,065 | (33,434) | 2,386 | — | (19,056) |
| Equity in income (loss) of consolidated subsidiaries | (19,681) | (31,746) | 1,688 | — | 49,739 | — |
| Net income (loss) | (19,754) | (19,681) | (31,746) | 2,386 | 49,739 | (19,056) |
| Less: net income attributable to noncontrolling interests | — | — | — | 698 | — | 698 |
| Net loss attributable to InSight Health Services Corp | \$ (19,754) | \$ (19,681) | \$ (31,746) | \$ 1,688 | \$ 49,739 | \$ (19,754) |

**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE ELEVEN MONTHS ENDED JUNE 30, 2008**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Elimination</u> | <u>Consolidated</u> |
|--|---------------------------------------|----------------|-----------------------------------|--|--------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| Total revenues | \$ — | \$ — | \$ 209,907 | \$ 30,837 | \$ — | \$ 240,744 |
| Costs of services | — | — | 145,103 | 20,572 | — | 165,675 |
| Provision for doubtful accounts | — | — | 4,278 | 1,512 | — | 5,790 |
| Equipment leases | — | — | 7,919 | 1,327 | — | 9,246 |
| Depreciation and amortization | — | — | 46,817 | 6,881 | — | 53,698 |
| Total costs of operations | — | — | 204,117 | 30,292 | — | 234,409 |
| Corporate operating expenses | — | — | (25,744) | — | — | (25,744) |
| Equity in earnings of unconsolidated partnerships | — | — | 1,891 | — | — | 1,891 |
| Interest expense, net | — | — | (31,888) | (592) | — | (32,480) |
| Loss on sales of centers | — | — | (644) | — | — | (644) |
| Impairment of goodwill | — | — | (107,405) | — | — | (107,405) |
| Impairment of other long-lived assets | — | — | (12,366) | — | — | (12,366) |
| Loss before income taxes | — | — | (170,366) | (47) | — | (170,413) |
| Benefit for income taxes | — | — | (2,009) | — | — | (2,009) |
| Loss before equity in loss of consolidated subsidiaries | — | — | (168,357) | (47) | — | (168,404) |
| Equity in loss of consolidated subsidiaries | (169,185) | (169,185) | (828) | — | 339,198 | — |
| Net loss | (169,185) | (169,185) | (169,185) | (47) | 339,198 | (168,404) |
| Less: net income attributable to noncontrolling interests | — | — | — | 781 | — | 781 |
| Net loss attributable to InSight Health Services Corp | \$ (169,185) | \$ (169,185) | \$ (169,185) | \$ (828) | \$ 339,198 | \$ (169,185) |

**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE ONE MONTH ENDED JULY 31, 2007**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Elimination</u> | <u>Consolidated</u> |
|--|---|----------------|-----------------------------------|--|--------------------|---------------------|
| | (Amounts in thousands) (Predecessor) | | | | | |
| Total revenues | \$ — | \$ — | \$ 19,422 | \$ 2,765 | \$ — | \$ 22,187 |
| Costs of services | — | — | 12,865 | 1,829 | — | 14,694 |
| Provision for doubtful accounts | — | — | 323 | 66 | — | 389 |
| Equipment leases | — | — | 658 | 102 | — | 760 |
| Depreciation and amortization | — | — | 3,956 | 512 | — | 4,468 |
| Total costs of operations | — | — | 17,802 | 2,509 | — | 20,311 |
| Gross profit | — | — | 1,620 | 256 | — | 1,876 |
| Corporate operating expenses | — | — | (1,678) | — | — | (1,678) |
| Equity in earnings of unconsolidated partnerships | — | — | 174 | — | — | 174 |
| Interest expense, net | — | — | (2,854) | (64) | — | (2,918) |
| (Loss) income before reorganization items and income taxes | — | — | (2,738) | 192 | — | (2,546) |
| Reorganization items, net | — | 168,248 | 30,750 | — | — | 198,998 |
| Income before income taxes | — | 168,248 | 28,012 | 192 | — | 196,452 |
| Provision for income taxes | — | — | 62 | — | — | 62 |
| Income before equity in income of consolidated subsidiaries | — | 168,248 | 27,950 | 192 | — | 196,390 |
| Equity in income of consolidated subsidiaries | 196,326 | 28,078 | 128 | — | (224,532) | — |
| Net income | 196,326 | 196,326 | 28,078 | 192 | (224,532) | 196,390 |
| Less: net income attributable to noncontrolling interests | — | — | — | 64 | — | 64 |
| Net loss attributable to InSight Health Services Corp | \$ 196,326 | \$ 196,326 | \$ 28,078 | \$ 128 | \$ (224,532) | \$ 196,326 |

**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|------------------------|----------------|-----------------------------------|--|---------------------|---------------------|
| | (Amounts in thousands) | | | | | |
| OPERATING ACTIVITIES: | | | | | | |
| Net loss | \$ (31,802) | \$ (31,729) | \$ (31,729) | \$ 2,314 | \$ 61,882 | \$ (31,064) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | — | 30,711 | 2,508 | — | 33,219 |
| Amortization of bond discount | — | — | 5,881 | — | — | 5,881 |
| Share-based compensation | 73 | — | — | — | — | 73 |
| Equity in earnings of unconsolidated partnerships | — | — | (2,358) | — | — | (2,358) |
| Distributions from unconsolidated partnerships | — | — | 2,485 | — | — | 2,485 |
| Gain on sales of equipment | — | — | (1,125) | — | — | (1,125) |
| Gain on sales of centers | — | — | (118) | — | — | (118) |
| Impairment of other long-lived assets | — | — | 4,414 | — | — | 4,414 |
| Deferred income taxes | — | — | (1,974) | — | — | (1,974) |
| Equity in loss of consolidated subsidiaries | 31,729 | 31,729 | (1,576) | — | (61,882) | — |
| Changes in operating assets and liabilities: | | | | | | |
| Trade accounts receivables, net | — | — | 3,430 | (430) | — | 3,000 |
| Intercompany receivables, net | — | — | 22 | (22) | — | — |
| Other current assets | — | — | 2,067 | (118) | — | 1,949 |
| Accounts payable and other accrued expenses | — | — | (9,124) | 84 | — | (9,040) |
| Net cash provided by operating activities | — | — | 1,006 | 4,336 | — | 5,342 |
| INVESTING ACTIVITIES: | | | | | | |
| Proceeds from sales of centers | — | — | 2,861 | — | — | 2,861 |
| Proceeds from sales of equipment | — | — | 1,797 | — | — | 1,797 |
| Additions to property and equipment | — | — | (20,546) | (2,937) | — | (23,483) |
| Acquisition of fixed-site centers | — | — | (275) | (643) | — | (918) |
| Cash contribution to Joint Venture | — | — | (692) | — | — | (692) |
| Decrease (increase) in restricted cash | — | — | 6,169 | — | — | 6,169 |
| Other | — | — | 25 | — | — | 25 |
| Net cash used in investing activities | — | — | (10,661) | (3,580) | — | (14,241) |
| FINANCING ACTIVITIES: | | | | | | |
| Principal payments of notes payable and capital lease obligations | — | — | (1,082) | (1,478) | — | (2,560) |
| Proceeds from issuance of notes payable | — | — | — | 1,215 | — | 1,215 |
| Cash contributions from non-controlling interest | — | — | — | 88 | — | 88 |
| Distributions to non-controlling interest | — | — | — | (237) | — | (237) |
| Other | — | — | — | (191) | — | (191) |
| Net cash used in financing activities | — | — | (1,082) | (603) | — | (1,685) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| Cash, beginning of period | — | — | (10,737) | 153 | — | (10,584) |
| Cash, end of period | \$ — | \$ — | \$ 3,916 | \$ 5,140 | \$ — | \$ 9,056 |

**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------------------------------|----------------|-----------------------------------|--|---------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| OPERATING ACTIVITIES: | | | | | | |
| Net loss | \$ (19,754) | \$ (19,681) | \$ (31,746) | \$ 2,386 | \$ 49,739 | \$ (19,056) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | — | 41,520 | 4,064 | — | 45,584 |
| Amortization of bond discount | — | — | 5,375 | — | — | 5,375 |
| Share-based compensation | 73 | — | — | — | — | 73 |
| Equity in earnings of unconsolidated partnerships | — | — | (2,642) | — | — | (2,642) |
| Distributions from unconsolidated partnerships | — | — | 2,645 | — | — | 2,645 |
| Gain on sales of centers | — | — | (5,033) | (2,852) | — | (7,885) |
| Gain on purchase of notes payable | — | (12,065) | — | — | — | (12,065) |
| Impairment of other long-lived assets | — | — | 5,308 | — | — | 5,308 |
| Gain on sales of equipment | — | — | (1,000) | — | — | (1,000) |
| Deferred income taxes | — | — | (2,223) | — | — | (2,223) |
| Equity in loss of consolidated subsidiaries | 19,681 | 31,746 | (1,688) | — | (49,739) | — |
| Changes in operating assets and liabilities: | | | | | | |
| Trade accounts receivables, net | — | — | 6,088 | 1,766 | — | 7,854 |
| Intercompany receivables, net | — | — | 10,536 | (10,536) | — | — |
| Other current assets | — | — | (2,368) | (271) | — | (2,639) |
| Accounts payable and other accrued expenses | — | — | 533 | (2,149) | — | (1,616) |
| Net cash provided by (used in) operating activities | — | — | 25,305 | (7,592) | — | 17,713 |
| INVESTING ACTIVITIES: | | | | | | |
| Acquisition of fixed-site centers | — | — | (8,400) | — | — | (8,400) |
| Proceeds from sales of centers | — | — | 10,909 | 9,078 | — | 19,987 |
| Proceeds from sales of equipment | — | — | 1,322 | — | — | 1,322 |
| Increase in restricted cash | — | — | 1,584 | — | — | 1,584 |
| Additions to property and equipment | — | — | (20,943) | (950) | — | (21,893) |
| Other | — | — | (2,163) | 2,163 | — | — |
| Net cash provided by (used in) investing activities | — | — | (17,691) | 10,291 | — | (7,400) |
| FINANCING ACTIVITIES: | | | | | | |
| Principal payments of notes payable and capital lease obligations | — | — | (438) | (1,865) | — | (2,303) |
| Purchase of floating rate notes | — | — | (8,438) | — | — | (8,438) |
| Distributions to non-controlling interests | — | — | — | (934) | — | (934) |
| Net cash used in financing activities | — | — | (8,876) | (2,799) | — | (11,675) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| Cash, beginning of period | — | — | 15,915 | 5,087 | — | 21,002 |
| Cash, end of period | \$ — | \$ — | \$ 14,653 | \$ 4,987 | \$ — | \$ 19,640 |

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**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE ELEVEN MONTHS ENDED JUNE 30, 2008**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---------------------------------------|----------------|-----------------------------------|--|---------------------|---------------------|
| | (Amounts in thousands) (Successor) | | | | | |
| OPERATING ACTIVITIES: | | | | | | |
| Net loss | \$ (169,185) | \$ (169,185) | \$ (169,185) | \$ (47) | \$ 339,198 | \$ (168,404) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | | | |
| Cash used for reorganization items | — | — | 4,764 | — | — | 4,764 |
| Depreciation and amortization | — | — | 47,623 | 6,075 | — | 53,698 |
| Amortization of bond discount | — | — | 4,522 | — | — | 4,522 |
| Share-based compensation | — | — | 15 | — | — | 15 |
| Equity in earnings of unconsolidated partnerships | — | — | (1,891) | — | — | (1,891) |
| Distributions from unconsolidated partnerships | — | — | 2,563 | — | — | 2,563 |
| Loss on sales of centers | — | — | 644 | — | — | 644 |
| Gain on sales of equipments | — | — | (436) | — | — | (436) |
| Impairment of goodwill | — | — | 107,405 | — | — | 107,405 |
| Impairment of other long-lived assets | — | — | 12,366 | — | — | 12,366 |
| Deferred income taxes | — | — | (1,864) | — | — | (1,864) |
| Equity in loss of consolidated subsidiaries | 169,185 | 169,185 | 828 | — | (339,198) | — |
| Changes in operating assets and liabilities: | | | | | | |
| Trade accounts receivables, net | — | — | 6,785 | 894 | — | 7,679 |
| Intercompany receivables, net | — | — | 1,893 | (1,893) | — | — |
| Other current assets | — | — | (742) | (56) | — | (798) |
| Accounts payable and other accrued expenses | — | — | (5,471) | 144 | — | (5,327) |
| Net cash provided by operating activities before reorganization items | — | — | 9,819 | 5,117 | — | 14,936 |
| Cash used for reorganization items | — | — | (4,764) | — | — | (4,764) |
| Net cash provided by operating activities | — | — | 5,055 | 5,117 | — | 10,172 |
| INVESTING ACTIVITIES: | | | | | | |
| Proceeds from sales of centers | — | — | 9,050 | — | — | 9,050 |
| Proceeds from sales of equipment | — | — | 1,012 | — | — | 1,012 |
| Increase in restricted cash | — | — | (8,072) | — | — | (8,072) |
| Additions to property and equipment | — | — | (7,798) | (464) | — | (8,262) |
| Other | — | — | 132 | 22 | — | 154 |
| Net cash used in investing activities | — | — | (5,676) | (442) | — | (6,118) |
| FINANCING ACTIVITIES: | | | | | | |
| Principal payments of notes payable and capital lease obligations | — | — | (1,689) | (1,785) | — | (3,474) |
| Distributions to noncontrolling interest | — | — | — | (1,050) | — | (1,050) |
| Net cash used in financing activities | — | — | (1,689) | (2,835) | — | (4,524) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| Cash, beginning of period | — | — | (2,310) | 1,840 | — | (470) |
| Cash, end of period | \$ — | \$ — | \$ 15,915 | \$ 5,087 | \$ — | \$ 21,002 |

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**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE ONE MONTH ENDED JULY 31, 2007**

| | <u>Holdings</u> | <u>Insight</u> | <u>Guarantor Subsidiaries</u> | <u>Non- Guarantor Subsidiaries</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|---|---|----------------|-----------------------------------|--|---------------------|---------------------|
| | (Amounts in thousands) (Predecessor) | | | | | |
| OPERATING ACTIVITIES: | | | | | | |
| Net income | \$ 196,326 | \$ 196,326 | \$ 28,078 | \$ 192 | \$ (224,532) | \$ 196,390 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | | | | |
| Cash used for reorganization items | — | — | 3,263 | — | — | 3,263 |
| Noncash reorganization items | — | (168,248) | (38,777) | — | — | (207,025) |
| Depreciation and amortization | — | — | 3,956 | 512 | — | 4,468 |
| Amortization of deferred financing costs | — | — | 145 | — | — | 145 |
| Equity in earnings of unconsolidated partnerships | — | — | (174) | — | — | (174) |
| Distributions from unconsolidated partnerships | — | — | 58 | — | — | 58 |
| Equity in loss income of consolidated subsidiaries | (196,326) | (28,078) | (128) | — | 224,532 | — |
| Gain on sales of equipment | — | — | (336) | — | — | (336) |
| Changes in operating assets and liabilities: | | | | | | |
| Trade accounts receivables, net | — | — | 223 | 287 | — | 510 |
| Intercompany receivables, net | — | (7,768) | 8,208 | (440) | — | — |
| Other current assets | — | — | 425 | (38) | — | 387 |
| Accounts payable and other accrued expenses | — | — | (1,714) | 80 | — | (1,634) |
| Net cash (used in) provided by operating activities before reorganization items | — | (7,768) | 3,227 | 593 | — | (3,948) |
| Cash used for reorganization items | — | — | (3,263) | — | — | (3,263) |
| Net cash (used in) provided by operating activities | — | (7,768) | (36) | 593 | — | (7,211) |
| INVESTING ACTIVITIES: | | | | | | |
| Proceeds from sales of equipment | — | — | 436 | — | — | 436 |
| Other | — | — | 171 | (54) | — | 117 |
| Net cash provided by investing activities | — | — | 607 | (54) | — | 553 |
| FINANCING ACTIVITIES: | | | | | | |
| Principal payments of notes payable and capital lease obligations | — | — | (306) | (164) | — | (470) |
| Principal payments on credit facility | — | (5,000) | — | — | — | (5,000) |
| Proceeds from issuance of notes payable | — | 12,768 | — | — | — | 12,768 |
| Net cash provided by (used in) financing activities | — | 7,768 | (306) | (164) | — | 7,298 |
| INCREASE IN CASH AND CASH EQUIVALENTS | | | | | | |
| Cash, beginning of period | — | — | 17,960 | 2,872 | — | 20,832 |
| Cash, end of period | \$ — | \$ — | \$ 18,225 | \$ 3,247 | \$ — | \$ 21,472 |

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ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended the Exchange Act, our management carried out an evaluation of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" as of June 30, 2010. This evaluation was carried out under the supervision and with the participation of our management, including the Company's Chief Executive Officer and Chief Financial Officer. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2010. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions and disposition of assets; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements in accordance with generally accepted accounting principles; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with authorization of management and directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on its financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that, owing to changes in conditions, controls may become inadequate, or that the degree of compliance with policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2010. There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

This Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Since the Company is neither a "larger accelerated filer" nor an "accelerated filer", as defined in SEC rules, the Company is exempt pursuant to Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act from the requirement that management's report be attested to by the Company's independent registered public accounting firm.

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board Structure

Our board of directors consists of seven members, six of which are independent, outside directors. The President and Chief Executive Officer of the company is the seventh director. The Chairman of the Board is an independent director, as are the chairs of the board's Audit and Compensation Committees. We believe a structure utilizing a majority of outside, independent directors with extensive experience (as noted below) is the best structure to provide for effective and objective leadership of our corporate governance. Such independent governance ensures that management is accountable to the owners and other constituents of our company. The board's Audit Committee is primarily responsible for the board's risk oversight function, although the board of directors as a whole is also actively engaged in risk oversight. Our Chief Financial Officer regularly reports to the Audit Committee and to the board with respect to credit and liquidity risks, and both the committee and the board are regularly engaged in examining management reports with respect thereto. Our Chief Executive and Chief Operational Officers report directly to the Audit Committee and the board of directors with respect to operational risks, and the committee and board are fully engaged in examining their reports and discussing such risks with them. Our Chief Compliance Officer also reports on a regular basis to the Audit Committee and to the board with respect to operational and compliance risks and actions we are pursuing to remediate such risks. The Chairman of the Audit Committee has full access to our "Silent Whistle" reports which allows employees as well as customers to report issues seen as operational or financial irregularities.

Directors and Executive Officers

The following table sets forth the names, ages and positions of our directors and executive officers (as defined by Rule 3b-7 of the Exchange Act) as of September 23, 2010:

| Name | Age | Title |
|-----------------------|-----|---|
| Wayne B. Lowell | 55 | Chairman of the Board and Director |
| Eugene Linden | 63 | Director |
| Richard Nevins | 63 | Director |
| Keith E. Rechner | 52 | Director |
| Steven G. Segal | 50 | Director |
| James A. Ovenden | 47 | Director |
| Louis E. Hallman, III | 51 | President and Chief Executive Officer and Director |
| Patricia R. Blank | 60 | Executive Vice President — Business Process Management |
| Donald F. Hankus | 56 | Executive Vice President and Chief Information Officer of Insight |
| Bernard J. O'Rourke | 50 | Executive Vice President and Chief Operating Officer |
| Keith S. Kelson | 43 | Executive Vice President and Chief Financial Officer |
| Michael Jones | 60 | Senior Vice President, General Counsel and Secretary |
| Clark Nielsen | 56 | Senior Vice President — Sales and Marketing |
| Scott A. M'Kee | 35 | Senior Vice President — Strategic Development |

Wayne B. Lowell has been a member of our Board of Directors since August 1, 2007 and our Chairman since August 7, 2007. From late 2007 to 2008, he was Chief Executive Officer of Wellmed Medical Management, Inc. From 1998 to late 2007 and subsequent to 2008, he served as President of Jonchra Associates, LLC, which provides strategic and operating advice to senior management of private-equity funded and publicly held entities. Mr. Lowell worked at PacifiCare Health Systems from 1986 to 1998, most recently holding the positions of Executive Vice

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President, Chief Financial Officer and Chief Administrative Officer. Mr. Lowell serves on the board of directors of Addus Healthcare and is Chair of its Audit Committee. Mr. Lowell brings to Insight's Board significant experience in healthcare finance, managed healthcare contracting and reimbursement, and corporate governance.

Eugene Linden has been a member of our Board of Directors since August 1, 2007. He has been the Chief Investment Strategist of Bennett Management Corporation, a family of investment funds, since 2005. From 1987 to 1995, Mr. Linden was a senior writer at TIME Magazine. Mr. Linden currently serves as a director of Cibus Genetics LLC and Syratech Corporation. Mr. Linden provides Insight's Board of Directors with important experience in global business trends and corporate finance. He also lends the Board valuable insight into the perspectives of the investment community.

Richard Nevins has been a member of our Board of Directors since August 1, 2007. From October 26, 2007 to April 7, 2008, Mr. Nevins served as our Interim Chief Executive Officer. From July 2007 through September 2007, he served as the interim Chief Executive Officer for US Energy Services, Inc. ("USEY"). He also was an independent advisor after his retirement in 2007 from Jefferies & Company, Inc. ("Jefferies") until he rejoined Jefferies in May 2008 as a managing director. From 1998 until his retirement in 2007, Mr. Nevins was a managing director and co-head of the recapitalization and restructuring group at Jefferies. Mr. Nevins currently serves as a director of DayStar Technologies, Inc., Aurora Trailer Holdings and SPELL C LLC. After Mr. Nevins left USEY, on January 9, 2008, USEY and two of its subsidiaries filed voluntary petitions under chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. Mr. Nevins has contributed to the Board the benefit of his significant experience in advising highly-leveraged companies and the special issues relating to the interactions of such companies with financial markets. His significant experience with corporate governance issues has also benefitted Insight and its Board.

Keith E. Rechner has been a member of our Board of Directors since August 1, 2007. Mr. Rechner is also currently a financial advisor with AXA Advisors, a position he has held since 1997. He also is a member of the operating committee of United Wealth Strategies LLC, a financial and consulting services company. He was Chief Executive Officer and President of Benefit Advisors, Inc., an employee benefits consulting firm, from January 1997 through December 2007. Mr. Rechner served as the Regional Vice President of Tax Sheltered Markets for AXA Advisors from 2002 to 2005 and Vice President of Traditional Markets for AXA Advisors from 2000 to 2002. From 1993 to 1996, Mr. Rechner held various positions with VHA Great Rivers, Inc./Great Rivers Network, including President and Chief Executive Officer, Great Rivers Network, Chief Operating Officer, Integrated Benefit Services (IBS) and Vice President, Managed Care. Mr. Rechner's years of experience with health care, insurance, and financial services are of great benefit to Insight's Board of Directors. He has also demonstrated expertise in corporate finance which aids in his effective service as a member of the Board of Directors and as Chair of the Board's Compensation Committee.

Steven G. Segal has been a member of our Board of Directors since October 17, 2001. He is a Partner of J.W. Childs Associates, L.P. and has been at J.W. Childs Associates, L.P. since 1995. Prior to that time, he was an executive at Thomas H. Lee Company from 1987, most recently holding the position of Managing Director. Since 2006, Mr. Segal has been an Executive-in-Residence/Lecturer at Boston University's Graduate School of Management. He is also a director of The NutraSweet Company, Fitness Quest Inc., WS Packaging Group, Inc. and Round Grille, Inc. (d/b/a FIRE + iCE). Mr. Segal has generously shared with Insight and its Board the benefit of his experience in corporate governance and management, both as an executive and as a member of various boards of directors. His academic and corporate experience has contributed greatly to the Board's understanding of relevant issues facing Insight.

James A. Ovenden has been a member of our Board of Directors since August 1, 2007. Mr. Ovenden serves as the sole principal for CFO Solutions of SC, a consulting firm providing CFO advisory services to middle market companies. Since May 1, 2009, he has been the Chief Financial Officer for Asten Johnson Holdings, a manufacturer of paper machine clothing, specialty fabrics, filaments and drainage equipment. From 2004 until December 31, 2007, he was the Chief Financial Officer and a founding principal of OTO Development, LLC ("OTO"), a hospitality development company established in 2004. From January 2008 to December 2008, he was an advisor to OTO. Mr. Ovenden has also served as a principal consultant with CFO Solutions of SC, LLC since 2002. Mr. Ovenden was the Chief Financial Officer of Extended Stay America, Inc. from January 2004 to May 2004 and

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held various positions at CMI Industries, Inc. from 1987 to 2002, including Chief Financial Officer. Mr. Ovenden currently serves as a director, and as chairman of the audit committee of the board of directors, of Polymer Group, Inc., audit chair and director for Haight Cross Communications, Inc., and audit member and director for Flagstar Bancorp, Inc. Mr. Ovenden lends to Insight and its Board his considerable experience with corporate finance and governance. His experience in various product and service industries provides invaluable assistance to Insight with development of its customer relationships.

Louis E. Hallman, III has been our President and Chief Executive Officer and a member of our Board of Directors since April 7, 2008. Mr. Hallman served as our Interim Chief Operating Officer from October 26, 2007 through April 7, 2008. From August 10, 2005 until April 7, 2008, he was Insight's Executive Vice President and Chief Strategy Officer. Prior to these appointments, Mr. Hallman was the President of Right Manufacturing LLC, a specialty manufacturer, from January 2003 through January 2005. From January 2002 until January 2003, Mr. Hallman was a private investor and reviewed various business opportunities. From August 1999 through January 2002, he was President and CEO of Homesquared Inc., a supplier of web-based software applications to production homebuilders. In July 1989, Mr. Hallman co-founded TheraTx, Inc., which became a diversified healthcare services company listed on NASDAQ. While at TheraTx, he served as Vice President Corporate Development until its sale in April 1997. He currently serves on the Board of Directors of VeriCare Management, Inc., a provider of behavioral solutions to the long-term care industry.

Patricia R. Blank has been our Executive Vice President — Receivables and collections management since May 15, 2008. From March 28, 2006 through May 15, 2008 she was Insight's Executive Vice President—Clinical Services and Support. She was Insight's Executive Vice President—Enterprise Operations from October 22, 2004 to March 28, 2006. She was Insight's Executive Vice President and Chief Information Officer from September 1, 1999 to October 22, 2004. Prior to joining Insight, Ms. Blank was the principal of Blank & Company, a consulting firm specializing in healthcare consulting. From 1995 to 1998, Ms. Blank served as Executive Vice President and Chief Operating Officer of HealthHelp, Inc., a Houston, Texas-based radiology services organization managing radiology provider networks in multiple states. From 1988 to 1995, she was corporate director of radiology of FHP, a California insurance company.

Donald F. Hankus has been Insight's Executive Vice President and Chief Information Officer since September 26, 2005. Prior to this appointment, Mr. Hankus was the Director of Sales Operations of Quest Software, Inc., a provider of application, database and infrastructure software, from January 2004 through September 2005. From January 2000 through January 2004, he was Chief Information Officer of Directfit. From December 1996 to January 2000, he served as Director of Software Development for Cendant Corporation, a real estate brokerage and hotel franchisor.

Bernard J. O'Rourke has been our Executive Vice President and Chief Operating Officer since May 15, 2008. From March 28, 2006 until May 15, 2008, Mr. O'Rourke served as the Senior Vice President and General Manager, Eastern Division of Insight Health Corp., a subsidiary of Insight. From January 17, 2005 to March 26, 2006, Mr. O'Rourke served as the Area Vice President—Enterprise Operations, Northeast of Insight Health Corp. From September 2004 until joining Insight Health Corp., Mr. O'Rourke was a consultant involved with laboratory operations and drug abuse collections. From September 2002 to September 2004, he was a director of operations for Radiologix, a provider of medical imaging services.

Keith S. Kelson has been our Executive Vice President and Chief Financial Officer since November 1, 2008. Mr. Kelson served as Chief Financial Officer of Securus Technologies, Inc., a national telecommunications company, from September 2004 to July 2008 and served as Chief Financial Officer of Evercom Holdings, Inc., from March 2000 until it was acquired by Securus in September 2004. Prior to joining Evercom in 1998, he was a certified public accountant in the accounting and auditing services division of Deloitte & Touche LLP and held various financial positions with subsidiaries of Kaneb Services, Inc. He has over 21 years of combined accounting experience, serving seven of those years in public accounting with Deloitte & Touche LLP and 14 years in financial management. Mr. Kelson has a B.B.A. in Accounting from Texas Christian University, from which he graduated cum laude and is a certified public accountant. He has had executive level education at IMD International.

Michael C. Jones has been at Insight since July, 2009, and became our Senior Vice President, General Counsel and Secretary on April 10, 2010. He graduated from Georgetown University Law Center in 1979 and has more than

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30 years experience representing healthcare clients, advising hospitals, physicians, payers, and other providers with respect to complex corporate transactions as well as regulatory, antitrust, finance, and operational issues. Before joining Insight, he served as General Counsel for two for-profit hospital groups in Los Angeles. From 2001 to 2005, Mr. Jones served as the Managing Attorney for Tenet California, managing the legal operations for 40 Tenet hospitals. Prior to joining Tenet, Mr. Jones was a corporate partner at Brown & Bain in Phoenix, representing healthcare, banking, and real estate enterprises in connection with corporate transactions.

Clark Nielsen has been our Senior Vice President — Sales since November 9, 2009. Prior to joining Insight, Mr. Nielsen held multiple position of increased responsibility over a 20 year career at Philips Healthcare. Responsibilities ranged from Computerized Tomography Product Specialist, Region Sales Vice President and Strategic Sales Vice President for North America. Prior to his career with Philips Healthcare, Mr. Nielsen spent seven years working for a medical imaging dealer as a service engineer, account executive and sales manager. He holds a Bachelor's degree in Business Management from the University of Phoenix.

Scott A. McKee has been the Senior Vice President — Strategic Development of Insight Health Corp. since August 1, 2008. Mr. McKee served as Chief Development Officer of American Health Imaging, Inc., a national diagnostic imaging company, from 2005 to 2008 and served in several capacities at Center for Diagnostic Imaging, Inc., a national diagnostic imaging company, from 2000 through 2005. He has over 10 years of combined experience in diagnostic imaging in finance and development. Mr. McKee has a B.B.A. in Marketing and an M.B.A with emphasis in finance from the University of North Dakota.

Audit Committee

The Audit Committee is comprised of James A. Ovenden (Chairman), Wayne B. Lowell and Richard Nevins. The Board of Directors has concluded that Messrs. Ovenden, Lowell and Nevins are each "independent" as that term is defined in the rules of the NASDAQ Stock Market. The Board of Directors has determined that Messrs. Ovenden and Lowell are each "audit committee financial experts" as that term has been defined by the SEC. While Mr. Nevins served as our Interim Chief Executive Officer, Mr. Rechner served on the Audit Committee in place of Mr. Nevins.

The Audit Committee has adopted a written charter, which is available on our website at the following internet address <http://www.insighthealth.com/articles/boarddocs/Audit%20Committee%20Charter.pdf>. The charter should not be considered as part of this Form 10-K. The Audit Committee charter provides that the Audit Committee will:

- Prepare the audit committee report required by SEC rules to be included in the Company's annual proxy statement.
- Assist the Board of Directors in fulfilling its responsibility to oversee management regarding:
 - the conduct and integrity of the Company's financial reporting to any governmental or regulatory body, stockholders, other users of the Company's financial reports, and the public;
 - the Company's legal and regulatory compliance;
 - the qualifications, engagement, compensation, independence, and performance of the Company's independent registered public accounting firm, its conduct of the annual audit of the Company's consolidated financial statements, and its engagement to provide any other services; and
 - the performance of the Company's internal audit function and systems of internal control over financial reporting and disclosure controls and procedures.
- Maintain through regularly-scheduled meetings, a line of communication between the Board of Directors and the Company's management, internal auditor and the independent registered public accounting firm.

The Audit Committee of the Board of Directors approved PricewaterhouseCoopers LLP ("PWC") as our independent registered public accountants to audit our consolidated financial statements for fiscal 2010 and to review of our interim condensed consolidated financial statements for the quarter ending September 30, 2010. PWC has been our independent registered public accounting firm since 2002.

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Compensation Committee

The Compensation Committee consists of Keith E. Rechner (Chairman), James A. Ovenden and Steven G. Segal. The Compensation Committee assists the Board of Directors by ensuring that our executives are compensated in accordance with our total compensation objectives and executive compensation policy. The Company did not employ third party compensation consultants in fiscal 2010. The Board of Directors has established a charter for the Compensation Committee, which is available on our website at the following internet address <http://www.Insighthealth.com/articles/boarddocs/Compensation%20Committee%20Charter.pdf>. The charter should not be considered as part of this Form 10-K. The charter provides that the Compensation Committee will:

- review and recommend to the Board of Directors the compensation of the Chief Executive Officer;
- administer the Company's stock option or other equity-based compensation plans and programs; and
- oversee the Company's management compensation and benefits policies, including both qualified and non-qualified plans.

Nomination of Directors

We have not established a Nominating Committee and currently have no plans to do so. Our current practice is for the entire Board of Directors to evaluate the merits of director nominees based on the experience of the nominee in our industry, the nominee's prior experience as a director of a company similar to ours and on other attributes we deem desirable in a director of the Company. Our bylaws also permit our common stockholders to nominate candidates as directors of the Company.

Code of Ethical Conduct

See Item 13. "Certain Relationships and Related Transactions and Director Independence — Policies and Procedures Regarding Related Persons and Code of Ethical Conduct."

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the annual, long-term and all other compensation for services rendered in all capacities to us and our subsidiaries for the years ended June 30, 2010 and 2009 of (1) each person who served as our principal executive officer during fiscal 2010 and (2) the other two most highly compensated executive officers serving as executive officers at June 30, 2010. We refer to these officers collectively as the "named executive officers".

| Name and Principal Position | Fiscal Year Ended | Salary | Non-Equity Incentive Plan Compensation(1) | All Other Compensation(2) | Total Compensation |
|--|-------------------|------------|---|---------------------------|--------------------|
| | June 30, | | | | |
| Louis E. Hallman, III President and Chief Executive Officer | 2010 | \$ 435,000 | \$ 41,054 | \$ 36,579 | \$ 512,633 |
| | 2009 | 424,231 | 52,153 | 34,524 | 510,908 |
| Patricia R. Blank Executive Vice President — Business Process Management | 2010 | 295,405 | 25,242 | 32,271 | 352,918 |
| | 2009 | 293,193 | 25,843 | 43,157 | 362,193 |
| Bernard O'Rourke Executive Vice President — Chief Operating Officer | 2010 | 288,393 | 21,040 | 31,482 | 340,915 |
| | 2009 | 266,747 | 29,809 | 51,486 | 348,042 |
| Keith S. Kelson Executive Vice President — Chief Financial Officer | 2010 | 261,500 | 25,822 | 15,209 | 302,531 |
| | 2009 | 168,000 | 19,283 | 10,991 | 198,274 |

(1) The components of Non-Equity Incentive Plan Compensation are annual cash incentive awards, which are based on our financial performance and a named executive's performance of his or her personal management objectives. These are earned and accrued during the fiscal year and paid subsequent to the end of each fiscal year.

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- (2) Amounts of All Other Compensation are comprised of the following perquisites: (i) automobile allowances, (ii) automobile operating expenses, (iii) the Company's contributions to our 401(k) Savings Plan, (iv) specified premiums on executive life insurance arrangements, (v) specified premiums on executive health and disability insurance arrangements, and (vi) certain professional membership dues.

Annual Base Salary. Base salaries for executive officers are established based on the scope of their responsibilities, individual contribution, prior experience, sustained performance, competitive salary levels within our peer group, and our annual operating plan. No increases in annual base salaries have been recommended to or approved by the Board of Directors for fiscal 2011.

Annual Cash Incentive Awards. For the three years ending June 30, 2011, our ability to utilize our limited capital resources for maximizing stockholder value is considered by the Board of Directors to be a critical component of our overall strategy. The Compensation Committee determined that it was important to change the Company's cultural and philosophical bias from historically using EBITDA or EBITDAL as financial performance targets to a heightened focus on return on capital. Accordingly for fiscal 2009, the Board of Directors approved a Three Year Executive Incentive Compensation Plan ("2009 Plan"), in which the executive officers will participate, with a performance target based on a "profit after capital charge" or "Company PACC". By implementing the 2009 Plan, the Compensation Committee believed it will motivate the executive officers to maximize earnings from the Company's core assets and focus them on the total capital expended in connection with maintaining and growing such assets. The annual cash incentive award will be:

- 80% based on the executive officers' participation in Company PACC, and
- 20% based on the executive officers' performance relative to quarterly personal management objectives ("PMOs").

The portion of the executive officers' awards, based on Company PACC will be calculated by first determining Company PACC and then calculating the executive officers' percentage participation provided certain threshold levels are met. Company PACC will be calculated by taking the Company's EBITDA (earnings before interest expense, net income tax expense, depreciation and amortization) and subtracting the product of: (a) the Company's weighted average tangible asset base, multiplied by (b) 18%, the target minimum return on capital employed. The Company's weighted average tangible asset base will be determined at the beginning of each fiscal year and adjusted for asset additions, removals, and straight line depreciation.

Individual targeted cash awards will be determined as a percentage of Company PACC based on the following participation percentages: Mr. Hallman — 1.0%, Ms. Blank — 0.50% and Mr. O'Rourke — 0.55%.

The portion of the executive officers' incentive award attributable to meeting financial performance targets is based on actual Company PACC performance. In order for the executive officers to be eligible for an award, they must achieve at least 90% of budgeted Company PACC. Above a 90% achievement level and up to 100% achievement, the executive officers will receive an award based on a linear payout trend from no payout to 100% payout. Should the executive officers exceed 100% of budgeted Company PACC, they will be eligible to share in a portion of the incremental Company PACC above budget at their participation percentages without any limit. Since the Company did not achieve 90.0% of the financial performance target for fiscal 2009, only the 20% portion with respect to PMOSs was payable at the discretion of the Compensation Committee. The 2009 Plan was originally intended to increase the Company PACC by 5% for fiscal 2010 and fiscal 2011. The Board of Directors determined not to raise the Company PACC by 5% for fiscal 2010 because of the country's current economic environment, but has not made a decision with respect to fiscal 2011.

As mentioned above, 20% of each executive officer's incentive award will be based on achievement of certain PMOs established over the course of the year, and approved by the President and Chief Executive Officer with respect to executive officers other than himself. In the case of the President and Chief Executive Officer, the Board of Directors shall approve his PMOs. Eligibility for the PMOs will be based on each executive officer's achievement of quarterly goals and objectives as determined by the executive officer and his or her supervisor. The Compensation Committee (and the Board of Directors in the case of Mr. Hallman's award) approved incentive cash awards relative to the 20% portion for our named executive officers in the amounts as described in the Summary Compensation Table above.

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Annual targets for the determination of Company PACC have been based on budgeted profitability levels, which have been approved by the Board of Directors and are generally considered by the Board of Directors to be reasonably attainable while requiring substantial effort. The 2009 Plan can be modified at the discretion of the Compensation Committee.

Long-Term Equity Awards. The Board of Directors granted all stock options based on the fair market value as of the date of grant, which is determined using the mean between the bid and ask of the quoted price per share on the Over-The-Counter Bulletin Board on the date of grant. Additional grants may be made following a significant change in job responsibility or in recognition of a significant achievement. The stock option grants to executive officers under the Employee Stock Option Plan become vested and exercisable if, and only if, a refinancing event (as defined in the stock option agreements) is achieved. Our Compensation Committee believes that the vesting conditions of our stock options will prove an incentive for executive officers to remain with us for a reasonable time frame to complete the refinancing event. No stock options were granted to our named executive officers in fiscal 2009 or fiscal 2010. Awards under the Employee Stock Option Plan are subject to the change of control provisions described therein.

Additional Benefits and Perquisites. We also provide the following additional benefits and perquisites as a supplement to other compensation:

- *Medical Insurance.* At our sole cost, we provide to each named executive officer and certain other officers and their eligible dependents such health, dental and vision insurance as we may from time to time make available.
- *Life and Long-Term Disability Insurance.* At our sole cost, we provide each named executive officer and certain other officers such long-term disability and/or life insurance as we in our sole discretion may from time to time make available.
- *401(k) Savings Plan.* Until May 2009, we made matching contributions to our 401(k) Savings Plan in an amount equal to fifty cents for each dollar of participant contributions, up to a maximum of 6% of the participant's compensation for each pay period and subject to certain other limits. In May 2009, we made the match discretionary at the Company's election. Participation is not limited to officers, and all full-time employees are eligible to participate in the 401(k) Savings Plan.
- *Automobile Allowance and Operating Expenses.* Mr. Hallman receives an automobile allowance of \$1,000 per month, and the other named executive officers and certain other officers receive an automobile allowance of \$750 per month. We pay the named executive officers' and certain other officers' expenses incidental to the operation of an automobile.

Employment Agreements

We have entered into an employment agreement with each of our named executive officers and certain other executives. Each employment agreement with our named executive officers provides for a term of 12 months on a continuing basis, subject to certain termination rights. These employment agreements provide for an annual salary as well as a cash incentive award; 80% of the cash incentive award is based on our achievement of budgetary goals, and 20% of the cash incentive award is based upon the achievement of other goals (i.e., PMOs) mutually agreed upon by each executive and our President and Chief Executive Officer and approved by our Board of Directors (except in the case of Mr. Hallman, whose goals are agreed upon by our Board of Directors). Each executive officer with an employment agreement is provided with a life insurance policy of three times the amount of his or her annual base salary and is entitled to participate in our life insurance, medical, health and accident and disability plan or program, pension plan or other similar benefit plan and any stock option plans. Each executive officer with an employment agreement is subject to a noncompetition covenant and nonsolicitation provisions during the term of his or her employment and continuing for a period of 12 months after the termination of his or her employment.

Under the terms of each executive's employment agreement, each executive's employment will immediately terminate upon his or her death and the executors or administrators of his or her estate or his or her heirs or legatees (as the case may be) will be entitled to all accrued and unpaid compensation up to the date of his or her death. Each executive's employment agreement will terminate and each of them will be entitled to all accrued and unpaid

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compensation, as well as twelve months of compensation at the annual salary rate then in effect upon the occurrence of the following:

(1) Upon the executive's permanent and total disability (i.e., the executive is unable substantially to perform his or her services required by the employment agreement for three consecutive months or shorter periods aggregating three months during any twelve month period); provided, however, that our obligation to make payments of twelve months of compensation at the annual salary rate then in effect may be reduced by the amount which the executive is entitled to receive under the terms of our long-term disability insurance policy.

(2) Upon our 30 days' written notice to the executive of the termination of the executive's employment without cause. The employment agreements generally define cause as the occurrence of one of the following:

- the executive has been convicted or pled guilty or no contest to any crime or offense (other than any crime or offense relating to the operation of an automobile) which is likely to have a material adverse impact on the business operations or financial or other condition of our business, or any felony offense;
- the executive has committed fraud or embezzlement;
- the executive has breached any of his or her obligations under the employment agreement and failed to cure the breach within 30 business days following receipt of written notice of such breach;
- we, after reasonable investigation, find that the executive has violated our material written policies and procedures, including but not necessarily limited to, policies and procedures pertaining to harassment and discrimination;
- the executive has failed to obey a specific written direction from our Board of Directors (unless such specific written instruction represents an illegal act), provided that (i) such failure continues for a period of 30 business days after receipt of such specific written direction, and (ii) such specific written direction includes a statement that the failure to comply therewith will be a basis for termination hereunder; or
- any willful act or omission on the executive's part which is materially injurious to our financial condition or business reputation.

(3) If the executive terminates his or her employment with us for good reason. The employment agreements generally define good reason as:

- the relocation by us, without the executive's consent, of the executive's principal place of employment to a site that is more than a specified number of miles from the executive's principal residence;
- a reduction by us, without the executive's consent, in the executive's annual salary, duties and responsibilities, and title, as they may exist from time to time; or
- our failure to comply with any material provision of the employment agreement which is not cured within 30 days after notice of such noncompliance has been given by the executive, or if such failure is not capable of being cured in such time, for which a cure shall not have been diligently initiated by us within the 30 day period.

(4) If the executive's employment is terminated by us without cause or he or she terminates his or her employment for good reason within twelve months of a change in control. A change in control shall generally be deemed to have occurred if:

- any person, or any two or more persons acting as a group, and all affiliates of such person or persons (a "Group"), who prior to such time beneficially owned less than 50% of our then outstanding capital stock shall acquire shares of our capital stock in one or more transactions or series of transactions, including by merger, and after such transaction or transactions such person or group and affiliates beneficially own 50% or more of our outstanding capital stock; or

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- we sell all or substantially all of its assets to any Group which, immediately prior to the time of such transaction, beneficially owned less than 50% of our then outstanding capital stock.

In addition, if any employment agreement is terminated pursuant to the foregoing (1) to (4), we will maintain at its expense until the earlier of twelve months after the date of termination or commencement of the executive's benefits pursuant to full-time employment with a new employer under such employer's standard benefits program, all life insurance, medical, health and accident and disability plans or programs, in which the executive was entitled to participate immediately prior to the date of termination.

Any payments and benefits under the existing employment agreements will be made in compliance with Section 409A of the Internal Revenue Code, which could result in an executive not receiving certain payments or benefits during a delay period following such person's separation from us.

Outstanding Equity Awards at Year End

The following table contains certain information regarding equity awards held by the named executive officers as of June 30, 2010:

| Named Executive Officer | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Option Exercise | Option Expiration | Market |
|-------------------------|---|---|-----------------|-------------------|--------|
| | Exercisable | Unexercisable(1) | Price | Date | Value |
| Louis E. Hallman, III | — | 192,000 | \$ 0.36 | 8/19/2018 | — |
| Patricia R. Blank | — | 65,000 | 0.36 | 8/19/2018 | — |
| Bernard O'Rourke | — | 85,000 | 0.36 | 8/19/2018 | — |
| Keith S. Kelson | — | 70,000 | 0.15 | 11/11/2018 | — |

(1) The options will vest and become exercisable, if and only if, a refinancing event (as defined in the stock option agreements) is achieved prior to the expiration of the options.

Equity Compensation Plan Information

All stock option plans under which our common stock is reserved for issuance have previously been approved by our stockholders. The following table provides summary information as of June 30, 2010 for all of our stock option plans:

| Plan Category | Number of Securities to be Issued upon Exercise of | Weighted-Average Exercise Price of | Number of Securities Remaining Available for |
|--|--|------------------------------------|--|
| | Outstanding Options | Outstanding Options | Future Issuance Under Plans |
| Equity compensation plans approved by security holders | 779,096 | \$ 0.50 | 181,000 |
| Equity compensation plans not approved by security holders | 0 | 0 | 0 |

Compensation of Directors

We reimburse our non-employee directors for all out-of-pocket expenses incurred in the performance of their duties as directors. Each non-employee director receives an annual fee of \$30,000, a fee of \$2,000 for each in-person Board of Directors meeting and a fee of \$1,000 for each telephonic Board of Directors meeting. In addition, the Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the Compensation Committee, each receive an additional annual fee of \$20,000, \$10,000 and \$5,000, respectively. Also, each Audit and Compensation Committee member receives a fee of \$1,000 for each in-person committee meeting and a fee of \$500 for each telephonic committee meeting. Finally, we established the Director Plan, an equity plan for the non-employee directors in an amount of approximately 2% of our issued and outstanding common stock.

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The following table sets forth the compensation of our non–employee directors for the year ended June 30, 2010:

| Name | Fees Earned or Paid In Cash | Option Awards (1)(2) | All Other Compensation | Total |
|--------------------|--|---------------------------------|-----------------------------------|--------------|
| Eugene Linden | \$ 46,000 | \$ 12,192 | — | \$ 58,192 |
| Wayne B. Lowell | 73,504 | 12,192 | — | 85,696 |
| Richard Nevins | 52,500 | 12,192 | — | 64,692 |
| James A. Ovenden | 67,496 | 12,192 | — | 74,688 |
| Keith E. Rechner | 57,004 | 12,192 | — | 69,196 |
| Steven G. Segal(3) | 47,500 | 12,192 | — | 59,692 |

- (1) Represents the dollar amount we recognized for financial statement reporting purposes in fiscal 2010 in accordance with Financial Accounting Standards Board Statement No. 123R. See Note 14 in our consolidated financial statements included in this Form 10–K.
- (2) On April 14, 2008, each of the non–employee directors was granted nonstatutory options to purchase 16,008 shares of common stock at \$1.01 per share and 16,008 shares of common stock at \$1.16 per share pursuant to the Director Plan subject to approval of the Director Plan by the Company’s stockholders. Each set of options becomes exercisable in increments of one third (1/3) (5,366 per set) on December 31, 2008, 2009 and 2010. The options become immediately exercisable prior to a change of control of the Company. The options are scheduled to expire on August 14, 2018.
- (3) Mr. Segal’s director/committee and meeting fees are paid to J.W. Childs Equity Partners II, L.P.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of September 23, 2010, by: (i) each person or entity known to us owning beneficially 5% or more of our common stock; (ii) each member of our Board of Directors; (iii) each of the named executive officers; and (iv) all directors and executive officers (as defined by Rule 3b–7 under the Exchange Act) as a group. At September 23, 2010, our outstanding securities consisted of approximately 8,644,444 shares of common stock. Beneficial ownership of the securities listed in the table has been determined in accordance with the applicable rules and regulations

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promulgated under the Exchange Act. The business address of each director and executive officer is: c/o Insight Health Services Holdings Corp., 26250 Enterprise Court, Suite 100, Lake Forest, California 92630.

| Names and Addresses of Beneficial Owners | Amount and Nature of Beneficial Ownership of | Percent of Common Stock Beneficially |
|---|--|--------------------------------------|
| | Common Stock(1) | Owned(1) |
| James D. Bennett(2) 2 Stamford Plaza, Suite 1501 Stamford, Connecticut 06901 | 2,040,000 | 23.6% |
| Bennett Restructuring Fund, L.P.(3) 2 Stamford Plaza, Suite 1501 Stamford, Connecticut 06901 | 1,206,000 | 14.0% |
| Bennett Offshore Restructuring Fund, Inc.(4) 2 Stamford Plaza, Suite 1501 Stamford, Connecticut 06901 | 730,000 | 8.4% |
| Cohanzick Absolute Return Master Fund, Limited c/o Cohanzick Offshore Advisors, L.P. 427 Bedford Road New York, New York 10022 | 994,564 | 11.5% |
| JPMorgan Chase & Co.(5) 4 New York Plaza, 16th Floor New York, NY 10004 | 741,220 | 8.5% |
| J.W. Childs Equity Partners II, L.P.(6) 111 Huntington Avenue, Suite 2900 Boston, Massachusetts 02199 | 687,641 | 8.0% |
| Eugene Linden(7) | 21,344 | 0.1% |
| Wayne B. Lowell(8) | 21,344 | 0.1% |
| Richard Nevins(9) | 21,344 | 0.1% |
| James A. Ovenden(10) | 21,344 | 0.1% |
| Keith E. Rechner(11) | 21,344 | 0.1% |
| Steven G. Segal(12) | 21,344 | 0.1% |
| Louis E. Hallman, III(13) | — | — |
| Patricia R. Blank(14) | — | — |
| Bernard O'Rourke(15) | — | — |
| Keith S. Kelson(16) | — | — |
| All directors and executive officers as a group (14 persons)(17) | — | — |

- (1) For purposes of this table, a person is deemed to have “beneficial ownership” of any security that such person has the right to acquire within 60 days of September 23, 2010.
- (2) Includes 1,206,000 shares of common stock owned directly by Bennett Restructuring Fund, L.P., 104,000 shares of common stock owned directly by affiliate BRF High Value, L.P. and 730,000 shares of common stock owned directly by affiliate Bennett Offshore Restructuring Fund, Inc. The general partner of Bennett Restructuring Fund, L.P. and BRF High Value, L.P. is Restructuring Capital Associates, L.P., a Delaware limited partnership, and the general partner of Restructuring Capital Associates, L.P. is Bennett Capital Corporation, a Delaware corporation, of which James D. Bennett is President and sole stockholder. Mr. Bennett, Bennett Capital Corporation and Restructuring Capital Associates, L.P. may be deemed to beneficially own an aggregate of 1,310,000 shares of common stock held by Bennett Restructuring Fund, L.P. and BRF High Value, L.P. together. The investment manager of Bennett Offshore Restructuring Fund, Inc. is Bennett Offshore Investment Corporation, a Connecticut corporation, of which James D. Bennett is the President and, together with the BT Trust U/D 12/9/2004, the owner. Mr. Bennett, BT Trust U/D 12/9/2004 and Bennett Offshore Investment Corporation may be deemed to beneficially own the 730,000 shares of common stock held by Bennett Offshore Restructuring Fund, Inc. Each of Mr. Bennett, BT Trust,

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Restructuring Capital Associates, L.P., Bennett Capital Corporation and Bennett Offshore Investment Corporation specifically disclaim beneficial ownership of the shares of common stock deemed to be beneficially owned except to the extent of his or its pecuniary interest therein.

- (3) Includes 1,206,000 shares of common stock owned directly by Bennett Restructuring Fund, L.P. The general partner of Bennett Restructuring Fund, L.P. is Restructuring Capital Associates, L.P., a Delaware limited partnership, and the general partner of Restructuring Capital Associates, L.P. is Bennett Capital Corporation, a Delaware corporation, of which James D. Bennett is President and sole stockholder. Mr. Bennett, Bennett Capital Corporation and Restructuring Capital Associates, L.P. may be deemed to beneficially own an aggregate of 1,206,000 shares of common stock held by Bennett Restructuring Fund, L.P. Each of Mr. Bennett, Restructuring Capital Associates, L.P., and Bennett Capital Corporation specifically disclaim beneficial ownership of the shares of common stock deemed to be beneficially owned except to the extent of his or its pecuniary interest therein.
- (4) Includes 730,000 shares of common stock owned directly by Bennett Offshore Restructuring Fund, Inc. The investment manager of Bennett Offshore Restructuring Fund, Inc. is Bennett Offshore Investment Corporation, a Connecticut corporation, of which James D. Bennett is the President and, together with the BT Trust U/D 12/9/2004, the owner. Mr. Bennett, BT Trust U/D 12/9/2004 and Bennett Offshore Investment Corporation may be deemed to beneficially own the 730,000 shares of common stock held by Bennett Offshore Restructuring Fund, Inc. Each of Mr. Bennett, BT Trust U/D 12/9/2004 and Bennett Offshore Investment Corporation specifically disclaim beneficial ownership of the shares of common stock deemed to be beneficially owned except to the extent of his or its pecuniary interest therein.
- (5) Includes 741,220 shares of common stock owned directly by J.P. Morgan Securities Inc., whose parent corporation is JPMorgan Chase & Co.
- (6) Includes 634,130 shares of common stock owned directly by J.W. Childs Equity Partners II, L.P. and 53,511 shares of our common stock owned directly by JWC–Insight Co–invest LLC, an affiliate of J.W. Childs Equity Partners II, L.P. The general partner of J.W. Childs Equity Partners II, L.P. is J.W. Childs Advisors II, L.P., a Delaware limited partnership. The general partner of J.W. Childs Advisors II, L.P. is J.W. Childs Associates, L.P., a Delaware limited partnership. The general partner of J.W. Childs Associates, L.P. is J.W. Childs Associates, Inc., a Delaware corporation. J.W. Childs Advisors II, L.P., J.W. Childs Associates, L.P. and J.W. Childs Associates, Inc. may be deemed to beneficially own the 687,641 shares of our common stock held by J.W. Childs Equity Partners II, L.P. and JWC–Insight Co–invest LLC. John W. Childs, Glenn A. Hopkins, Adam L. Suttin, William E. Watts, and David Fiorentino, as well as Steven G. Segal (as indicated in footnote 12), share voting and investment control over, and therefore may be deemed to beneficially own, the shares of common stock held by these entities.
- (7) As the Chief Investment Strategist of Bennett Management Corporation, an affiliate of James D. Bennett, Mr. Linden may be deemed to beneficially own the shares of common stock beneficially held by Mr. Bennett and his affiliated entities. Mr. Linden disclaims beneficial ownership of such shares. Does not include (i) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.01 per share and (ii) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.16 per share, which are not yet exercisable. See “Director Compensation” for details regarding the grant of these options.
- (8) Does not include (i) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.01 per share and (ii) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.16 per share, which are not currently exercisable. See “Director Compensation” for details regarding the grant of these options.
- (9) Does not include (i) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.01 per share and (ii) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.16 per share, which are not yet exercisable. See “Director Compensation” for details regarding the grant of these options.
- (10) Does not include (i) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.01 per share and (ii) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.16 per share, which are not yet exercisable. See “Director Compensation” for details regarding the grant of these options.
- (11) Does not include (i) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.01 per share and (ii) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.16 per share, which are not yet exercisable. See “Director Compensation” for details regarding the grant of these options.

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- (12) As a Special Limited Partner of J.W. Childs Associates, L.P., which manages J.W. Childs Equity Partners II, L.P., and a member of JWC–Insight Co–invest LLC, Mr. Segal may be deemed to beneficially own the 634,130 shares of our common stock owned by J.W. Childs Equity Partners II, L.P. and the 53,511 shares of our common stock held directly by JWC–Insight Co–invest LLC. Mr. Segal disclaims beneficial ownership of such shares. Does not include (i) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.01 per share and (ii) an option to purchase 10,672 shares of our common stock at an exercise price of \$1.16 per share, which are not yet exercisable. See “Director Compensation” for details regarding the grant of these options.
- (13) Does not include an option to purchase 192,000 shares of our common stock at an exercise price of \$0.36 per share, which is not yet exercisable. See “Outstanding Equity Awards at Year End” for details regarding the grant of these options.
- (14) Does not include an option to purchase 65,000 shares of our common stock at an exercise price of \$0.36 per share, which is not yet exercisable. See “Outstanding Equity Awards at Year End” for details regarding the grant of these options.
- (15) Does not include an option to purchase 85,000 shares of our common stock at an exercise price of \$0.36 per share, which is not yet exercisable. See “Outstanding Equity Awards at Year End” for details regarding the grant of these options.
- (16) Does not include an option to purchase 70,000 shares of our common stock at an exercise price of \$0.15 per share, which is not yet exercisable. See “Outstanding Equity Awards at Year End” for details regarding the grant of these options.
- (17) Does not include options to 715,064 shares of our common stock at various exercise prices, which are not yet exercisable.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Compensation Committee Interlocks and Insider Participation

During fiscal 2010, the Company’s Compensation Committee comprised of Keith E. Rechner (Chairman), James A. Oviden and Steven G. Segal. No member of our Compensation Committee is or was during fiscal 2010 an employee, or is or has ever been an officer, of the Company or any of its subsidiaries. No executive officer of the Company served as a director or a member of the Compensation Committee of another company, one of whose executive officers served as a member of the Company’s Board of Directors or the Compensation Committee. During fiscal 2009, Mr. Segal was affiliated with J.W. Childs Equity Partners II, L.P., which beneficially owns 8.0% of our common stock. See Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”.

Family–Member Relationship

Patricia K. Kincaid, M.D. is a sister–in–law of Donald F. Hankus, Insight’s Executive Vice President and Chief Information Officer, and a principal or partner of West Rad Medical Group, Inc. (“WRMG”), a professional radiology medical group. During fiscal 2010, we no longer actively used the services of WRMG or its affiliates. During fiscal 2009, we paid WRMG approximately \$188,000 in connection with its provision of certain professional services to three fixed–site centers in California. During fiscal 2009, we sold two of these fixed–site centers to affiliates of WRMG in separate transactions for total consideration of approximately \$0.5 million. We closed the other fixed–site center in July, 2008. In addition, an affiliated company of WRMG’s had an economic interest in the joint venture that owned one of these fixed–site centers. WRMG’s provision of professional services to us began more than two years prior to our employment of Mr. Hankus.

Policies and Procedures Regarding Related Persons and Code of Ethical Conduct

We have a written policy that requires all employees to avoid any activity that conflicts or appears to conflict with our interest. This policy extends to the family members of our employees. Each employee is instructed to report any actual or potential conflict of interest to his or her immediate supervisor. Conflicts of interest are only

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permitted upon the prior written consent of our general counsel. Conflicts of interest that would involve an employee taking for himself or herself an opportunity discovered in connection with his or her employment require the written consent of our Board of Directors.

This policy is part of our Code of Ethical Conduct, a copy of which is posted on our website, www.Insighthealth.com, under "About Insight Imaging." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers of any provision of the Code of Ethical Conduct applicable to our principal executive officer, principal financial officer, principal accounting officer or controller by posting such information on our website, www.Insighthealth.com, under "About Insight Imaging." Moreover, at least annually each director and executive officer completes a detailed questionnaire regarding relationships or arrangements that require disclosure under the SEC's rules and regulations.

Director Independence

Our common stock does not trade on any national securities exchange or any inter-dealer quotation system which has requirements as to the independence of directors; however, in accordance with the rules of the SEC, the following statements regarding director independence are based on the requirements of the NASDAQ Stock Market. Based on these independence requirements, we believe that our directors are independent, except for Mr. Hallman, our President and Chief Executive Officer, and Mr. Linden. Mr. Linden is the Chief Investment Strategist of Bennett Management Corporation, which is an affiliate of James D. Bennett, who through affiliates, is the largest beneficial holder of our common stock.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table presents information about fees that PWC, our independent public registered accountants, charged us (1) to audit our annual consolidated financial statements for the years ended June 30, 2010 and 2009, and (2) for other services rendered during those years.

| | <u>2010</u> | <u>2009</u> |
|--------------------|-------------|-------------|
| Audit Fees(1) | \$ 462,560 | \$ 424,500 |
| Audit Related Fees | — | — |
| Tax Fees(2) | 62,000 | 159,000 |
| Subtotal | \$ 524,560 | \$ 583,500 |
| All Other Fees | — | — |
| Total Fees | \$ 524,560 | \$ 583,500 |

- (1) *Audit Fees* — fees for auditing our annual consolidated financial statements, reviewing the condensed consolidated financial statements included in our quarterly reports on Form 10-Q and registration statement related to an exchange offer and other SEC filings.
- (2) *Tax Fees* — fees for reviewing federal, state, and local income and franchise tax returns, tax research and other tax planning services.

The charter for Holdings' audit committee requires that the audit committee (or a representative of the committee) pre-approve all audit and non-audit services performed by our independent registered public accounting firm. Consistent with this policy, for the years ended June 30, 2010 and 2009 all audit and non-audit services performed by PWC were pre-approved by a representative of Holdings' audit committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

ITEM 15 (a) (1). FINANCIAL STATEMENTS

Included in Part II of this report:

| | |
|--|----|
| Reports of Independent Registered Public Accounting Firm | 59 |
| Consolidated Balance Sheets | 61 |
| Consolidated Statements of Operations | 62 |
| Consolidated Statements of Stockholders' Equity | 63 |
| Consolidated Statements of Cash Flows | 64 |
| Notes to Consolidated Financial Statements | 65 |

ITEM 15 (a) (2). FINANCIAL STATEMENT SCHEDULES

Schedule II — Valuation and Qualifying Accounts

All other schedules have been omitted because they are either not required or not applicable, or the information is presented in the consolidated financial statements or notes thereto.

ITEM 15 (a) (3). EXHIBITS

| Exhibit Number | Description and References |
|---------------------------|--|
| *2.1 | Second Amended Joint Prepackaged Plan of Reorganization of Insight Health Services Holdings Corp. (the "Company"), et al. dated May 29, 2007, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 21, 2007. |
| *2.2 | Amended Plan Supplement of the Company, et al. dated July 7, 2007, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 21, 2007. |
| *3.1 | Amended and Restated Certificate of Incorporation of the Company, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 21, 2007. |
| *3.2 | Second Amended and Restated Bylaws of the Company, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 21, 2007. |
| *4.1 | Indenture, dated September 22, 2005, by and among Insight Health Services Corp. ("Insight"), the Company, the subsidiary guarantors (named therein) and U.S. Bank National Association, with respect to Senior Secured Floating Rate Notes due 2011, previously filed and incorporated herein by reference from Insight's Registration Statement on Form S-4, filed on October 28, 2005. |
| *4.2 | First Supplemental Indenture, dated as of May 18, 2006, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 27, 2006. |
| *4.3 | Second Supplemental Indenture, dated as of May 29, 2007, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on June 4, 2007. |
| *4.4 | Third Supplemental Indenture, dated as of July 9, 2007, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 21, 2007. |
| *4.5 | Fourth Supplemental Indenture, dated as of December 16, 2009, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-Q, filed on February 17, 2009. |
| *4.6 | Security Agreement, dated September 22, 2005, by and among the Loan Parties (as defined therein) and U.S. Bank National Association, as Collateral Agent, previously filed and incorporated herein by reference from Insight's Registration Statement on Form S-4, filed on October 28, 2005. |

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| Exhibit Number | Description and References |
|---------------------------|---|
| *4.7 | Pledge Agreement, dated September 22, 2005, by and among the Loan Parties (as defined therein) and U.S. Bank National Association, as Collateral Agent, previously filed and incorporated herein by reference from Insight's Registration Statement on Form S-4, filed on October 28, 2005. |
| *4.8 | Collateral Agency Agreement, dated September 22, 2005, among the Loan Parties (as defined therein) and U.S. Bank National Association, as Trustee and Collateral Agent, previously filed and incorporated herein by reference from Insight's Registration Statement on Form S-4, filed on October 28, 2005. |
| *4.9 | Registration Rights Agreement, dated as of August 1, 2007, by and among the Company and certain holders of the Company's common stock, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 21, 2007. |
| *10.1 | Second Amended and Restated Loan and Security Agreement, dated August 31, 2007, by and among Insight's subsidiaries listed therein, the lenders named therein and Bank of America, N.A. as collateral and administrative agent, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on August 7, 2007. |
| *10.2 | Executive Employment Agreement, dated October 22, 2004, among Insight, the Company and Patricia R. Blank, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on January 26, 2005. |
| *10.3 | Executive Employment Agreement, dated April 7, 2008, among Insight, and Louis E. Hallman, III, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 14, 2008. |
| *10.4 | Executive Employment Agreement, dated August 10, 2005, among Insight, the Company and Donald F. Hankus, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on September 30, 2005. |
| *10.5 | Form of Amended and Restated Indemnification Agreement, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 22, 2005. |
| *10.6 | Form of the Company's and Insight's Indemnification Agreement, previously filed and incorporated herein by reference from the Company's Annual Report Form 10-K filed on September 21, 2007. |
| *10.7 | The Company's 2008 Director Stock Option Plan, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.8 | Form of the Company's 2008 Director Stock Option Plan Nonstatutory Stock Option Grant Agreement with an exercise price of \$1.01 per share, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.9 | Form of the Company's 2008 Director Stock Option Plan Nonstatutory Stock Option Grant Agreement with an exercise price of \$1.16 per share, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.10 | The Company's 2008 Employee Stock Option Plan previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.11 | Form of the Company's 2008 Employee Stock Option Plan Nonstatutory Stock Option Grant Agreement, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.12 | Executive Employment Agreement dated May 15, 2008, by and between Insight and Bernard J. O'Rourke, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on May 21, 2008. |
| *10.13 | Executive Employment Agreement dated October 27, 2008, by and between Insight and Keith S. Kelson, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on November 4, 2008. |
| *10.14 | Executive Employment Agreement dated October 27, 2008, by and between Insight and Steven M. King, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on November 4, 2008. |
| 10.15 | First Amendment to Second Amended and Restated Loan and Security Agreement, dated September 20, 2010, by and among Insight's subsidiaries listed therein, the lenders named therein and Bank of America, N.A. as collateral and administrative agent. |

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| Exhibit Number | Description and References |
|---------------------------|--|
| 21.1 | Subsidiaries of Company, filed herewith. |
| 31.1 | Certification of Louis E. Hallman, III, the Company's Chief Executive Officer, pursuant to Rule 15d-14 of the Securities Exchange Act of 1934, filed herewith. |
| 31.2 | Certification of Keith S. Kelson, the Company's Chief Financial Officer, pursuant to Rule 15d-14 of the Securities Exchange Act of 1934, filed herewith. |
| 32.1 | Certification of Louis E. Hallman, III, the Company's Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.2 | Certification of Keith S. Kelson, the Company's Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |

* Previously filed

ITEM 15(b). *The Exhibits described above in Item 15(a)(3) are attached hereto or incorporated by reference herein, as noted.*

ITEM 15(c). *Not applicable.*

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INSIGHT HEALTH SERVICES HOLDINGS CORP.

By /s/ Louis E. Hallman, III
Louis E. Hallman, III, President and
Chief Executive Officer

Date: September 23, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|---|--------------------|
| /s/ Louis E. Hallman, III Louis E. Hallman, III | President and Chief Executive Officer and Director (Principal Executive Officer) | September 23, 2010 |
| /s/ Keith S. Kelson Keith S. Kelson | Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) | September 23, 2010 |
| /s/ Wayne B. Lowell Wayne B. Lowell | Chairman of the Board and Director | September 23, 2010 |
| /s/ Eugene Linden Eugene Linden | Director | September 23, 2010 |
| /s/ Richard Nevins Richard Nevins | Director | September 23, 2010 |
| /s/ James A. Ovenden James A. Ovenden | Director | September 23, 2010 |
| /s/ Keith E. Rechner Keith E. Rechner | Director | September 23, 2010 |
| /s/ Steven G. Segal Steven G. Segal | Director | September 23, 2010 |

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SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

The Company intends to mail to its stockholders this Form 10-K, a proxy statement and a form of proxy to all stockholders in connection with its 2010 Annual Meeting of Stockholders. Because the Company has no class of securities registered pursuant to Section 12(b) of the Exchange Act, it does not intend to file its definitive proxy statement with the SEC.

**SCHEDULE II
INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009,
ELEVEN MONTHS ENDED JUNE 30, 2008 AND ONE MONTH ENDED JULY 31, 2007**

| | <u>Balance at Beginning of Period</u> | <u>Charges to Expenses</u> | <u>Charges to Revenues</u> | <u>Other</u> | <u>Balance at End of Period</u> |
|---------------------------------------|---|--------------------------------|--------------------------------|---------------|---|
| | (Amounts in thousands) | | | | |
| Successor | | | | | |
| Year ended June 30, 2010: | | | | | |
| Allowance for doubtful accounts | \$ 4,404 | \$ 4,390 | \$ — | \$ (5,423)(A) | \$ 3,371 |
| Allowance for contractual adjustments | 12,919 | — | 154,145 | (155,634)(B) | 11,430 |
| Valuation Allowance on Deferred Taxes | 77,622 | — | — | 7,895(C) | 85,517 |
| | \$ 94,945 | \$ 4,390 | \$ 154,145 | \$ (153,162) | \$ 100,318 |
| Year ended June 30, 2009: | | | | | |
| Allowance for doubtful accounts | \$ 8,518 | \$ 3,986 | \$ — | \$ (8,100)(A) | \$ 4,404 |
| Allowance for contractual adjustments | 15,401 | — | 125,694 | (128,176)(B) | 12,919 |
| Valuation Allowance on Deferred Taxes | 72,174 | — | — | 5,448(C) | 77,622 |
| | \$ 96,093 | \$ 3,986 | \$ 125,694 | \$ (130,828) | \$ 94,945 |
| Eleven months ended June 30, 2008: | | | | | |
| Allowance for doubtful accounts | \$ 12,515 | \$ 5,790 | \$ — | \$ (9,787)(A) | \$ 8,518 |
| Allowance for contractual adjustments | 21,518 | — | 153,002 | (159,119)(B) | 15,401 |
| Valuation Allowance on Deferred Taxes | 89,441 | — | — | (17,267)(C) | 72,174 |
| | \$ 123,474 | \$ 5,790 | \$ 153,002 | \$ (186,173) | \$ 96,093 |
| Predecessor | | | | | |
| One month ended July 31, 2007: | | | | | |
| Allowance for doubtful accounts | \$ 12,648 | \$ 389 | \$ — | \$ (522)(A) | \$ 12,515 |
| Allowance for contractual adjustments | 21,454 | — | 14,585 | (14,521)(B) | 21,518 |
| Valuation Allowance on Deferred Taxes | 89,441 | — | — | — | 89,441 |
| | \$ 123,543 | \$ 389 | \$ 14,585 | \$ (15,043) | \$ 123,474 |

(A) Write-off of uncollectible accounts.

(B) Write-off of contractual adjustments, representing the difference between our charge for a procedure and what we receive from payors.

(C) Changes due to increase or decreases in deferred tax assets and liabilities.

EXHIBIT INDEX

| Exhibit Number | Description and References |
|-------------------|--|
| *2.1 | Second Amended Joint Prepackaged Plan of Reorganization of Insight Health Services Holdings Corp. (the “Company”), et al. dated May 29, 2007, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 21, 2007. |
| *2.2 | Amended Plan Supplement of the Company, et al. dated July 7, 2007, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 21, 2007. |
| *3.1 | Amended and Restated Certificate of Incorporation of the Company, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 21, 2007. |
| *3.2 | Second Amended and Restated Bylaws of the Company, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 21, 2007. |
| *4.1 | Indenture, dated September 22, 2005, by and among Insight Health Services Corp. (“Insight”), the Company, the subsidiary guarantors (named therein) and U.S. Bank National Association, with respect to Senior Secured Floating Rate Notes due 2011, previously filed and incorporated herein by reference from Insight’s Registration Statement on Form S–4, filed on October 28, 2005. |
| *4.2 | First Supplemental Indenture, dated as of May 18, 2006, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 27, 2006. |
| *4.3 | Second Supplemental Indenture, dated as of May 29, 2007, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company’s Current Report on Form 8–K, filed on June 4, 2007. |
| *4.4 | Third Supplemental Indenture, dated as of July 9, 2007, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 21, 2007. |
| *4.5 | Fourth Supplemental Indenture, dated as of December 16, 2009, to the Indenture dated September 22, 2005, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–Q, filed on February 17, 2009. |
| *4.6 | Security Agreement, dated September 22, 2005, by and among the Loan Parties (as defined therein) and U.S. Bank National Association, as Collateral Agent, previously filed and incorporated herein by reference from Insight’s Registration Statement on Form S–4, filed on October 28, 2005. |
| *4.7 | Pledge Agreement, dated September 22, 2005, by and among the Loan Parties (as defined therein) and U.S. Bank National Association, as Collateral Agent, previously filed and incorporated herein by reference from Insight’s Registration Statement on Form S–4, filed on October 28, 2005. |
| *4.8 | Collateral Agency Agreement, dated September 22, 2005, among the Loan Parties (as defined therein) and U.S. Bank National Association, as Trustee and Collateral Agent, previously filed and incorporated herein by reference from Insight’s Registration Statement on Form S–4, filed on October 28, 2005. |
| *4.9 | Registration Rights Agreement, dated as of August 1, 2007, by and among the Company and certain holders of the Company’s common stock, previously filed and incorporated herein by reference from the Company’s Annual Report on Form 10–K, filed on September 21, 2007. |
| *10.1 | Second Amended and Restated Loan and Security Agreement, dated August 31, 2007, by and among Insight’s subsidiaries listed therein, the lenders named therein and Bank of America, N.A. as collateral and administrative agent, previously filed and incorporated herein by reference from the Company’s Current Report on Form 8–K, filed on August 7, 2007. |
| *10.2 | Executive Employment Agreement, dated October 22, 2004, among Insight, the Company and Patricia R. Blank, previously filed and incorporated herein by reference from the Company’s Current Report on Form 8–K, filed on January 26, 2005. |
| *10.3 | Executive Employment Agreement, dated April 7, 2008, among Insight, and Louis E. Hallman, III, previously filed and incorporated herein by reference from the Company’s Current Report on Form 8–K, filed on April 14, 2008. |
| *10.4 | Executive Employment Agreement, dated August 10, 2005, among Insight, the Company and Donald F. Hankus, previously filed and incorporated herein by reference from the Company’s Current Report on Form 8–K, filed on September 30, 2005. |

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| Exhibit Number | Description and References |
|---------------------------|---|
| *10.5 | Form of Amended and Restated Indemnification Agreement, previously filed and incorporated herein by reference from the Company's Annual Report on Form 10-K, filed on September 22, 2005. |
| *10.6 | Form of the Company's and Insight's Indemnification Agreement, previously filed and incorporated herein by reference from the Company's Annual Report Form 10-K filed on September 21, 2007. |
| *10.7 | The Company's 2008 Director Stock Option Plan, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.8 | Form of the Company's 2008 Director Stock Option Plan Nonstatutory Stock Option Grant Agreement with an exercise price of \$1.01 per share, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.9 | Form of the Company's 2008 Director Stock Option Plan Nonstatutory Stock Option Grant Agreement with an exercise price of \$1.16 per share, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.10 | The Company's 2008 Employee Stock Option Plan previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.11 | Form of the Company's 2008 Employee Stock Option Plan Nonstatutory Stock Option Grant Agreement, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on April 18, 2008. |
| *10.12 | Executive Employment Agreement dated May 15, 2008, by and between Insight and Bernard J. O'Rourke, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on May 21, 2008. |
| *10.13 | Executive Employment Agreement dated October 27, 2008, by and between Insight and Keith S. Kelson, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on November 4, 2008. |
| *10.14 | Executive Employment Agreement dated October 27, 2008, by and between Insight and Steven M. King, previously filed and incorporated herein by reference from the Company's Current Report on Form 8-K, filed on November 4, 2008. |
| 10.15 | First Amendment to Second Amended and Restated Loan and Security Agreement, dated September 20, 2010, by and among Insight's subsidiaries listed therein, the lenders named therein and Bank of America, N.A. as collateral and administrative agent. |
| 21.1 | Subsidiaries of Company, filed herewith |
| 31.1 | Certification of Louis E. Hallman, III, the Company's Chief Executive Officer, pursuant to Rule 15d-14 of the Securities Exchange Act of 1934, filed herewith. |
| 31.2 | Certification of Keith S. Kelson, the Company's Chief Financial Officer, pursuant to Rule 15d-14 of the Securities Exchange Act of 1934, filed herewith. |
| 32.1 | Certification of Louis E. Hallman, III, the Company's Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.2 | Certification of Keith S. Kelson, the Company's Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |

* Previously filed

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-10.15

EX-10.15

10-K Filed on 09/24/2010 - Period: 06/30/2010

File Number 333-75984-12



**FIRST AMENDMENT TO SECOND AMENDED AND
RESTATED LOAN AND SECURITY AGREEMENT**

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment") is made and entered into on September 20, 2010, by and among **INSIGHT HEALTH CORP.**, a Delaware corporation ("IHC"); those affiliates of IHC listed on the signature pages hereof (IHC, together with such affiliates, collectively, "Borrowers" and each individually, a "Borrower"); the financial institutions party from time to time to the Loan Agreement (as defined below) as lenders (collectively, "Lenders"); **BANK OF AMERICA, N.A.**, a national banking association, in its capacity as collateral and administrative agent (in such capacity, together with its successors in such capacity, "Administrative Agent") for the Lenders.

Recitals:

Borrowers, Lenders and Agent are parties to a certain Second Amended and Restated Loan and Security Agreement dated August 1, 2007 (as at any time amended, restated, supplemented or otherwise modified, the "Loan Agreement"), pursuant to which Agent and Lenders have made loans and other extensions of credit to Borrowers, which loans and extensions of credit are secured by security interests in and Liens upon all or substantially all of the assets of Borrowers.

The parties desire to amend the Loan Agreement as hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby severally acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. All capitalized terms used in this Amendment, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Loan Agreement.

2. Amendments to Loan Agreement. The Loan Agreement is hereby amended as follows:

(a) By deleting the definitions of "Adjusted LIBOR Rate," "Applicable Margin" and "Base Rate" in Section 1.1 of the Loan Agreement and by substituting the following new definition in lieu thereof:

Adjusted LIBOR Rate — for any Interest Period with respect to a LIBOR Loan, the per annum rate of interest (rounded up, if necessary, to the nearest 1/8th of 1%), determined by Agent at approximately 11:00 a.m. (London time) two Business Days prior to commencement of such Interest Period, for a term comparable to such Interest Period, equal to (a) the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source designated by Agent); or (b) if BBA LIBOR is not available for any reason, the interest rate at which Dollar deposits in the approximate amount of the LIBOR Loan would be offered by BofA's London branch to major banks in the London interbank Eurodollar market. If the Board of Governors imposes a Reserve Percentage with respect to LIBOR deposits, then the Adjusted LIBOR Rate shall be the foregoing rate, divided by 1 minus the Reserve Percentage.

Applicable Margin — a percentage equal to 2.75% with respect to Revolver Loans that are Base Rate Loans and 3.75% with respect to Revolver Loans that are LIBOR Loans; provided that, commencing on the Adjustment Date (as defined below) relating to the financial statements for the fiscal month of Borrowers ending September 30, 2010, and on each Adjustment Date thereafter, the Applicable Margin shall be increased or decreased, based upon the Fixed Charge Coverage Ratio for the Fixed Charge Coverage Ratio Test Period ending on the last day of the then most recently ended Fiscal Quarter in which financial statements for the last fiscal month of such Fiscal Quarter have been delivered to Administrative Agent pursuant to **Section 10.1.3(ii)**, as follows:

| Level | Fixed Charge Coverage Ratio | Revolver Pricing | |
|-------|--|------------------|-----------------|
| | | LIBOR Loans | Base Rate Loans |
| I | Equal to or greater than 1.50 to 1.0 | 3.25% | 2.25% |
| II | Equal to or greater than 1.25 to 1.0 but less than 1.50 to 1.0 | 3.50% | 2.50% |
| III | Less than 1.25 to 1.0 | 3.75% | 2.75% |

Except as otherwise provided in this definition, any such increase or reduction in the Applicable Margin shall be effective on the date (the “Adjustment Date”) that is the first day of the first month following the month in which Administrative Agent receives the financial statements required to be delivered by Borrowers pursuant to **Section 10.1.3(ii)** for the last month of the then most recently ended Fiscal Quarter and the applicable Compliance Certificate. If, upon delivery of Borrowers’ annual audited financial statements pursuant to **Section 10.1.3(i)** for Borrowers’ then most recently ended Fiscal Year, Borrowers have not met the criteria for a reduction of the Applicable Margin that was previously granted based upon Borrowers’ unaudited financial statements for the last month of such Fiscal Year, then (a) such Applicable Margin reduction shall be terminated and, effective on the first day of the first month following receipt by Administrative Agent of such audited financial statements, the Applicable Margin shall be the Applicable Margin that would have been in effect if such reduction had been implemented based upon such audited financial statements, and (b) Borrowers shall pay to Administrative Agent, for the Pro Rata benefit of Lenders, on the first day of the month following receipt by Administrative Agent of such audited financial statements, an amount equal to the difference between the amount of interest that would have been paid using the Applicable Margin determined based upon such audited financial statements and the amount of interest actually paid during the period from the first day of the first month following delivery of Borrowers’ unaudited financial statements for the last month of such Fiscal Year

through the first day of the month following receipt by Administrative Agent of such audited financial statements.

Base Rate — for any day, a per annum rate equal to the greater of (a) the Prime Rate for such day; (b) the Federal Funds Rate for such day, plus 0.50%; and (c) the Adjusted LIBOR Rate for a 30 day Interest Period as determined on such day, plus 1.0%.

(b) By deleting reference to “\$15,000,000” in the definition of “LC Conditions” in Section 1.1 of the Loan Agreement and by substituting “\$5,000,000” in lieu thereof.

(c) By deleting reference to “\$30,000,000” in the definition of “Revolver Commitment” in Section 1.1 of the Loan Agreement and by substituting “\$20,000,000” in lieu thereof.

(d) By adding the following new definitions of “First Amendment Date,” “Prime Rate,” “Reserve Percentage” and “Unused Line Fee Percentage” in Section 1.1 of the Loan Agreement in the proper alphabetical sequence:

First Amendment Date — September 20, 2010.

Prime Rate — the rate of interest announced by BofA from time to time as its prime rate. Such rate is set by BofA on the basis of various factors, including its costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such rate. Any change in such rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

Reserve Percentage — the reserve percentage (expressed as a decimal, rounded up to the nearest 1/8th of 1%) applicable to member banks under regulations issued from time to time by the Board of Governors for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

Unused Line Fee Percentage — a percentage equal to 0.75% through September 30, 2010 and, thereafter, (a) for any month (or portion of such month that the Commitments are in effect) that the Average Revolver Loan Balance is less than 50% of the total Revolver Commitment, 0.75%, and (b) for any month (or portion of such month that the Commitments are in effect) that the Average Revolver Loan Balance is greater than or equal to 50% of the total Revolver Commitment, 0.50%.

(e) By deleting reference to “\$30,000,000” in the preamble of Section 2 of the Loan Agreement and by substituting “\$20,000,000” in lieu thereof.

(f) By deleting Section 3.2.2 of the Loan Agreement in its entirety and by substituting the following new Section 3.2.2 in lieu thereof:

3.2.2. Unused Line Fee. Borrowers shall be jointly and severally obligated to pay to Administrative Agent, monthly in arrears on the first day of each month, for

the Pro Rata benefit of Lenders, an unused line fee (the "Unused Line Fee") equal to the Unused Line Fee Percentage then in effect, in each case divided by 360 days and multiplied by the number of days in the immediately preceding month and then multiplied by the amount by which the Average Revolver Loan Balance for such immediately preceding month (or portion of such month that the Commitments are in effect) is less than the aggregate amount of the Revolver Commitments; but if the Commitments are terminated on a day other than the last day of a month, then any such Unused Line Fee payable for such month in which termination shall occur shall be paid on the effective date of such termination. The Unused Line Fee shall be deemed fully earned and non-refundable when due and payable.

(g) By deleting Section 12.1.1 of the Loan Agreement in its entirety and by substituting in lieu thereof the following:

12.1.1. Payment of Obligations. A Borrower fails to pay any Obligations when due (whether at stated maturity, on demand, upon acceleration or otherwise).

3. Ratification and Reaffirmation. Each Borrower hereby ratifies and reaffirms the Obligations, each of the Loan Documents and all of such Borrower's covenants, duties, indebtedness and liabilities under the Loan Documents to which it is a party.

4. Acknowledgments and Stipulations. Each Borrower acknowledges, stipulates and agrees that: the Loan Agreement and the other Loan Documents executed by such Borrower are legal, valid and binding obligations of such Borrower that are enforceable against such Borrower in accordance with the terms thereof, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights; all of the Obligations are owing and payable without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby waived by such Borrower); the security interests and Liens granted by such Borrower in favor of Agent pursuant to the Loan Documents are duly perfected, first priority (subject to Permitted Liens) security interests and Liens, except to the extent permitted under the Loan Agreement; prior to executing this Amendment, such Borrower consulted with and had the benefit of advice of legal counsel of its own selection and has relied upon the advice of such counsel, and in no part upon any representation of Agent or any Lender concerning the legal effects of this Amendment or any provision hereof; and, as of the opening of business on September 13, 2010, the unpaid principal amount of the Revolver Loans totaled \$0.00 and the LC Obligations totaled \$1,610,000.00.

5. Representations and Warranties. Each Borrower represents and warrants to Agent and Lenders, to induce Agent and Lenders to enter into this Amendment, that, except for or as a result of the Stipulated Defaults described in Section 9 hereof, (a) no Default or Event of Default exists on the date hereof; (b) the execution, delivery and performance of this Amendment and the consummation of the transactions contemplated hereby (i) are within the entity power of such Borrower and have been duly authorized by all requisite entity action on the part of such Borrower; (ii) do not require any consent or approval of any of the holders of the Equity Interests of any Borrower or any of its Subsidiary other than those obtained on or prior to the date hereof; (iii) do not contravene the Organic Documents of any Borrower or any of its Subsidiaries; (iv) do not violate, or cause any Borrower or any of its Subsidiaries to be in default under, any provision of any Applicable Law, order, writ, judgment, injunction, decree, determination or award in effect having

applicability to any Borrower or any of its Subsidiaries; (v) do not result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which any Borrower or any of its Subsidiaries is a party or by which it or its Properties may be bound or affected; and (vi) do not result in, or require, the creation or imposition of any Lien (other than Permitted Liens) upon or with respect to any of the Properties now owned or hereafter acquired by any Borrower or any of its Subsidiaries, except in the case of clauses (iv) and (v) of this Section 5(b) as would not reasonably be expected to have a Material Adverse Effect; (c) this Amendment has been duly executed and delivered by such Borrower; (d) all of the representations and warranties made by such Borrower in the Loan Agreement are true and correct in all material respects on and as of the date hereof (except for those representations or warranties which expressly relate to an earlier date, in which case, such representations or warranties are true and correct in all material respects as of such earlier date); (e) this Amendment constitutes the legal, valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights; (f) such Borrower is entering into this Amendment freely and voluntarily with the advice of legal counsel of his or its own choosing; and (g) such Borrower has freely and voluntarily agreed to the releases, waivers and undertakings set forth in this Amendment.

6. Reference to Loan Agreement. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," or words of like import shall mean and be a reference to the Loan Agreement, as amended by this Amendment.

7. Breach of Amendment. This Amendment shall be part of the Loan Agreement and a breach of any representation, warranty or covenant herein shall constitute an Event of Default.

8. Conditions Precedent. The effectiveness of the amendments contained in Section 2 hereof and the forbearance and agreement to continue to extend credit contained in Section 9 hereof are subject to each of the following:

- (a) Agent's receipt of this Amendment, duly executed and delivered by each party thereto;
- (b) Agent's receipt of evidence of authority of Borrowers to execute, deliver and perform this Amendment and such other documents as Agent may request in connection therewith, in each case satisfactory in form and substance to Agent;
- (c) Agent's receipt of payment by the Borrowers to Agent of a forbearance fee in the aggregate amount of \$50,000, which fee shall be fully earned upon execution of this Amendment by the parties, shall be due and payable in immediately available funds and shall be non-refundable upon its receipt by Agent;
- (d) all of the representations and warranties contained in this Amendment and that are made by any Borrower are true, complete and accurate in all material respects on the date hereof; and
- (e) Agent's receipt of such other documents and instruments as Agent may reasonably request, in each case satisfactory in form and substance to Agent.

9. Forbearance: Extensions of Credit During Forbearance Period.

(a) Definitions. The following terms shall have the meanings ascribed to them:

“Forbearance Conditions” shall mean the conditions to forbearance set forth in Section 9(d) of this Amendment.

“Forbearance Date” shall mean the later to occur of the date of this Amendment or the date on which each of the Forbearance Conditions and the conditions precedent set forth in Section 8 hereof is satisfied.

“Forbearance Period” shall mean the period commencing on the Forbearance Date and ending at 5:00 p.m. on December 1, 2010, unless extended in writing by Agent and Lenders in their sole discretion.

“Forbearance Termination Date” shall mean the sooner to occur of (a) 5:01 p.m. on the last day of the Forbearance Period or (b) the date on which Agent’s and Lenders’ agreement to forbear terminates as provided in Section 9(e) of this Amendment.

“Interest Payment Default” shall mean a “Default” under (and as defined in) the Senior Notes Indenture due to Borrowers’ failure to pay interest on the due date therefor under Senior Notes Indenture, without giving effect to any grace period for the payment of such interest under Section 6.01(i) of the Senior Notes Indenture.

“Stipulated Defaults” shall mean the Events of Default anticipated to occur and referenced in Section 9(b) of this Amendment.

(b) Stipulated Defaults. Each Borrower acknowledges, stipulates and agrees that it is anticipated that an Event of Default will occur under

(i) Section 10.1.3(i) of the Loan Agreement because the audited balance sheets of Borrowers and the related statements of income, shareholders’ equity and cash flow for the Fiscal Year ended on or about June 30, 2010 will contain an Impermissible Qualification, and (ii) Section 12.1.5 of the Loan Agreement as a consequence of the Interest Payment Default, each of which Events of Default will be material.

(c) Agreement to Forbear. If and for so long as each of the Forbearance Conditions is timely satisfied and subject to the satisfaction of the conditions precedent set forth in Section 8 hereof, Agent and Lenders agree that during the Forbearance Period, solely by reason of the existence of the Stipulated Defaults, (i) they will not exercise any remedy available to Agent or any Lender under the Loan Agreement, any of the other Loan Documents or Applicable Law to enforce collection from any Borrower or any Guarantor of any of the Obligations or to foreclose its security interest in any of the Collateral during the Forbearance Period, and (ii) they will not implement the Default Rate; provided, however, that the foregoing forbearance shall not restrict, impair or otherwise affect (A) Agent’s right to make demand for payment of any of the Obligations that are payable on demand under the terms of any of the Loan Documents; (B) any restriction or prohibition in any of the Loan Documents on the right of Borrowers to take or omit to take, or otherwise acquiesce in, certain actions, including any limitations, restrictions, or prohibitions with respect to Distributions, advancing monies to any Affiliate, consummating acquisitions or making certain dispositions of assets (although during the Forbearance Period the Stipulated Defaults shall not be

asserted as the basis for enforcing any such restriction or prohibition); (C) Agent's or any Lender's rights and remedies under any deposit account, blocked account, control account, bank agency, lockbox, letter of credit or other agreement to which Agent or any Lender is a party relating to any deposit or other account of any Borrower or any letter of credit issued for such Borrower's or any other Obligor's account; (D) Agent's or any Lender's right to file, record, publish or deliver a notice of default or document of similar effect relating to any Event of Default that is not a Stipulated Default, or to take any lien enforcement action as a consequence of any such Event of Default that is not a Stipulated Default; or (E) Agent's or any Lender's right to administer the lending relationship with Borrowers under and in accordance with the Loan Documents and this Amendment, including the imposition or release of Available Reserves. Neither this Amendment nor Agent's or any Lender's forbearance hereunder shall be deemed to be a waiver of or a consent to any Default or Event of Default.

(d) **Conditions to Forbearance.** The following conditions shall constitute Forbearance Conditions, the timely satisfaction of each and every one of which during the Forbearance Period shall be a condition to the agreement of Agent and Lenders to forbear as set forth in Section 9(c) of this Amendment: (i) each Borrower duly and punctually observes, performs and discharges each and every obligation and covenant on its part to be performed under this Amendment; (ii) no Events of Default occur or exist other than the Stipulated Defaults; (iii) no Guarantor revokes or attempts to revoke or terminate such Guarantor's Guaranty; (iv) no representation or warranty made by any Borrower in this Amendment proves to have been false or misleading in any material respect; and (v) no "Event of Default" (as defined in the Senior Notes Indenture) shall occur or exist under Section 6.01(i) of the Senior Notes Indenture.

(e) **Termination of Forbearance.** If any one or more of the Forbearance Conditions is not satisfied, Agent's and Lenders' agreement to forbear as set forth in Section 9(c) of this Amendment shall, at Agent's election but without further notice to or demand upon any Borrower, terminate, and Agent and Lenders shall thereupon have and may exercise from time to time all of the remedies available to it under the Loan Documents and Applicable Law as a consequence of an Event of Default. On and after the Forbearance Termination Date, Agent and Lenders shall be authorized, at any time and without further notice to or demand upon any Borrower or any other Person, to enforce all of their remedies under the Loan Documents and Applicable Law.

(f) **Extensions of Credit.** Notwithstanding the existence of the Stipulated Defaults and subject to the satisfaction of each of the Forbearance Conditions, Agent and Lenders agree to honor requests by Borrowers during the Forbearance Period for Revolver Loans and Letters of Credit pursuant to the Loan Agreement, but in no event shall Agent's and Lenders' honoring of any such requests be deemed a waiver of the Stipulated Defaults or any other Default or Event of Default that may occur or exist.

10. Expenses of Agent. Borrowers jointly and severally agree to pay, **on demand**, all costs and expenses incurred by Agent in connection with the preparation, negotiation and execution of this Amendment and any other Loan Documents executed pursuant hereto and any and all amendments, modifications, and supplements thereto, including, without limitation, the costs and fees of Agent's legal counsel and any taxes or expenses associated with or incurred in connection with any instrument or agreement referred to herein or contemplated hereby.

11. Effectiveness; Governing Law. This Amendment shall be effective upon acceptance by Agent in Atlanta, Georgia (notice of which acceptance is hereby waived), whereupon

the same shall be governed by and construed in accordance with the internal laws of the state of New York.

12. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

13. No Novation, etc. Except as otherwise expressly provided in this Amendment, nothing herein shall be deemed to amend or modify any provision of the Loan Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Amendment is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Loan Agreement as herein modified shall continue in full force and effect.

14. Counterparts; Electronic Signatures. This Amendment may be executed in any number of counterparts and by different parties to this Amendment on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any manually executed signature page delivered by a party hereto by facsimile or other electronic transmission shall be deemed to be an original signature page hereto.

15. Further Assurances. Each Borrower agrees to take such further actions as Agent and Lenders shall reasonably request from time to time in connection herewith to evidence or give effect to the amendments set forth herein or any of the transactions contemplated hereby.

16. Section Titles. Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto.

17. Relationship of Parties; No Third Party Beneficiaries. Nothing in this Amendment shall be construed to alter the existing debtor-creditor relationship between any Borrower and Agent or any Lender. This Amendment is not intended, nor shall it be construed, to create a partnership or joint venture relationship between or among any of the parties hereto. No Person other than a party hereto is intended to be a beneficiary hereof and no Person other than a party hereto shall be authorized to rely upon or enforce the contents of this Amendment.

18. Construction. This Amendment has been prepared through the joint efforts of all of the parties hereto. Neither the provisions of this Amendment nor any alleged ambiguity therein shall be interpreted or resolved against any party on the grounds that such party or its counsel drafted this Amendment, or based on any other rule of strict construction. Each of the parties represents that such party has carefully read this Amendment and all other instruments and agreements executed in connection herewith and that such party knows the contents hereof and has signed the same freely and voluntarily.

19. Non-Waiver of Default. Neither this Amendment, Agent's and Lenders' forbearance hereunder nor Agent's and Lenders' continued making of loans or other extensions of credit at any time extended to any Borrower in accordance with this Amendment and the Loan Documents shall be deemed a waiver of or consent to the Stipulated Defaults or any other Event of Default. Each Borrower agrees that such Events of Default shall not be deemed to have been waived, released or cured by virtue of Loans or other extensions of credit at any time extended to such Borrower, Agent's and Lenders' agreement to forbear pursuant to the terms of this Amendment or the execution of this Amendment.

20. Release of Claims; Covenant Not to Sue. To induce Agent and Lenders to enter into this Amendment, each Borrower, on behalf of itself and its agents, representatives, officers, directors, subsidiaries, successors and assigns (collectively with each Borrower, "Releasors" and individually a "Releasor") hereby releases, acquits and forever discharges each Releasee (as hereinafter defined) from any and all liabilities, claims, demands, actions or causes of action of any kind (if there be any), whether absolute or contingent, due or to become due, disputed or undisputed, liquidated or unliquidated, at law or in equity, or known or unknown (collectively, "Claims") that any Releasor now has, ever had or hereafter may have against Agent or any Lender in any capacity or Agent's or any Lender's officers, directors, employees, agents, attorneys, representatives, subsidiaries, affiliates and shareholders (collectively with Agent and Lenders, the "Releasees") based on acts, transactions, or circumstances occurring on or before the date of this Amendment that relate to (i) any Loan Document, (ii) any transaction, action or omission contemplated thereby or concluded thereunder or (iii) any aspect of the dealings or relationships between or among any Borrower, on the one hand, and Agent and Lenders, on the other hand, relating to any Loan Document or any transaction, action or omission contemplated thereby or concluded thereunder. The provisions of this Section 20 shall survive the termination of this Amendment and any of the other Loan Documents and payment in full of the Obligations. Each Borrower, on behalf of itself and its successors, assigns and other legal representatives, hereby unconditionally and irrevocably agrees it will not sue any Releasee on the basis of any Claim released, remised and discharged pursuant to the foregoing provisions of this Section 20, and if such Borrower or any of its successors, assigns or other legal representatives violate the foregoing covenant, such Borrower, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and cost incurred by any Releasee as a result of such violation.

21. Waiver of Jury Trial. To the fullest extent permitted by applicable law, the parties hereto each hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Amendment.

[Remainder of page intentionally left blank signatures begin on following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed under seal in and delivered by their respective duly authorized officers on the date first written above.

BORROWERS:

**INSIGHT HEALTH CORP.
MAXUM HEALTH SERVICES CORP.
OPEN MRI, INC.
SIGNAL MEDICAL SERVICES, INC.
REVANA HEALTH CORP.
(FKA COMPREHENSIVE MEDICAL IMAGING, INC.)
COMPREHENSIVE MEDICAL IMAGING CENTERS, INC.**

By: _____
Keith S. Kelson, Executive Vice President
and Chief Financial Officer

**ORANGE COUNTY REGIONAL PET CENTER
– IRVINE, LLC
PARKWAY IMAGING CENTER, LLC**

By: InSight Health Corp., as the sole member

By: _____
Keith S. Kelson, Executive Vice
President and Chief Financial Officer

CONSENT AND REAFFIRMATION

Each of the undersigned guarantors of the Obligations of Borrowers at any time owing to Agent and Lenders hereby (i) acknowledges receipt of a copy of the foregoing First Amendment to Second Amended and Restated Loan and Security Agreement; (ii) consents to Borrowers' execution and delivery thereof; (iii) agrees to be bound thereby and subject to the terms and conditions thereof; and (iv) affirms that nothing contained therein shall modify in any respect whatsoever its respective guaranty of the Obligations and reaffirms that such guaranty is and shall remain in full force and effect and is the legal, valid and binding obligation of such undersigned guarantor, enforceable against such undersigned guarantor in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights.

IN WITNESS WHEREOF, the undersigned has executed this Consent and Reaffirmation as of the date of such First Amendment to Second Amended and Restated Loan and Security Agreement.

**INSIGHT HEALTH SERVICES HOLDINGS CORP.
INSIGHT HEALTH SERVICES CORP.**

By: _____
Keith S. Kelson, Executive Vice President
and Chief Financial Officer

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-21.1

EX-21.1

10-K Filed on 09/24/2010 - Period: 06/30/2010

File Number 333-75984-12



NAME OF SUBSIDIARY

Berwyn Magnetic Resonance Center, L.L.C.
Comprehensive Medical Imaging, Inc.
Comprehensive Medical Imaging Centers, Inc.
Encinitas Imaging Center, LLC
East Bay Medical Imaging, LLC
Garfield Imaging Center, Ltd.
Insight Health Corp.
Insight Health Services Corp.
Insight–Premier Health, LLC
Insight ProScan, LLC
Kessler Imaging Associates, LLC
Maxum Health Services Corp.
Open MRI, Inc.
Orange County Regional PET Center–Irvine, LLC
Parkway Imaging Center, LLC
Signal Medical Services, Inc.
Valencia MRI, LLC

STATE/PROVINCE OF ORGANIZATION

Illinois
Delaware
Delaware
California
California
California
Delaware
Delaware
Maine
Ohio
New Jersey
Delaware
Delaware
California
Nevada
Delaware
California

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-31.1

EX-31.1

10-K Filed on 09/24/2010 - Period: 06/30/2010

File Number 333-75984-12



**CERTIFICATION PURSUANT TO
RULE 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Louis E. Hallman, III, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended June 30, 2010 of Insight Health Services Holdings Corp.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 23, 2010

/s/ Louis E. Hallman, III

Louis E. Hallman, III
President and Chief Executive Officer

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-31.2

EX-31.2
10-K Filed on 09/24/2010 - Period: 06/30/2010
File Number 333-75984-12



**CERTIFICATION PURSUANT TO
RULE 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Keith S. Kelson, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended June 30, 2010 of Insight Health Services Holdings Corp.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 23, 2010

/s/ Keith S. Kelson

Keith S. Kelson
Executive Vice President and Chief Financial Officer

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-32.1

EX-32.1
10-K Filed on 09/24/2010 - Period: 06/30/2010
File Number 333-75984-12



**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the annual report on Form 10–K of Insight Health Services Holdings Corp. (the “Company”) for the fiscal year ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Louis E. Hallman, III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes–Oxley Act of 2002, that to my knowledge:

- (1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Louis E. Hallman, III

Louis E. Hallman, III
President and Chief Executive Officer
September 23, 2010

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-32.2

EX-32.2
10-K Filed on 09/24/2010 - Period: 06/30/2010
File Number 333-75984-12



**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Insight Health Services Holdings Corp. (the "Company") for the fiscal year ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, Keith S. Kelson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith S. Kelson

Keith S. Kelson
Executive Vice President and Chief Financial Officer
September 23, 2010

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT G

Most Recent Filed Quarterly Report

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

10-Q

FORM 10-Q

Filed on 11/15/2010 - Period: 09/30/2010

File Number 333-75984-12



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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 333-75984-12

INSIGHT HEALTH SERVICES HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

04-3570028
(I.R.S. Employer
Identification No.)

26250 Enterprise Court, Suite 100, Lake Forest, CA 92630

(Address of principal executive offices) (Zip code)

(949) 282-6000

(Registrant's telephone number including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 8,644,444 shares of common stock as of November 15, 2010.

The number of pages in this Form 10-Q is 52.

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
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| In accordance with SEC Regulation S–X Rule 3–10, the condensed consolidated financial statements of InSight Health Services Holdings Corp. (Company) are included herein and separate financial statements of InSight Health Services Corp. (InSight), the Company’s wholly owned subsidiary, and InSight’s subsidiary guarantors are not included. Condensed financial data for InSight and its subsidiary guarantors is included in Note 18 to the condensed consolidated financial statements. | |
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[Table of Contents](#)**ITEM 1. FINANCIAL STATEMENTS****INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(Amounts in thousands, except share data)

| | September 30, 2010 | June 30, 2010 |
|--|-----------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,651 | \$ 9,056 |
| Trade accounts receivables, net of allowance for contractual adjustments, bad debt, and professional fees of \$30,114 and \$19,328, respectively | 23,428 | 22,594 |
| Other current assets | 7,784 | 7,845 |
| Total current assets | 34,863 | 39,495 |
| ASSETS HELD FOR SALE | 5,343 | — |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$112,606 and \$111,436 respectively | 70,223 | 73,315 |
| CASH, restricted | 439 | 319 |
| INVESTMENTS IN PARTNERSHIPS | 7,118 | 7,254 |
| OTHER ASSETS | 292 | 296 |
| GOODWILL AND OTHER INTANGIBLE ASSETS, net | 21,820 | 20,002 |
| | \$ 140,098 | \$ 140,681 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Current portion of notes payable | \$ 287,022 | \$ 154 |
| Current portion of capital lease obligations | 1,304 | 1,279 |
| Accounts payable and other accrued expenses | 22,167 | 25,275 |
| Total current liabilities | 310,493 | 26,708 |
| LONG-TERM LIABILITIES: | | |
| Notes payable, less current portion | 1,152 | 286,199 |
| Capital lease obligations, less current portion | 1,863 | 2,204 |
| Other long-term liabilities | 822 | 764 |
| Deferred income taxes | 5,432 | 5,462 |
| Total long-term liabilities | 9,269 | 294,629 |
| COMMITMENTS AND CONTINGENCIES (Note 14) | | |
| STOCKHOLDERS' DEFICIT: | | |
| Common stock, \$.001 par value, 10,000,000 shares authorized, 8,644,444 shares issued and outstanding | 9 | 9 |
| Additional paid-in capital | 37,627 | 37,609 |
| Accumulated other comprehensive loss | — | (212) |
| Accumulated deficit | (220,072) | (220,741) |
| Total stockholders' deficit attributable to InSight Health Services Holdings Corp. | (182,436) | (183,335) |
| Noncontrolling interest | 2,772 | 2,679 |
| Total stockholders' deficit | (179,664) | (180,656) |
| | \$ 140,098 | \$ 140,681 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

[Table of Contents](#)**INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSSES**

(Unaudited)

(Amounts in thousands, except per share data)

| | Three Months Ended September 30, | |
|---|-------------------------------------|------------|
| | 2010 | 2009 |
| REVENUES: | | |
| Contract services | \$ 22,818 | \$ 25,024 |
| Patient services | 24,843 | 24,588 |
| Other operations | 607 | 529 |
| Total revenues | 48,268 | 50,141 |
| COSTS OF OPERATIONS: | | |
| Costs of services | 33,909 | 32,250 |
| Provision for doubtful accounts | 1,103 | 1,110 |
| Equipment leases | 2,861 | 2,561 |
| Depreciation and amortization | 6,658 | 9,471 |
| Total costs of operations | 44,531 | 45,392 |
| CORPORATE OPERATING EXPENSES | (5,749) | (4,806) |
| EQUITY IN EARNINGS OF UNCONSOLIDATED PARTNERSHIPS | 654 | 612 |
| INTEREST EXPENSE, net | (6,185) | (6,844) |
| LOSS ON SALES OF CENTERS | (241) | — |
| GAIN ON NONMONETARY EXCHANGE | 8,717 | — |
| Income (loss) before income taxes | 933 | (6,289) |
| PROVISION FOR INCOME TAXES | 37 | 37 |
| Net income (loss) | 896 | (6,326) |
| Less: net income attributable to noncontrolling interests | 227 | 266 |
| Net income (loss) attributable to InSight Health Services Holdings Corp. | \$ 669 | \$ (6,592) |
| COMPREHENSIVE INCOME (LOSS): | | |
| Net income (loss) attributable to InSight Health Services Holdings Corp. | \$ 669 | \$ (6,592) |
| Unrealized income attributable to change in fair value of interest rate contracts | 212 | 88 |
| Comprehensive income (loss) attributable to InSight Health Services Holdings Corp. | \$ 881 | \$ (6,504) |
| Basic and diluted income (loss) per common share attributable to InSight Health Services Holdings Corp. | \$ 0.08 | \$ (0.76) |
| Weighted average number of basic and diluted common shares outstanding | 8,644 | 8,644 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

[Table of Contents](#)

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in thousands)

| | Three Months Ended September 30, | |
|--|-------------------------------------|------------|
| | 2010 | 2009 |
| OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 896 | \$ (6,326) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 6,658 | 9,471 |
| Amortization of bond discount | 1,570 | 1,412 |
| Share-based compensation | 18 | 18 |
| Equity in earnings of unconsolidated partnerships | (654) | (612) |
| Distributions from unconsolidated partnerships | 790 | 896 |
| Loss on sales of centers | 241 | — |
| Gain on sales of equipment | (228) | (461) |
| Gain on nonmonetary exchange | (8,717) | — |
| Deferred income taxes | 28 | — |
| Cash (used in) provided by changes in operating assets and liabilities: | | |
| Trade accounts receivables, net | (834) | 208 |
| Other current assets | 55 | 2,356 |
| Accounts payable and other accrued expenses | (3,159) | (5,496) |
| Net cash provided by (used in) operating activities | (3,336) | 1,466 |
| INVESTING ACTIVITIES: | | |
| Proceeds from sales of centers | 85 | 2,721 |
| Proceeds from sales of equipment | 910 | 636 |
| Additions to property and equipment | (2,496) | (6,085) |
| Decrease (increase) in restricted cash | (120) | 1,523 |
| Net cash used in investing activities | (1,621) | (1,205) |
| FINANCING ACTIVITIES: | | |
| Principal payments of notes payable and capital lease obligations | (371) | (472) |
| Proceeds from issuance of notes payable | 306 | — |
| Payment for interest rate cap contract | (106) | — |
| Distributions to non-controlling interest | (134) | — |
| Payment for unfavorable contract obligation | (143) | — |
| Other | — | (8) |
| Net cash used in financing activities | (448) | (480) |
| DECREASE IN CASH AND CASH EQUIVALENTS: | | |
| Cash, beginning of period | (5,405) | (219) |
| | 9,056 | 19,640 |
| Cash, end of period | \$ 3,651 | \$ 19,421 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ 4,186 | \$ 5,456 |
| Income taxes paid | 30 | 49 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES: | | |
| Assets exchanged (see Note 7) | 8,094 | — |

The accompanying notes are an integral part of these condensed consolidated financial statements.

INSIGHT HEALTH SERVICES HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. NATURE OF BUSINESS

All references to “we,” “us,” “our,” “our company” or “the Company” in this quarterly report on Form 10-Q, or Form 10-Q, mean Insight Health Services Holdings Corp., a Delaware corporation, and all entities and subsidiaries owned or controlled by Insight Health Services Holdings Corp. All references to “Holdings” mean Insight Health Services Holdings Corp. by itself. All references to “Insight” mean Insight Health Services Corp., a Delaware corporation and a wholly-owned subsidiary of Holdings, by itself. Through Insight and its subsidiaries, we provide diagnostic imaging services in more than 30 states throughout the United States. Our operations are primarily concentrated in, Arizona, certain markets in California, Texas, New England, the Carolinas, Florida, and the Mid-Atlantic states. Our services are provided through a network of 88 mobile magnetic resonance imaging, or MRI, facilities, one mobile computed tomography, or CT, facility, and 14 mobile positron emission tomography and computed tomography, or PET/CT, facilities (collectively, mobile facilities) and 33 fixed-site MRI centers and 33 multi-modality fixed-site centers (collectively, fixed-site centers). At our multi-modality fixed-site centers, we typically offer other services in addition to MRI, including PET/CT, CT, x-ray, mammography, ultrasound, nuclear medicine and bone densitometry services.

We have three reportable segments: contract services, patient services and other operations. In our contract services segment we generate revenue principally from 98 mobile facilities and 17 fixed-site centers. In our patient services segment we generate revenues principally from 49 fixed-site centers and 5 mobile facilities. Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. See additional information regarding our segments in Note 11 “Segment Information” below.

2. LIQUIDITY AND CAPITAL RESOURCES

We have a substantial amount of debt, which requires significant interest and principal payments. As of September 30, 2010, we had total indebtedness of \$298.1 million in aggregate principal amount, including \$293.5 million of floating rate notes which come due in November 2011. We elected not to make the scheduled November 1, 2010 interest payment on our floating rate notes in order to preserve our cash position. As a result of our not paying the scheduled November 1, 2010 interest payment, there is currently a default under the indenture governing such notes. The 30-day grace period before such non-payment constitutes an event of default under the indenture will expire on December 1, 2010. The non-payment of the scheduled November 1, 2010 interest payment also constitutes an event of default under our revolving credit facility. Because we are in default of our revolving credit facility due to the non-payment of the interest and an impermissible qualification as discussed below, we may not be able to borrow on our credit facility after December 1, 2010. If we do not cure the interest non-payment default that currently exists under the indenture governing our floating rate notes on or prior to December 1, 2010, an event of default will arise under such indenture and the trustee or holders of at least 25% in principal amount of the then outstanding floating rate notes could declare the principal amount, and accrued and unpaid interest, on all outstanding floating rate notes immediately due and payable, therefore we have classified the notes as current. In such an event, we would likely need to seek protection under chapter 11 of the Bankruptcy Code. In addition, we have suffered recurring losses from operations and have a net capital deficiency that raises substantial doubt about our ability to continue as a going concern. Additionally, the opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contained an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We were not able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result we are currently not in compliance with the revolving credit facility because of an impermissible qualification default.

On September 20, 2010, we executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the impermissible qualification default under the agreement, as well as the interest payment default that has since arisen, and allow us full access to the revolver until December 1, 2010. If we have not remedied both the impermissible qualification default and the interest payment default by December 1, 2010,

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our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder, if any, to become immediately due and payable. We did not have any borrowings outstanding on the revolver as of September 30, 2010 and do not currently have any borrowings outstanding on the revolver. We currently have approximately \$1.7 million outstanding in letters of credit that would need to be cash collateralized in the event our revolver is eliminated. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit limit from \$15 million to \$5 million, and also increases our interest rate on outstanding borrowings to Prime +2.75% or LIBOR +3.75%, at our discretion. The unused line fee is increased to 0.75%.

In any event, we will need to restructure or refinance all or a portion of our indebtedness on or before maturity of such indebtedness. In the event such steps are not successful in enabling us to meet our liquidity needs or to restructure or refinance our outstanding indebtedness when due, we would likely need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged Jefferies & Company and are working closely with them to develop and finalize a restructuring plan to significantly reduce our outstanding debt and improve our cash and liquidity position. We are in discussions with holders of a significant amount of the principal amount outstanding of our floating rate notes regarding a possible restructuring of our floating rate notes as part of our previously announced plan to develop and finalize a restructuring plan to significantly reduce our outstanding debt and improve our cash and liquidity position. However we can give no assurances that we will be able to restructure the floating rate notes on commercially reasonable terms or on terms favorable to us, or at all. The floating rate notes mature in November 2011 and unless our financial performance significantly improves, we can give no assurance that we will be able to cure the existing default under the indenture governing the floating rate notes, meet our interest payment obligations on the floating rate notes in the future, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness, and cause a material adverse effect on our liquidity and financial condition. Any such default would likely require us to seek protection under chapter 11 of the Bankruptcy Code. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more restrictive covenants, which could further restrict our business operations and have a material adverse effect on our results of operations.

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3. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q, and therefore do not include all information and note disclosures necessary for a fair presentation of consolidated financial position, results of operations and cash flows in conformity with United States generally accepted accounting principles. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes included as part of our annual report on Form 10-K for the fiscal year ended June 30, 2010 filed with the Securities and Exchange Commission, or SEC. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair statement of results for the period have been included. The results of operations for the three months ended September 30, 2010 are not necessarily indicative of the results to be achieved for the full fiscal year.

4. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Our condensed consolidated financial statements include our accounts and those of all controlled subsidiaries. All significant intercompany transactions and balances have been eliminated. Equity investments in which the Company exercises significant influence, but does not control, and is not the primary beneficiary are accounted for using the equity method. Investments in which the Company does not exercise significant influence over the investee are accounted for under the cost method.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Identified intangible assets consist of our goodwill, trademark, certificates of need, wholesale contracts and customer relationships. The intangible assets, excluding the wholesale contracts and customer relationships, are indefinite-lived assets and are not amortized. Wholesale contracts and customer relationships are definite-lived intangible assets and are amortized over five and thirty years, respectively. In accordance with ASC Topic 350 "Intangibles — Goodwill and Other", the indefinite-lived intangible asset balances are not being amortized, but instead are subject to an annual assessment of impairment by applying a fair-value based test.

We evaluate the carrying value of indefinite-lived intangible assets, in the second quarter of each fiscal year. Additionally, we review the carrying amount of indefinite-lived assets whenever events and circumstances indicate that the carrying amount of indefinite-lived assets may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or gross profit and adverse legal or regulatory developments. Impairment losses, if any, are reflected in the condensed consolidated statements of operations and comprehensive losses. We evaluate our indefinite-lived intangible assets each reporting period to determine if there has been any change that would not justify an indefinite life of the related intangible assets.

We assess the ongoing recoverability of our other intangible assets subject to amortization in accordance with ASC Topic 360 "Property, Plant and Equipment", whenever events and circumstances indicate that the carrying amount of our other intangible assets may not be recoverable, by determining whether the long-lived asset can be recovered over the remaining amortization period through projected undiscounted future cash flows. If projected future cash flows indicate that the unamortized long-lived asset will not be recovered, an adjustment is made to reduce the asset to an amount consistent with projected future cash flows discounted at the market interest rate. Cash flow projections, although subject to a degree of uncertainty, are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions.

Goodwill and other intangible assets are as follows (amounts in thousands) (unaudited):

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| | September 30, 2010 | | June 30, 2010 | |
|--|----------------------|--------------------------|----------------------|--------------------------|
| | Gross Carrying Value | Accumulated Amortization | Gross Carrying Value | Accumulated Amortization |
| Amortized intangible assets: | | | | |
| Wholesale contracts | \$ 7,800 | \$ 4,940 | \$ 7,800 | \$ 4,550 |
| Customer relationships | 3,800 | 159 | 3,800 | 117 |
| Total amortized intangible assets | 11,600 | 5,099 | 11,600 | 4,667 |
| Unamortized goodwill and intangible assets: | | | | |
| Goodwill (1) | 4,850 | — | 1,618 | — |
| Trademark | 3,437 | — | 3,600 | — |
| Certificates of need (2) | 7,032 | — | 7,851 | — |
| Total unamortized intangible assets | 15,319 | — | 13,069 | — |
| Total goodwill and other intangible assets | \$ 26,919 | \$ 5,099 | \$ 24,669 | \$ 4,667 |

(1) The increase in goodwill of \$3.2 million is due to the acquisition of the eight fixed-site centers (\$6.9 million), discussed in Note 7, partially offset by the amount within assets held for sale (\$3.7 million), discussed in Note 8.

(2) The decrease in certificates of need of \$0.8 million is related to the sale of three mobile units, discussed within Note 7.

Amortization of intangible assets was approximately \$0.4 million for the three months ended September 30, 2010 and 2009.

Estimated remaining amortization expense for each of the fiscal years ending June 30, are as follows (amounts in thousands) (unaudited):

| | |
|--------------|-----------------|
| 2011 | \$ 1,261 |
| 2012 | 1,681 |
| 2013 | 251 |
| 2014 | 121 |
| 2015 | 121 |
| Thereafter | 3,066 |
| Total | \$ 6,501 |

6. NOTES PAYABLE

We elected not to pay the scheduled November 1, 2010 interest payment in the amount of approximately \$4.2 million on our senior secured floating rate notes due 2011 ("floating rate notes"). As a result of our not paying the scheduled November 1, 2010 interest payment, there is currently a default under the indenture governing such floating rate notes. The 30-day grace period before such non-payment constitutes an event of default under the indenture will expire on December 1, 2010. Following December 1, 2010, the trustee or holders of at least 25% in principal amount of the then outstanding floating rate notes could declare the principal amount, and accrued and unpaid interest, on all outstanding floating rate notes to be immediately due and payable, therefore we have classified the floating rate notes as current.

As of September 30, 2010, we had total indebtedness of \$298.1 million in aggregate principal amount, including \$293.5 million of floating rate notes which come due in November 2011. We elected not to make the scheduled November 1, 2010 interest on our floating rate notes in order to preserve our cash position. We may not be able to access our existing revolver if we are in default under our revolving credit agreement and our lender refuses to

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extend the forbearance period beyond December 1, 2010. Furthermore, if we do not cure the interest non-payment default that currently exists under the indenture governing our floating rate notes on or prior to December 1, 2010, an event of default will arise under such indenture and the trustee or holders of at least 25% in principal amount of the then outstanding floating rate notes could declare the principal amount, and accrued and unpaid interest, on all outstanding floating rate notes immediately due and payable, therefore, we have classified the notes as current. In such an event, we would likely need to seek protection under chapter 11 of the Bankruptcy Code.

The fair value of the floating rate notes as of September 30, 2010 was approximately \$94.3 million based on the quoted market price on that date.

Holdings' and Insight's wholly owned subsidiaries unconditionally guarantee all of Insight's obligations under the indenture for the floating rate notes. The floating rate notes are secured by a first priority lien on substantially all of Insight's and the guarantors' existing and future tangible and intangible personal property including, without limitation, equipment, certain real property, certain contracts and intellectual property and a cash account related to the foregoing but are not secured by a lien on our accounts receivables and related assets, cash accounts related to receivables and certain other assets. In addition, the floating rate notes are secured by a portion of Insight's stock and the stock or other equity interests of Insight's subsidiaries.

Through certain of Insight's wholly owned subsidiaries, we have an asset-based revolving credit facility of up to \$20 million, which matures in June 2011, with the lenders named therein and Bank of America, N.A., as collateral and administrative agent. This facility was recently amended as described below. As of September 30, 2010, we had approximately \$13.5 million of availability under the credit facility, based on our borrowing base. As a result of our current fixed charge coverage ratio, we would only be able to borrow \$6.0 million of the \$13.5 million of availability under the borrowing base, in the event that our liquidity, as defined in the credit facility agreement, falls below the \$7.5 million. At September 30, 2010, there were no borrowings outstanding under the credit facility; however, there were letters of credit of approximately \$1.6 million outstanding under the credit facility.

On September 20, 2010, we entered into the First Amendment to our Second Amended and Restated Loan and Security Agreement (the "Amendment"). The opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contained an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We were not able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result, we were not in compliance with the revolving credit facility because of an impermissible qualification default. Pursuant to the Amendment, the lender has agreed not to enforce an impermissible qualification default under the agreement (as well as the interest payment default that has arisen because we did not make the scheduled November 1, 2010 interest payment on the floating rate notes) and allow us full access to the revolver until December 1, 2010. If we have not remedied this noncompliance (and the interest payment default, if such arises) by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder to become immediately due and payable and any outstanding letters of credit, currently \$1.6 million, would need to be cash collateralized. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit limit from \$15 million to \$5 million and also increases our interest rate on outstanding borrowings to prime + 2.75% or Libor + 3.75% at our discretion. The unused line fee is increased to 0.75%. We paid a \$50,000 one-time fee upon execution of the amendment.

The agreements governing our credit facility and floating rate notes contain restrictions on, among other things, our ability to incur additional liens and indebtedness, engage in mergers, consolidations and asset sales, make dividend payments, prepay other indebtedness, make investments and engage in transactions with affiliates.

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7. ACQUISITIONS

In July, 2010 we acquired eight fixed-site imaging centers in the Phoenix, Arizona, El Paso, Texas, and Las Cruces, New Mexico areas for \$8.5 million from subsidiaries of MedQuest, Inc. and Novant Health, Inc. In a separate transaction on September 30, 2010, we sold three mobile imaging assets in North Carolina for \$9.2 million, of which \$0.6 million was received in cash, to an affiliate of MedQuest, Inc. and Novant Health, Inc. Acquisition-related transaction costs were \$0.2 million and expensed as incurred. Due to the proximity in time of the purchase and sale transaction, and that the two transactions were of similar value, the counterparties determined to settle only the net difference of \$0.6 million in cash. In accordance with ASC 805, we accounted for the purchase and sale transactions as a nonmonetary exchange of businesses and recorded a gain on nonmonetary exchange of \$8.7 million. The allocation of intangible assets is provisional pending finalization of the valuation. The excess of purchase price over the estimated fair value of net assets acquired was allocated to goodwill totaling \$6.9 million, which was not deductible for tax purposes, representing primarily the value of synergies expected from the transaction. The goodwill was reported in our patient services business segment.

Gain Recognized

| | |
|------------------------------------|----------|
| Fair Value of assets received | \$ 9,200 |
| Cash Received | 622 |
| Less Book Value of assets given up | (1,105) |

| | |
|------------------------|----------|
| <i>Gain recognized</i> | \$ 8,717 |
|------------------------|----------|

8. ASSETS HELD FOR SALE

In August 2010, we made the decision to sell certain assets related to five fixed-site centers in El Paso, Texas; one fixed-site center in Las Cruces, New Mexico, and one fixed-site center in Pleasanton, California for an amount expected to be equal to their then current carrying amount. On September 30, 2010 we signed a purchase agreement with a hospital group to sell these centers. Four of these fixed-site centers were acquired as part of our July 23, 2010 acquisition. As a result, we reclassified the associated assets to "Assets held for sale" on our consolidated balance sheet as of September 30, 2010. We ceased depreciating the assets at these five fixed-site centers at the time they were classified as held for sale.

The following table presents the carrying amount as of September 30, 2010 of the major classes of assets held for sale (amounts in thousands):

| | |
|-----------------------------------|--------------|
| Property and equipment, net | \$ 1,669 |
| Goodwill and Intangibles | 3,674 |
| Total assets held for sale | 5,343 |

| | |
|-----------------------|----|
| Deferred income taxes | 22 |
|-----------------------|----|

| | |
|--|--------------|
| Total liabilities held for sale (1) | \$ 22 |
|--|--------------|

(1) Included within other long-term liabilities on the consolidated balance sheet

9. SHARE-BASED COMPENSATION

A summary of the status of options for shares of Holdings' common stock at September 30, 2010 and changes during the period is presented below (unaudited):

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| | <u>Number of Options</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Grant Date Fair Value</u> | <u>Weighted Average Remaining Contractual Term (years)</u> |
|-----------------------------------|------------------------------|--|---|--|
| Outstanding, June 30, 2010 | 789,096 | \$ 0.50 | \$ 0.48 | 8.18 |
| Granted | — | — | — | — |
| Outstanding, September 30, 2010 | 789,096 | \$ 0.50 | \$ 0.48 | 8.73 |
| Exercisable at June 30, 2010 | 128,064 | \$ 1.09 | | |
| Exercisable at September 30, 2010 | 128,064 | \$ 1.09 | | |

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Of the options outstanding at September 30, 2010, the characteristics are as follows (unaudited):

| <u>Exercise Price Range</u> | <u>Weighted Average Exercise Price</u> | <u>Options Exercisable</u> | <u>Total Options Outstanding</u> | <u>Remaining Contractual Life</u> |
|-----------------------------|--|----------------------------|----------------------------------|-----------------------------------|
| \$ 0.15 | \$ 0.15 | — | 40,000 | 9.25 years |
| 0.14 | 0.14 | — | 40,000 | 9.25 years |
| 0.15 | 0.15 | — | 70,000 | 8.17 years |
| 0.36 | 0.36 | — | 447,000 | 7.92 years |
| 1.01 | 1.01 | 64,032 | 96,048 | 7.58 years |
| 1.16 | 1.16 | 64,032 | 96,048 | 7.58 years |
| | | 128,064 | 789,096 | |

10. INCOME TAXES

As of September 30, 2010, we had federal net operating loss, or NOL, carryforwards of \$161.7 million and various state NOL carryforwards. These NOL carryforwards expire between 2010 and 2030. On August 1, 2007 a confirmed plan of reorganization and cancellation of indebtedness for Holdings and Insight became effective. Future utilization of NOL carryforwards are limited by Internal Revenue Code section 382 and related provisions as a result of the change in control that occurred. Approximately \$105.8 million of the NOL is subject to a limitation as a result of the change of ownership that occurred on August 1, 2007. The annual limitation from 2008 through 2012 is \$9.7 million and from 2013 through 2027 is \$3.2 million. As discussed in Note 2 of the financial statements, the Company is currently reviewing financing alternatives, including potential filing for protection under the Bankruptcy Code. The NOL carryforwards and also the Company's ability to utilize the NOL carry forwards could be materially impacted by many of the alternatives the Company is considering.

A valuation allowance is provided against net deferred tax assets when it is more likely than not that the net deferred tax asset will not be realized. Based upon (1) our losses in recent years, (2) impairment charges recorded in fiscal years 2010, 2009, 2008 and 2007 and (3) the available evidence, management determined that it is more likely than not that the net deferred tax assets will not be realized. Consequently, we have a full valuation allowance against such net deferred tax assets. In determining the net asset subject to a valuation allowance, we excluded the deferred tax liability related to our indefinite-lived other intangible assets that is not expected to reverse in the foreseeable future resulting in a net deferred tax liability of \$5.4 million after application of the valuation allowance as of September 30, 2010. The valuation allowance may be reduced in the future if we forecast and realize future taxable income or other tax planning strategies are implemented. Future reversals of this valuation allowance recorded will be recorded as an income tax benefit.

The liability for income taxes associated with uncertain tax positions was \$0.8 for the three months ended September 30, 2010 and June 30, 2010, and is included in other long-term liabilities. This amount, if not required, would favorably affect our effective tax rate. We recognize interest and penalties, if any, related to uncertain tax positions in the provision for income taxes. For the quarter ended September 30, 2010, we recognized a tax benefit of cost \$0.1 million associated with interest on the uncertain tax positions. As of September 30, 2010, all material federal and state income tax matters have been concluded through June 30, 2004.

11. SEGMENT INFORMATION

We have three reportable segments: contract services, patient services and other operations, which are business units defined primarily by the type of service provided. Contract services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to our healthcare provider customers, such as hospitals, which we refer to as wholesale operations. We internally handle the billing and collections for our contract services at relatively low cost, and we do not bear the direct risk of collections from third party-payors or patients. Patient services consist of centers (mainly fixed-sites) that primarily generate revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, such as Medicare, Medicaid and health maintenance organizations, which we refer to as our retail operations. We have primarily

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outsourced the billing and collections for our patient services to Dell Perot Systems, and we bear the direct risk of collections from third-party payors and patients. We allocate corporate overhead, depreciation related to our billing system and income taxes to other operations. Other operations generate revenues primarily from agreements with customers to provide management services, which could include field operations, billing and collections and accounting and other office services. We refer to this revenue as generated from our solutions business. Other operations include all unallocated corporate expenses. We manage cash flows and assets on a consolidated basis, and not by segment.

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The following tables summarize our operating results by segment (amounts in thousands) (unaudited):

| Three months ended September 30, 2010: | <u>Contract services</u> | <u>Patient Services</u> | <u>Other Operations</u> | <u>Consolidated</u> |
|---|------------------------------|-----------------------------|-----------------------------|---------------------|
| Total revenues | \$22,818 | \$24,843 | \$ 607 | \$48,268 |
| Equipment leases | 2,335 | 526 | — | 2,861 |
| Depreciation and amortization | 3,495 | 2,753 | 410 | 6,658 |
| Total costs of operations | 19,051 | 24,763 | 717 | 44,531 |
| Corporate operating expenses | — | — | (5,749) | (5,749) |
| Equity in earnings of unconsolidated partnerships | 185 | 469 | — | 654 |
| Interest expense, net | (44) | (90) | (6,051) | (6,185) |
| Loss on sales of centers | — | (241) | — | (241) |
| Gain on nonmonetary exchange | 8,717 | — | — | 8,717 |
| Income (loss) before income taxes | 12,625 | 218 | (11,910) | 933 |
| Net additions to property and equipment | 1,087 | 220 | 702 | 2,009 |
| Three months ended September 30, 2009: | <u>Contract Services</u> | <u>Patient Services</u> | <u>Other Operations</u> | <u>Consolidated</u> |
| Total Revenues | \$25,024 | \$24,588 | \$ 529 | \$50,141 |
| Equipment leases | 2,009 | 560 | (8) | 2,561 |
| Depreciation and amortization | 5,618 | 3,188 | 665 | 9,471 |
| Total costs of operations | 21,217 | 23,386 | 789 | 45,392 |
| Corporate operating expenses | — | — | (4,806) | (4,806) |
| Equity in earnings of unconsolidated partnerships | 151 | 461 | — | 612 |
| Interest expense, net | (193) | (167) | (6,484) | (6,844) |
| Income (loss) before income taxes | 3,765 | 1,496 | (11,550) | (6,289) |
| Net additions to property and equipment | 3,308 | 1,873 | 726 | 5,907 |

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12. NEW ACCOUNTING PRONOUNCEMENTS

FASB ASC Topic 810 "Amendments to FASB Interpretation No. 46(R)" formerly SFAS No. 167 (ASC 810) enhances the current guidance for companies with financial interest in a variable interest entity. This statement amends Interpretation 46(R) to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (a) the obligation to absorb losses of the entity or (b) the right to receive benefits from the entity. This statement requires an additional reconsideration event when determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance. It also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. This statement amends Interpretation 46(R) to require additional disclosures about an enterprise's involvement in variable interest entities. ASC 810 is effective for fiscal years beginning after November 15, 2009, with early application prohibited. We adopted ASC 810 on July 1, 2010. The adoption of this standard did not have a material impact on our consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05 to provide guidance on measuring the fair value of liabilities. The ASU provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques:

(i) a valuation technique that uses the quoted price of the identical liability when traded as an asset; or, quoted prices for similar liabilities, or similar liabilities when traded as assets, or

(ii) another valuation technique consistent with the principles of ASC Topic 820 — Fair Value Measurements and Disclosures, such as an income approach or market approach.

Additionally, when estimating the fair value of a liability, a reporting entity is not required to make an adjustment relating to the existence of a restriction that prevents the transfer of the liability. This ASU also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments are required, are Level 1 fair value measurements under ASC Topic 820. The adoption of this standard did not have a material impact on our consolidated financial statements.

In September 2009, the FASB issued ASU 2009-13, which eliminates the criterion for objective and reliable evidence of fair value for the undelivered products or services. Instead, revenue arrangements with multiple deliverables should be divided into separate units of accounting provided the deliverables meet certain criteria. ASU 2009-13 provides a hierarchy for estimating the selling price for each of the deliverables. ASU 2009-13 eliminates the use of the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables based on their relative selling price. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We adopted this standard on July 1, 2010. The adoption of this standard did not have a material impact on our consolidated financial statements.

13. (LOSS) INCOME PER COMMON SHARE

We report basic and diluted earnings per share, or EPS, for our common stock. Basic EPS is computed by dividing reported earnings by the weighted average number of common shares outstanding during the respective period. Diluted EPS is computed by adding to the weighted average number of common shares the dilutive effect of stock options. There were no adjustments to net income (loss) (the numerator) for purposes of computing EPS. The calculation of diluted EPS is the same as basic EPS.

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14. COMMITMENTS AND CONTINGENCIES

On January 5, 2010, Holdings, InSight and InSight Health Corp., a wholly-owned subsidiary of InSight, were served with a complaint filed in the Los Angeles County Superior Court alleging claims on behalf of current and former employees. In *Kevin Harold and Denise Langhoff, on their own behalf and on behalf of others similarly situated v. InSight Health Services Holdings Corp., et al.*, the plaintiffs allege violations of California's wage, overtime, meal period, break time and business practice laws and regulations. Plaintiffs seek recovery of unspecified economic damages, statutory penalties, punitive damages, interest, attorneys' fees and costs of suit. We are currently evaluating the allegations of the complaint and are unable to predict the likely timing or outcome of this lawsuit. In the meantime we intend to vigorously defend this lawsuit.

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our business and have insurance policies covering such potential insurable losses where such coverage is cost-effective. We believe that the outcome of any such lawsuits will not have a material adverse impact on our financial condition and results of operations.

15. RECONCILIATION OF TOTAL STOCKHOLDERS' EQUITY

The following tables summarize the changes in consolidated stockholders' equity, including noncontrolling interest, in accordance with ASC 805 for the three months ended September 30, 2010 and 2009 (amounts in thousands, except share data) (unaudited):

| | Common Stock | | Additional Paid-In Capital | Accumulated Other Comprehensive Gain (Loss) | Retained Deficit | InSight Health Services Holdings Corp. | Noncontrolling Interest | Total Stockholders' Equity |
|---|--------------|--------|----------------------------------|--|---------------------|--|----------------------------|----------------------------------|
| | Shares | Amount | | | | | | |
| BALANCE AT JUNE 30, 2010 | 8,644,444 | \$ 9 | \$ 37,609 | \$ (212) | \$(220,741) | \$ (183,335) | \$ 2,679 | \$ (180,656) |
| Net income (loss) | — | — | — | — | 669 | 669 | 227 | 896 |
| Share-based compensation | — | — | 18 | — | — | 18 | — | 18 |
| Net contributions | — | — | — | — | — | — | (134) | (134) |
| Other comprehensive income: | | | | | | | | |
| Unrealized income attributable to change in fair value of interest rate contracts | — | — | — | 212 | — | 212 | — | 212 |
| Comprehensive loss | | | | | | 881 | | |
| BALANCE AT SEPTEMBER 30, 2010 | 8,644,444 | \$ 9 | \$ 37,627 | \$ — | \$(220,072) | \$ (182,436) | \$ 2,772 | \$ (179,664) |
| | | | | | | | | |
| | Common Stock | | Additional | Accumulated | Retained | InSight | Noncontrolling | Total |
| | Shares | Amount | Paid-In | Other | Deficit | Health Services | Interest | Stockholders' |
| | | | Capital | Comprehensive | | Holdings Corp. | | Equity |
| | | | | Gain (Loss) | | | | |
| BALANCE AT JUNE 30, 2009 | 8,644,444 | \$ 9 | \$ 37,536 | \$ (2,528) | \$(188,939) | \$ (153,922) | \$ 1,784 | \$ (152,138) |
| Net income (loss) | — | — | — | — | (6,592) | (6,592) | 266 | (6,326) |
| Share-based compensation | — | — | 18 | — | — | 18 | — | 18 |
| Net distributions | — | — | — | — | — | — | (8) | (8) |
| Other comprehensive income: | | | | | | | | |
| Unrealized income attributable to change in fair value of derivative | — | — | — | 88 | — | 88 | — | 88 |
| Comprehensive loss | | | | | | (6,504) | | |
| BALANCE AT SEPTEMBER 30, 2009 | 8,644,444 | \$ 9 | \$ 37,554 | \$ (2,440) | \$(195,531) | \$ (160,408) | \$ 2,042 | \$ (158,366) |

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16. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Holdings and all of InSight's 100% owned subsidiaries, or guarantor subsidiaries, guarantee InSight's payment obligations under the floating rate notes (Note 6). These guarantees are full, unconditional and joint and several. The following condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10 "Financial statements of guarantors and issuers of guaranteed securities registered or being registered." We account for our investment in InSight and its subsidiaries under the equity method of accounting. Dividends from InSight to Holdings are restricted under the agreements governing our material indebtedness. This information is not intended to present the financial position, results of operations and cash flows of the individual companies or groups of companies in accordance with accounting principles generally accepted in the United States.

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited)

September 30, 2010

(Amounts in thousands)

| | <u>HOLDINGS</u> | <u>INSIGHT</u> | <u>GUARANTOR SUBSIDIARIES</u> | <u>NON-GUARANTOR SUBSIDIARIES</u> | <u>ELIMINATIONS</u> | <u>CONSOLIDATED</u> |
|--|-----------------|----------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ — | \$ — | \$ 946 | \$ 2,705 | \$ — | \$ 3,651 |
| Trade accounts receivables, net | — | — | 21,331 | 2,097 | — | 23,428 |
| Other current assets | — | — | 7,479 | 305 | — | 7,784 |
| Intercompany accounts receivable | 37,636 | 286,789 | 2,967 | — | (327,392) | — |
| Total current assets | 37,636 | 286,789 | 32,723 | 5,107 | (327,392) | 34,863 |
| Assets held for sale | — | — | 5,343 | — | — | 5,343 |
| Property and equipment, net | — | — | 64,090 | 6,133 | — | 70,223 |
| Cash, restricted | — | — | 439 | — | — | 439 |
| Investments in partnerships | — | — | 7,118 | — | — | 7,118 |
| Investments in consolidated subsidiaries | (220,072) | (220,072) | 6,386 | — | 433,758 | — |
| Other assets | — | — | 292 | — | — | 292 |
| Goodwill and other intangible assets, net | — | — | 16,960 | 4,860 | — | 21,820 |
| | \$ (182,436) | \$ 66,717 | \$ 133,351 | \$ 16,100 | \$ 106,366 | \$ 140,098 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | | | | |
| Current liabilities: | | | | | | |
| Current portion of notes payable and capital lease obligations | \$ — | \$ 286,789 | \$ 574 | \$ 963 | \$ — | \$ 288,326 |
| Accounts payable and other accrued expenses | — | — | 20,998 | 1,169 | — | 22,167 |
| Intercompany accounts payable | — | — | 324,425 | 2,967 | (327,392) | — |
| Total current liabilities | — | 286,789 | 345,997 | 5,099 | (327,392) | 310,493 |
| Notes payable and capital lease obligations, less current portion | — | — | 1,172 | 1,843 | — | 3,015 |
| Other long-term liabilities | — | — | 6,254 | — | — | 6,254 |
| Total stockholders' equity (deficit) attributable to InSight Health Services Holdings Corp | (182,436) | (220,072) | (220,072) | 6,386 | 433,758 | (182,436) |
| Noncontrolling interest | — | — | — | 2,772 | — | 2,772 |
| Total stockholders' equity (deficit) | (182,436) | (220,072) | (220,072) | 9,158 | 433,758 | (179,664) |
| | \$ (182,436) | \$ 66,717 | \$ 133,351 | \$ 16,100 | \$ 106,366 | \$ 140,098 |

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SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET (Unaudited)
JUNE 30, 2010
(Amounts in thousands)

| | <u>HOLDINGS</u> | <u>INSIGHT</u> | <u>GUARANTOR SUBSIDIARIES</u> | <u>NON-GUARANTOR SUBSIDIARIES</u> | <u>ELIMINATIONS</u> | <u>CONSOLIDATED</u> |
|--|-----------------|----------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ — | \$ — | \$ 6,706 | \$ 2,350 | \$ — | \$ 9,056 |
| Trade accounts receivables, net | — | — | 19,999 | 2,595 | — | 22,594 |
| Other current assets | — | — | 7,689 | 156 | — | 7,845 |
| Intercompany accounts receivable | 37,617 | 285,318 | 2,892 | — | (325,827) | — |
| Total current assets | 37,617 | 285,318 | 37,286 | 5,101 | (325,827) | 39,495 |
| Property and equipment, net | — | — | 67,379 | 5,936 | — | 73,315 |
| Cash, restricted | — | — | 319 | — | — | 319 |
| Investments in partnerships | — | — | 7,254 | — | — | 7,254 |
| Investments in consolidated subsidiaries | (220,952) | (220,952) | 6,168 | — | 435,736 | — |
| Other assets | — | — | 296 | — | — | 296 |
| Goodwill and other intangible assets, net | — | — | 15,142 | 4,860 | — | 20,002 |
| | \$ (183,335) | \$ 64,366 | \$ 133,844 | \$ 15,897 | \$ 109,909 | \$ 140,681 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | | | | | |
| Current liabilities: | | | | | | |
| Current portion of notes payable and capital lease obligations | \$ — | \$ — | \$ 487 | \$ 946 | \$ — | \$ 1,433 |
| Accounts payable and other accrued expenses | — | — | 24,153 | 1,122 | — | 25,275 |
| Intercompany accounts payable | — | — | 322,934 | 2,893 | (325,827) | — |
| Total current liabilities | — | — | 347,574 | 4,961 | (325,827) | 26,708 |
| Notes payable and capital lease obligations, less current portion | — | 285,318 | 996 | 2,089 | — | 288,403 |
| Other long-term liabilities | — | — | 6,226 | — | — | 6,226 |
| Total stockholders' equity (deficit) attributable to InSight Health Services Holdings Corp | (183,335) | (220,952) | (220,952) | 6,168 | 435,736 | (183,335) |
| Noncontrolling interest | — | — | — | 2,679 | — | 2,679 |
| Total stockholders' equity (deficit) | (183,335) | (220,952) | (220,952) | 8,847 | 435,736 | (180,656) |
| | \$ (183,335) | \$ 64,366 | \$ 133,844 | \$ 15,897 | \$ 109,909 | \$ 140,681 |

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**SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010
(Amounts in thousands)**

| | <u>HOLDINGS</u> | <u>INSIGHT</u> | <u>GUARANTOR SUBSIDIARIES</u> | <u>NON-GUARANTOR SUBSIDIARIES</u> | <u>ELIMINATION</u> | <u>CONSOLIDATED</u> |
|--|-----------------|----------------|-----------------------------------|---------------------------------------|--------------------|---------------------|
| Total revenues | \$ — | \$ — | \$ 43,334 | \$ 4,934 | \$ — | \$ 48,268 |
| Costs of services | — | — | 30,818 | 3,091 | — | 33,909 |
| Provision for doubtful accounts | — | — | 936 | 167 | — | 1,103 |
| Equipment leases | — | — | 2,619 | 242 | — | 2,861 |
| Depreciation and amortization | — | — | 6,106 | 552 | — | 6,658 |
| Costs of operations | — | — | 40,479 | 4,052 | — | 44,531 |
| Corporate operating expenses | (18) | — | (5,731) | — | — | (5,749) |
| Equity in earnings of unconsolidated partnerships | — | — | 654 | — | — | 654 |
| Interest expense, net | — | — | (6,121) | (64) | — | (6,185) |
| Loss on sales of centers | — | — | (241) | — | — | (241) |
| Gain on nonmonetary exchange | — | — | 8,717 | — | — | 8,717 |
| Income (loss) before income taxes | (18) | — | 133 | 818 | — | 933 |
| Provision for income taxes | — | — | 37 | — | — | 37 |
| Income (loss) before equity in loss of consolidated subsidiaries | (18) | — | 96 | 818 | — | 896 |
| Equity in gain (loss) of consolidated subsidiaries | 687 | 687 | 591 | — | (1,965) | — |
| Net income (loss) | 669 | 687 | 687 | 818 | (1,965) | 896 |
| Less: net income attributable to noncontrolling interests | — | — | — | 227 | — | 227 |
| Net income (loss) attributable to InSight Health Services Corp. | \$ 669 | \$ 687 | \$ 687 | \$ 591 | \$ (1,965) | \$ 669 |

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SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (Unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in thousands)

| | <u>HOLDINGS</u> | <u>INSIGHT</u> | <u>GUARANTOR SUBSIDIARIES</u> | <u>NON-GUARANTOR SUBSIDIARIES</u> | <u>ELIMINATION</u> | <u>CONSOLIDATED</u> |
|--|-----------------|----------------|-----------------------------------|---------------------------------------|--------------------|---------------------|
| Total revenues | — | — | 45,446 | 4,695 | — | 50,141 |
| Costs of services | | | 29,487 | 2,763 | — | 32,250 |
| Provision for doubtful accounts | | | 953 | 157 | — | 1,110 |
| Equipment leases | | | 2,367 | 194 | — | 2,561 |
| Depreciation and amortization | — | — | 8,920 | 551 | — | 9,471 |
| Costs of operations | — | — | 41,727 | 3,665 | — | 45,392 |
| Corporate operating expenses | (18) | — | (4,788) | — | — | (4,806) |
| Equity in earnings of unconsolidated partnerships | — | — | 612 | — | — | 612 |
| Interest expense, net | — | — | (6,774) | (70) | — | (6,844) |
| Income (loss) before income taxes | (18) | — | (7,231) | 960 | — | (6,289) |
| Provision for income taxes | — | — | 37 | — | — | 37 |
| Income (loss) before equity in loss of consolidated subsidiaries | (18) | — | (7,268) | 960 | — | (6,326) |
| Equity in loss of consolidated subsidiaries | (6,574) | (6,574) | 694 | — | 12,454 | — |
| Net (loss) income | (6,592) | (6,574) | (6,574) | 960 | 12,454 | (6,326) |
| Less: net income attributable to noncontrolling interests | — | — | — | 266 | — | 266 |
| Net loss attributable to InSight Health Services Corp. | \$ (6,592) | \$ (6,574) | \$ (6,574) | \$ 694 | \$ 12,454 | \$ (6,592) |

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SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010
(Amounts in thousands)

| | <u>HOLDINGS</u> | <u>INSIGHT</u> | <u>GUARANTOR SUBSIDIARIES</u> | <u>NON-GUARANTOR SUBSIDIARIES</u> | <u>ELIMINATIONS</u> | <u>CONSOLIDATED</u> |
|--|-----------------|----------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| OPERATING | | | | | | |
| ACTIVITIES: | | | | | | |
| Net (loss) income | \$ 669 | \$ 687 | \$ 687 | \$ 818 | \$ (1,965) | \$ 896 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | — | 6,106 | 552 | — | 6,658 |
| Amortization of bond discount | — | — | 1,570 | — | — | 1,570 |
| Share-based compensation | 18 | — | — | — | — | 18 |
| Equity in earnings of unconsolidated partnerships | — | — | (654) | — | — | (654) |
| Distributions from unconsolidated partnerships | — | — | 790 | — | — | 790 |
| Gain on sales of equipment | — | — | (228) | — | — | (228) |
| Loss on sales of centers | — | — | 241 | — | — | 241 |
| Gain on nonmonetary exchange | — | — | (8,717) | — | — | (8,717) |
| Equity in (loss) income of consolidated subsidiaries | (687) | (687) | (591) | — | 1,965 | — |
| Deferred income taxes | — | — | 28 | — | — | 28 |
| Changes in operating assets and liabilities: | | | | | | |
| Trade accounts receivables, net | — | — | (1,332) | 498 | — | (834) |
| Intercompany receivables, net | — | 99 | 200 | (299) | — | — |
| Other current assets | — | — | 204 | (149) | — | 55 |
| Accounts payable and other accrued expenses | — | — | (3,349) | 190 | — | (3,159) |
| Net cash (used in) provided by operating activities | — | 99 | (5,045) | 1,610 | — | (3,336) |
| INVESTING | | | | | | |
| ACTIVITIES: | | | | | | |
| Proceeds from sales of centers | — | — | 85 | — | — | 85 |
| Proceeds from sales of equipment | — | — | 910 | — | — | 910 |
| Additions to property and equipment | — | — | (1,747) | (749) | — | (2,496) |
| Decrease in restricted cash | — | — | (120) | — | — | (120) |
| Net cash used in investing activities | — | — | (872) | (749) | — | (1,621) |
| FINANCING | | | | | | |
| ACTIVITIES: | | | | | | |
| Principal payments of notes payable and capital lease obligations | — | (99) | 263 | (535) | — | (371) |
| Proceeds from issuance of debt obligations | — | — | — | 306 | — | 306 |
| Payment for interest rate cap contract | — | — | (106) | — | — | (106) |
| | — | — | — | (134) | — | (134) |

| | | | | | | | | | | |
|---|----|------|---------|-------|----|---------|----|-------|----|-------|
| Distributions to non-controlling interest | | | | | | | | | | |
| Payment for unfavorable contract obligation | — | — | — | (143) | — | (143) | | | | |
| Net cash (used in) provided by financing activities | — | (99) | 157 | (506) | — | (448) | | | | |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | — | — | (5,760) | 355 | — | (5,405) | | | | |
| Cash, beginning of period | — | — | 6,706 | 2,350 | — | 9,056 | | | | |
| Cash, end of period | \$ | — | \$ | — | \$ | 946 | \$ | 2,705 | \$ | 3,651 |

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SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009
(Amounts in thousands)

| | <u>HOLDINGS</u> | <u>INSIGHT</u> | <u>GUARANTOR SUBSIDIARIES</u> | <u>NON-GUARANTOR SUBSIDIARIES</u> | <u>ELIMINATIONS</u> | <u>CONSOLIDATED</u> |
|--|-----------------|----------------|-----------------------------------|---------------------------------------|---------------------|---------------------|
| OPERATING | | | | | | |
| ACTIVITIES: | | | | | | |
| Net (loss) income | \$ (6,592) | \$ (6,574) | \$ (6,574) | \$ 960 | \$ 12,454 | \$ (6,326) |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | — | — | 8,920 | 551 | — | 9,471 |
| Amortization of bond discount | — | — | 1,412 | — | — | 1,412 |
| Share-based compensation | 18 | — | — | — | — | 18 |
| Equity in earnings of unconsolidated partnerships | — | — | (612) | — | — | (612) |
| Distributions from unconsolidated partnerships | — | — | 896 | — | — | 896 |
| Gain on sales of centers | — | — | — | — | — | — |
| Gain on sales of equipment | — | — | (461) | — | — | (461) |
| Gain on purchase of notes payable | — | — | — | — | — | — |
| Equity in loss of consolidated subsidiaries | 6,574 | 6,574 | (694) | — | (12,454) | — |
| Changes in operating assets and liabilities: | | | | | | |
| Trade accounts receivables, net | — | — | 593 | (385) | — | 208 |
| Intercompany receivables, net | — | — | (24) | 24 | — | — |
| Other current assets | — | — | 2,327 | 29 | — | 2,356 |
| Accounts payable and other accrued expenses | — | — | (5,396) | (100) | — | (5,496) |
| Net cash provided by (used in) operating activities | — | — | 387 | 1,079 | — | 1,466 |
| INVESTING | | | | | | |
| ACTIVITIES: | | | | | | |
| Proceeds from sales of centers | — | — | 2,721 | — | — | 2,721 |
| Proceeds from sales of equipment | — | — | 636 | — | — | 636 |
| Additions to property and equipment | — | — | (4,398) | (1,687) | — | (6,085) |
| Increase in restricted cash | — | — | 1,523 | — | — | 1,523 |
| Other | — | — | — | — | — | — |
| Net cash provided by (used in) investing activities | — | — | 482 | (1,687) | — | (1,205) |
| FINANCING | | | | | | |
| ACTIVITIES: | | | | | | |
| Principal payments of notes payable and capital lease obligations | — | — | (235) | (237) | — | (472) |
| Other | — | — | (8) | — | — | (8) |
| Net cash used in financing activities | — | — | (243) | (237) | — | (480) |

| | | | | | | | | | | | | |
|---|----|---|----|--------|-------|--------|--------|-------|----|---|----|--------|
| DECREASE IN CASH AND CASH EQUIVALENTS | | — | — | 626 | (845) | — | (219) | | | | | |
| Cash, beginning of period | | — | — | 17,443 | 2,197 | — | 19,640 | | | | | |
| Cash, end of period | \$ | — | \$ | — | \$ | 18,069 | \$ | 1,352 | \$ | — | \$ | 19,421 |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All references to "we," "us," "our," "our company" or "the Company" in this Form 10-Q mean InSight Health Services Holdings Corp., a Delaware corporation incorporated in 2001, and all entities and subsidiaries owned or controlled by InSight Health Services Holdings Corp. All references to "Holdings" mean InSight Health Services Holdings Corp. by itself. All references to "InSight" mean InSight Health Services Corp., a Delaware corporation and a wholly owned subsidiary of Holdings, by itself.

This quarterly report on Form 10-Q (Form 10-Q), includes "forward-looking statements." Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital projects, financing needs, debt purchases, plans or intentions relating to acquisitions and new fixed-site developments, competitive strengths and weaknesses, business strategy and the trends that we anticipate in the industry and economies in which we operate and other information that is not historical information. When used in this Form 10-Q the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we can give no assurance that our expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements made in this Form 10-Q are described herein, including the factors described and incorporated by reference from our annual report on form 10-K in Part II, Item 1A. "Risk Factors" and the following:

- our ability to successfully implement our core market strategy;
- overcapacity and competition in our markets;
- reductions, limitations and delays in reimbursement by third-party payors;
- contract renewals and financial stability of customers;
- changes in the nature of commercial health insurance arrangements, so that individuals bear greater financial responsibility through high deductible plans, co-insurance and co-payments;
- conditions within the healthcare environment;
- the potential for rapid and significant changes in technology and their effect on our operations;
- operating, legal, governmental and regulatory risks;
- conditions within the capital markets, including liquidity and interest rates;
- economic (including financial and employment markets), political and competitive forces affecting our business, and the country's economic condition as a whole;
- our inability to refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due; and
- our inability to cure or otherwise resolve existing and continuing events of default under our revolving credit agreement and the indenture governing the floating rate notes.

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If any of these risks or uncertainties materializes, or if any of our underlying assumptions is incorrect, our actual results may differ significantly from the results that we express in or imply by any of our forward-looking statements. We disclaim any intention or obligation to update or revise forward-looking statements to reflect future events or circumstances.

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Overview

We are a provider of retail and wholesale diagnostic imaging services. Our services are noninvasive procedures that generate representations of internal anatomy on film or digital media, which are used by physicians for the diagnosis and assessment of diseases and disorders.

We serve a diverse portfolio of customers, including healthcare providers, such as hospitals and physicians, and payors, such as managed care organizations, Medicare, Medicaid and insurance companies. We operate in more than 30 states including the following targeted regional markets: Arizona, certain markets in California, Texas, New England, the Carolinas, Florida and the Mid-Atlantic states. While we generated approximately 67% of our total revenues from MRI services during fiscal 2010, we provide a comprehensive offering of diagnostic imaging services, including PET/CT, CT, mammography, bone densitometry, ultrasound and x-ray.

As of September 30, 2010, our network consists of 66 fixed-site centers and 103 mobile facilities. This combination allows us to provide a full range of imaging services to better meet the varying needs of our customers. Our fixed-site centers include freestanding centers and joint ventures with hospitals and radiology groups. Our mobile facilities provide hospitals and physician groups access to imaging technologies when they lack either the resources or patient volume to provide their own imaging services or require incremental capacity. We do not engage in the practice of medicine, instead we contract with radiologists to provide professional services, including supervision, interpretation and quality assurance. We have three reportable segments; contract services, patient services and other operations. Please see below for a discussion of our segments. In our contract services segment we generate revenue principally from 98 mobile units and 17 fixed sites. In our patient services segment we generate revenues principally from 49 fixed-site centers and 5 mobile units. In our other operations segment, we generate revenues principally from agreements with customers to provide management services and technical solutions.

We have a substantial amount of debt, which requires significant interest and principal payments. As of September 30, 2010, we had total indebtedness of \$298.1 million in aggregate principal amount, including \$293.5 million of floating rate notes which come due in November 2011. While we believe that future net cash provided by operating activities will be adequate to meet our operating cash and interest service requirements through December 1, 2010 we elected not to make the scheduled November 1, 2010 interest payment on our floating rate notes in order to preserve our cash position. Additionally, because we are in default of our revolving credit facility, (see "Financial Condition, Liquidity and Capital Resources", below) we may not be able to borrow on our credit facility after December 1, 2010. If our cash requirements continue to exceed the cash provided by our operating activities, then we would look to our cash balance, proceeds from asset sales and revolving credit line to satisfy those needs. Furthermore, if we do not cure the interest non-payment default that currently exists under the indenture governing our floating rate notes on or prior to December 1, 2010, an event of default will arise under such indenture and the trustee or holders of at least 25% in principal amount of the then outstanding floating rate notes could declare the principal amount, and accrued and unpaid interest, on all outstanding floating rate notes immediately due and payable. In such an event, we would likely need to seek protection under chapter 11 of the Bankruptcy Code.

The diagnostic imaging industry has grown, and we believe will continue to grow, because of (1) an aging population, (2) the increasing acceptance of diagnostic imaging, particularly PET/CT and (3) expanding applications of CT, MRI and PET technologies. Notwithstanding the growth in the industry, as a result of the various factors that affect our industry generally and our business specifically, we have experienced declines in Adjusted EBITDA as compared to prior fiscal year periods (see our definition of Adjusted EBITDA and reconciliation of net cash provided by operating activities to Adjusted EBITDA in the subsection "Financial Condition, Liquidity and Capital Resources" below). Adjusted EBITDA for three months ended September 30, 2010 declined approximately 48.0% as compared to our Adjusted EBITDA for the three months ended September 30, 2009. Our Adjusted EBITDA for fiscal 2010 declined approximately 25.7% as compared to our Adjusted EBITDA for the year ended June 30, 2009. We have had a negative historical trend of declining Adjusted EBITDA for the past six fiscal years, which may continue and be exacerbated by negative effects of the country's economic condition, increased competition in our contract services segment and the reimbursement reductions discussed in the subsection "Reimbursement" below.

We have implemented the following steps in an attempt to reverse the negative trend in Adjusted EBITDA:

Core Market Strategy. We have pursued a strategy based on core markets in our patient services segment. We believe this strategy will provide us more operating efficiencies and synergies than are available in a nationwide

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strategy. A core market is based on many factors, including, without limitation, demographic and population trends, utilization and reimbursement rates, existing and potential market share, the potential for profitability and return on assets, competition within the surrounding area, regulatory restrictions, such as certificates of need, and potential for alignment with radiologists, hospitals or payors. This strategy has resulted in our exiting some markets while increasing our presence in others or establishing new markets through acquisitions and dispositions. In implementing our core market strategy, we have taken the following actions:

- During fiscal 2009, we sold eight fixed-site centers (six in California, one in Illinois and one in Tennessee), and equity interests in three joint ventures that operated five fixed-site centers (four in New York and one in California and we closed three fixed-site centers (two in California and one in Arizona).
- During fiscal 2009, we acquired two fixed-site centers in Boston, Massachusetts and two fixed-site centers in Phoenix, Arizona.
- During fiscal 2010, we expanded our presence in two regional markets: Texas and the Mid-Atlantic states. In March, 2010 we acquired an equity interest in a joint venture that operates a fixed-site center in the Dallas/Fort Worth, Texas area. In May, 2010 we acquired two fixed-site centers through a joint venture in the Toms River, New Jersey area.
- During fiscal 2010, we sold three fixed-site centers (two in Pennsylvania and one in California), and closed two fixed-site centers (one in California and one in Arizona).
- In July, 2010 we expanded our presence in the Arizona market by acquiring eight fixed-site centers of which four are located in the Phoenix, Arizona area. Also, we sold one fixed-site center in California and three contract services mobile facilities in North Carolina.
- In September, 2010 we signed a definitive agreement to sell five fixed site centers in El Paso, Texas; one fixed site center in Las Cruces, New Mexico, and one fixed site center in Pleasanton, California. Because they are not located in our core markets, four of the centers we will be selling were part of our July, 2010 acquisition.

Contract Services Strategy

Within our contract services segment we have pursued a strategy based on optimizing our mobile MRI and PET/CT routes, and of converting strategic mobile imaging customers to fixed-site accounts. We have targeted our contract services sales efforts in regions where we have an existing presence, taking into account such factors as demographic and population trends, utilization and reimbursement rates, existing and potential market share, the potential for profitability and return on assets, competition within the surrounding area and regulatory restrictions, such as certificates of need, which provide a barrier to competition.

We are continuously evaluating opportunities for the acquisition and disposition of certain businesses. There can be no assurance that we can complete purchases of these businesses on terms favorable to us in a timely manner to replace the loss of Adjusted EBITDA related to the businesses we sell.

Initiatives. We have attempted to implement, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives:

- Revenue enhancement initiatives have focused and will focus on our sales and marketing efforts to maintain or improve our procedural volumes and contractual rates, and our solutions initiatives discussed below.
- Receivables and collections management initiatives have focused and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and claim information when a procedure is scheduled or completed, and the initiative with Dell Perot Systems discussed below.

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- Cost reduction initiatives have focused and will continue to focus on streamlining our organizational structure and expenses including enhancing and leveraging our technology to create greater efficiencies, and leveraging relationships with strategic vendors.

While we have experienced some improvements through our receivables and collections management and cost reduction initiatives, benefits from our revenue enhancement initiatives have yet to materialize and our revenues have continued to decline. Moreover, future revenue enhancement initiatives will face significant challenges because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the country's economic condition, including higher unemployment.

In February 2009, we entered into a seven-year agreement with Dell Perot Systems to provide enhanced revenue cycle services and assist in the implementation of upgraded technology and IT services, which will provide new technology to manage our back-office billing, accounts receivable and collections functions. As a result of this agreement, we terminated certain employees and transitioned certain other employees to Dell Perot Systems. We implemented the revenue cycle services in June 2009 and we expect to implement the new upgraded technology and IT services in the first half of fiscal year 2011. We estimate start-up costs (excluding internal capitalized salary costs) of this initiative to be approximately \$3.8 million (including \$3.3 million of capital expenditures), of which \$3.4 million (including \$2.9 million of capital expenditure) has been incurred as of September 30, 2010.

In addition to our traditional offerings of equipment and management services, we believe that we have the ability to offer packaged technology solutions to hospitals and other medical imaging services providers. Besides our traditional offerings, we offer these customers a broad spectrum of systems and services, including, but not limited to, image archiving and Picture Archiving Communication System (PACS) services, patient registration portals, radiology information systems, receivables and collections management services, and financial and operational tools. We launched our solutions initiative in fiscal 2010 and we recently extended four contracts with existing customers and implemented a new contract.

Segments

Our business segments are based on how our chief operating decision maker views the business and assesses the performance of our business managers. We now have three reportable segments: contract services, patient services and other operations, which are business units defined primarily by the type of service provided:

Contract Services: Contract services consist of centers (primarily mobile units) which generate revenues from fee-for-service arrangements and fixed-fee contracts billed directly to our healthcare provider customers, such as hospitals, which we refer to as wholesale operations. We internally handle the billing and collections for our contract services at relatively low cost, and we do not bear the direct risk of collections from third-party payors or patients. Revenues from our wholesale operations have been and will continue to be driven by the trends in the diagnostic imaging industry and are dependent on our ability to:

- establish new wholesale customers within our core markets;
- structure efficient wholesale routes that maximize equipment utilization and reduce vehicle operations costs;
- timely collect payments from our wholesale customers; and
- renew existing contracts with our wholesale customers.

Patient Services: Patient services consist of centers (mainly fixed-sites) that primarily generate revenues from services billed, on a fee-for-service basis, directly to patients or third-party payors, such as Medicare, Medicaid, health maintenance organizations and insurers, which we refer to as our retail operations. We have primarily outsourced the billing and collections for our patient services to Dell Perot Systems, and we bear the direct risk of collections from third-party payors and patients. Revenues from our retail operations have been and will continue to be driven by the trends in the diagnostic imaging industry and are dependent on our ability to:

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- attract and maintain patient referrals from physician groups and hospitals;
- maximize procedural volume, which includes ensuring that a patient attends his or her scheduled procedure;
- bill and collect appropriately directly from patients their share of the procedure charge (i.e., co-payment, co-insurance and/or deductible);
- maintain our existing contracts and enter into new ones with managed care organizations and commercial insurance carriers; and
- acquire or develop new retail centers.

Other Operations: Other operations generate revenues primarily from agreements with customers to provide management services, which could include field staffing, billing and collections, technical solutions, accounting and other office services. We refer to these operations as our “Insight Imaging Enterprise Solutions” operations. We allocate corporate overhead, depreciation related to our billing system and income taxes to other operations. We manage cash flows and assets on a consolidated basis and not by segment.

Negative Trends

Our operations have been and will continue to be adversely affected by the following negative trends:

- overcapacity in the diagnostic imaging industry;
- reductions in reimbursement from certain third-party payors including Medicare;
- reductions in compensation paid by our wholesale customers;
- shifting of health care costs from private insurers and employers to patients with high deductible plans, who may elect to delay or forego medical procedures;
- limited capital to invest in our business, especially for new or upgraded medical equipment;
- lower revenues due to our aging equipment in our patient and contract services segments;
- competition from other wholesale and retail providers;
- competition from equipment manufacturers;
- loss of revenues from former referral sources that invested in their own diagnostic imaging equipment; and
- loss of revenues from former wholesale customers that invested in their own diagnostic imaging equipment.

Recently there has been an increase in the amount of available equipment for lease within the industry. This has caused a decline in demand for our contract services mobile systems, which has resulted in (1) a lower than normal success rate in replacing lost revenues, (2) lower contractual reimbursement as compared to prior periods and (3) an increase in the number of our underutilized mobile systems.

Reimbursement

Medicare. The Medicare program provides reimbursement for hospitalization, physician, diagnostic and certain other services to eligible persons 65 years of age and over and certain other individuals. Providers are paid by the federal government in accordance with regulations promulgated by HSS and generally accept the payment with nominal deductible and co-insurance amounts required to be paid by the service recipient, as payment in full. Hospital inpatient services are reimbursed under a prospective payment system. Hospitals receive a specific prospective payment for inpatient treatment services based upon the diagnosis of the patient.

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Under Medicare's prospective payment system for hospital outpatient services, or OPSS, a hospital is paid for outpatient services on a rate per service basis that varies according to the ambulatory payment classification group, or APC, to which the service is assigned rather than on a hospital's costs. Each year the Centers for Medicare and Medicaid Services, or CMS, publishes new APC rates that are determined in accordance with the promulgated methodology. In recent years, CMS modified the OPSS with the effect of reducing the reimbursement received by hospitals for certain outpatient radiological services, including PET/CT, and CMS continues to examine imaging with a view toward potential further reductions. Because unfavorable reimbursement policies constrict the profit margins of the mobile customers we bill directly, we have and may continue to lower our fees to retain existing PET/CT customers and attract new ones. Although CMS continues to expand reimbursement for new applications of PET/CT, broader applications are unlikely to significantly offset the anticipated overall reductions in PET/CT reimbursement. Any modifications under OPSS further reducing reimbursement to hospitals may adversely impact our financial condition and results of operations since hospitals will seek to offset such modifications.

Services provided in non-hospital based freestanding facilities, such as independent diagnostic treatment facilities, are paid under the Medicare Physician Fee Schedule, or MPFS. The MPFS is updated on an annual basis. Several years ago, CMS reduced the reimbursement for certain diagnostic procedures performed together on the same day. They did so by modifying Medicare to pay 100% of the technical component of the higher priced procedure and 75% for the technical component of each additional procedure for procedures involving contiguous body parts within a family of codes when performed in the same session. Under the recently enacted Patient Protection and Affordable Care Act, ("PPACA"), CMS further reduced the payment for contiguous body parts within the same session from 75% to 50% for the technical component of CT, MRI and ultrasound services, effective July 1, 2010. These reductions in payment by CMS may adversely impact our financial condition and results of operations since they result in lower reimbursement for our services and the services of our non-hospital clients. In fact, on November 2, 2010, CMS issued the 2011 MPFS final rule (the "2011 Final Rule"). Under the 2011 Final Rule, CMS is now proposing to apply this payment reduction to the technical component of all studies of these three imaging modalities that are performed on a patient in the same session.

CMS has also published proposed regulations for hospital outpatient services that would implement the same multi procedure reimbursement methodology set forth under the MPFS; however it has delayed the implementation of this reimbursement methodology for an indefinite period of time. As a result Medicare continues to pay 100% of the technical component of each procedure for hospital outpatient services. If CMS implements this reimbursement methodology, it would adversely impact our financial condition and results of operations since our hospital customers would seek to offset their reduced reimbursement through lower rates with us.

We have experienced significant reimbursement reductions for radiology services provided to Medicare beneficiaries, including reductions pursuant to the Deficit Reduction Act, or DRA. The DRA, which became effective in 2007, set reimbursement for the technical component for imaging services (excluding diagnostic and screening mammography) in non-hospital based freestanding facilities at the lesser of OPSS or the MPFS.

We have also experienced and will experience in the future, Medicare reimbursement reductions resulting from annual changes to the MPFS. Medicare reimbursement rates under the MPFS are calculated in accordance with a statutory formula that is modified each year. This formula has two key components that establish our reimbursement rates for each type of procedure; 1) Relative Value Units (RVUs), which measure the relative complexity and expense associated with each procedure, and 2) the Conversion Factor (CF), a dollar amount that is the same for all procedures, and by which the RVU value is multiplied to establish the payment rate.

On Nov. 25, 2009, CMS released the 2010 MPFS final rule (the "2010 Final Rule") which updated the payment policies and rates for the MPFS, for calendar year 2010. . The 2010 Final Rule included a number of changes to the physician payment formulae that resulted in reductions in the RVUs and payment rates for many MRI and CT procedures. One change was to increase the usage assumptions from the current 50% usage rate to a 90% usage rate that was to be phased in over a four year period, from 2010 through 2013. Additional changes to certain RVUs, also scheduled to phase in over a four-year period, included downward adjustments to the practice expenses and malpractice expenses associated with many imaging procedures. The 2010 Final Rule was superseded, however, by passage of PPACA, but only with respect to the usage assumptions. All other CMS issued updates, including the adjustments to practice expense and malpractice expense for 2010 remain in effect. Under PPACA, beginning

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Jan. 1, 2011, the usage rate assumption for diagnostic imaging equipment priced at more than \$1 million will be set at 75% for 2011 and subsequent years, rather than phasing in over four years to a rate of 90%.

The 2011 Final Rule updates the payment policies and rates for the MPFS for calendar year 2011, and reflects the changes made in the 2010 Final Rule and the changes made in the PPACA. For our fiscal year ended June 30, 2010, Medicare revenues represented \$17.6 million, or approximately 9.7% of our total revenues for such period. Based on our analysis of the 2011 Final Rule, the changes to RVU values scheduled to take effect on January 1, 2011, will have an immaterial impact on our Medicare revenues.

In addition to the adjustments to RVU values discussed above, for calendar years 2008, 2009 and 2010, CMS published regulations decreasing the fee schedule rates by 10.1%, 5.4% and 21.2% respectively, due principally to a reduction in the Conversion Factor that is statutorily-mandated by what is known as the “sustainable growth rate (SGR). In each instance, Congress enacted legislation preventing the decreases that would have resulted from the SGR from taking effect, and on June 25, 2010, the “Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010” prevented the rate reduction and also established a 2.2% payment rate increase to the MPFS retroactive from June 1 through Nov. 30, 2010.

Under the 2011 Final Rule, CMS again proposes to reduce rates by 24.9% between November 2010 and January 2011. We anticipate that CMS will continue to release regulations for decreases in fee schedule rates under the MPFS until the statutory formula is changed through enactment of new legislation. We do not know if Congress will continue to enact legislation to prevent the 2011 and future decreases under the statutory formula, but if Congress failed to act, there could be significant decreases to the MPFS.

In addition to reimbursement cuts, the new MPFS confirms that suppliers of technical component advanced imaging services must be accredited by January 1, 2012. Our fixed-site centers are currently accredited by American College of Radiology or ACR, which has been designated by CMS as an authorized accrediting body. In addition, our mobile facilities are currently accredited by The Joint Commission. We are currently unable to assess what, if any, impact the accreditation requirements may have on future results of operations and our financial position.

Many of PPACA’s provisions will not take effect for months or several years, while others are effective immediately. Many provisions also will require the federal government and individual state governments to interpret and implement the new requirements. In addition, PPACA remains the subject of significant debate, and proposals to repeal, block or amend the law have been introduced in Congress and many state legislatures. Finally, a number of state attorneys general have filed legal challenges to PPACA seeking to block its implementation on constitutional grounds. Because of the many variables involved, we are unable to predict how many of the legislative mandates contained in PPACA will be implemented or in what form, whether any additional or similar changes to statutes or regulations (including interpretations), will occur in the future, or what effect any future legislation or regulation would have on our business. We do believe, however, that there will likely be changes to reimbursement for services provided to Medicare patients, and the federal government will likely have greater involvement in the healthcare industry than in prior years, and such reimbursement changes and greater involvement may adversely affect our financial condition and results of operations.

All of the congressional and regulatory actions described above reflect industry-wide cost-containment pressures that we believe will continue to affect healthcare providers for the foreseeable future.

Medicaid. The Medicaid program is a jointly-funded federal and state program providing coverage for low-income persons. In addition to federally-mandated basic services, the services offered and reimbursement methods vary from state to state. In many states, Medicaid reimbursement is patterned after the Medicare program; however, an increasing number of states have established or are establishing payment methodologies intended to provide healthcare services to Medicaid patients through managed care arrangements.

Managed Care and Private Insurance. Health Maintenance Organizations, or HMO’s, Preferred Provider Organizations, or PPOs, and other managed care organizations attempt to control the cost of healthcare services by a variety of measures, including imposing lower payment rates, preauthorization requirements, limiting services and

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mandating less costly treatment alternatives. Managed care contracting is competitive and reimbursement schedules are at or below Medicare reimbursement levels. However, some managed care organizations have reduced or otherwise limited, and we believe that other managed care organizations may reduce or otherwise limit, reimbursement in response to reductions in government reimbursement. These reductions have had, and any future reductions could have, an adverse impact on our financial condition and results of operations. These reductions have been, and any future reductions may be, similar to the reimbursement reductions proposed by CMS, Congress and the current federal government administration. The development and expansion of HMOs, PPOs and other managed care organizations within our core markets could have a negative impact on utilization of our services in certain markets and/or affect the revenues per procedure we can collect, since such organizations will exert greater control over patients' access to diagnostic imaging services, the selection of the provider of such services and the reimbursement thereof.

Some states have adopted or expanded laws or regulations restricting the assumption of financial risk by healthcare providers which contract with health plans. While we are not currently subject to such regulation, we or our customers may in the future be restricted in our ability to assume financial risk, or may be subjected to reporting requirements if we do so. Any such restrictions or reporting requirements could negatively affect our contracting relationships with health plans.

Private health insurance programs generally have authorized payment for our services on satisfactory terms. However, we believe that private health insurance programs may also reduce or otherwise limit reimbursement in response to reductions in government reimbursement, which could have an adverse impact on our financial condition and results of operations.

Several significant third-party payors implemented the reduction for multiple images on contiguous body parts (as currently in effect under CMS regulations) and additional payors may propose to implement this reduction as well. If the government implements a discount on the technical component discount on imaging of contiguous body parts third-party payors may follow this practice and implement a similar reduction. Such reduction would further negatively affect our financial condition and results of operations.

Furthermore, certain third-party payors have proposed and implemented initiatives which have the effect of substantially decreasing reimbursement rates for diagnostic imaging services provided at non-hospital facilities, and payors are continuing to monitor reimbursement for diagnostic imaging services. A third-party payor has instituted a requirement of participation that requires freestanding imaging center providers to offer multi-modality imaging services and not simply offer one type of diagnostic imaging service. Other third-party payors have instituted specific credentialing requirements on imaging center providers and physicians performing interpretations and providing supervision. Similar initiatives enacted in the future by a significant number of additional third-party payors may have a significant adverse impact on our financial condition and results of operations.

Revenues

We earn revenues by providing services to patients, hospitals and other healthcare providers. Our patient services revenue is billed, on a fee-for-service basis, directly to patients or third-party payors such as managed care organizations, Medicare, Medicaid, commercial insurance carriers and workers' compensation funds, collectively, payors. Patient services revenues also include balances due from patients, which are primarily collected at the time the procedure is performed. We refer to our patient services revenues as our retail operations. With respect to our retail operations, we bear the direct risk of collections from third-party payors and patients. Our charge for a procedure is comprised of charges for both the technical and professional components of the service. Patient services revenues are presented net of (1) related contractual adjustments, which represent the difference between our charge for a procedure and what we will ultimately receive from the payors, and (2) payments due to radiologists for interpreting the results of the diagnostic imaging procedures.

Contractual adjustments are determined primarily from a report that extracts data directly from our billing system and automatically generates the contractual adjustments based on actual contractual rates with our payors in effect at the time the service is provided to the patient. Contractual adjustments are written-off against contractual fee rates with our payors in effect when the service was provided to the patient.

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We report net the payments due to radiologist from our revenue because (1) we are not the primary obligor for the provision of professional services and (2) because the radiologists receive contractually agreed upon percentage of collections, the radiologists bear the risk of non-collection. In the past we had arrangements with certain radiologists pursuant to which we paid the radiologists for their professional services at an agreed upon contractual rate irrespective of the ultimate collections. With respect to these arrangements, the professional component is included in our revenues, and our payments to the radiologists are included in costs of services.

Our collection policy is to obtain all required insurance information at the time a procedure is scheduled, and to submit an invoice to the payor immediately after a procedure is completed. Most third-party payors require preauthorization before an MRI, CT or PET/CT procedure is performed on a patient.

We refer to our revenues from hospitals, physician groups and other healthcare providers as contract services revenues or our wholesale operations. Contract services revenues are primarily generated from fee-for-service arrangements, fixed-fee contracts and management fees billed to the hospital, physician group or other healthcare provider. Contract service revenues are generally billed to our customers on a monthly basis and revenues are recognized when the service is provided. Revenues collected in advance are recorded as unearned revenue. Fee for services revenues are affected by the timing of holidays, patient and referring physicians vacation schedules and inclement weather.

The provision for doubtful accounts is reflected as an operating expense and represents our estimate of amounts that are legally owed to us but will be uncollectible from patients, payors, hospitals, physician groups and other healthcare providers. The provision for doubtful accounts includes amounts to be written off with respect to specific accounts involving customers that are financially unstable or materially fail to comply with the payment terms of their contracts and other accounts based on our historical collection experience, including payor mix and the aging of patient accounts receivables balances.

Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. Receivables deemed to be uncollectible, either through a customer default on payment terms or after reasonable collection efforts have been exhausted, are fully written-off against their corresponding asset account, with a reduction to the allowance for doubtful accounts to the extent such an allowance was previously recorded. Our historical write-offs for uncollectible accounts are not concentrated in a specific payor class.

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The following illustrates our payor mix based on percentage of total revenues for the three months ended September 30, 2010 and 2009:

| | Three months ended September 30, | |
|---|-------------------------------------|------|
| | 2010 | 2009 |
| Hospitals, physician groups and other healthcare providers (1)(2) | 47% | 51% |
| Managed care and insurance | 36% | 35% |
| Medicare / Medicaid | 13% | 11% |
| Other, including workers' compensation and self-pay patients | 4% | 3% |

(1) We have one healthcare provider that accounted for approximately 6.0% of our total revenues during the three months ended September 30, 2010 and 2009. No other single hospital, physician group or other healthcare provider accounted for more than 5% of our total revenues.

(2) These payors principally represent our contract services or wholesale operations.

The aging of our gross and net trade accounts receivables as of September 30, 2010 is as follows (amounts in thousands):

| | Current | 30 days | 60 days | 90 days | 120 days and older | Total |
|--|-------------|----------|----------|---------|-----------------------|-----------|
| | (unaudited) | | | | | |
| Hospitals, physician groups and other healthcare providers | \$ 7,697 | \$ 3,305 | \$ 1,320 | \$ 377 | \$ 524 | \$ 13,223 |
| Managed care and insurance | 15,828 | 7,161 | 2,351 | 1,063 | 2,190 | 28,593 |
| Medicare/Medicaid | 5,196 | 2,178 | 738 | 223 | 731 | 9,066 |
| Other, including workers compensation | 932 | 723 | 303 | 198 | 289 | 2,445 |
| Other, including self paid patients | 108 | 72 | 57 | 29 | (51) | 215 |
| Trade accounts receivables | 29,761 | 13,439 | 4,769 | 1,890 | 3,683 | 53,542 |
| Less: Allowances for professional fees | (1,446) | (499) | (216) | (136) | (250) | (2,547) |
| Allowances for contractual adjustments | (13,805) | (6,996) | (2,131) | (41) | (138) | (23,111) |
| Allowances for doubtful accounts | (429) | (300) | (569) | (1,002) | (2,156) | (4,456) |
| Trade accounts receivables, net December 31, 2009 | \$ 14,081 | \$ 5,644 | \$ 1,853 | \$ 711 | \$ 1,139 | \$ 23,428 |

Our days sales outstanding, for trade accounts receivables on a net basis was 46 days at September 30, 2010 as compared to 43 days at September 30, 2009. The increase in the days sales outstanding is primarily attributable to our acquisition of eight fixed-site centers discussed above. Because we had to convert the contracts under which our third party payors, including Medicare, reimburse us for billings related to these newly acquired centers, there is a waiting period of between 90 – 180 days before we begin to receive payments under these converted contracts. We expect our days sales outstanding to decrease once the waiting period has ended and these payments are brought up to date.

Operating Expenses

We operate in a capital intensive industry that requires significant amounts of capital to fund operations. As a result, a high percentage of our total operating expenses are fixed. Our fixed costs include depreciation and amortization, debt service, lease payments, salaries and benefit obligations, equipment maintenance expenses, insurance and vehicle operations costs. Because a large portion of our operating expenses are fixed, any increase in our procedure volume or reimbursement rates disproportionately increases our operating cash flow. Conversely, any decrease in our procedure volume or reimbursement rates disproportionately decreases our operating cash flow. Our variable costs, which comprise only a small portion of our total operating expenses, include billing fees related to patient services, bad debt expense and the cost of service supplies such as film, contrast media and radiopharmaceuticals.

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Results of Operations

The following table sets forth the results of operations for the three months ended September 30, 2010 and 2009.

| | Three Months Ended September 30, | |
|---|-------------------------------------|-------------------|
| | 2010 | 2009 |
| | (unaudited) | |
| REVENUES: | | |
| Contract services | \$ 22,818 | \$ 25,024 |
| Patient services | 24,843 | 24,588 |
| Other operations | 607 | 529 |
| Total revenues | 48,268 | 50,141 |
| COSTS OF OPERATIONS: | | |
| Costs of services | 33,909 | 32,250 |
| Provision for doubtful accounts | 1,103 | 1,110 |
| Equipment leases | 2,861 | 2,561 |
| Depreciation and amortization | 6,658 | 9,471 |
| Total costs of operations | 44,531 | 45,392 |
| CORPORATE OPERATING EXPENSES | (5,749) | (4,806) |
| EQUITY IN EARNINGS OF UNCONSOLIDATED PARTNERSHIPS | 654 | 612 |
| INTEREST EXPENSE, net | (6,185) | (6,844) |
| LOSS ON SALES OF CENTERS | (241) | — |
| GAIN ON NONMONETARY EXCHANGE | 8,717 | — |
| Income (loss) before income taxes | 933 | (6,289) |
| PROVISION FOR INCOME TAXES | 37 | 37 |
| Net income (loss) | 896 | (6,326) |
| Less: net income attributable to noncontrolling interests | 227 | 266 |
| Net income (loss) attributable to InSight Health Services Holdings Corp. | \$ 669 | \$ (6,592) |

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The following table sets forth certain historical financial data expressed as a percentage of revenues for each of the periods indicated:

| | Three Months Ended September 30, | |
|--|-------------------------------------|--------|
| | 2010 | 2009 |
| | (unaudited) | |
| REVENUES: | | |
| Contract services | 47.3% | 49.9% |
| Patient services | 51.5% | 49.0% |
| Other operations | 1.2% | 1.1% |
| Total revenues | 100.0% | 100.0% |
| COSTS OF OPERATIONS: | | |
| Costs of services | 70.3% | 64.3% |
| Provision for doubtful accounts | 2.3% | 2.2% |
| Equipment leases | 5.9% | 5.1% |
| Depreciation and amortization | 13.8% | 18.9% |
| Total costs of operations | 92.3% | 90.5% |
| CORPORATE OPERATING EXPENSES | -11.9% | -9.6% |
| EQUITY IN EARNINGS OF UNCONSOLIDATED PARTNERSHIPS | 1.4% | 1.2% |
| INTEREST EXPENSE, net | -12.8% | -13.6% |
| LOSS ON SALES OF CENTERS | -0.5% | 0.0% |
| GAIN ON NONMONETARY EXCHANGE | 18.1% | 0.0% |
| Income (loss) before income taxes | 2.0% | -12.5% |
| PROVISION FOR INCOME TAXES | 0.1% | 0.1% |
| Net income (loss) | 1.9% | -12.6% |
| Less: net income attributable to noncontrolling interests | 0.5% | 0.5% |
| Net income (loss) attributable to InSight Health Services Holdings Corp. | 1.4% | -13.1% |

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The following table sets forth certain historical financial data by segment for the periods indicated (amounts in thousands except percentages):

| | Three Months Ended September 30, | | | % of Revenue | Variance | Variance % |
|--------------------------|-------------------------------------|-----------------------------|------------------|---------------|-------------------|--------------|
| | 2010 | % of Revenue (unaudited) | 2009 | | | |
| Revenues | | | | | | |
| Patient services (1) | \$ 24,843 | 51.5% | \$ 24,588 | 49.0% | \$ 255 | 1.0% |
| Contract services (3) | 22,818 | 47.3% | 25,024 | 49.9% | (2,206) | -8.8% |
| Other operations | 607 | 1.2% | 529 | 1.1% | 78 | 14.7% |
| Total | \$ 48,268 | 100.0% | \$ 50,141 | 100.0% | \$ (1,873) | -3.7% |
| Costs of Services | | | | | | |
| Patient services (2) | \$ 20,448 | 42.4% | \$ 18,557 | 37.0% | \$ 1,891 | 10.2% |
| Contract services (4) | 13,148 | 27.2% | 13,561 | 27.0% | (413) | -3.0% |
| Other operations | 313 | 0.6% | 132 | 0.3% | 181 | 137.1% |
| Total | \$ 33,909 | 70.2% | \$ 32,250 | 64.3% | \$ 1,659 | 5.1% |

- (1) Patient services revenues for the three months ended September 30, 2009 include \$1.4 million related to patient services centers that were sold or closed in fiscal 2010 and 2011. Patient services revenues for the three months ended September 30, 2010 include \$0.2 million related to centers that were sold or closed in fiscal year 2011. Patient services revenues for the three months ended September 30, 2010 include \$3.5 million in revenues from acquired patient services centers that were not in operation for all of fiscal 2010.
- (2) Patient services cost of services for the three months ended September 30, 2009 include \$1.4 million related to patient services centers that were sold or closed in fiscal 2010 and 2011. Patient services cost of services for the three months ended September 30, 2010 include \$0.3 million related to patient services centers that were sold or closed in fiscal 2011. Patient services costs of services for the three months ended September 30, 2010 include \$3.1 million in costs from acquired patient services centers were acquired in fiscal year 2010.
- (3) Contract services revenues for the three months ended September 30, 2009 include \$1.1 million related to contract services centers that were sold or closed in fiscal 2010 and 2011. Contract services revenues for the three months ended September 30, 2010 include \$0.4 million related to centers that were sold or closed in fiscal year 2011.
- (4) Contract services cost of services for the three months ended September 30, 2009 include \$0.5 million related to contract services centers that were sold or closed in fiscal 2010 and 2011. Patient services cost of services for the three months ended September 30, 2009 include \$0.2 million related to contract services centers that were sold or closed in fiscal 2011.

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Non-GAAP Measure — Revenues and costs of operations (including costs of services, provision for doubtful accounts, equipment leases and depreciation and amortization), net of acquisitions and dispositions as presented herein is defined as revenue and services excluding the effects of acquisitions and dispositions. We believe this metric is a useful financial measure for investors in evaluating our operating performance for the periods presented, as when read in conjunction with our revenues and costs of services, it presents a useful tool to evaluate our ongoing operations and provides investors with a tool they can use to evaluate our management of assets held from period to period. In addition, revenues and costs of services net of acquisitions and dispositions is one of the factors we use in internal evaluations of the overall performance of our business. This metric, however, is not a measure of financial performance under accounting principles generally accepted in the United States (“GAAP”) and should not be considered a substitute for revenues and costs of services as determined in accordance with GAAP and may not be comparable to similarly titled measures reported by other companies.

Three Months Ended September 30, 2010 and 2009

Revenues: Net of acquisitions and dispositions, revenues decreased \$3.7 million or 7.7% to \$44.0 million for the three months ended September 30, 2010, from \$47.7 million for the three months ended September 30, 2009. This decrease was primarily due to lower existing contract services revenues (\$1.6 million) and lower revenues from existing patient services centers (\$2.1 million).

Our patient services revenues, net of acquisitions and dispositions, decreased \$2.1 million or 9.2% to \$21.1 million for the three months ended September 30, 2010, from \$23.2 million for the three months ended September 30, 2009. This decrease was primarily a result of a decrease in scan volumes, which we attribute to various factors, including high unemployment rates and the impact of high deductible health plans. The decrease is also due to a decline in the percentage of scans related to more expensive procedures, coupled with reimbursement rate reductions from various payors.

Our contract services revenues, net of acquisitions and dispositions, decreased \$1.6 million or 6.6% to \$22.3 million for the three months ended September 30, 2010, from \$23.9 million for the three months ended September 30, 2009. The decrease from our contract services operations is a result of a reduction in the number of active contracts, volumes and reductions in reimbursement from our contract services customers for all modalities. The reductions in reimbursement are primarily the result of competition from other contract services providers and fewer mobile units in service. Our aging mobile fleet also contributed to the decline in revenues as did the continued propensity for customers to take their business in-house.

We believe we may continue to experience declining revenues due to the negative trends discussed above, which may be intensified by the negative effects of the country’s economic condition, including higher unemployment, higher deductible plans, fewer individuals with healthcare insurance and reductions in third-party payer reimbursement.

Costs of services: As a percentage of revenues, costs of services increased 5.9% to 70.2% for the three months ended September 30, 2010 as compared to 64.3% for three months ended September 30, 2009. Cost of services, net of acquisitions and dispositions, decreased \$0.2 million to \$30.1 million for the three months ended September 30, 2010 from \$30.3 million for the three months ended September 30, 2009. The decrease is attributable to a decrease in our existing contract services centers (\$0.2) and a decrease in our existing patient services centers (\$0.2 million), partially offset by an increase in our other segment cost of services (\$0.2 million).

As a percentage of revenues, costs of services at our patient services centers increased 6.8% to 82.3% for the three months ended September 30, 2010 from 75.5% for the same period in the prior year. Net of acquisitions and dispositions, as a percentage of revenues, our cost of services increased 6.9% to 80.8% for the three months ended September 30, 2010 from 73.9% for the three months ended September 30, 2009, as a result of the decline in revenues, which was not offset by lower costs due to the fixed nature of our patient services cost of services. Total costs of services in our patient services segment increased \$1.8 million to \$20.4 million for the three months ended

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September 30, 2010 from \$18.6 million in September 30, 2009. Our acquisitions added \$3.1 million of costs in our patient services segment from the three months ended September 30, 2009 to the same period in the current year, which was partially offset by dispositions (\$1.1 million). The cost of services for our existing patient services centers was consistent between the periods.

As a percentage of revenues our cost of services in our contract services segment increased 3.4% to 57.6% for the three months ended September 30, 2010 from 54.2% for the same period in the prior year. The increase is attributable to our revenues decreasing at a higher rate than we are able to decrease our costs, due to the relative fixed nature of our costs of services. Costs of services in our contract services segment decreased \$0.4 million to \$13.1 million for the three months ended September 30, 2010 from \$13.5 million for the three months ended September 30, 2009. The decrease was due partially to the disposition of contract services centers (\$0.3 million).

Provision for doubtful accounts: The provision for doubtful accounts was \$1.1 million for the three months ended September 30, 2010 and 2009. Net of acquisitions and dispositions, our provision for doubtful accounts decreased \$0.1 million to \$0.9 million for the three months ended September 30, 2010 as compared to \$1.0 million for the three months ended September 30, 2010, related primarily to patient services operations.

Equipment leases: Equipment leases increased \$0.3 million for the three months ended September 30, 2010 as compared to the same period in the prior year. Equipment leases, net of acquisitions and dispositions, increased \$0.3 million, to \$2.7 million from \$2.4 million for the three months ended September 30, 2010 and 2009, respectively.

Depreciation and amortization: Depreciation and amortization expense decreased \$2.8 million for the three months ended September 30, 2010 to \$6.7 million from \$9.5 million for the same period in the prior year. Net of acquisitions and dispositions, depreciation and amortization decreased \$2.7 million to \$6.5 million for the three months ended September 30, 2010 as compared to \$9.2 million for the three months ended September 30, 2010. The decrease can be primarily attributed to the age of our equipment resulting in more fully depreciated equipment during the three months ended September 30, 2010 than the prior year period, partially offset by purchases of new property and equipment.

Corporate Operating Expenses: Corporate operating expenses increased \$0.7 million, or 14.9%, to \$5.5 million for the three months ended September 30, 2010 from \$4.8 million for the three months ended September 30, 2009. The increase was primarily related to severance costs relating to center closures (\$0.1 million), office related costs due in part to the integration costs of recent center acquisitions (\$0.3 million) and marketing costs related to our new enterprise solutions product (\$0.3 million). As a percentage of revenues our corporate operating expenses increased 1.9% from 11.4% for the three months ended September 30, 2010, from 9.6% for the three months ended September 30, 2009. This increase is due to the decline in revenues coupled with the increase in costs as discussed above.

Equity in Earnings of Unconsolidated Partnerships: Equity in earnings in our unconsolidated partnerships was consistent for the three months ended September 30, 2010 as compared to the same period in the prior year.

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Interest Expense, Interest expense, net decreased \$0.6 million to \$6.2 million for the three months ended September 30, 2010, from \$6.8 million for the three months ended September 30, 2009. The decrease was due primarily to lower interest rates (\$0.7 million) on the floating rate notes, partially offset by increased amortization of the bond discount (\$0.1 million).

Loss on Sales of Centers: During the first quarter of fiscal 2011, we reported a \$0.2 million loss on sale of a fixed-site center in California.

Gain on Nonmonetary Exchange: In July, 2010 we acquired eight fixed-site imaging centers in the Phoenix, Arizona, El Paso, Texas, and Las Cruces, New Mexico areas for \$8.5 million from subsidiaries of MedQuest, Inc. and Novant Health, Inc. In a separate transaction on September 30, 2010, we sold three mobile imaging assets in North Carolina for \$9.2 million, of which \$0.6 million was received in cash, to an affiliate of MedQuest, Inc. and Novant Health, Inc. Acquisition-related transaction costs were \$0.2 million and expensed as incurred. Due to the proximity in time of the purchase and sale transaction, and that the two transactions were of similar value, the counterparties determined to settle only the net difference of \$0.6 million in cash. In accordance with ASC 805, we accounted for the purchase and sale transactions as a nonmonetary exchange of businesses and recorded a gain on nonmonetary exchange of \$8.7 million.

Income (loss) before Income Taxes: Income before income taxes increased to \$0.9 million for the three months ended September 30, 2010, from a \$6.3 million loss for the three months ended September 30, 2009. An analysis of the change in loss before income taxes is as follows (amounts in thousands) (unaudited):

| | <u>Consolidated</u> |
|---|---------------------|
| Loss before income taxes – | |
| Three Months ended September 30, 2009 | \$ (6,289) |
| Decrease in existing centers revenues | (3,663) |
| Decrease in existing centers costs of services | 199 |
| Increase in existing centers equipment leases | (292) |
| Decrease in existing centers depreciation and amortization | 2,694 |
| Decrease in existing centers interest expense | 651 |
| Decrease in existing centers provision for doubtful accounts | 127 |
| Impact of centers sold, closed or acquired | 8,648 |
| Increase in corporate operating expenses | (943) |
| Decrease in equity in earnings of unconsolidated partnerships | 42 |
| Loss on sales of centers | (241) |
| Income before income taxes – | |
| Three Months ended September 30, 2010 | \$ 933 |

Provision for Income Taxes: For the three months ended September 30, 2010 and 2009, we recorded a provision for income taxes of \$0.1 million. The provision for income taxes is primarily related to state income taxes and interest expense related to the uncertain tax positions.

Financial Condition, Liquidity and Capital Resources

We have historically funded our operations and capital project requirements from net cash provided by operating activities and capital and operating leases. We expect to fund future working capital and capital project requirements from cash on hand, sales of fixed-site centers and mobile facilities, net cash provided by operating activities and our credit facility.

To the extent available, we will also use capital and operating leases, but the current conditions in the capital markets and our high level of leverage have limited our ability to obtain attractive lease financing. Our operating cash flows have been negatively impacted by the sales and closures of certain centers and the negative trends we have experienced with each of our segments. If our operating cash flows continue to be negatively impacted by these and other factors and we are unable to offset them with cost savings and other initiatives, it will result in:

- a reduction in our borrowing base, and therefore a decline in the amounts available under our credit facility;
- difficulty funding our capital projects;

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- more stringent financing from equipment manufacturers and other financing resources; and
- an inability to meet our interest payment obligations on the floating rate notes, refinance or restructure our floating rate notes or redeem or retire the floating rate notes when due.

We have a substantial amount of debt, which requires significant interest and principal payments. As of September 30, 2010, we had total indebtedness of \$298.1 million in aggregate principal amount, including \$293.5 million of floating rate notes which come due in November 2011. While we believe that future net cash provided by operating activities will be adequate to meet our operating cash and debt service requirements through December 1, 2010 we elected not to make the scheduled November 1, 2010 interest payment on our floating rate notes in order to preserve our cash position. As a result of our not paying the scheduled November 1, 2010 interest payment, there is currently a default under the indenture governing such notes. The 30-day grace period before such non-payment constitutes an event of default under the indenture will expire on December 1, 2010. The non-payment of the scheduled November 1, 2010 interest payment also constitutes an event of default under our revolving credit facility. Because we are in default of our revolving credit facility due to the non-payment of the interest and an impermissible qualification as discussed below, we may not be able to borrow on our credit facility after December 1, 2010. If our cash requirements continue to exceed the cash provided by our operating activities, then we would look to our cash balance, proceeds from asset sales and revolving credit facility to satisfy those needs. Furthermore, if we do not cure the interest non-payment default that currently exists under the indenture governing our floating rate notes on or prior to December 1, 2010, an event of default will arise under such indenture and the trustee or holders of at least 25% in principal amount of the then outstanding floating rate notes could declare the principal amount, and accrued and unpaid interest, on all outstanding floating rate notes immediately due and payable, consequently we have classified all of the debt related to our floating rate notes as current. In such an event, we would likely need to seek protection under chapter 11 of the Bankruptcy Code.

In addition, we have suffered recurring losses from operations and have a net capital deficiency that raises substantial doubt about our ability to continue as a going concern. Additionally, the opinion of our independent registered public accounting firm for our fiscal year ended June 30, 2010 contained an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our revolving credit facility requires us to deliver audited financial statements without such an explanatory paragraph within 120 days following the end of our fiscal year. We were not able to deliver audited financial statements for our fiscal year end without such an explanatory paragraph, and as a result we are currently not in compliance with the revolving credit facility because of an impermissible qualification default.

Holdings' and Insight's wholly owned subsidiaries unconditionally guarantee all of Insight's obligations under the indenture for the floating rate notes. The floating rate notes are secured by a first priority lien on substantially all of Insight's and the guarantors' existing and future tangible and intangible property including, without limitation, equipment, certain real property, certain contracts and intellectual property and a cash account related to the foregoing, but are not secured by a lien on their accounts receivables and related assets, cash accounts related to receivables and certain other assets. In addition, the floating rate notes are secured by a portion of Insight's stock and the stock or other equity interests of Insight's subsidiaries.

Through certain of Insight's wholly owned subsidiaries we have an asset-based revolving credit facility of up to \$20 million, which matures in June 2011, with the lenders named therein and Bank of America, N.A. as collateral and administrative agent. This facility was recently amended as described below. The credit facility is scheduled to terminate in June 2011. As of September 30, 2010, we had approximately \$13.5 million of availability under the credit facility, based on our borrowing base. At September 30, 2010, there were no outstanding borrowings under the credit facility; however, there were letters of credit of approximately \$1.6 million outstanding under the credit facility. As a result of our current fixed charge coverage ratio, we would only be able to borrow up to \$6.0 million of the \$13.5 million of availability under the borrowing base due to a restriction in the future if our liquidity, as defined in the credit facility agreement, falls below \$7.5 million.

Holdings and Insight unconditionally guarantee all obligations of Insight's subsidiaries that are borrowers under the credit facility. All obligations under the credit facility and the obligations of Holdings and Insight under the guarantees are secured, subject to certain exceptions, by a first priority security interest in all of Holdings', Insight's and the borrowers': (i) accounts; (ii) instruments, chattel paper (including, without limitation, electronic chattel

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paper), documents, letter-of-credit rights and supporting obligations relating to any account; (iii) general intangibles that relate to any account; (iv) monies in the possession or under the control of the lenders under the credit facility; (v) products and cash and non-cash proceeds of the foregoing; (vi) deposit accounts established for the collection of proceeds from the assets described above; and (vii) books and records pertaining to any of the foregoing. Borrowings under the credit facility bear interest at a per annum rate equal to LIBOR plus 3.75%, or, at our option, the base rate (which is the Bank of America, N.A. prime rate +2.75%). In addition to paying interest on outstanding loans under the credit facility, we are required to pay a commitment fee to the lenders in respect to unutilized commitments thereunder at a rate equal to 0.75% per annum, subject to reduction based on a performance grid tied to our fixed charge coverage ratio, as well as customary letter-of-credit fees and fees of Bank of America, N.A. There are no financial covenants included in the credit facility, except a minimum fixed charge coverage ratio test which will be triggered if our liquidity, as defined in the credit facility, falls below \$7.5 million.

The agreements governing our credit facility and floating rate notes contain restrictions on among other things, our ability to incur additional liens and indebtedness, engage in mergers, consolidations and asset sales, make dividend payments, prepay other indebtedness, make investments and engage in transactions with affiliates.

On September 20, 2010, we executed an amendment to our revolving credit agreement with our lender whereby the lender has agreed to forbear from enforcing the impermissible qualification default under the agreement, as well as the interest payment default that has since arisen, and allow us full access to the revolver until December 1, 2010. If we have not remedied both the impermissible qualification default and the interest payment default by December 1, 2010, our lenders could terminate their commitments under the revolver and could cause all amounts outstanding thereunder, if any, to become immediately due and payable. They have been recorded as current to reflect this possibility. We did not have any borrowings outstanding on the revolver as of September 30, 2010 and do not currently have any borrowings outstanding on the revolver. We currently have approximately \$1.7 million outstanding in letters of credit that would need to be cash collateralized in the event our revolver is eliminated. The amendment reduces the total facility size from \$30 million to \$20 million and reduces the letter of credit limit from \$15 million to \$5 million, and also increases our interest rate on outstanding borrowings to Prime +2.75% or LIBOR +3.75%, at our discretion. The unused line fee is increased to 0.75%.

In any event, we will need to restructure or refinance all or a portion of our indebtedness on or before maturity of such indebtedness. In the event such steps are not successful in enabling us to meet our liquidity needs or to restructure or refinance our outstanding indebtedness when due, we may need to seek protection under chapter 11 of the Bankruptcy Code. We have engaged Jefferies & Company and are working closely with them to develop and finalize a restructuring plan to significantly reduce our outstanding debt and improve our cash and liquidity position. We are in discussions with holders of a significant amount of the principal amount outstanding of our floating rate notes regarding a possible restructuring of our floating rate notes as part of our previously announced plan to develop and finalize a restructuring plan to significantly reduce our outstanding debt and improve our cash and liquidity position. However we can give no assurances that we will be able to restructure the floating rate notes on commercially reasonable terms or on terms favorable to us, or at all. The floating rate notes mature in November 2011 and unless our financial performance significantly improves, we can give no assurance that we will be able to cure the existing default under the indenture governing the floating rate notes, meet our interest payment obligations on the floating rate notes in the future, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due, which could cause us to default on our indebtedness, and cause a material adverse effect on our liquidity and financial condition. Any such default would likely require us to seek protection under chapter 11 of the Bankruptcy Code. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more restrictive covenants, which could further restrict our business operations and have a material adverse effect on our results of operations.

We reported net income attributable to Holdings of approximately \$0.7 million, and net loss attributable to Holdings of approximately \$31.8 million, \$19.8 million and \$169.2 million for the three months ended September 30, 2010, years ended June 30, 2010 and 2009, and the eleven months ended June 30, 2008, respectively. We have implemented steps in response to these losses, including a core market strategy and various revenue cycle enhancement and cost reduction initiatives. We have focused on implementing, and will continue to develop and implement, various revenue enhancement, receivables and collections management and cost reduction initiatives:

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- Revenue enhancement initiatives have focused and will continue to focus on our sales and marketing efforts to maintain or improve our procedural volumes and contractual rates, and our solutions initiative.
- Receivables and collections management initiatives have focused and will continue to focus on collections at point of service, technology improvements to create greater efficiency in the gathering of patient and claim information when a procedure is scheduled or completed, and our initiative with Dell Perot Systems.
- Cost reduction initiatives have focused and will continue to focus on streamlining our organizational structure and expenses including enhancing and leveraging our technology to create greater efficiencies, and leveraging relationships with strategic vendors.

While we have experienced some improvements through our receivables and collections management and notable improvements due to our cost reduction initiatives, benefits from our revenue enhancement initiatives have yet to materialize and our revenues continue to decline. Moreover, future revenue enhancement initiatives will face significant challenges because of the continued overcapacity in the diagnostic imaging industry, reimbursement reductions and the country's economic condition, including higher unemployment. We can give no assurance that these steps will be adequate to improve our financial performance. Unless our financial performance significantly improves, we can give no assurance that we will be able cure the existing interest non-payment default under the indenture governing the floating rate notes, meet our interest payment obligations on the floating rate notes in the future, refinance or restructure the floating rate notes on commercially reasonable terms, or redeem or retire the floating rate notes when due in November 2011.

Our short-term liquidity needs relate primarily to:

- interest payments relating to the floating rate notes, including curing the current interest non-payment default under the indenture governing the floating rate notes;
- capital projects;
- working capital requirements; and
- potential acquisitions.

Our long-term liquidity needs relate primarily to the maturity of the floating rate notes in November 2011.

In the past, we have from time to time purchased a portion of our outstanding floating rate notes. Any such purchases shall be in accordance with the terms of agreements governing our material indebtedness. During fiscal 2009, we purchased \$21.5 million in principal amount of floating rate notes for approximately \$8.4 million. We realized a gain of approximately \$12.1 million, after the write-off of unamortized discount of approximately \$1.0 million. Cash, cash equivalents and restricted cash as of September 30, 2010 were \$4.1 million (including \$0.4 million that was subject to the lien for the benefit of the floating rate note holders, and may only be used for wholly owned capital projects or under certain circumstances the purchase of floating rate notes). Our primary source of liquidity is typically cash provided by operating activities. Our ability to generate cash flows from operating activities is based upon several factors including the following:

- the procedure volume of patients at our patient services centers for our retail operations;
- the reimbursement we receive for our services;
- the demand for our wholesale operations, our ability to renew mobile contracts and/or efficiently utilize our mobile equipment in the contract services segment;
- our ability to control expenses;

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- our ability to collect our trade accounts receivables from third-party payors, hospitals, physician groups, other healthcare providers and patients;
 - our ability to implement steps to improve our financial performance; and
 - our ability to continue to receive the same or similar payment terms for amounts owed to suppliers and vendors.
- A summary of cash flows is as follows (amounts in thousands) (unaudited):

| | Three Months Ended September 30, | |
|---|-------------------------------------|----------|
| | 2010 | 2009 |
| Net cash provided by (used in) operating activities | \$ (3,336) | \$ 1,466 |
| Net cash used in investing activities | (1,621) | (1,205) |
| Net cash used in financing activities | (448) | (480) |
| Decrease in cash and cash equivalents | \$ (5,405) | \$ (219) |

Net cash used in operating activities was \$3.3 million for the three months ended September 30, 2010 and resulted primarily from our Adjusted EBITDA (\$5.1 million) (see reconciliation below) less cash paid for interest and taxes (\$4.3 million) and changes in certain assets and liabilities (\$4.1 million). The changes in certain assets and liabilities primarily consist of a decrease in accounts payable and other accrued expenses of approximately \$3.3 million. Of this \$3.3 million, \$1.5 million relates to a decrease in accrued salary and related costs due to the timing of our payroll periods, \$0.4 million relates to timing of insurance premium costs, \$1.1 million relates to short-term timing of payments for our contractual maintenance costs, with the remaining \$0.3 million variance due to normal fluctuations in the timing of payments of short-term obligations. In addition to the decrease in accounts payable and accrued liabilities there was an increase in net accounts receivable of approximately \$0.9 million, due principally to an increase in our revenue related to the acquisition of new centers, partially offset by a decrease in other assets of \$0.1 million.

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Net cash used in investing activities was \$1.6 million for the three months ended September 30, 2010 and resulted primarily from the purchase or upgrade of diagnostic imaging equipment and construction projects at certain of our centers (\$2.5 million), and an increase in restricted cash (\$0.1 million), partially offset by proceeds from the sales of certain centers (\$0.1 million) and equipment sales (\$0.9 million).

Net cash used in financing activities was \$0.4 million for the three months ended September, 2010 and resulted from principal payments on notes payable and capital lease obligations, offset partially by borrowings for debt obligations.

We define Adjusted EBITDA as our earnings before interest expense, income taxes, depreciation and amortization, excluding impairment of tangible and intangible assets, gain on sales of centers, and gain on purchase of notes payable. Adjusted EBITDA has been included because we believe that it is a useful tool for us and our investors to measure our ability to provide cash flows to meet debt service, capital projects and working capital requirements. Adjusted EBITDA should not be considered an alternative to, or more meaningful than, income from company operations or other traditional indicators of operating performance and cash flow from operating activities determined in accordance with GAAP. We present the discussion of Adjusted EBITDA because covenants in the agreements governing our material indebtedness contain ratios based on this measure. While Adjusted EBITDA is used as a measure of liquidity and the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculation. Our reconciliation of net cash provided by (used in) operating activities to Adjusted EBITDA is as follows (amounts in thousands): (unaudited):

| | Three Months Ended September 30, | |
|---|-------------------------------------|----------|
| | 2010 | 2009 |
| Net cash provided by (used in) operating activities | \$ (3,336) | \$ 1,466 |
| Provision for income taxes | 37 | 37 |
| Interest expense, net | 6,185 | 6,844 |
| Amortization of bond discount | (1,570) | (1,412) |
| Share-based compensation | (18) | (18) |
| Equity in earnings of unconsolidated partnerships | 654 | 612 |
| Distributions from unconsolidated partnerships | (790) | (896) |
| Gain on sales of equipment | 228 | 461 |
| Net change in operating assets and liabilities | 3,938 | 2,932 |
| Effect of non-controlling interests | (227) | (266) |
| Net change in deferred income taxes | (28) | — |
| Adjusted EBITDA | \$ 5,073 | \$ 9,760 |

Our reconciliation of income (loss) before income taxes to Adjusted EBITDA by segment for the three months ended September, 2010 and 2009 is as follows (amounts in thousands):

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| | <u>Contract Services</u> | <u>Patient Services</u> | <u>Other Operations</u> | <u>Consolidated</u> |
|--|--------------------------|-------------------------|-------------------------|---------------------|
| Three months ended September 30, 2010 | | | | |
| Income (loss) before income taxes | \$ 12,625 | \$ 218 | \$ (11,910) | \$ 933 |
| Interest expense, net | 44 | 90 | 6,051 | 6,185 |
| Depreciation and amortization | 3,495 | 2,753 | 410 | 6,658 |
| Effect of noncontrolling interests | — | (227) | — | (227) |
| Gain on nonmonetary exchange | (8,717) | — | — | (8,717) |
| Loss on sale of centers | — | 241 | — | 241 |
| Adjusted EBITDA | \$ 7,447 | \$ 3,075 | \$ (5,449) | \$ 5,073 |
| Three months ended September 30, 2009 | | | | |
| Income (loss) before income taxes | \$ 3,765 | \$ 1,496 | \$ (11,550) | \$ (6,289) |
| Interest expense, net | 193 | 167 | 6,484 | 6,844 |
| Depreciation and amortization | 5,618 | 3,188 | 665 | 9,471 |
| Effect of noncontrolling interests | — | (266) | — | (266) |
| Adjusted EBITDA | \$ 9,576 | \$ 4,585 | \$ (4,401) | \$ 9,760 |

Adjusted EBITDA decreased 48.0% for the three months ended September 30, 2010 compared to the three months ended September 30, 2009. This decrease was due primarily to reductions in Adjusted EBITDA from our contract services (\$2.1 million), patient services (\$1.5 million) and an increase in the negative Adjusted EBITDA in our other operations (\$1.0 million). The increase in the negative Adjusted EBITDA from our other operations is due primarily to a \$0.7 million increase in corporate operating expenses, previously discussed.

Adjusted EBITDA from our patient services operations decreased 32.9% to \$3.1 million for the three months ended September 30, 2010 from \$4.6 million for three months ended September 30, 2009. This decrease was due primarily to decreased Adjusted EBITDA from our existing patient services centers (\$1.8 million) due to a comparable revenue decline, as previously discussed, partially offset by our acquisitions (\$0.2 million) and our dispositions (\$0.1 million).

Adjusted EBITDA from our contract services operations decreased 22.2% to \$7.4 million for the three months ended September 30, 2010 from \$9.6 million for the three months ended September 30, 2009. This decrease was due to a comparable revenue decline, as previously discussed.

Capital Projects: As of September 30, 2010, we have committed to capital projects of approximately \$0.6 million through October 2010. We expect to use either internally generated funds, operating leases, cash on hand, including restricted cash, and the proceeds from the sale of fixed-site centers to finance the acquisition of such equipment. We may purchase, lease or upgrade other diagnostic imaging systems as opportunities arise to place new equipment into service when new contract services agreements are signed, existing agreements are renewed, acquisitions are completed, or new fixed-site centers and mobile facilities are developed in accordance with our core market strategy. If we are unable to generate sufficient cash from our operations or obtain additional funds through bank financing, the issuance of equity or debt securities, or operating leases, we may be unable to maintain a competitive equipment base. As a result, we may not be able to maintain our competitive position in our core markets or expand our business.

NEW ACCOUNTING PRONOUNCEMENTS

FASB ASC Topic 810 "Amendments to FASB Interpretation No. 46(R)" formerly SFAS No. 167 (ASC 810) enhances the current guidance for companies with financial interest in a variable interest entity. This statement amends Interpretation 46(R) to replace the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (a) the obligation to absorb losses of the entity or (b) the right to receive benefits from the entity. This statement requires an additional reconsideration event when determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance. It

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also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. This statement amends Interpretation 46(R) to require additional disclosures about an enterprise's involvement in variable interest entities. ASC 810 is effective for fiscal years beginning after November 15, 2009, with early application prohibited. We adopted ASC 810 on July 1, 2010. The adoption of this standard did not have a material impact on our consolidated financial statements.

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05 to provide guidance on measuring the fair value of liabilities. The ASU provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques:

- (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset; or, quoted prices for similar liabilities, or similar liabilities when traded as assets, or
- (ii) another valuation technique consistent with the principles of ASC Topic 820 — Fair Value Measurements and Disclosures, such as an income approach or market approach.

Additionally, when estimating the fair value of a liability, a reporting entity is not required to make an adjustment relating to the existence of a restriction that prevents the transfer of the liability. This ASU also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments are required, are Level 1 fair value measurements under ASC Topic 820. The adoption of this standard did not have a material impact on our consolidated financial statements.

In September 2009, the FASB issued ASU 2009-13, which eliminates the criterion for objective and reliable evidence of fair value for the undelivered products or services. Instead, revenue arrangements with multiple deliverables should be divided into separate units of accounting provided the deliverables meet certain criteria. ASU 2009-13 provides a hierarchy for estimating the selling price for each of the deliverables. ASU 2009-13 eliminates the use of the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables based on their relative selling price. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We adopted this standard on July 1, 2010. The adoption of this standard did not have a material impact on our consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies and estimates are described in Note 4 to the consolidated statements included in our 2010 Form 10-K. There were no new significant accounting policies and estimates in the first quarter of 2011, nor were there material changes to the critical accounting estimates discussed in our 2010 form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We provide our services in the United States and receive payment for our services exclusively in United States dollars. Accordingly, our business is unlikely to be affected by factors such as changes in foreign market conditions or foreign currency exchange rates.

Our market risk exposure relates primarily to interest rates relating to the floating rate notes and our credit facility. As a result, we will periodically use interest rate swaps, caps and collars to hedge variable interest rates on long-term debt. We believe there was not a material quantitative change in our market risk exposure during the quarter ended September 30, 2010, as compared to prior periods. At September 30, 2010, approximately 98.5% of our indebtedness was variable rate indebtedness; however, as a result of the interest rate cap contract discussed below our exposure on variable rate indebtedness was reduced by \$190 million, to approximately 34.7% of our total indebtedness as of September 30, 2010. We do not engage in activities using complex or highly leveraged instruments.

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Interest Rate Risk

In order to modify and manage the interest characteristics of our outstanding indebtedness and limit the effects of interest rates on our operations, we may use a variety of financial instruments, including interest rate hedges, caps, floors and other interest rate exchange contracts. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks such as counter-party credit risk and legal enforceability of hedging contracts. We do not enter into any transactions for speculative or trading purposes.

We had an interest rate hedging agreement with Bank of America, N.A. which effectively provided us with an interest rate collar. The notional amount to which the agreement applied was \$190 million, and it provided for a LIBOR cap of 3.25% and a LIBOR floor of 2.59% on that amount. Our obligations under the agreement were secured on a *pari passu* basis by the same collateral that secures our credit facility, and the agreement was cross-defaulted to our credit facility. This agreement expired on February 1, 2010.

In August 2009, we entered into an interest rate cap agreement with Bank of America, N.A. with a notional amount of \$190 million and a three-month LIBOR cap of 3.0% effective between February 1, 2010 and January 31, 2011. The terms of the agreement call for us to pay a fee of approximately \$0.5 million over the contract period. The contract exposes us to credit risk in the event that the counterparty to the contract does not or cannot meet its obligations; however, Bank of America, N.A. is a major financial institution and we expect that it will perform its obligations under the contract. We designated this contract as a highly effective cash flow hedge of the floating rate notes under ASC 815. However, due to the non-payment of the interest on the floating rate notes on November 1, 2010, this contract is no longer deemed a highly effective cash flow hedge of the floating rate notes. Accordingly, the value of the contract is marked-to-market quarterly, with effective changes in the intrinsic value of the contract included as a separate component of other comprehensive income (loss). The net effect of the hedge is to cap interest payments for \$190 million of our debt at a rate of 8.25%, because our floating rate notes incur interest at three-month LIBOR plus 5.25%. As of September 30, 2010, the asset value and fair market value offset one another and the net value is zero.

Our future earnings and cash flows and some of our fair values relating to financial instruments are dependent upon prevailing market rates of interest, such as LIBOR. Based on interest rates and outstanding balances as of September 30, 2010, a 1.0% increase in interest rates on our \$293.5 million of floating rate debt would affect annual future earnings and cash flows by approximately \$1.0 million. Since the interest on our floating rate notes is based on LIBOR, and LIBOR was less than 1.0% as of September 30, 2010, if LIBOR were to drop to zero, our annual future earnings and cash flows would be affected by approximately \$0.5 million. The interest rate on the floating debt as of September 30, 2010, including the effects of the interest rate hedging agreement was 5.72%.

These amounts are determined by considering the impact of hypothetical interest rates on our borrowing cost. These analyses do not consider the effects of the reduced level of overall economic activity that could exist in that environment. Further, in the event of a change of this magnitude, we would consider taking actions to further mitigate our exposure to any such change. Due to the uncertainty of the specific actions that would be taken and their possible effects, however, this sensitivity analysis assumes no changes in our capital structure.

Inflation Risk

We do not believe that inflation has had a material adverse impact on our business or operating results during the periods presented. We cannot assure you, however, that our business will not be affected by inflation in the future.

ITEM 4T. CONTROLS AND PROCEDURES

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 15d-15 under the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2010, our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings. There were no changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 5, 2010, Holdings, InSight and InSight Health Corp., a wholly-owned subsidiary of InSight, were served with a complaint filed in the Los Angeles County Superior Court alleging claims on behalf of current and former employees. In *Kevin Harold and Denise Langhoff, on their own behalf and on behalf of others similarly situated v. InSight Health Services Holdings Corp., et al.*, the plaintiffs allege violations of California's wage, overtime, meal period, break time and business practice laws and regulations. Plaintiffs seek recovery of unspecified economic damages, statutory penalties, punitive damages, interest, attorneys' fees and costs of suit. We are currently evaluating the allegations of the complaint and are unable to predict the likely timing or outcome of this lawsuit. In the meantime we intend to vigorously defend this lawsuit.

We are engaged from time to time in the defense of other lawsuits arising out of the ordinary course and conduct of our business and have insurance policies covering certain potential insurable losses where such coverage is cost-effective. We do not believe that the outcome of any such other lawsuit will have a material adverse impact on our financial condition and results of operations

ITEM 1A. RISK FACTORS

"Item 1A. Risk Factors" included in our most recent Annual Report on Form 10-K, are incorporated by reference into this Quarterly Report on Form 10-Q. The following sets forth material changes from the risk factors disclosed in our Annual Report on Form 10-K for the year ended June 30, 2010, which was filed with the SEC on September 24, 2010.

If we are unable to cure or otherwise obtain a waiver of the interest non-payment default currently existing under the indenture governing the floating rate notes and the related cross-default under our revolving credit agreement on or prior to December 1, 2010, such default will become an event of default and could result in the principal amount of the floating rate notes and any accrued and unpaid interest becoming immediately due and payable, any amounts outstanding under our revolving credit facility becoming immediately due and payable and require us to seek protection under Chapter 11 of the Bankruptcy Code.

As a result of our not making the scheduled November 1, 2010 interest payment on our floating rate notes, there is currently a default under the indenture governing such notes. The 30-day grace period before such non-payment constitutes an event of default under the indenture will expire on December 1, 2010. Following December 1, 2010, the trustee or holders of at least 25% in principal amount of the then outstanding floating rate notes could declare the principal amount, and accrued and unpaid interest, on all outstanding floating rate notes to be immediately due and payable. The non-payment of the scheduled November 1, 2010 interest payment also constitutes an event of default under our revolving credit facility. Under a recent amendment to our revolving credit facility, the lender has agreed to forbear from exercising its remedies as a result of such non-payment of interest through December 1, 2010. While we are in discussions with holders of a significant amount of the principal amount outstanding of our floating rate notes regarding a possible restructuring as part of our previously announced plan to develop and finalize a restructuring plan to significantly reduce our outstanding debt and improve our cash and liquidity position, we can give no assurances that we will be able to restructure the floating rate notes on commercially reasonable terms or on terms favorable to us, or at all. In the event we are unable to cure or otherwise obtain a waiver of the non-payment default under the indenture governing the floating rate notes on or prior to December 1, 2010, such default will become an event of default and could result in the principal amount of the floating rate notes and any accrued and unpaid interest becoming immediately due and payable. In the event we are unable to cure or otherwise obtain a waiver from our lender under our revolving credit facility of the cross-default on or prior to December 1, 2010, any amounts under such facility will also become immediately due and payable and, furthermore, we would no longer have access to the revolving credit facility. Either of these events would likely require us to seek protection under chapter 11 of the Bankruptcy Code.

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ITEM 5. EXHIBITS

- 31.1 Certification of Louis E. Hallman, III, Holdings' Chief Executive Officer, pursuant to Rule 15d-14 of the Securities Exchange Act of 1934, filed herewith.
- 31.2 Certification of Keith S. Kelson, Holdings' Chief Financial Officer, pursuant to Rule 15d-14 of the Securities Exchange Act of 1934, filed herewith.
- 32.1 Certification of Louis E. Hallman, III, Holdings' Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.2 Certification of Keith S. Kelson, Holdings' Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 15, 2010

INSIGHT HEALTH SERVICES HOLDINGS CORP.
(Registrant)

By: /s/ Louis E. Hallman, III
Louis E. Hallman, III
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Keith S. Kelson
Keith S. Kelson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION |
|-----------------------|--|
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| 32.1 | Certification of Louis E. Hallman, III, Holdings' Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.2 | Certification of Keith S. Kelson, Holdings' Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith. |

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-31.1

EX-31.1

10-Q Filed on 11/15/2010 - Period: 09/30/2010

File Number 333-75984-12



**CERTIFICATION PURSUANT TO
RULE 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Louis E. Hallman, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2010 of InSight Health Services Holdings Corp.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2010

/s/ Louis E. Hallman, III

Louis E. Hallman, III
President and Chief Executive Officer

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-31.2

EX-31.2

10-Q Filed on 11/15/2010 - Period: 09/30/2010

File Number 333-75984-12



**CERTIFICATION PURSUANT TO
RULE 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Keith S. Kelson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2010 of InSight Health Services Holdings Corp.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 15, 2010

/s/ Keith S. Kelson

Keith S. Kelson
Executive Vice President and Chief Financial Officer

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
SUITE 100
LAKE FOREST, CA 92630
949-282-6000

EX-32.1

EX-32.1

10-Q Filed on 11/15/2010 - Period: 09/30/2010
File Number 333-75984-12



**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10–Q of InSight Health Services Holdings Corp. (the “Company”) for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Louis E. Hallman, III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes–Oxley Act of 2002, that to my knowledge:

- (1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Louis E. Hallman, III

Louis E. Hallman, III
President and Chief Executive Officer
November 15, 2010

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

INSIGHT HEALTH SERVICES HOLDINGS CORP

(ISGT)

26250 ENTERPRISE COURT
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949-282-6000

EX-32.2

EX-32.2

10-Q Filed on 11/15/2010 - Period: 09/30/2010

File Number 333-75984-12



**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10–Q of InSight Health Services Holdings Corp. (the “Company”) for the period ended September 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “report”), I, Keith S. Kelson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes–Oxley Act of 2002, that to my knowledge:

- (1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith S. Kelson

Keith S. Kelson
Executive Vice President and Chief Financial Officer
November 15, 2010

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT H

**Restructuring Support Agreement
(including Plan Term Sheet, Warrant Term Sheet and
Shareholders Agreement Term Sheet)**

RESTRUCTURING SUPPORT AGREEMENT

DECEMBER 2, 2010

This RESTRUCTURING SUPPORT AGREEMENT (this “**Agreement**”), made and entered into by and among: InSight Health Services Holdings Corp. (“**Holdings**”); 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. (collectively, the “**Debtors**”) and each Consenting Noteholder (as defined herein), solely in its capacity as a Noteholder (as defined herein), sets forth certain terms and conditions pursuant to which the Debtors will propose their jointly filed chapter 11 plan on a consensual basis with the support of the Consenting Noteholders. Each of the Debtors and the Consenting Noteholders are referred to herein collectively as the “**Parties**” and each individually as a “**Party**.”

Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the chapter 11 plan term sheet attached hereto as Exhibit A, which is expressly incorporated by reference herein and made a part of this Agreement as if fully set forth herein (as such chapter 11 plan term sheet and all terms thereof may be modified in accordance with Section 9 hereof, and including all annexes and attachments thereto, the “**Plan Term Sheet**”). The terms of this Agreement and the Plan Term Sheet shall whenever possible be read in a complementary manner; provided, however, that, to the extent there is a conflict between the body of this Agreement and the Plan Term Sheet, the conflicting term of the Plan Term Sheet shall control and govern.

The Parties hereby agree as follows:

1. Proposed Restructuring and Plan

The Debtors propose a restructuring of, among other things, the indebtedness and obligations outstanding under:

- a. the Second Amended and Restated Loan and Security Agreement dated as of August 31, 2007, and amended from time to time, by and among the Debtors and Bank of America, N.A., as collateral and administrative agent, and the lenders from time to time party thereto, which is secured by first-priority liens on substantially all ordinary-course accounts receivables of the Debtors, which obligations consist of a \$20 million revolving credit facility that is undrawn (but under which have been issued approximately \$1.65 million of letter-of-credit obligations of the Debtors), together with any other obligations related thereto, including any accrued and accruing unpaid interest, costs, fees and indemnities (the “**Revolving Credit Facility**”); and

- b. those certain senior secured floating rate notes due 2011 (collectively, the “**Senior Secured Notes**”) issued pursuant to the Indenture dated as of September 22, 2005 (as amended or supplemented from time to time, the “**Indenture**”), by and among the Debtors and U.S. Bank, as indenture trustee (in such capacity, the “**Indenture Trustee**”), which are secured by substantially all of the Debtors’ assets (excluding, among certain other assets, the Debtors’ ordinary-course receivables securing the Revolving Credit Facility), which obligations consist of approximately \$293,500,000 in outstanding principal balance together with any other obligations related thereto, including any accrued and accruing unpaid interest, costs, fees and indemnities.

The Debtors will seek to effectuate the restructuring upon the terms proposed pursuant to the Plan Term Sheet in any case or cases (collectively, the “**Chapter 11 Cases**”) under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) involving the Debtors filed in a United States Bankruptcy Court (the “**Bankruptcy Court**”). In connection with the Chapter 11 Cases, the Debtors intend to file, among other things, a chapter 11 plan (as may be amended or modified, the “**Plan**”), which will provide for, among other things, certain distributions on account of claims against the Debtors, as set forth in the Plan, and a disclosure statement (as may be amended from time to time, the “**Disclosure Statement**”).

2. Representations and Warranties of Consenting Noteholders

Each holder (each a “**Noteholder**”) of claims on account of any of the Senior Secured Notes (all such claims, collectively, the “**Senior Secured Notes Claims**”) which executes this Agreement or a Joinder Agreement in the form attached hereto as Exhibit B (a “**Joinder Agreement**”) (such Noteholders, the “**Consenting Noteholders**”) represents and warrants to the Debtors that, as of the date hereof (or as of the date such Consenting Noteholder executes a Joinder Agreement, as applicable):

- a. Such Consenting Noteholder (i) either (A) is the sole beneficial owner of the principal amount of Senior Secured Notes Claims set forth with its signature hereto, or (B) has sole investment or voting discretion with respect to the principal amount of Senior Secured Notes Claims set forth below above its signature and has the power and authority to bind the beneficial owner(s) of such Senior Secured Notes Claims to the terms of this Agreement and (ii) has full power and authority to act on behalf of, vote and consent to matters concerning such Senior Secured Notes Claims and to dispose of, exchange, assign and transfer such Senior Secured Notes Claims.
- b. Such Consenting Noteholder has made no prior assignment, sale, participation, grant, conveyance or other transfer of, and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title or interests in any Senior Secured Notes Claims that are subject to this Agreement that are inconsistent with the representations and warranties of such Consenting Noteholder herein or would render such Consenting Noteholder otherwise unable to comply with this Agreement and perform its obligations hereunder.

- c. Such Consenting Noteholder (i) has such knowledge and experience in financial and business matters of this type that it is capable of evaluating the merits and risks of entering into this Agreement and of making an informed investment decision, and has conducted an independent review and analysis of the business and affairs of the Debtors that it considers sufficient and reasonable for purposes of entering into this Agreement and (ii) is an “accredited investor” (as defined by Rule 501 of the Securities Act of 1933, as amended).
- d. Such Consenting Noteholder has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

3. Support for a Qualified Plan

Subject to the terms and conditions hereof and for so long this Agreement has not been terminated in accordance with its terms, and except as otherwise specifically requested in writing by the Debtors, each Consenting Noteholder shall (and, in the case of the following clauses (a), (b), (c), (d), (e), (f), (g) and (h) shall cause each of its controlled affiliates, subsidiaries, representatives, agents and employees to¹):

- a. not exercise or seek to exercise any rights (including rights of acceleration or payment) or remedies or assert or bring any claims under or with respect to the Senior Secured Notes or the Indenture against any of the Debtors, except as provided in this Agreement, the Plan Term Sheet or the Plan;
- b. direct the indenture trustee under the Indenture not to exercise or seek to exercise any rights (including rights of acceleration or payment) or remedies or assert or bring any claims under or with respect to the Senior Secured Notes or the Indenture against any of the Debtors, except as provided in this Agreement, the Plan Term Sheet or the Plan;
- c. (i) vote its Senior Secured Notes Claims to accept the Plan proposed by the Debtors containing substantially similar terms as set forth in this Agreement and the Plan Term Sheet (and any modification thereto shall not contain terms that are materially inconsistent with this Agreement or the Plan Term Sheet), and in form and substance reasonably satisfactory to the Debtors and to the Requisite Consenting Noteholders (as defined below) (as may be amended by mutual consent of the Debtors and the Requisite Consenting Noteholders, a “**Qualified Plan**”) by delivering its duly executed and completed ballot accepting such Qualified Plan on a timely basis following commencement of the solicitation of acceptances of such Qualified Plan in accordance with sections 1125 and 1126 of the Bankruptcy Code and (ii) not change or withdraw such vote (or cause or direct such vote to be changed or withdrawn); provided, however, that such vote shall be immediately revoked and deemed void ab initio upon termination of this Agreement pursuant to the terms hereof;

¹ Subject to the provisions of footnote 3, below, with respect to J.P. Morgan Securities LLC (“**JPMSL**”).

- d. support, and take all reasonable actions necessary or reasonably requested by the Debtors to facilitate, the solicitation, confirmation and consummation of a Qualified Plan and the transactions contemplated thereby;
- e. not object to, or vote any of its Senior Secured Notes Claims to reject, a Qualified Plan or otherwise take any action or commence any proceeding to oppose or to seek any modification of a Qualified Plan, the Disclosure Statement, in form and substance reasonably satisfactory to the Debtors and to the Consenting Noteholders holding at least two thirds in amount of the Senior Secured Notes Claims bound under this Agreement (the “**Requisite Consenting Noteholders**”) and containing substantially similar terms as set forth in this Agreement and the Plan Term Sheet (and any modification thereto shall not contain terms that are materially inconsistent with this Agreement or the Plan Term Sheet);
- f. support the DIP Facility and the use of cash collateral and other terms set forth in the DIP Order (as defined herein) and not object to any provision of the DIP Facility or any motion filed by the Debtors seeking court approval of and authorization to enter into the DIP Facility;
- g. not directly or indirectly seek, solicit, support, encourage, vote its Senior Secured Notes Claims for, consent to, encourage or participate in any discussions regarding the negotiation or formulation of (i) any plan of reorganization, proposal, offer, dissolution, winding up, liquidation, reorganization, merger, consolidation, business combination, joint venture, partnership, sale of assets or restructuring for any of the Debtors (each, an “**Alternative Proposal**”) other than a Qualified Plan or (ii) any other action that is inconsistent with, or that would delay or obstruct the proposal, solicitation, confirmation or consummation of, a Qualified Plan;
- h. support customary global release provisions contained in any Qualified Plan in favor of the Debtors and its agents, including their respective officers, directors and employees, on the one hand, and the Consenting Noteholders and their respective affiliates and agents, including their respective officers, directors and employees, on the other hand, and certain other entities as set forth on the Plan Term Sheet; and
- i. permit all disclosures in the Disclosure Statement and any other filings by the Debtors with the Bankruptcy Court or any regulatory agency to which the Debtors may be subject of the contents of this Agreement, including, but not limited to, the aggregate amount of the Senior Secured Notes Claims held by the Consenting Noteholders.

Notwithstanding the foregoing, nothing in this Agreement shall be construed to prohibit any Consenting Noteholder from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases so long as such appearance and the positions advocated in connection therewith are not inconsistent with, or intended or likely to materially and adversely interfere

with solicitation, confirmation or consummation of a Qualified Plan or consummation of, the transaction embodied in this Agreement and the Plan Term Sheet.

4. Transfer of Senior Secured Notes Claims

Each Consenting Noteholder agrees that so long as this Agreement has not been terminated in accordance with its terms it shall not directly or indirectly (a) grant any proxies to any person in connection with its Senior Secured Notes Claims to vote on the Plan, or (b) sell, contract to sell, give, assign, offer, pledge, hypothecate, encumber, grant a security interest in or otherwise transfer or dispose of or grant, issue or sell any option, right to acquire, voting, participation or other interest in any Senior Secured Notes Claims, by operation of law or otherwise (each a “**Transfer**”), except in accordance with the terms of the Indenture and to a party that agrees in writing, by a counterpart signature to this Agreement, to be subject to the terms and conditions of this Agreement as a “Consenting Noteholder.” Each Consenting Noteholder agrees to notify the other Parties hereto in writing before the close of two (2) business days after such Transfer of its Senior Secured Notes Claims and to provide the Debtors with a signed agreement of the transferee agreeing to be subject to the terms and conditions of this Agreement before the close of two (2) business days after such Transfer. Any Transfer that does not comply with the foregoing shall be deemed void *ab initio*. This Agreement shall in no way be construed to preclude any Consenting Noteholder from acquiring additional Senior Secured Notes or Senior Secured Notes Claims or any other interests in any of the Debtors; provided, that any such additional Senior Secured Notes Claims or other interests in such Debtor shall, upon acquisition, automatically be deemed to be subject to all the terms of this Agreement.

5. Covenants of the Debtors

So long as this Agreement has not been terminated in accordance with its terms, the Debtors shall:

- a. so long as no involuntary petition or involuntary petitions have been filed against any of the Debtors prior to the filing of any voluntary petitions commencing the Chapter 11 Cases as to such Debtors (the date of filing voluntary petitions commencing the Chapter 11 Cases, the “**Voluntary Petition Date**”):
 - i. not file voluntary petitions commencing the Chapter 11 Cases as to any of the Debtors before December 8, 2010 or such earlier date as may be agreed by the Debtors and the Requisite Consenting Noteholders;
 - ii. not file any voluntary petitions commencing the Chapter 11 Cases as to any of the Debtors unless a prepackaged plan of reorganization consistent in all respects with the terms of the Plan Term Sheet is filed substantially contemporaneous with such voluntary petition(s);
 - iii. establish that the deadline to vote to accept or reject a Qualified Plan shall be no later than 14 days after the Voluntary Petition Date;

- iv. seek to obtain a hearing to confirm a Qualified Plan and approve a Disclosure Statement with respect thereto within 30 days after the Voluntary Petition Date;
 - v. obtain from the Bankruptcy Court an order confirming a Qualified Plan (the “**Confirmation Order**”) within 60 days after the Voluntary Petition Date, or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders, which Confirmation Order shall be consistent in all material respects with this Agreement and the Plan Term Sheet; and
 - vi. effectuate and consummate a Qualified Plan within 75 days after the Voluntary Petition Date, or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders;
- b. in the event that an involuntary petition or involuntary petitions are filed against any of the Debtors at any time prior to the filing of any voluntary petitions commencing the Chapter 11 Cases as to such Debtors (such date of filing involuntary petitions commencing the Chapter 11 Cases, the “**Involuntary Petition Date**”)²:
- i. obtain from the Bankruptcy Court an order approving a Disclosure Statement with respect to a Qualified Plan within 45 days after the Involuntary Petition Date or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders;
 - ii. obtain from the Bankruptcy Court a Confirmation Order within 80 days after the Involuntary Petition Date, or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders, which Confirmation Order shall be consistent in all material respects with this Agreement and the Plan Term Sheet; and
 - iii. effectuate and consummate a Qualified Plan within 95 days after the Involuntary Petition Date, or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders;
- c. obtain from the Bankruptcy Court an interim order (the “**Interim Order**”), no later than 15 days after the Petition Date (or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders), and a final order (together with the Interim Order, the “**DIP Order**”), no later than 35 days after the Petition Date (or such later date as may be agreed by the Debtors and the Requisite Consenting Noteholders), in form and substance satisfactory to the Requisite Consenting Noteholders approving the DIP Facility (all documents governing the DIP Facility or delivered in connection therewith, collectively the “**DIP Credit Documents**”);

² The earlier of the Voluntary Petition Date and the Involuntary Petition Date shall be referred to herein as the “**Petition Date**”. This Agreement shall be effective and binding in all respects in the Chapter 11 Cases commenced by such involuntary petitions.

- d. not take any action that is materially inconsistent with, or is intended or is likely to materially and adversely interfere with consummation of, the transaction embodied in this Agreement and the Plan Term Sheet;
- e. segregate and not otherwise use proceeds from the sale of any Collateral (as defined in the Indenture) unless and until otherwise directed by the Requisite Consenting Noteholders or the Indenture Trustee pursuant to the terms of the Indenture or the Security Documents (as defined in the Indenture) or unless otherwise permitted by the terms of the DIP Order; provided that, in the event of the termination of this Agreement (other than a termination as a result of the consummation of a Qualified Plan), all Net Cash Proceeds (as defined in the Indenture) received prior to the termination of this Agreement by any of the Debtors in connection with such sale of Collateral shall promptly be applied to redeem part of the Senior Secured Notes in accordance with the terms and provisions of the Indenture and all related documents; and
- f. permit representatives of the Indenture Trustee or any Consenting Noteholder to visit and inspect any of the Debtors' properties and examine and make abstracts from any of the Debtors' books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Debtors with officers and employees of the Debtors.

Notwithstanding any termination of this Agreement in accordance with its terms or anything to the contrary herein, the Debtors shall pay or reimburse each of the Indenture Trustee, the Collateral Agent (as defined in the Collateral Agency Agreement (as defined in the Indenture)), and the ad hoc committee of certain Noteholders with respect to the restructuring of the Notes (the "**Ad Hoc Committee of Noteholders**") for each of their reasonable fees and out-of-pocket expenses in connection with the restructuring contemplated by this Agreement (the "**Restructuring**"), including but not limited to payment of the reasonable professional fees and expenses of Skadden, Arps, Slate, Meagher & Flom, LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Committee of Noteholders, and any professional advisors to the Indenture Trustee and Collateral Agent, whether or not the Restructuring is ultimately consummated.

6. Termination of Obligations

This Agreement shall terminate and all obligations of the parties hereto shall immediately terminate and be of no further force and effect as follows:

- a. by the mutual written consent of the Debtors and the Requisite Consenting Noteholders; or
- b. on the date that is five (5) business days following the occurrence of any of the events listed below (each, a "**Termination Event**"), unless such Termination Event is waived by the Requisite Consenting Noteholders within such five (5) business day period:

- i. the Petition Date shall not have occurred on or before December 31, 2010, or such later date as may be mutually agreed by the Debtors and the Requisite Consenting Noteholders;
- ii. the Debtors shall (1) materially breach the Debtors' covenants set forth in Section 5 above, (2) publicly announce their intention not to pursue a Qualified Plan or (3) publicly propose, accept or file a motion with the Bankruptcy Court seeking approval of an Alternative Proposal;
- iii. the Corporate Governance Documents are not in form and substance reasonably acceptable to the Requisite Consenting Noteholders acting reasonably by the Plan Supplement Filing Deadline;
- iv. the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of a material portion of the Qualified Plan;
- v. Holdings loses the exclusive right to file and solicit acceptances of a plan of reorganization;
- vi. any material term of the Plan, any supplement to the Plan, the Disclosure Statement, or any Corporate Governance Document has become effective or been otherwise finalized that has not been approved by the Requisite Consenting Noteholders or any such document that has been approved is modified without the consent of the Requisite Consenting Noteholders;
- vii. the Debtors file any motion or pleading with the Bankruptcy Court that is materially inconsistent with this Agreement or the Plan Term Sheet and such motion or pleading has not been withdrawn prior to the earlier of (A) two (2) Business Days of Holdings receiving notice that such motion or pleading is inconsistent with this Agreement or the Plan Term Sheet or (B) entry of an order of the Bankruptcy Court approving such motion;
- viii. the Bankruptcy Court grants relief that is materially and adversely inconsistent with this Agreement or the Plan Term Sheet;
- ix. the Confirmation Order has been entered without the consent of the Requisite Consenting Lenders;
- x. (1) an examiner with expanded powers or a trustee shall have been appointed in any of the Chapter 11 Cases, or (2) any of the Chapter 11 Cases shall have been converted to cases under Chapter 7; or
- xi. the termination of or occurrence of an event of default under the DIP Facility or any order or agreement permitting the use of cash collateral which shall not have been cured within any applicable grace period or waived pursuant to the terms of the DIP Facility or the applicable order or agreement permitting the use of cash collateral;

provided that the Requisite Consenting Noteholders shall promptly provide notice of any Termination Event to the Debtors (it being understood that failure to provide such notice shall constitute a waiver of such Termination Event);

- c. upon the date of consummation of a Qualified Plan (immediately following the effectiveness of a Qualified Plan); or
- d. by the Debtors, if the board of directors of the Debtors reasonably determines in good faith based upon the advice of counsel that proceeding with a Qualified Plan would be inconsistent with the exercise of its fiduciary duties under applicable law.

Upon termination of this Agreement in accordance with its terms, this Agreement shall forthwith become void and of no further force or effect, each Party shall be released from its commitments, undertakings and agreements under or related to this Agreement, and there shall be no liability or obligation on the part of any Party; provided, that in no event shall any such termination relieve a Party from liability for its breach or non-performance of its obligations hereunder prior to the date of such termination. In the event this Agreement is terminated pursuant to Section 6(a) herein, any and all votes delivered by a Consenting Noteholder prior to such termination shall be deemed, for all purposes, of full force and effect and may be considered or otherwise used in any manner by the Debtors, consistent with the Bankruptcy Code and any order entered in the Chapter 11 Cases by the Bankruptcy Court.

7. Specific Performance

It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to seek specific performance and injunctive or other equitable relief, including attorneys' fees and costs, as a remedy of any such breach, and each Party agrees to waive any requirement for the securing or posting of a bond in connection with such remedy, in addition to any other remedy to which such non-breaching Party may be entitled, at law or in equity.

8. Prior Negotiations

This Agreement supersedes all prior negotiations and documents reflecting such prior negotiations between and among the Debtors and the Noteholders (and their respective advisors), with respect to the restructuring contemplated herein and in the Plan Term Sheet and any other subject matter hereof.

9. Amendments

Except as otherwise provided herein, this Agreement, the Plan Term Sheet or any annexes thereto may not be modified, amended or supplemented without prior written agreement of the Debtors and the Requisite Consenting Noteholders.

10. Independent Analysis

Each Consenting Noteholder hereby confirms that it has made its own decision to execute this Agreement based upon its own independent assessment of documents and information available to it, as it deemed appropriate.

11. Governing Law

This Agreement and all disputes between the Parties under or relating to this Agreement or the facts and circumstances leading to its execution and delivery, whether in contract, tort or otherwise, shall be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to conflicts of laws principles that would result in the application of the law of any other State. By its execution and delivery of this Agreement, each of the parties hereto irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in either a state or federal court of competent jurisdiction in the State of New York. By execution and delivery of this Agreement, each of the parties hereto hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of each such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to jurisdiction in either a state or federal court of competent jurisdiction in the State of New York, upon the commencement of the Chapter 11 Cases, each of the parties hereto hereby agrees that, if the petitions have been filed and the Chapter 11 Cases are pending, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement.

12. Effective Date

Upon delivery of its duly executed counterpart signature page, each Consenting Noteholder shall be bound to the terms of this Agreement, and this Agreement shall become effective as between the Debtors and such Consenting Noteholder (the “**Effective Date**”); provided that in no event shall the Effective Date occur until Noteholders owning or otherwise representing two-thirds of the aggregate principal amount of Senior Secured Notes outstanding under the Indenture shall have executed and delivered to the Company and each other Consenting Noteholder counterpart signature pages of this Agreement.

13. No Solicitation

Notwithstanding anything to the contrary, this Agreement is not and shall not be deemed to be (a) a solicitation of consents to or votes to accept the Plan Term Sheet, the Plan or any chapter 11 plan or (b) an offer for the issuance, purchase, sale exchange, hypothecation or other transfer of securities or a solicitation of an offer to purchase or otherwise acquire securities for purposes of the securities Act of 1933 and the Securities Exchange Act of 1934, each as amended. Except in the case of the Prepackaged Chapter 11 Plan, the acceptance of the Noteholders will not be solicited until the Noteholders have received the Disclosure Statement and related ballot.

14. No Third-Party Beneficiary

This Agreement is intended for the benefit of the parties hereto and no other person shall have any rights hereunder.

15. Counterparts

This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same agreement. Execution copies of this agreement may be delivered by electronic mail, facsimile or otherwise, which shall be deemed to be an original for the purposes of this Agreement.

16. Headings

The section headings of this Agreement are for convenience of reference only and shall not, for any purpose, be deemed a part of this Agreement.

17. Settlement Discussions


This Agreement and the Plan Term Sheet are part of a proposed settlement of matters that could otherwise be the subject of litigation among the parties hereto. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

18. No Waiver of Participation and Preservation of Rights

Except as provided in this Agreement, nothing herein is intended to, does or shall be deemed in any manner to waive, limit, impair or restrict the ability of each of the Noteholders to protect and preserve its rights, remedies and interests, including, but not limited to, its claims against any of the Debtors, any liens or security interests it may have in any assets of any of the Debtors, or its full participation in the Chapter 11 Cases. Without limiting the foregoing sentence in any way, if this Agreement is terminated in accordance with its terms for any reason, the Parties each fully reserve any and all of their respective rights, remedies and interests, subject to Section 6 in the case of any claim for breach of Agreement arising prior to termination.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers or other agents, solely in their respective capacity as officers or other agents of the undersigned and not in any other capacity, as of the date first set forth above.

INSIGHT HEALTH SERVICES HOLDINGS CORP.
(on behalf of itself and all other Debtors Party to this Agreement)

By: 

Name: Keith Kelson

Title: EVP, Chief Financial Officer

AGREED BY EACH OF THE
FOLLOWING NOTEHOLDERS

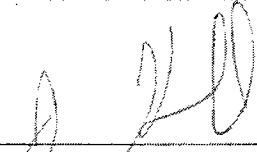
**J.P. Morgan Securities LLC,
with respect to only its Credit Trading Group³,
as a Consenting Noteholder**

Senior Secured Notes Claims:

By: _____

Name:

Title:




Jason Kroll
Managing Director

³ With respect to only JPMSL, notwithstanding anything to the contrary in this Agreement, including, but not limited to the provisions of Sections 3 and 4, (a) this Agreement applies only to the Credit Trading Group of JPMSL (the "CTG") and such business unit's position in the Senior Secured Notes each as set forth on the signature page to this Agreement and (b) the term "Consenting Noteholder," as it applies only to JPMSL, shall mean only the CTG and its position in the Senior Secured Notes as set forth hereon and shall not apply to any Senior Secured Notes, securities, loans or other obligations that may be held, acquired or sold by, or any activities, services or businesses conducted or provided by any other group or business unit within JPMSL or any affiliate of JPMSL, or any Senior Secured Notes that may be beneficially owned by non-affiliated clients of JPMSL.

**BDC Finance, L.L.C.,
as a Consenting Noteholder**

By: BDCM Fund Adviser, L.L.C.,
As its Investment Manager

Senior Secured Notes Claims:


By: 

Name: *Stephen H. Deckoff* NRC
Title: *Managing Principal*

**BDCM Opportunity Fund II, L.P.,
as a Consenting Noteholder**

By: BDCM Opportunity Fund II Adviser, L.L.C.,
As its Investment Manager

Senior Secured Notes Claims:


By: 

Name: *Stephen H. Deckoff* NRC
Title: *Managing Principal*

**Black Diamond CLO 2005-1 Ltd.,
as a Consenting Noteholder**

By: Black Diamond CLO 2005-1 Adviser, L.L.C.,
As its Collateral Manager

Senior Secured Notes Claims:

By: 

Name: *Stephen H. Deckoff* NRC
Title: *Managing Principal*

**Black Diamond CLO 2005-2 Ltd.,
as a Consenting Noteholder**

By: Black Diamond CLO 2005-2 Adviser, L.L.C.,
As its Collateral Manager

Senior Secured Notes Claims:

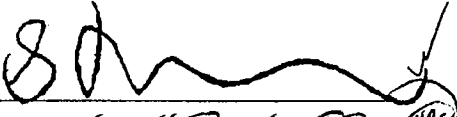

By: 
Name: *Stephen H. Dackoff* 
Title: *Managing Principal*

EXHIBIT A
to Restructuring Support Agreement

Chapter 11 Plan Term Sheet

INSIGHT HEALTH SERVICES HOLDINGS CORP.

CHAPTER 11 PLAN TERM SHEET

THIS CHAPTER 11 PLAN TERM SHEET (THIS “TERM SHEET”) DESCRIBES A PROPOSED RESTRUCTURING (THE “RESTRUCTURING”) FOR INSIGHT HEALTH SERVICES HOLDINGS CORP. (“HOLDINGS”) AND CERTAIN OF ITS AFFILIATES (COLLECTIVELY, TOGETHER WITH HOLDINGS, THE “DEBTORS”) PURSUANT TO A CHAPTER 11 PLAN OF REORGANIZATION (THE “PLAN”).

REFERENCE HEREIN IS MADE TO THAT CERTAIN RESTRUCTURING SUPPORT AGREEMENT (THE “RESTRUCTURING SUPPORT AGREEMENT”)⁴ BY AND AMONG THE DEBTORS AND THE OTHER PARTIES THERETO, DATED AS OF DECEMBER 2, 2010. TO THE EXTENT THERE IS A CONFLICT BETWEEN THE BODY OF THIS TERM SHEET AND THE RESTRUCTURING SUPPORT AGREEMENT, THE CONFLICTING TERM OF THIS TERM SHEET SHALL CONTROL AND GOVERN.

THIS TERM SHEET IS NOT AND SHALL NOT BE DEEMED TO BE (A) A SOLICITATION OF CONSENTS TO OR VOTES ON ANY CHAPTER 11 PLAN OR (B) AN OFFER FOR THE ISSUANCE, PURCHASE, SALE EXCHANGE, HYPOTHECATION OR OTHER TRANSFER OF SECURITIES OR A SOLICITATION OF AN OFFER TO PURCHASE OR OTHERWISE ACQUIRE SECURITIES FOR PURPOSES OF THE SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE ACT OF 1934, EACH AS AMENDED. ANY SUCH OFFER OR SOLICITATION SHALL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

THIS TERM SHEET IS PART OF A PROPOSED SETTLEMENT OF MATTERS THAT COULD OTHERWISE BE THE SUBJECT OF LITIGATION AMONG THE PARTIES HERETO. NOTHING HEREIN SHALL BE DEEMED AN ADMISSION OF ANY KIND. PURSUANT TO FEDERAL RULE OF EVIDENCE 408 AND ANY APPLICABLE STATE RULES OF EVIDENCE, THIS AGREEMENT AND ALL NEGOTIATIONS RELATING THERETO SHALL NOT BE ADMISSIBLE INTO EVIDENCE IN ANY PROCEEDING OTHER THAN A PROCEEDING TO ENFORCE THE TERMS OF THE RESTRUCTURING SUPPORT AGREEMENT AND THIS TERM SHEET AS INCORPORATED THEREIN.

⁴ Defined terms used in this Term Sheet but not defined herein shall have the meaning ascribed to such terms in the Restructuring Support Agreement.

OVERVIEW

Restructuring Summary

Prior to the commencement of cases under chapter 11 of the United States Bankruptcy Code (the “**Bankruptcy Code**”) involving the Debtors (collectively, the “**Chapter 11 Cases**”), certain of the Noteholders shall have executed the Restructuring Support Agreement, pursuant to which the Debtors agree to pursue and implement the Plan containing substantially similar terms and conditions as set forth in the Restructuring Support Agreement and this Term Sheet (and any modification thereto shall not contain terms that are materially inconsistent with the Restructuring Support Agreement or this Term Sheet), and in form and substance reasonably satisfactory to the Debtors and the Requisite Consenting Noteholders.

In connection with the Restructuring, the agent under the Revolving Credit Facility (as defined herein) has agreed to provide a debtor-in-possession financing facility in the approximate aggregate amount of \$15 million upon the terms reasonably acceptable to the Debtors and the Requisite Consenting Noteholders (the “**DIP Facility**,” and any and all claims arising thereunder or related thereto, “**DIP Facility Claims**”).

This Term Sheet does not include a description of all of the terms, conditions and other provisions that are to be contained in the Plan and the related definitive documentation governing the Restructuring.

Debt to be Repaid/ Restructured

Indebtedness that will be treated under the Plan includes, among other things, the indebtedness and obligations outstanding under:

(i) that certain Second Amended and Restated Loan and Security Agreement dated as of August 31, 2007 and amended from time to time, by and among the Debtors and Bank of America, N.A., as collateral and administrative agent, and the lenders from time to time party thereto, which is secured by first-priority liens on substantially all ordinary-course accounts receivables of the Debtors, which obligations consist of a \$20 million revolving credit facility that is undrawn (but under which have been issued approximately \$1.65 million of letter-of-credit obligations of the Debtors), together with any other obligations related thereto, including any accrued and accruing unpaid interest, costs, fees and indemnities (the “**Revolving Credit Facility**,” and any and all claims arising thereunder or related thereto, “**Revolving Credit Facility Claims**”);

(ii) those certain senior secured floating rate notes due 2011 (collectively, the “**Senior Secured Notes**”) issued pursuant to the Indenture dated as of September 22, 2005 by and among the Debtors and U.S. Bank, as indenture trustee (as amended or supplemented from time to time, the “**Indenture**”), which are secured by substantially all of the Debtors’ assets (excluding, among certain other assets, the Debtors’ ordinary-course receivables securing the Revolving Credit Facility), which obligations consist of approximately \$293,500,000 in outstanding principal balance together with any other obligations related thereto, including any accrued and accruing unpaid interest, costs, fees and indemnities (collectively, “**Senior Secured Notes Claims**”).

Debt and Equity to be Issued Pursuant to the Plan

Exit Facility. A revolving loan facility (the “**Exit Facility**”) upon terms acceptable to the Debtors and the lenders under the Exit Facility.

New Common Stock. On the effective date of the Plan (the “**Effective Date**”), reorganized Holdings shall issue a single series of common stock (the “**New Common Stock**”), which interests shall be deemed fully paid and non-assessable. The terms of the New Common Stock and governance of reorganized Holdings shall be as set forth in (i) the certificate of incorporation of reorganized Holdings, (ii) the by-laws of Reorganized Holdings, (iii) the Stockholders’ Agreement among reorganized Holdings and the holders of the New Common Stock (as defined below) to be entered into on the Effective Date and (iv) the Registration Rights Agreement among reorganized Holdings and the holders of the New Common Stock to be entered into on the Effective Date (the documents in (i)-(iv) above collectively, the “**Corporate Governance Documents**”). The Corporate Governance Documents will each be in form and substance reasonably acceptable to the Requisite Consenting Noteholders and will each be in accordance with the corporate governance term sheet attached as Annex 1 hereto. The form of each of the Corporate Governance Documents will be filed with the Plan Supplement at least five (5) business days prior to the date of the hearing held by the Bankruptcy Court with respect to confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code (the “Plan Supplement Filing Deadline”).

Gift. The holders of allowed Senior Secured Notes Claims (as defined herein) shall after receiving their distribution of New Common Stock as set forth herein, convey by gift to holders of common stock in Holdings on the Effective Date (immediately prior to the effectiveness of the Plan) the items identified on Annex 2 attached hereto (collectively, the “**Gift**”). The Gift will be in form and substance reasonably acceptable to Holdings and the Requisite Consenting Noteholders and will be in accordance with the terms and conditions set forth on Annex 2 attached hereto. The form of the Gift will be filed with the Plan Supplement on or prior to the Plan Supplement Filing Deadline. Notwithstanding anything to the contrary in this Term Sheet, in no event shall the terms of the Gift cause reorganized Holdings to be required by the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder (the “**Securities Act**”) or the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the “**Exchange Act**”), including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register any class of reorganized Holdings’ equity securities with the Securities and Exchange Commission or other similar regulatory authority or to file periodic reports under Section 13 or 15(d) of the Exchange Act. The Gift shall contain transfer restrictions and other provisions to the reasonable satisfaction of the Requisite Consenting Noteholders to ensure that the terms of the Gift do not trigger such registration or reporting requirements on the part of reorganized Holdings.

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Unclassified Claims

| | |
|---|--|
| DIP Facility Claims | <p>Treatment. In full and final satisfaction, settlement, release and discharge of and in exchange for each DIP Facility Claim, on the Effective Date, DIP Facility Claims shall be paid in full, in cash with proceeds from the Exit Facility or shall be converted into obligations of the Debtors under the Exit Facility on a dollar-for-dollar basis.</p> <p>Voting. Not classified; non-voting.</p> |
| Administrative Claims | <p>Treatment. Each holder of an allowed administrative claim (to the extent not already paid during the Chapter 11 Cases), including claims of the type described in section 503(b)(9) of the Bankruptcy Code and Noteholder Professional Fees (as defined herein), shall receive payment in full, in cash, on the Effective Date or as soon thereafter as reasonably practicable, or pursuant to such other terms as may be agreed to by the Debtors and the holder of such claim.</p> <p>Voting. Not classified; non-voting.</p> |
| Priority Tax Claims | <p>Treatment. Priority tax claims shall be treated in accordance with section 1129(a)(9)(C) of the Bankruptcy Code.</p> <p>Voting. Not classified; non-voting.</p> |
| <u>Classified Claims and Interests</u> | |
| Class 1: Other Priority Claims | <p>Treatment. Except to the extent that a holder of an allowed claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than an administrative claim or a priority tax claim (any such claim an “<u>Other Priority Claim</u>”) agrees to a less favorable treatment for such holder, in full and final satisfaction, settlement, release and discharge of and in exchange for each allowed Other Priority Claim, each holder of such allowed Other Priority Claim shall be paid in full, in Cash on the later of the Effective Date or the date on which such Other Priority Claim becomes an allowed Other Priority Claim or as soon as reasonably practicable thereafter.</p> <p>Voting. Unimpaired; not entitled to vote (deemed to accept).</p> |
| Class 2: Other Secured Claims | <p>Treatment. Except to the extent that a holder of an allowed secured claim that is not a Revolving Credit Facility Claim, a Senior Secured Notes Claim or a DIP Facility Claim (any such claim an “<u>Other Secured Claim</u>”) and the Debtors agree to less favorable treatment for such holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each allowed Other Secured Claim, each allowed Other Secured Claim shall be rendered unimpaired in accordance with section 1124 of the Bankruptcy Code.</p> <p>Voting. Unimpaired; not entitled to vote (deemed to accept).</p> |

| | |
|---|--|
| <p>Class 3:</p> <p>Revolving Credit Facility Claims</p> | <p>Treatment. To the extent Revolving Credit Facility Claims are not rolled up by the DIP Facility or otherwise paid in full as of the Effective Date and except to the extent that a holder of an allowed Revolving Credit Facility Claim and the Debtors agree to less favorable treatment for such holder, in full and final satisfaction, settlement, release, and discharge of and in exchange for each allowed Revolving Credit Facility Claim, each holder of an allowed Revolving Credit Facility Claim shall be paid in full, in cash or otherwise receive such treatment as to render such holder unimpaired.</p> <p>Voting. Unimpaired; not entitled to vote (deemed to accept).</p> |
| <p>Class 4:</p> <p>Senior Secured Notes Claims</p> | <p>Treatment. Except to the extent that a holder of an allowed Senior Secured Notes Claim agrees to less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each allowed Senior Secured Notes Claim, each holder of such allowed Senior Secured Notes Claim shall receive on or as soon as reasonably practicable after the Effective Date its pro rata share of 100 percent of the New Common Stock, subject to dilution from the Gift and the Management Equity Plan.</p> <p>Voting. Impaired; entitled to vote.</p> |
| <p>Class 5:</p> <p>General Unsecured Claims</p> | <p>Treatment. Except to the extent that a holder of a General Unsecured Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each General Unsecured Claim, each holder of such General Unsecured Claim shall be paid in full, in cash or otherwise receive such treatment as to render such holder unimpaired. A General Unsecured Claim that is not due and payable on or before the Effective Date shall be paid thereafter without regard to any acceleration caused by the filing of the Chapter 11 Cases (i) in the ordinary course of business in accordance with applicable law or the terms of any agreement that governs such General Unsecured Claim or (ii) in accordance with the course of practice or dealing between the Debtors and such holder with respect to such General Unsecured Claim.</p> <p>Voting. Unimpaired; not entitled to vote (deemed to accept).</p> <p>“General Unsecured Claims” shall include any unsecured claim against any of the Debtors that is not: (a) an administrative claim; (b) a priority tax claim; (c) an Other Priority Claim; (d) a Section 510(b) Claim (as defined herein); or (e) an intercompany claim.</p> |
| <p>Class 6:</p> <p>Intercompany Claims</p> | <p>Treatment. Intercompany Claims shall be reinstated and rendered unimpaired in accordance with section 1124 of the Bankruptcy Code.</p> <p>Voting. Unimpaired; not entitled to vote (deemed to accept).</p> <p>“Intercompany Claims” shall include any claim held by a Debtor against another Debtor or any claim held by an affiliate against a Debtor.</p> |

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| <p>Class 7:</p> <p>Intercompany Interests</p> | <p>Treatment. Although Intercompany Interests shall not receive any distribution on account of such Intercompany Interests, solely to implement the Plan, Intercompany Interests shall be retained and not cancelled, and the legal, equitable and contractual rights to which holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan.</p> <p>Voting. Impaired; not entitled to vote (deemed to reject).</p> <p>“<u>Intercompany Interests</u>” shall include any share of common stock or other instrument evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in a Debtor, which is held by another Debtor or an affiliate of a Debtor.</p> |
| <p>Class 8:</p> <p>Section 510(b) Claims</p> | <p>Treatment. Holders of Section 510(b) Claims will not receive any distribution on account of such Claims, and Section 510(b) Claims shall be discharged, cancelled, released and extinguished as of the Effective Date.</p> <p>Voting. Impaired; not entitled to vote (deemed to reject).</p> <p>“<u>Section 510(b) Claims</u>” shall include any claim subject to subordination under section 510(b) of the Bankruptcy Code.</p> |
| <p>Class 9:</p> <p>Equity Interests in Holdings</p> | <p>Treatment. Holders of Equity Interests in Holdings will not receive any distribution on account of such Interests, and Equity Interests in Holdings shall be discharged, cancelled, released and extinguished as of the Effective Date.</p> <p>Voting. Impaired; not entitled to vote (deemed to reject).</p> <p>“<u>Equity Interests in Holdings</u>” shall include any share of common stock, preferred stock or other instrument evidencing an ownership interest in Holdings, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interest in Holdings that existed immediately prior to the Effective Date.</p> |
| <p>Noteholder Professional Fees</p> | <p>The Noteholder Professional Fees shall include, but not be limited to, all reasonable fees and out-of-pocket expenses incurred by each of the Indenture Trustee, the Collateral Agent and the Ad Hoc Committee of Noteholders, including but not limited to the reasonable professional fees and expenses of Skadden, Arps, Slate, Meagher & Flom, LLP and FocalPoint Securities, LLC in their capacities as professional advisors to the Ad Hoc Committee of Noteholders, and the professional advisors of the Indenture Trustee and the Collateral Agent, whether or not the Restructuring as contemplated herein is ultimately consummated.</p> |

GENERAL PROVISIONS

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| Compensation and Benefits Programs | All employment and severance agreements and policies, and all compensation and benefit plans, policies, and programs of the Debtors, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit agreements and plans, incentive plans, deferred compensation plans and life, accidental death and dismemberment insurance plans shall be treated as executory contracts under the Plan and deemed assumed on the Effective Date, except for any prepetition employee equity or equity-based incentive plans, and any and all claims thereunder shall be unimpaired and entitled to full payment. |
| Management Equity Plan | On the Effective Date, Holdings shall reserve up to 8% of the fully diluted New Common Stock for equity grants for the benefit of certain continuing employees of the Debtors (the “ Management Equity Plan ”). The terms of the Management Equity Plan and the equity grants issued pursuant to the Management Equity Plan shall be determined by the board of directors of reorganized Holdings. |
| Cancellation of Instruments, Certificates and Other Documents; Corporate Existence | <p>On the Effective Date, except to the extent otherwise provided herein, all instruments, certificates and other documents evidencing indebtedness of the Debtors shall be cancelled, and the obligations of the Debtors thereunder, or in any way related thereto, shall be discharged.</p> <p>Except to the extent otherwise provided herein or otherwise determined by the Debtors, in their sole discretion, each Debtor shall continue to exist after the Effective Date as a separate corporate entity, limited liability company or other form, as the case may be, with all the powers of a corporation, limited liability company or other form, as the case may be, pursuant to the applicable law governing each respective Debtor.</p> |
| Release | On the Effective Date, each of: (a) the Debtors; (b) the agent under the Revolving Credit Facility; (c) the lenders under the Revolving Credit Facility; (d) the Indenture Trustee; (e) the Noteholders; (f) the agent under the DIP Facility; (g) the lenders under the DIP Facility; (h) any and all other holders of claims or equity interests (<u>except</u> holders of any claims or equity interests: (i) that vote to reject the Plan; (ii) that do not vote to accept the Plan but that timely elect not to participate in the third party release under the Plan; (iii) that is in a Class that are deemed to reject the Plan; or (iv) that are holders of General Unsecured Claims, in each case in their capacity as such); and (i) with respect to each of the foregoing entities in clauses (a) through (h), such entity’s current and former affiliates, subsidiaries, managed accounts or funds, officers, directors, partners, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies and officers, directors, partners, principals, employees and agents thereof, fund advisors and other professionals, in each case in their capacity as such, shall discharge and release and shall be deemed to have provided a full discharge and release to each other, as of the Effective Date, and their respective property from any and all causes of action, whether known or unknown, foreseen or unforeseen, liquidated or unliquidated, contingent or non-contingent, existing as of the Effective Date in law, at equity, whether for tort, fraud, contract, violations of federal or state securities laws or otherwise, |

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| | <p>arising from or in any way related to the Debtors.</p> <p>The Plan may provide for additional release provisions.</p> |
| Exculpation and Indemnification | The Plan shall provide for customary exculpation and indemnification provisions. |
| Discharge | The Plan shall provide for customary discharge provisions. |
| Injunction | The Plan shall provide for customary injunction provisions. |
| Tax Issues | The Restructuring shall be structured to preserve favorable tax attributes of the Debtors to the extent practicable. |
| Retention of Jurisdiction | The Bankruptcy Court shall retain jurisdiction for customary matters. |
| Restructuring Support Agreement | Prior to the commencement of the Chapter 11 Cases, the Consenting Noteholders and the Debtors shall execute and deliver the Restructuring Support Agreement. |
| Tax Structure | <p>Upon the mutual consent of the Debtors and the Requisite Consenting Noteholders, pursuant to the Debtors' chapter 11 plan, the Restructuring may be structured as an acquisition of all of the Debtors' assets by one or more limited liability companies ("LLCs") to be formed or cause to be formed by the Debtors and the holders Senior Secured Notes Claims, which acquisition shall be structured as a taxable transaction for United States federal income tax purposes. The acquisition of all of the assets of the Debtors shall be consummated pursuant to documentation and otherwise be on terms and in a manner that is reasonably acceptable to the Debtors and the Requisite Consenting Noteholders (the "Acquisition Documentation"); it being agreed that, pursuant to the Acquisition Documentation, the LLCs shall acquire all of the assets of the Debtors and, notwithstanding anything herein to the contrary, the LLCs shall explicitly assume all liability for the distributions or treatment provided on account of all claims against, obligations of, or interests in the Debtors as set forth in this Term Sheet.</p> |
| Other Terms | Terms of the Restructuring not set forth or described herein shall be as agreed to by the parties and set forth in the Plan. |

ANNEX 1
to Plan Term Sheet

Corporate Governance Term Sheet

CORPORATE GOVERNANCE TERM SHEET

Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the term sheet to which this annex is attached.

Stockholders Agreement

Parties Holdings and holders of New Common Stock (the “Stockholders”) shall enter into a Stockholders Agreement (the “*Stockholders Agreement*”). Pursuant to the Stockholders Agreement, the Stockholders will have the rights and obligations set forth below.

Board of Directors The Company will have an initial Board of Directors (the "Board") consisting of seven (7) individuals (each, a "Director").

- BDC Finance, L.L.C., BDCM Opportunity Fund II, L.P., Black Diamond CLO 2005-1 Ltd. and Black Diamond CLO 2005-2 Ltd. (collectively with their affiliates, “Black Diamond”), as the owner of the majority of the New Common Stock on the Effective Date, shall be entitled to designate a majority of the members of the Board (which shall initially be four (4) members) (the “Black Diamond Directors”) so long as Black Diamond owns more than 50%⁵ of the outstanding New Common Stock. If Black Diamond does not own more than 50%, but owns at least 10% of the outstanding New Common Stock, Black Diamond shall be entitled to designate a number of members to the Board in proportion to such stock ownership (rounded up to the nearest whole number); provided that so long as Black Diamond holds at least 10% of the outstanding New Common Stock it shall be entitled to designate one (1) member to the Board, and if Black Diamond does not own at least 10% of the outstanding New Common Stock it shall no longer be entitled to designate a Director;
- J.P. Morgan Securities LLC (collectively with its affiliates, “JP Morgan”), so long as JP Morgan owns at least 10% of the outstanding New Common Stock, will designate one (1) member to the Board (the "JP Morgan Director"), after which JP Morgan shall no longer be entitled to designate a Director;

⁵ All ownership percentages used in this Corporate Governance Term Sheet shall be calculated without regard to dilution from New Common Stock issued pursuant to the Gift or issued pursuant to the Management Equity Plan.

- one Director shall be designated by the majority of the shares held by Stockholders other than Black Diamond and JP Morgan (the “Minority Director”); and
- the remaining Director shall be the CEO of Holdings.

If any of the Black Diamond Directors or the JP Morgan Director shall be business professionals, Black Diamond or JP Morgan, as the case may be, shall have the right to designate one Board observer to attend all Board meetings. Such Board observer will have no right to vote at any meeting of the Board and shall agree to be bound by all confidentiality duties that apply to Directors at such meetings. The Board observer’s presence at Board meetings shall be subject to restrictions if such presence would violate the Board’s fiduciary duties, constitute a conflict of interest or waive legal privilege.

The removal from the Board (with or without consent) of any Director designated will only be at the written direction of the holder(s) possessing the right to designate such Director.

If any Director ceases to serve as a Director during his term, the vacancy will be filled by the holder(s) possessing the right to designate such Director.

Any committee formed by the board of directors shall be comprised of the same ratio of directors among the Stockholders having the right to nominate members to the Board, in each case rounded to the nearest whole director; provided that such number shall not be less than one.

The Board (or equivalent governing body) of each of the subsidiaries of Holdings shall at all times be comprised of the same members as comprise the Board, unless otherwise agreed by unanimous vote of the entire Board.

A majority of the Board will constitute a quorum for the transaction of business of the Board. Each Director will have one vote. Subject to the terms set forth below, the act of a majority of the Directors present at a meeting of the Board at which a quorum is present will be the act of the Board. Action may be taken by the Board or any committee of the Board without a meeting by unanimous written consent.

Affiliate Transactions

Without the approval of each of the Black Diamond Directors, the JP Morgan Director and the Minority Director, Holdings shall not enter into any transaction or series of related transactions with any affiliate or affiliates of the Holdings, or any of Black Diamond, JP Morgan or their respective affiliates, involving property or services with a fair market value, or consideration, in excess of \$250,000 in

the aggregate other than issuance of equity securities, debt securities or debt financing transaction pursuant to the preemptive rights granted under the Stockholders Agreement

Transfer Restrictions

No Stockholder may Transfer (as defined below) any shares of New Common Stock or other equity securities of Holdings other than (1) to affiliates, (2) in compliance with the Drag-Along, (3) after compliance with the Right of First Offer, (4) in compliance with the Tag-Along and (5) in and after an IPO. Notwithstanding the foregoing, (a) no Transfer of New Common Stock or other equity securities of Holdings will be permitted that could cause Holdings to become a public reporting company under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and (b) no Transfer of New Common Stock or other equity securities of Holdings to a competitor (as determined in good faith by the Board) will be permitted. The term "*Transfer*" means any sale, transfer, assignment, conveyance or other disposition, including without limitation by merger, operation of law, bequest or pursuant to any domestic relations order, whether voluntarily or involuntarily, other than a sale, transfer, assignment, conveyance or other disposition by or to Holdings.

Right of First Offer

Other than with respect to a transfer to a Permitted Transferee,⁶ in the event that any Stockholder desires to Transfer, directly or indirectly, all or a portion of its New Common Stock or other equity securities ("Selling Stockholder"), the Selling Stockholder must provide written notice of its intent to the other Stockholders that, together with their affiliates, hold at least 15% of the outstanding New Common Stock (the "Stockholder Offerees"). Each Stockholder Offeree shall be offered a percentage of the offered shares based on a fraction, the numerator of which is the number of shares held by that Stockholder Offeree and the denominator of which is the sum of all shares held by all Stockholder Offerees. In addition, each Stockholder Offeree will have the right to oversubscribe for offered shares not purchased by other Stockholder Offerees.

The offer shall remain outstanding for a period of 15 Business Days, during which time each Stockholder Offeree has the option to purchase any or all of the offered shares at the offer price and on the same terms and condition as set out in the offer notice.

To the extent it is not purchased in the offer period, following compliance with the Tag-Along (if applicable), the Selling Stockholder may sell the offered New Common Stock upon the

⁶ A "*Permitted Transferee*" means any affiliate of a transferee and certain other agreed upon transferees. Upon any Transfer, the transferee shall be bound by, and shall become a party to, the Stockholders Agreement and shall have the benefits of the Registration Rights Agreement.

terms and conditions set forth in the offer notice (or other terms no more favorable economically or otherwise to the buyer) for a period of up to 180 days after the date first offered to the Stockholder Offerees.

Drag-Along Rights

Other than with respect to a transfer of a Permitted Transferee, in the event that Stockholders holding, in the aggregate, more than 66-2/3% of the outstanding shares of New Common Stock, Transfer all (but not less than all) of their shares of New Common Stock to a person or a group of affiliated persons (a “Majority Sale”), then the transferring Stockholders shall have “drag-along” rights to cause all of the other Stockholders to transfer all (but not less than all) of their shares of Common Stock and any other equity securities held by such Stockholders to such person, on the same terms, and subject to the same conditions as the transferring Stockholders. In addition, if the Transfer is pursuant to any transaction that entitles Stockholders to vote or consent to such transaction, the Stockholders agree (i) to vote in favor of any such transaction and (ii) if applicable, not to exercise any appraisal or similar rights with respect to such transaction.

Tag-Along Rights

Following compliance with the Right of First Offer, in the event of a sale of an aggregate of 10% or more of the outstanding New Common Stock or any other equity security by any Stockholder or group of Stockholders, each of the other Stockholders shall have the “tag-along” rights to participate, on a pro rata basis (based on the percentage of the transferring Stockholder’s New Common Stock proposed to be transferred), in such sale, on the same terms, and subject to the same conditions as the transferring Stockholders.

Preemptive Rights

The Stockholders owning (together with their affiliates) at least 5% of the outstanding New Common Stock of Holdings will have preemptive rights in connection with any offering of equity securities by Holdings (other than Exempt Issuances (as defined below)) and Stockholders owning (together with their affiliates) at least 15% of the outstanding New Common Stock of Holdings shall have preemptive rights in connection with any offering of debt securities by Holdings (other than Exempt Issuances). In addition, to the extent that a Stockholder is participating in a debt financing with Holdings, Stockholders owning (together with their affiliates) at least 15% of the outstanding New Common Stock shall have the right to participate in such debt financing on a pro rata basis based on each such Stockholders' share of the outstanding New Common Stock when compared to the amount of outstanding New Common Stock held by the other participating Stockholders. Stockholders with equity preemptive rights or debt preemptive rights, as the case may be, shall have pro rata oversubscription rights for the equity securities or debt securities, subject to preemptive rights not exercised by other Stockholders. In addition, in the event a

Stockholder elects not to exercise the above preemptive or debt financing participation rights, Stockholders that are affiliates of such non-electing Stockholder may exercise such right in such Stockholder's place.

Exempt Issuances shall be (i) securities issued in a broadly placed public offering of securities approved by the board of directors, (ii) securities included in any and all management incentive plans approved by the board of directors, (iii) securities issued pursuant to any pro rata stock split, dividend or recapitalization approved by the board of directors, (iv) securities issued in customary amounts relating to debt financings (the preemptive right shall apply to the debt and equity securities as a unit) and (v) securities issued to the counterparty of the underlying transaction in connection with acquisitions, joint ventures or strategic marketing or supplier agreements approved by the board of directors.

Stockholders who exercise preemptive rights to subscribe for new issuances of securities must subscribe for the entire strip offered (subject to pro ration). For example, if preferred and common is offered, exercising Stockholders must subscribe for both and cannot subscribe for either common or preferred. In addition, if both debt and equity securities are offered, only Stockholders owning (together with their affiliates) at least 15% of the outstanding New Common Stock may exercise preemptive rights with respect to the debt or equity securities being issued.

Information Rights

Holdings will deliver to each Stockholder: (1) audited financial statements within 120 days after each fiscal year; and (2) unaudited quarterly financial statements within 60 days after each fiscal quarter. In addition, Holdings will deliver to each holder of 15% or more of the outstanding New Common Stock (1) monthly financial statements to the extent required to be delivered to the Board within 20 days after the last day of each month; (2) annual operating budgets within 30 days of approval by the Board; and (3) such other information as reasonably requested.

No such information shall be required to be provided to any Stockholder that the Board determines in good faith is or is an affiliate of a material competitor of Holdings or its subsidiaries; provided that such information shall be provided to any Stockholder owning more than 15% of the outstanding Common Stock if such Stockholder enters into confidentiality arrangements with respect to such information to the reasonable satisfaction of reorganized Holdings.

Fees and Expenses

It is contemplated that none of the Stockholders shall be entitled to be paid management, transaction or monitoring fees by Holdings or its subsidiaries.

Fees and expenses of Holdings (e.g., accounting, D&O insurance, tax preparation) shall be paid by Holdings.

Holdings shall maintain customary D&O insurance.

Non-solicitation

Without the prior written consent of the Board, Stockholders shall not solicit the employment of employees of Holdings or its subsidiaries.

Opportunities; Trading Information

Each Stockholder (other than management) shall be entitled to pursue corporate opportunities that may be in conflict with Holdings and its subsidiaries except to the extent an opportunity is presented to a board member designee of the Stockholder solely in his position as a Director.

Each Stockholder shall be permitted to share confidential information it may have with prospective purchasers of its New Common Stock or other securities held in Holdings if shared with bona fide prospective purchasers in private trading transactions and if shared pursuant to a customary confidentiality agreement between it and the prospective purchaser naming Holdings as a third party beneficiary; provided that no such confidential information may be shared with competitors of Holdings as determined in good faith by the Board.

Governing Law

Delaware law.

Termination

The Stockholders Agreement shall terminate (a) on the completion of an underwritten public offering of shares of New Common Stock by Holdings that results in the New Common Stock being listed on a national securities exchange or the NASDAQ Global Market, (b) upon the consummation of a Drag-Along sale or (c) upon the consent of Stockholders holding 66-2/3% of the outstanding New Common Stock..

Registration Rights Agreement

Parties

Holdings shall enter (or offer to enter into) a Registration Rights Agreement (the "*Registration Rights Agreement*") with each Stockholder. Pursuant to the Registration Rights Agreement, each Stockholder that is the record or beneficial owner of Registrable Securities (as defined below) shall be entitled to the registration rights as set forth below.

Securities Covered

"*Registrable Securities*" shall mean all shares of New Common Stock received by a Stockholder pursuant to the Restructuring, any

additional shares of New Common Stock held by any Stockholder (including shares acquired upon the exercise of preemptive rights), and any additional securities issued or distributed by way of a dividend or other distribution in respect of any securities. Securities shall cease to be Registrable Securities upon sale to the public pursuant to a registration statement or Rule 144 under the Securities Act of 1933, as amended (the "Act"), or when all securities held by a Stockholder may be transferred without restriction pursuant to Rule 144(k) under the Act.

Demand Registrations

Following Holdings having undertaken an initial public offering that results in net proceeds to Holdings of at least \$50 million (an "IPO"), any Stockholder holding more than 25% of the outstanding shares of New Common Stock that are Registrable Securities shall be entitled to two demand registrations and any Stockholder holding more than 15% of the outstanding shares of New Common Stock that are Registrable Securities shall be entitled to one demand registration. Any demand registration may, at the option of the Stockholder making such demand, be a "shelf" registration pursuant to Rule 415 under the Act, including, to the extent that Holdings is eligible, a Form S-3 registration statement. The obligation of Holdings to file a registration statement upon the exercise of any Demand Registration shall be subject to customary delay periods, and Holdings' obligation to maintain the effectiveness of any registration statement that has been filed and declared effective shall be subject to customary "blackout" periods; provided, that the aggregate number of days in all such delay and blackout periods in any period of 12 months shall not exceed 90 days. In connection with any underwritten registration, the Stockholder(s) making such demand shall be entitled to select the managing underwriter or underwriters for such offering, subject to the reasonable approval of Holdings.

Form S-3 Registrations

Upon such time as Holdings is eligible to register its securities on Form S-3, each Stockholder holding at least 15% of the outstanding shares of New Common Stock that are Registrable Securities shall have the right to demand unlimited Form S-3 registrations.

Piggyback Registrations

In addition to the Demand Registrations set forth above and other than in the context of an IPO, in the event that Holdings files a registration statement for an offering of securities on its own behalf or on behalf of any other person, each Stockholder that owns Registrable Securities shall be entitled to include their Registrable Securities in such offering, subject to customary cut-back provisions in the case of an underwritten public offering, which shall give priority, in the case of an offering by Holdings, to shares offered by Holdings. In the case of an offering by any other person, no priority shall be given to the person making the offering and each Stockholder shall be entitled to offer its pro rata share of its

Registrable Securities.

Holdback Provisions

In connection with any underwritten public offering of the New Common Stock, the Stockholders will be required to enter into customary holdback agreements with the managing underwriter(s) of such offering.

Indemnification

The Registration Rights Agreement will provide for customary indemnification and contribution arrangements in connection with any offering pursuant to a registration statement filed pursuant to the Registration Rights Agreement.

Expenses

All registrations shall be at Holdings' expense (except underwriting fees, discounts, commissions to be paid by the selling holders and the fees and expenses of counsel for such holders paid for by Holdings shall be limited to one counsel).

Other Provisions

In addition to the provisions outlined above, the Registration Rights Agreement will contain customary provisions not inconsistent with such provisions.

ANNEX 2
to Plan Term Sheet

Gift Term Sheet

TERMS OF GIFT⁷

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| Warrants | The Gift will consist of warrants (the “Warrants”) issued pro rata to the holders of common stock in Holdings immediately prior to the effectiveness of the Plan which Warrants will, in the aggregate, entitle the holders thereof to acquire shares of New Common Stock representing two percent (2%) of the New Common Stock, on a fully-diluted basis, as of the Effective Date (but subject to dilution on the Effective Date for awards under the Management Equity Plan). |
| Exercise of Warrants: | Exercisable at any time during the Exercise Period at a strike price (the “Exercise Price”) equal to a Holdings enterprise value of \$215,000,000; provided that: (i) the Warrants may be exercised pursuant to a cashless exercise at the holder’s option; and (ii) no Warrant shall be exercisable if such exercise would result in a number of holders of New Common Stock that could cause Holdings to be a reporting company under the Exchange Act or would require reorganized Holdings to register the underlying New Common Stock under the Securities Act, as determined by the board of directors of reorganized Holdings. Upon exercise of a Warrant, the holder thereof shall be required to execute a joinder to the stockholders agreement described in Annex 1 to the Term Sheet (the “Stockholders Agreement”). “Exercise Period” means the period of time from the Effective Date through the third anniversary thereof. |
| Expiration: | The third anniversary of the Effective Date. |
| Voting and Other Rights: | The holders of Warrants shall have no rights as stockholders until the Warrants are exercised (including no voting, dividend or preemptive rights and no rights to notice of stockholder meetings). |
| Anti-Dilution Provisions: | The Exercise Price per Warrant and the number of shares of common stock issuable upon exercise of the Warrants shall be subject to anti-dilution adjustment only upon the occurrence of common stock splits and reverse common stock splits. |
| Reorganization Event: | Upon the occurrence of certain events in which the New Common Stock is exchanged for other securities, each Warrant will be exercisable into the right to receive the kind and amount of consideration to which such holder would have been entitled as a result of any such event had the Warrant been exercised immediately prior thereto; provided that reorganized Holdings may at its option redeem the Warrants upon any such event for an amount equal to the consideration the Warrants would have received in such event, if exercised immediately prior thereto, less the Exercise Price for the Warrants, as adjusted above. Upon a liquidity event prior to expiration of the Warrants, the Warrants may, at the option of reorganized Holdings, be deemed net exercised for the spread over the Exercise Price and, if none, cancelled. |
| Transferability: | The Warrants will be subject to restrictions on transfer that could cause reorganized Holdings to be a reporting company under the Exchange Act or that would violate U.S. federal or state securities laws, each as determined by the board of directors of reorganized Holdings. In addition, the Warrants will be subject to rights of first offer and drag-along rights of other stockholders on the terms set forth in the Stockholders Agreement. |
| Holdings Redemption Right | Reorganized Holdings shall have the right at any time after the date that is six months after the Effective Date (the “Redemption Date”) to redeem any Warrant at a price equal to its then Black Scholes value; provided that reorganized Holdings |

⁷ Capitalized terms used but not defined in this annex shall have the meanings ascribed to them in the term sheet to which this annex is attached.

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| | <p>shall have the right to redeem Warrants prior to the Redemption Date to the extent necessary to prevent reorganized Holdings from being required to file periodic reports under the Exchange Act, as determined by the board of directors of reorganized Holdings; provided, further, that to the extent Warrants are redeemed, they shall be redeemed from holders in reverse order of the number of Warrants held such that holders of the smallest number of Warrants shall be redeemed first.</p> |
| Securities Laws | <p>Notwithstanding anything to the contrary herein, neither the issuance of the Warrants nor the issuance of the New Common Stock upon the exercise of the Warrants shall cause reorganized Holdings to be required by the Securities Act or the Exchange Act, including without limitation Section 12(g) or 15(d) of the Exchange Act, or any other federal, state or local securities laws, to register any class of reorganized Holdings' equity securities with the Securities and Exchange Commission or other similar regulatory authority or to file periodic reports under Section 13 or 15(d) of the Exchange Act. Accordingly, the Warrants will contain restrictions on transfer, exercise and other provisions to the reasonable satisfaction of the Requisite Consenting Noteholders to ensure that the issuance of the Warrants and the issuance of New Common Stock upon the exercise of the Warrants do not trigger such registration or reporting requirements.</p> |

EXHIBIT B
to Restructuring Support Agreement

Joinder Agreement

The undersigned hereby (i) executes the Restructuring Support Agreement, dated as of December 2, 2010 (the “**Restructuring Support Agreement**”) (defined terms used herein but not otherwise defined herein shall have the meaning ascribed to such terms in the Restructuring Support Agreement), by and among the Debtors and each Consenting Noteholder (including any party that executes a Joinder Agreement), solely in its capacity as a Noteholder, (ii) authorizes the attached signature page to be attached to a counterpart of the Restructuring Support Agreement, and (iii) agrees to be bound by the Restructuring Support Agreement as a Consenting Noteholder.

The undersigned represents and warrants to the Debtors and to each other Consenting Noteholder that as of the date hereof, it (i) either (A) is the sole beneficial owner of the principal amount of Senior Secured Notes Claims set forth with its signature hereto, or (B) has sole investment or voting discretion with respect to the principal amount of Senior Secured Notes Claims set forth below above its signature and has the power and authority to bind the beneficial owner(s) of such Senior Secured Notes Claims to the terms of this Joinder Agreement and the Restructuring Support Agreement; (ii) has full power and authority to act on behalf of, vote and consent to matters concerning such Senior Secured Notes Claims and to dispose of, exchange, assign and transfer such Senior Secured Notes Claims; (iii) has made no prior assignment, sale, participation, grant, conveyance or other transfer of, and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title or interests in any Senior Secured Notes Claims that are subject to this Joinder Agreement or the Restructuring Support Agreement that are inconsistent with the representations and warranties of it herein or therein or would render it otherwise unable to comply with this Joinder Agreement or the Restructuring Support Agreement and perform its obligations hereunder and thereunder; (iv) (A) has such knowledge and experience in financial and business matters of this type that it is capable of evaluating the merits and risks of entering into this Joinder Agreement and the Restructuring Support Agreement and of making an informed investment decision, and has conducted an independent review and analysis of the business and affairs of the Debtors that it considers sufficient and reasonable for purposes of entering into this Joinder Agreement and the Restructuring Support Agreement and (B) is an “accredited investor” (as defined by Rule 501 of the Securities Act of 1933, as amended); and (v) has the requisite power and authority to execute and deliver this Joinder Agreement and the Restructuring Support Agreement and to perform its obligations hereunder and thereunder.

[remainder of page intentionally left blank]

Dated: _____

_____,
as a Consenting Noteholder

Senior Secured Notes Claims: \$ _____

By: _____

Name:

Title:

Address: _____
