

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES AND REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re:

IMAGIMED LLC, et al.¹

Debtors.

Chapter 11
Lead Case No. 14-22415 (RDD)
Jointly Administered

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JOINT DISCLOSURE STATEMENT

I. INTRODUCTION

Imagimed LLC (“Imagimed”), the above-captioned debtor and debtor-in-possession, together with its affiliate¹ debtors and debtors in possession (the “Affiliates”)(Imagimed and the Affiliates are collectively referred to as, the “Debtors”) submit this Joint Disclosure Statement (“Disclosure Statement”) pursuant to Section 1125(b) of the Bankruptcy Code and Bankruptcy Rule 3017 in connection with the Debtors’ Joint Plan of Reorganization (“Plan”) dated October

¹ Debtors include: Imagimed, LLC - 02-0655880; Open MRI of Brewster, LLC – 02-0701774; Open MRI of DeWitt, LLC – 16-1596886; Open MRI of Fishkill LLC – 14-1827538; Open MRI of Middletown, LLC – 43-1868398, Open MRI of Tarrytown LLC – 57-1154134; Open MRI of Williamsport, LLC – 23-3091979; Open MRI of Yorktown LLC – 13-3973385.

7, 2016 to all known holders of Claims² against or Interests in the Debtors in order to adequately disclose information deemed to be material, important and necessary for the Debtors' creditors to make a reasonably informed judgment about the Plan. A copy of the Plan is attached hereto as Exhibit "A."

The Bankruptcy Court approved this Disclosure Statement under Section 1125(f)(3) of the Bankruptcy Code and has scheduled a hearing to consider confirmation of the Plan for December __, 2016 at 10:00 a.m. (the "Confirmation Hearing"). Under Section 1126(b) of the Bankruptcy Code, only Classes of Allowed Claims that are "impaired" under the Plan, as defined by Section 1124 of the Bankruptcy Code, are entitled to vote on the Plan. Generally, a Class is impaired if its legal, contractual or equitable rights are altered under the Plan. Class 3 Unsecured Claims are impaired under the Plan and the holders of Class 3 Claims therefore are entitled to vote to accept or reject the Plan.

To be accepted by a Class, the Plan must be accepted by more than one half in number and two-thirds in dollar amount of the Allowed Claims actually voting in such Class.

Accompanying this Disclosure Statement are copies of the following documents

(Exhibits A, B, C and D:

- A. The Plan;**
- B. Current Balance Sheet of the Debtor;**
- C. Current Liquidation Analysis of the Debtor; and**
- D. Financial Projection of the Debtor's Operations.**

THE COURT HAS NOT APPROVED THE PLAN AND THIS DISCLOSURE STATEMENT IS NOT TO BE CONSTRUED AS AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT. CREDITORS ARE URGED TO CONSULT WITH THEIR COUNSEL REGARDING THE PLAN.

² Unless otherwise defined herein, capitalized terms shall have the same meaning ascribed to them in the Plan.

BALLOTS ACCEPTING OR REJECTING THE PLAN MUST BE MAILED OR HAND DELIVERED (FAXED OR E-MAILED BALLOTS WILL NOT BE COUNTED) TO DELBELLO DONNELLAN WEINGARTEN WISE & WIEDERKEHR, LLP, ONE N. LEXINGTON AVENUE, WHITE PLAINS, NEW YORK 10601, ATTENTION: ERICA R. AISNER, ESQ. SO AS TO BE RECEIVED ON OR BEFORE 5:00 P.M. EASTERN TIME, ON DECEMBER 1, 2016 FOR THEM TO BE CONSIDERED.

YOUR VOTE ON THE PLAN IS IMPORTANT. THE DEBTOR RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PLAN.

I. INTRODUCTION

A. Background

The Debtors, together with certain debtor and non-debtor affiliates, lease various premises (“Premises”) and own or lease certain equipment located thereto upon which are subleased to radiology practices who in turn provide radiology services to the general public at the Premises. The Debtors also provide certain administrative services including non-medical personnel at the Premises. These Premises are located in Westchester Putnam, Orange, Dutchess and Onondaga Counties in New York, and in Lycoming County, Pennsylvania. The Debtors also have administrative offices in Maryland.

In the time leading up to the bankruptcy filing, the Debtors revenues decreased due to the ripple effects of increased competition among radiological centers and erosion in reimbursements from third party payors (insurance companies, workers compensation, no-fault). Due to the way that the Debtors previous “sublease” agreements were structured, its revenues were closely tied to these factors which were outside of their control.

In response to these factors, the Debtors examined its operations and employed numerous cost cutting measures the most significant of which was the closing of numerous unprofitable locations.

The Debtors' financial constraints were also due to what they believed to be a large receivable owed by its prior radiology practice as well as a crushing monthly administrative fee due to a related entity (to that radiology practice) who the Debtors contracted with for provision of various administrative services, including billing, IT and compliance.

Finally, the Debtors were also faced with collection efforts from its previous professionals for significant outstanding legal fees. These fees were incurred in connection with litigation inherited at the time that the majority unit holder acquired an equity position in the Debtors, which translated into expensive post-litigation, required regulatory compliance, and oversight by certain governmental agencies.

In August 2013, the debtor Imagimed entered into a Corporate Integrity Agreement with the Office of Inspector General ("OIG") of the Department of Health and Human Services. The Agreement provided for a compliance officer and committee, a written code of conduct, training and education for employees, independent reviews, reporting to the OIG, and other compliance requirements. These compliance requirements added significant extra layer of administrative expense to the Debtors business and necessitated time and attention from the Debtors management that would otherwise have been focused on other areas of the Debtors operations.

As a result of the decrease in cash flow and increase in expenses, the Debtors were unable to remain current with their payment obligations. Rental payments due to their landlords were in arrears and evictions were threatened, collection efforts were mounting from various creditors including prior legal counsel due outstanding fees and depletion of operating cash rendered it more and more difficult for the Debtor to remain current on essential expenses such as payroll, utilities, insurance and taxes.

B. The Chapter 11 Filings

To reorganize and restructure their affairs, on April 1, 2014, (the “Petition Date”), the Debtors respectively filed voluntary petitions for reorganization pursuant to chapter 11 of the Bankruptcy Code. The Debtors have continued in possession of their property and the management of their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. Thereafter the Court entered an order authorizing the joint administration of the Debtors’ chapter 11 cases for procedural purposes only.

1. Employment of the Debtors’ Professionals

On the Petition Date, the Debtors filed an application to retain DelBello Donnellan Weingarten Wise & Wiederkehr, LLP as their bankruptcy counsel *nunc pro tunc* to the Petition Date. On July 7, 2014, the Court entered an order authorizing DelBello Donnellan Weingarten Wise & Wiederkehr, LLP to be retained as counsel for the Debtors *nunc pro tunc* as of the Petition Date.

Pursuant to similar applications filed by the Debtors, the Court also entered the following order; on July 7, 2016 authorizing the retention of Hiscock & Barclay as healthcare regulatory counsel to the Debtors *nunc pro tunc* to the Petition Date, on May 5, 2014 authorizing the retention of Weber, Shapiro & Company LLP as accountants for the Debtor, *nunc pro tunc*, as of the Petition Date and on February 11, 2016 authorizing the retention of Brown Gruttadaro Gaujean Prato, LLC as general healthcare counsel to the Debtors.

2. Filing of Schedules of Assets and Liabilities and Statement of Financial Affairs

On April 30, 2014 the Debtors filed their Schedules of Assets and Liabilities, together with their Statement of Financial Affairs (collectively, the “Schedules”). The Schedules are available on the Bankruptcy Court’s website: www.nysb.uscourts.gov. (login/password required).

3. Establishment of a Claims Bar Date and Claims Process; No Avoidance Actions

Pursuant to an Order of the Bankruptcy Court entered on June 3, 2014, July 14, 2014 was established as the last date by which creditors may file proofs of claim in these chapter 11 cases (“Bar Date”), and subsequently notice of the Bar Date was served on all creditors listed on the Debtors’ creditor matrix filed with the Bankruptcy Court as well as parties who filed notices of appearance and creditors who had previously filed a proof of claim in the case.

The Debtors, together with their counsel, have reviewed all Claims filed. Certain objections to claims filed have already been adjudicated and the Debtor anticipates filing several more prior to the closing of the Chapter 11 cases.

The Debtors, together with their professionals have reviewed their books and records and upon such review, have determined that there is no basis to commence any avoidance actions on behalf of the estates under Chapter 5 of the Bankruptcy Code.

C. Debtors’ Recent Operations and Efforts to Increase Revenues

Prior to the Petition Date the Debtor was a party to two contracts, an Administrative Services Agreement (the “ASA”) with Long Island Radiology Associates (“LIRA”) and the Space and Equipment Lease and Management Services Agreement (“MSA”) with Greater Northeast Radiology Associates (“GNRA”), an affiliate of and as assignee of LIRA. The ASA provided that LIRA would provide certain administrative services to the Debtors including

billing, collecting, credentialing, IT and compliance in exchange for a monthly fee. The MSA provided that GNRA would lease the Debtors' Premises inclusive of radiology equipment belonging to the Debtors and the Debtors would provide certain enumerated services including the management and non-medical operation of each Premises and the provision and supervision of non-medical staff. In exchange for these services, GNRA agreed to compensate the Debtors with payment of management fees which were set forth in more detail in the MSA.

On April 7, 2014, the Debtor filed a Motion seeking authority to reject the ASA pursuant to Section 365 of the Bankruptcy Code and by an Order, entered on May 5, 2014, the Court granted the relief sought. The Debtor and LIRA negotiated the form of the Order in order to ensure the orderly wind down of the ASA. In response to the rejection, on July 8, 2014, "LIRA/ GNRA" filed a rejection damage claim [Claims Register No. 37] in the amount of \$6,975,168.02 alleging damages relating to overpayment as well as the rejection of the ASA (the "ASA Rejection Claim"). The Debtors maintained that no monies were due, that it was LIRA who had breached the ASA and the Debtors were in fact owed monies from LIRA.

Following the rejection of the ASA, the Debtors were able to successfully bring the billing and collecting responsibilities "in-house" which has significantly increased cash flow. Given that the Debtors' ability to be paid its management fee is reliant on collections, with greater recovery rates comes more consistent and higher revenues for the Debtors. In addition, bringing this task "in-house" enabled the Debtors to address and/ or cure many compliance issues which were previously neglected by LIRA.

Thereafter the Debtors determined that its operations and revenues would be more secure and stable if it were able to reject the MSA with GNRA and enter into a contract with a new

radiology practice. The Debtor met with and negotiated with numerous parties and ultimately entered into an agreement with Upstate Radiology, PC (“Upstate”) who the Debtors believed, in their business judgment, offered the best economic arrangement for the Debtors.

On January 8, 2016, the Debtor filed a Motion seeking authority to reject the MSA pursuant to Section 365 of the Bankruptcy Code and for authority to enter into an Administrative Services and License Agreement with Upstate. Prior to the hearing to consider the relief sought in the Motion, the Debtor and GNRA, together with certain of its affiliates (collectively, the “PCs”) agreed to the rejection and wind down of the MSA and a resolution of all claims between the parties, including but not limited to the alleged Debtor’s Claims, the ASA Rejection Claim and the potential rejection damage claim which would likely have been filed by GNRA following the entry of an Order authorizing the rejection of the MSA which GNRA estimates would have been approximately \$7,200,000 (“MSA Rejection Claim”)(the Debtor’s Claims, the ASA Rejection Claim and the MSA Rejection Claim, together with any and all other claims between the parties, are collectively referred to as the “PC Claims”).

The Debtors maintained that they held significant claims against the PCs in excess of the PC Claims. Unfortunately, the cost to litigate such claims would likely have rendered the Chapter 11 estate administratively insolvent with no guaranty of success at trial. Such a litigation would require the involvement of lengthy discovery and the involvement of expert witnesses, health care counsel and forensic accountants. Hundreds of contracts with third party payors (e.g. insurance companies, workers compensation, no fault...etc.) would need to be reviewed and analyzed and industry experts would need to be consulted as to their interpretation and application. In addition, years of books and records would need to be thoroughly examined to

establish the validity of the parties respective claims, entitlements to recovery and/ or setoff.

In an effort to avoid complex, time consuming and costly and litigation concerning, inter alia, the various claims between the parties, and to ensure the orderly post-rejection wind down of the MSA, procedures for the collection of outstanding receivables due to PCs and fees due to the Debtor under the MSA, a settlement was negotiated, through their respective counsel the terms of which were memorialized in a Stipulation (“PC Settlement”) and ultimately approved by the Bankruptcy Court. The PC Settlement not only provided for a consensual wind down of the MSA with procedures in place for the collection and allocation of the outstanding receivables but also the waiver by the PCs of rejection damage claims in the aggregate approximate amount of \$14 million dollars. This settlement was a significant benefit to the estate and the creditors as it results in the remaining unsecured creditors receiving a greater distribution under the Plan as well as eliminating litigation which could have delayed the emersion of the Debtors from Chapter 11.

These changes in the Debtors operations have given them the financial stability as well as the revenues necessary to emerge from Chapter 11. Annexed hereto as Exhibit “E” are the Debtors’ projected revenues³ over the next 24 months. The projections show profitability in sufficient amounts as to permit the Debtors to be viable and self-sustaining over the future months and years to come.

³ The Projections and Liquidation Analysis accompanying this Disclosure Statement were prepared on a consolidated basis, as the Plan contemplates the substantive consolidation of the Debtors for Plan distribution purposes. It is possible that if the Debtors were not substantively consolidated, creditors could receive differing treatment upon liquidation of each of the Debtors in chapter 7, although the Debtors believe that adequate cause exists for substantive consolidation. See discussion, *infra*.

II. THE PLAN OF REORGANIZATION

THE FOLLOWING IS A SUMMARY OF THE PLAN; THE TERMS OF THE PLAN GOVERN, AS THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT. CREDITORS ARE URGED TO CONSULT WITH THEIR COUNSEL IN ORDER TO FULLY UNDERSTAND THE PLAN AND TO MAKE AN INFORMED JUDGMENT CONCERNING IT.

The Plan will be funded with the Debtors' cash on hand on the Confirmation Date as well as the Distribution Fund in the amount of \$500,000 which shall be funded by 2020 Advanced Diagnostic Imaging LLC, the Plan Funder⁴. These funds are expected to be sufficient to pay all Allowed Administrative and Priority Claims in full, as well as to fund an aggregate approximate 15.5% distribution to the holders of Allowed Unsecured Claims. The Debtors shall effectuate all payments due under the Plan. THE DEBTORS STRONGLY RECOMMEND THAT CREDITORS ACCEPT THE PLAN.

A. Treatment of Unclassified Claims Under the Plan

1. Allowed Administrative Claims other than Claims of Professionals: The Debtors shall pay any Allowed Administrative Claims in full, in Cash, in the ordinary course and according to the terms and conditions of the respective contracts underlying such Claims. The Reorganized Debtors shall not be responsible for the payment of any such Claims.

2. Allowed Administrative Claims of Professionals: Allowed Administrative Claims of Professionals shall be paid in full, in Cash from the Plan Distribution Fund, upon the later of (i) allowance by the Court pursuant to Section 330 of the Bankruptcy Code or (ii) the Plan's Effective Date. The Administrative Claims of Professionals consist of those of (a) DelBello Donnellan Weingarten Wise & Wiederkehr, LLP, attorneys for the Debtors, in the estimated, net

unpaid amount as of the anticipated Effective Date of \$160,000, and (b) Weber, Shapiro & Company, LLP, accountants for the Debtors in the estimated net unpaid amount as of the anticipated Effective Date of \$35,000. The Reorganized Debtors shall not be responsible for the payment of any such Claims.

3. United States Trustee's Fees: Under the Plan, all United States Trustee statutory fees arising under 28 U.S.C. § 1930 and 31 U.S.C. § 3717 shall be paid in full, in Cash, in such amount as incurred in the ordinary course of business by the Debtors either from the Debtor's operations and cash flow or the Distribution Fund, if necessary. The Debtors shall be responsible for the payment of United States Trustee quarterly fees through the entry of a final decree closing these chapter 11 cases. The Debtors are substantially current in the payment of all US Trustee fees to date.

4. Allowed Priority Tax Claims: The Debtors shall pay in full, in Cash, all Allowed Priority Tax Claims (pursuant to Section 507(a)(8) of the Bankruptcy Code) on the Effective Date from the Plan Distribution Fund. The Reorganization Debtors shall not be responsible for the payment of any such Claims. The Debtors estimates Priority Tax Claims total \$17,500.

B. Treatment of Classes Under the Plan

CLASS 1 – Allowed Priority Claims: Class 1 consists of Allowed Priority Claims other than Allowed Priority Tax Claims. The Debtors do not believe that any such claims exist. Class 1 Claims, if any, shall be paid in full, in Cash, from the Plan Distribution Fund, on or as soon as practical after the Effective Date. The Reorganized Debtors shall not be responsible for the payment of any such Claims. Class 1 Claims are not Impaired and are deemed to accept the Plan

4 The Plan Funder is currently owned by Scott Buchanan, the Debtors' managing member.

CLASS 2 – Allowed Secured Claim of M&T Bank. Class 2 consists of the Allowed Secured Claim, if any of M&T Bank. The holder of the Allowed Class 2 Secured Claims shall receive no distribution under the Plan as the Claims have been paid in full during the pendency of the Chapter 11 cases. The liens and security interests on the Debtors' property shall be deemed released, satisfied and extinguished and the Debtors shall be authorized to file all such documents necessary to extinguish such liens and vest such property in the Reorganized Debtors free and clear of the Class 2 Secured Claim, lien, and security interest. Class 2 is unimpaired under the Plan and is deemed to accept the Plan.

CLASS 3 - General Unsecured Claims: Class 3 consists of the holders of Allowed Unsecured Claims against the Debtors, which total approximately \$1,850,000. Holders of Allowed Class 3 Unsecured Claims shall each receive, in Cash, a pro rata Cash distribution of the remaining funds from the Plan Distribution Fund after payment of all unclassified and Class 1 Claims (if any), including Allowed Professional Claims, on the Effective Date or as soon as is practicable thereafter. The Reorganized Debtors shall not be responsible for the payment of any such Claims. The Debtors estimate that Allowed Class 3 claimholders shall each receive approximately 15.5% on account of their Allowed Class 3 Claims. Allowed Class 3 Claims are impaired under this Plan. Holders of such Claims shall be entitled to vote to accept or reject the Plan.

CLASS 4 – Interests: Class 4 consists of the Allowed Interests. The holders of Allowed Class 4 Interests have been scheduled by the Debtors in the Schedules. Under the Plan, Allowed Class 4 Interests shall be canceled upon the Effective Date and one hundred (100%) percent of the interests in the Reorganized Debtors will be deemed immediately and contemporaneously

issued to the Plan Funder in consideration for funding the Plan in the amount of the Plan Distribution Fund. The holders of the Class 4 Interests are impaired under this Plan and are deemed to reject the Plan.

C. Provisions Regarding Corporate Governance and Management of the Debtor Post-Confirmation

1. Post-confirmation Management of the Debtors. Following the Effective Date, Scott Buchanan shall continue to serve as CEO of the Debtors at a base compensation of \$240,000 per annum.

2. Corporate Action. Upon the entry of the Confirmation Order, all matters provided under the Plan involving the corporate structure of the Debtors shall be deemed authorized and approved without any requirement of further action by the Debtors, the Debtors' shareholders and/or members, or the Debtors' boards of directors, managers, and/or managing members.

D. Means for Implementation

a) Plan Funding. The Plan shall be funded by the Plan Funder who shall, subject to the terms hereof, effectuate the Plan Distribution Fund in the amount of \$500,000. Prior to the hearing to consider Confirmation of this Plan, the Plan Funder shall deposit the amount of the Distribution Fund into escrow with its attorneys. Upon the occurrence of the Effective Date and satisfaction of the conditions precedent set forth in Article VIII hereof, and provided no Event of Default (as defined in Section 11.01 hereof) then exists, the Distribution Fund shall be released to the Debtors for the purpose of making distributions pursuant to the Plan.

b) Issuance of New Membership Interests. Upon the release of the Distribution Fund to the Debtors, all authorized or issued Interests of the Debtors shall be cancelled and extinguished and the holders thereof shall not retain any rights thereunder and such instruments shall evidence no rights or Interests in the Debtors or the Reorganized Debtors; and, (ii) 100% of the membership Interests in the Reorganized Debtors will be deemed immediately and contemporaneously issued to the Plan Funder, and the Debtors and Reorganized Debtors shall have the authority and be directed to issue such documentation as the Plan Funder deems necessary to effectuate such issuance.

c) Break-Up Fee. In the event that the Plan is not confirmed, the Plan Funder shall be entitled to a “break up” fee in the fixed amount of \$15,000, which fee shall be deemed Allowed and treated as an administrative expense Claim in the Debtors’ Chapter 11 cases.

E. Resolution of Disputed Claims & Reserves

(a) Objections. An objection to the allowance of a Claim or Administrative or Priority Claim shall be in writing and shall be filed with the Bankruptcy Court by the Debtor or any other party in interest on or before the Effective Date, subject to an extension of such deadline by the Bankruptcy Court, for cause.

(b) Amendment of Claims. A Claim may be amended after the Confirmation Date only as agreed upon by the Debtor and the holder of such Claim and as approved by the Bankruptcy Court or as otherwise permitted by the Code and Bankruptcy Rules.

(c) Reserve for Disputed Claims. The Debtors shall reserve, on account of each holder of a Disputed Claim, the Cash which would otherwise be distributable to such holder on such date and thereafter were such Disputed Claim an Allowed Claim on the Effective Date, or

such other property as the holder of such Disputed Claim and the Debtors may agree upon. The Cash so reserved for the holder without any accrued interest, to the extent such Disputed Claim is Allowed, and only after such Disputed Claim becomes a subsequently Allowed Claim, shall thereafter be distributed as provided in Section 4.1 of the Plan to such holder, in the amount allocable under Sections 3.1-3.4 of the Plan to such Allowed Claim.

(d) Claims Estimation. The Debtors may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code, regardless of whether the Debtor has previously objected to such Claim, and the Bankruptcy Court retains jurisdiction to estimate any Claim at any time, including, without limitation, during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount shall 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 may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim.

(e) Distributions to Holders of Subsequently Allowed Claims. Unless another date is agreed on by the Debtors and the holder of a particular subsequently Allowed Claim, the Debtors shall, within ten (10) days after an order resolving the Disputed Claim becomes a Final Order, distribute to such holder with respect to such subsequently Allowed Claim that amount, in Cash, from the Cash held in reserve for such holder (and, to the extent such reserve is insufficient, from any other source of Cash otherwise available to the Debtors) equal to that amount of Cash, without any accrued interest, which would have been distributed to such holder from the Effective Date through such distribution date had such holder's subsequently Allowed Claim

been an Allowed Claim on the Effective Date.

(f) Disputes Regarding Rights to Payments or Distribution. In the event of any dispute between and among claimants (including the entity or entities asserting the right to receive the disputed payment or distribution) as to the right of any entity to receive or retain any payment or distribution to be made to such entity under the Plan, the Debtors may, in lieu of making such payment or distribution to such entity, remit the disputed portion of the Claim into an escrow account or to a distribution as ordered by a court of competent jurisdiction as the interested parties to such dispute may otherwise agree among themselves, subject to further Court order or the parties' agreement.

(g) Claims Procedures Not Exclusive. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Effective Date, Claims which have been estimated may subsequently be compromised, settled, withdrawn, or otherwise resolved without further order of the Bankruptcy Court.

F. Amendment, Modification, Withdrawal or Revocation of the Plan.

The Debtors reserve the right, in accordance with the Section 1127 of the Code, to amend or modify the Plan and to seek the authorization of the Bankruptcy Court as may be required.

The Debtors may withdraw or revoke the Plan prior to the Confirmation Date. If such a withdrawal or revocation occurs, or if Confirmation does not occur, the Plan will be null and void. In such event, nothing contained in the Plan will constitute a waiver or release of any Claim by or against the Debtors or any other person or to prejudice in any manner the rights of the Debtors or any other person in any further proceedings involving the Debtors.

G. Unclaimed Property

Except as otherwise provided herein, if any claimant fails to claim any distribution within 120 days from the date of such distribution, such claimant shall forfeit all rights thereto, and to any and all future payments, and thereafter the Claim for which such Cash was to be distributed shall be treated as a disallowed Claim. Distributions to Claimants entitled thereto shall be sent to their last known address set forth on a proof of claim filed with the Bankruptcy Court or, if no proof of claim is filed, on the Schedules filed by the Debtor or to such other address as may be later designated by a creditor in writing. The Debtors shall use their best efforts to obtain current addresses for all claimants. The Debtors shall notify the Debtors of all returned distributions. All unclaimed cash shall be returned to the reorganized Debtor.

H. Discharge and Plan Injunction. *Upon the Effective Date, the Debtors shall receive a discharge to the extent provided for under Section 1141 of the Bankruptcy Code. Except as otherwise expressly provided in, and to enforce, the Plan, any and all entities who have held, hold or may hold Claims or Interests, including Administrative Claims, against or in the Debtors shall, as of the Effective Date, be enjoined from:*

(a) commencing, conducting, or continuing, in any manner, any suit, action, or other proceeding of any kind (including, without limitation, in any judicial, arbitral, administrative or other forum) against the Debtors or reorganized Debtors with regard to such entities' Claim against the Debtors;

(b) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collection or otherwise recovering by any manner or means, whether directly or indirectly, or any judgment, award, decree, or order against the Debtors or reorganized

Debtors with regard to such entities' Claim against the Debtors;

(c) creating, perfecting or otherwise enforcing, in any manner, directly or indirectly, any encumbrance of any kind against the Debtor or reorganized Debtors, the property of the Debtors or reorganized Debtors, or any successor-in-interest to the Debtors or reorganized Debtors with regard to such entities' Claim against the Debtors;

(d) asserting any set off, right of subrogation or recoupment of any kind, directly or indirectly, against any obligation due the Debtors, the property of the Debtors, or any successor-in-interest to the Debtors with regard to such entities' Claim against the Debtors; and

(e) acting in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan.

I. Exculpation. *Neither the Debtors, the Reorganized Debtors, the Plan Funder nor any of their shareholders, officers, directors, employees, attorneys, advisors, agents, representatives and assigns (the "Released Parties") shall have or incur any liability to any entity for any action taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into, or any other action taken or omitted to be taken, in connection with these chapter 11 cases or the Plan except with respect to their obligations under the Plan and any related agreement, with the exception of any such act or omission taken in bad faith, willful misconduct, gross negligence, breach of fiduciary duty, malpractice, fraud, criminal conduct, unauthorized use of confidential information that causes damages, and/or ultra vires*

acts. Notwithstanding any other provision hereof, nothing in Section 8.3 of the Plan shall (a) effect a release of any claim by the United States Government or any of its agencies or any state and local authority whatsoever, including, without limitation, any claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority against the Debtors or any of the Released Parties, nor shall anything in Section 8.3 of the Plan enjoin the United States or any state or local authority from bringing any claim, suit, action or other proceedings against any Released Party for any liability whatever, including, without limitation, any claim, suit or action arising under the Internal Revenue Code, ERISA, the environmental laws or any criminal laws of the United States or any state and local authority, including the New York Tax Law, nor shall anything in Article VIII of the Plan exculpate any party from any liability to the United States Government or any of its agencies, including any state and local authority, including New York State Department of Taxation and Finance whatsoever, including liabilities arising under the Internal Revenue Code, ERISA, the environmental laws or any criminal laws of the United States or any state and local authority, including the New York Tax Law, against the Parties referred to herein, or (b) limit the liability of the Debtors' Professionals pursuant to Rule 1.8(h)(1) of the New York Rules of Professional Conduct.

J. Full and Final Satisfaction

Pursuant to the Plan, all payments and all distributions thereunder shall be in full and final satisfaction, settlement, release and discharge of all Claims and Interests, except as otherwise provided in the Plan.

K. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction of the chapter 11 cases:

- (a) To determine all controversies relating to or concerning the allowance and/ or distribution on account of such Claims or Interests, upon objection thereto, such Claims by any party in interest, including the estimation of Claims under Section 502(c) of the Code;
- (b) To determine requests for payment of Claims entitled to priority under Section 507(a)(2) of the Code, including any and all applications for compensation for professional fees and expenses;
- (c) To determine any and all applications, adversary proceedings, and contested or litigated matters over which the Bankruptcy Court has subject matter jurisdiction pursuant to 28 U.S.C Sections 157 and 1334;
- (d) To determine all disputed, contingent or unliquidated Claims;
- (e) To determine requests to modify the Plan pursuant to Section 1127 of the Code or to remedy any defect or omission or reconcile any inconsistencies in this Plan or Confirmation Order to the extent authorized by the Code;
- (f) To make such orders as are necessary or appropriate to carry out the provisions of, and enforce, the Plan;
- (g) To resolve controversies and disputes regarding the interpretation or enforcement of

the terms of the Plan; and

(h) To enter a final decree closing the Chapter 11 cases.

L Contracts and Unexpired Leases

Any unexpired lease or executory contract that has not been previously assumed, rejected and/or modified by order of the Bankruptcy Court or has not naturally expired during the course of the chapter 11 case shall, as of the Effective Date, be deemed to have been assumed by the Debtors. This shall include all modified contracts entered into concerning equipment leases and financing between the debtor and equipment lessors. Because the Debtors believe that they are current under such contracts, the Debtors do not anticipate any cure payments due as a result of their assumption of such agreements. **Parties to executory contracts or unexpired leases must assert a cure payment owing (other than payments owing in the ordinary course), before the Confirmation hearing date, subject to the Debtor's right to object to the assertion of such payment, or they will not receive a cure payment in connection with such assumption.**

M. Post-Confirmation Fees, Final Decree

The reasonable compensation and out-of-pocket expenses incurred post-Confirmation Date by the professionals retained in the Chapter 11 cases shall be paid by the Reorganized Debtors within ten (10) days upon presentation of invoices for such post-Confirmation Date professional services. All disputes concerning post-Confirmation Date fees and expenses shall be subject to Bankruptcy Court jurisdiction.

A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

N. Continuation of Bankruptcy Stays

All stays provided for in the chapter 11 cases under Section 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

O. Avoidance and Recovery Actions

As of and subject to the occurrence of the Effective Date, the Debtors will waive and release any causes of action under Sections 544, 547, 548, 550, 551 and 553 of the Bankruptcy Code, except that such waiver shall not extend to any defense asserted by the Debtors pursuant to Section 502(d) of the Bankruptcy Code to a Claim. The Debtors believe, after a thorough investigation and review with their counsel, that there are no such causes of action that would provide a meaningful source of funds for the Debtors' estates.

III. FINANCIAL INFORMATION

A. The Debtors' Schedules of Assets and Liabilities. Schedules of the Debtors' assets and liabilities and monthly operating reports have been filed with the Clerk of the Court and may be inspected by all interested parties.

B. The estimated amounts required to be paid on the Effective Date are:

Professional Fees and Expenses	\$195,000
Priority Tax Claims	\$17,500
Dividend To Unsecured Creditors (15.5%)	\$287,500
Estimated Total Required on Effective Date.....\$500,000

The payments required on the Effective Date shall be funded solely from the Plan Distribution Fund.

C. Chapter 7 Liquidation Analysis. If the Debtors' chapter 11 cases were converted to cases under chapter 7 of the Bankruptcy Code and the Debtors' assets were liquidated by a chapter 7 trustee, the holders of Allowed Class 3 Unsecured Claims would likely receive no distribution. Thus, the Debtors believe that the Plan satisfies the "best interests of creditors" test under Section 1129(a)(7) of the Code. As set forth in the liquidation analysis prepared by the Debtors and annexed hereto as Exhibit "C", in a chapter 7 liquidation, the Administrative Claims would be substantially higher than in a chapter 11 case due a variety of factors. First, a chapter 7 trustee would be entitled to earn commissions and would hire his/her own professionals (e.g. legal counsel and financial advisor), which would result in additional expenses payable from the estates. Second, the Debtors have current outstanding post-Petition Date payables which would result in approximately \$515,206.60 of Administrative Claims in the event of a conversion and termination of the business, the \$195,000 in Professional Fees and the approximate \$17,500 in Priority Tax Claims would all be payable ahead of Unsecured Claims. These substantial additional Claims mean that there would likely be no distribution to unsecured creditors in the event of a liquidation. Therefore, the Debtors have satisfied Section 1129(a)(7) of the Code, which requires that creditors receive a recovery under the Plan at least equal to what they would receive in a hypothetical chapter 7 case. Under the Plan, holders of Allowed Unsecured Creditors are each receiving, on the Effective Date, cash equal to approximately 15.5% of the amount of their Allowed Claims. The Debtors believe that the foregoing "best interest" analysis also would apply on a non-consolidated basis, as many of the Debtors' assets and liabilities are intertwined.

THE DEBTORS THEREFORE STRONGLY RECOMMEND ACCEPTANCE OF THE PLAN. CREDITORS ARE URGED TO CONSULT WITH THEIR ATTORNEYS AND AMONGST THEMSELVES IN DETERMINING WHETHER TO ACCEPT OR REJECT THE PLAN.

IV. CONFIRMATION PROCEDURE

A. Time to Vote. Pursuant to a Court order, ballots on the Plan must be filed on or before December __, 2016. All ballots should be properly completed as to whether the creditor accepts or rejects the Plan, signed, and be forwarded, in accordance with the instructions on the ballot, to DelBello Donnellan Weingarten Wise & Wiederkehr, LLP One N. Lexington Avenue, White Plains, New York 10601, Attn: Erica F. Aisner, Esq. so as to be received by such date.

B. Solicitation of Votes. Any holder of a Claim in Class 3 is entitled to vote on the Plan if either (i) such holder's Claim has been scheduled by the Debtors in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), or (ii) such holder has filed a proof of Claim on or before July 14, 2014, the Bar Date (or, if not filed by such date, any proof of Claim filed with leave of the Bankruptcy Court), unless an objection to such Claim has been duly filed, or (iii) if the Bankruptcy Court has provisionally allowed the Claim for voting purposes. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that an acceptance or rejection was not solicited or procured or made in good faith or in accordance with the provisions of the Code.

C. Acceptance. Class 3 will be deemed to have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Claims actually voting of such Class. Any ballot which is executed by the holder of an Allowed

Claim or Interest but which does not indicate an acceptance or rejection of the Plan, shall be deemed neither an acceptance nor a rejection of the Plan.

D. Confirmation Hearing. The Code requires the Bankruptcy Court to hold a hearing on the Debtor's request for Confirmation of the Plan after the ballots have been cast. The Confirmation Hearing has been scheduled for December __, 2016 at 10:00 a.m. in the United States Bankruptcy Court for the Southern District of New York, 300 Quarropas Street, Courtroom 118, White Plains, New York 10601, set forth on the Order which accompanies this Disclosure Statement.

At the Confirmation Hearing the Bankruptcy Court will also consider whether this Disclosure Statement should be approved on a final basis as containing adequate information about the Debtors and the Plan for purposes of Section 1125 of the Code. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment made at the Confirmation Hearing. At the Confirmation Hearing, the Bankruptcy Court will (i) determine whether the Plan has been accepted by the requisite majorities of each voting class, (ii) hear and determine all objections to the confirmation of the Plan, (iii) determine whether the Plan meets the requirements of the Code, including that it has been proposed in good faith, and (iv) confirm or refuse to confirm the Plan.

E. Time to Object to Adequacy of the Disclosure Statement and Confirmation of the Plan. The last date to object to final approval of this Disclosure Statement and Confirmation of the Plan is December __, 2016. Objections must be filed and served as set forth in the Order accompanying the Disclosure Statement.

F. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Debtors will request that the Bankruptcy Court determine that the Plan satisfies the requirements of Section 1129 of the Code. If it does so, the Bankruptcy Court shall enter an order confirming the Plan. Some of the applicable requirements of Section 1129 of the Code are as follows:

- (a) The Plan must comply with the applicable provisions of the Code;
- (b) The Debtors must have complied with the applicable provisions of the Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment made or promised to be made by the Debtors 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 chapter 11 cases, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Plan is reasonable, or if such payment is to be fixed after Confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtors have disclosed the identity and affiliation of any individual proposed to serve, after Confirmation of the Plan, as a director, officer, or voting trustee of the reorganized Debtors under the Plan. Moreover, the appointment to, or continuance in, such office of such individual, is consistent with the interests of holders of Claims and Interests and with public policy.
- (f) Feasibility: The Bankruptcy Code also requires that in order to confirm the Plan, the Bankruptcy Court must find that Confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtors (the “Feasibility Test”).

For a plan to meet the Feasibility Test, the Bankruptcy Court must find that the Debtors will possess the resources to meet their obligations under the Plan. The Debtors intend to show that it will have sufficient funds on hand at Confirmation and projected thereafter to satisfy their cash obligations under the Plan and continue to operate and as such, the Feasibility Test would be satisfied. Moreover, the Debtors do not anticipate the need for further financial reorganization based upon the significant cost cutting measures that they have undertaken and their successful identification and focus on the most profitable aspects of their business. The Debtors' unaudited projections, annexed hereto as Exhibit "E", illustrate the Debtors' anticipated income and expenses going forward, which estimates are conservatively based upon the Debtors' operations and growth trends over the last two years.

The Debtors believe that the Plan satisfies all of the statutory requirements of chapter 11 of the Code, including the Feasibility Test, that it is "fair and equitable," "does not discriminate unfairly," and has been proposed in good faith.

(g) Absolute Priority Rule. A plan cannot be confirmed under Section 1129 of the Bankruptcy Code if it provides for the retention of interests by the equity holders on account of such interests while senior classes of claims do not receive full payment. **The Plan does not contemplate the retention of any of the Interests.**

G. Objections to Confirmation. Objections to Confirmation must be in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objection must be filed with the Bankruptcy Court and served upon the following, with a copy to the Bankruptcy Court's chambers, so that it is received by them on or before December __, 2016, as set forth in the Order which

accompanies this Disclosure Statement:

DelBello Donnellan Weingarten Wise & Wiederkehr, LLP
Attorneys for the Debtors
One N. Lexington Avenue
White Plains, New York 10601
Attn: Jonathan S. Pasternak, Esq.
Erica F. Aisner, Esq.

Objections to confirmation of the Plan are governed by Federal Rule of Bankruptcy
Procedure 9014.

H. Revesting of Assets

Except as otherwise provided by the Plan, upon the Effective Date, title to all properties and assets of the Debtors shall vest in the Reorganized Debtors free and clear of all Claims, liens, encumbrances and Interests of Creditors, and the Confirmation Order shall be a judicial determination of discharge and extinguishment of all Claims, liens or Interests (except those created or retained pursuant to the Plan).

I. Conditions to Effective Date of the Plan

The Plan shall not become effective unless and until the Confirmation Order in form and substance reasonably acceptable to the Debtors and the United States Trustee shall have been entered by the Bankruptcy Court and shall have become a Final Order.

V. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN.

If the Plan is not confirmed and consummated, the alternatives include (i) preparation and presentation of an alternative plan of reorganization, (ii) liquidation of the Debtors under chapter 7 of the Code, or (iii) dismissal of the chapter 11 cases, which would result in all creditor claims and rights of collection and enforcement being restored in full. *See* Liquidation Analysis, Exhibit "D".

VI. POST-CONFIRMATION

The Debtors shall be responsible for filing post-Confirmation Date reports with the Bankruptcy Court and shall pay all quarterly fees required under 28 U.S.C. § 1930(a)(6) and 31 U.S.C. §3717 until the earlier of (a) conversion or dismissal of the chapter 11 cases or (b) entry of a final decree closing the Chapter 11 cases.

The Debtors shall also be responsible for the filing of pre-Confirmation and post-Confirmation reports, until a final decree is entered. A final decree shall be entered as soon as practicable after distributions have commenced under the Plan.

VII. TAX CONSEQUENCES

A. Tax Consequences of Confirmation. Confirmation may have federal income tax consequences for the Debtors and holders of Claims and Interests. The Debtors have not obtained and do not intend to request a ruling from the Internal Revenue Service (the "IRS"), nor have the Debtors obtained an opinion of counsel with respect to any tax matters. Any federal income tax matters raised by Confirmation of the Plan are governed by the Internal Revenue Code and the regulations promulgated thereunder. Creditors and holders of Interests are urged to

consult their own counsel and tax advisors as to the tax consequences, under federal and applicable state, local and foreign tax laws of the Plan. The following is intended to be a summary only and not a substitute for careful tax planning with a tax professional. The federal, state and local tax consequences of the Plan may be complex in some circumstances and, in some cases, uncertain. Accordingly, each holder of a Claim or Interest is strongly urged to consult with his or her own tax advisor regarding the federal, state and local tax consequences of the Plan, including but not limited to the receipt of Cash under the Plan.

B. Tax Consequences to the Debtors. The Debtors may not recognize income as a result of the discharge of debt pursuant to the Plan because Section 108 of the Internal Revenue Code provides that taxpayers in bankruptcy cases do not recognize income from discharge of indebtedness. However, subject to certain exceptions, a taxpayer is required to reduce its "tax attributes" by the amount of the debt discharged. Tax attributes are reduced in the following order: (i) net operating losses, (ii) general business credits, (iii) capital loss carryovers, (iv) basis in assets, (v) passive activity loss and credit carryovers, and (vi) foreign tax credit carryovers.

VIII. RECOMMENDATION

The Debtors believe that Confirmation of the Plan is preferable to any of the alternatives described above. The Plan will provide greater recoveries to all holders of Claims than those available in liquidation. Any other alternative would cause significant delay and uncertainty, as well as substantial administrative costs.

THUS, THE DEBTORS STRONGLY RECOMMEND HOLDERS OF ALL CLAIMS VOTE TO ACCEPT THE PLAN. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT BETWEEN THE DEBTORS AND THEIR CREDITORS, AND SHOULD BE READ TOGETHER WITH THIS DISCLOSURE STATEMENT SO THAT AN INTELLIGENT AND INFORMED JUDGMENT CONCERNING THE PLAN CAN BE MADE.

Dated: White Plains, New York
October 7, 2016

IMAGIMED, LLC

By: /s/ _____
Scott Buchanan, CEO

OPEN MRI OF BREWSTER, LLC

By: /s/ _____
Scott Buchanan, CEO

OPEN MRI OF DEWITT LLC

By: /s/ _____
Scott Buchanan, CEO

OPEN MRI OF FISHKILL LLC

By: /s/ _____
Scott Buchanan, CEO

OPEN MRI OF MIDDLETOWN, LLC

By: /s/_____
Scott Buchanan, CEO

OPEN MRI OF TARRYTOWN LLC

By: /s/_____
Scott Buchanan, CEO

OPEN MRI OF WILLIAMSPORT LLC

By: /s/_____
Scott Buchanan, CEO

OPEN MRI OF YORKTOWN LLC

By: /s/_____
Scott Buchanan, CEO

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One North Lexington Avenue
White Plains, New York 10601
(914) 681-0200

By: Erica Feynman Aisner
Erica Feynman Aisner, Esq.