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RADIOLOGIX INC
Form 10-Q
May 15, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

(MARK ONE)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM _____

COMMISSION FILE NO. 0-23311

RADIOLOGIX, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other
jurisdiction of
incorporation or
organization)

75-2648089
(I.R.S. Employer
Identification)

2200 ROSS AVENUE
3600 CHASE TOWER
DALLAS, TEXAS 75201
(Address of principal executive offices, including zip code)

(214) 303-2776
(Registrant's telephone number, including area code)

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at May 10, 2001 |
|----------------------------------|-----------------------------|
| COMMON STOCK, \$0.0001 PAR VALUE | 19,507,428 SHARES |

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RADIOLOGIX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS

MARCH 31,
2001

(UNAUDITED)

CURRENT ASSETS:

| | | |
|----------------------------------------------|----|--------|
| Cash and cash equivalents..... | \$ | 13,048 |
| Accounts receivable, net of allowances | | 71,404 |
| Due from affiliates | | 6,480 |
| Income tax receivable | | 1,406 |
| Other current assets..... | | 7,976 |

| | | |
|--------------------------------------------------------------|----|---------|
| Total current assets..... | | 100,314 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation..... | | 52,171 |
| INVESTMENTS IN JOINT VENTURES..... | | 7,781 |
| INTANGIBLE ASSETS, net..... | | 97,971 |
| DEFERRED FINANCING COSTS, net..... | | 6,265 |
| OTHER ASSETS..... | | 11,081 |
| Total assets..... | \$ | 275,583 |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

| | | |
|---------------------------------------------------|----|--------|
| Accounts payable and accrued expenses..... | \$ | 22,541 |
| Accrued physician retention..... | | 11,224 |
| Accrued salaries and benefits..... | | 4,537 |
| Current portion of long-term debt..... | | 12,494 |
| Current portion of capital lease obligations..... | | 5,920 |
| Other current liabilities..... | | 108 |

| | | |
|--------------------------------------------------------|--|---------|
| Total current liabilities..... | | 56,824 |
| DEFERRED INCOME TAXES..... | | 4,097 |
| LONG-TERM DEBT, net of current portion..... | | 169,087 |
| CAPITAL LEASE OBLIGATIONS, net of current portion..... | | 9,522 |
| OTHER LIABILITIES..... | | 1,546 |
| Total liabilities..... | | 241,076 |

| | | |
|------------------------------------------------------|--|-------|
| MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES..... | | 1,290 |
|------------------------------------------------------|--|-------|

STOCKHOLDERS' EQUITY:

| | | |
|---------------------------------|--|--------|
| Common stock..... | | 2 |
| Additional paid-in capital..... | | (579) |
| Retained earnings | | 33,794 |

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| | |
|-------------------------------------------------|------------|
| Total stockholders' equity..... | 33,217 |
| Total liabilities and stockholders' equity..... | \$ 275,583 |

See accompanying notes to unaudited condensed consolidated financial statements.

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RADIOLOGIX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

| | FOR THE THREE MONTHS ENDED MARCH 31, | |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------|
| | 2001 | 2000 |
| | ----- | ----- |
| | (UNAUDITED) | |
| SERVICE FEE REVENUES | \$ 65,911 | \$ 59,251 |
| COSTS AND EXPENSES: | | |
| Salaries and benefits | 18,429 | 15,418 |
| Field supplies | 3,842 | 3,160 |
| Field rent and lease expense | 8,228 | 7,071 |
| Other field expenses | 11,431 | 9,837 |
| Bad debt expense | 6,406 | 5,388 |
| Corporate general and administrative | 2,970 | 2,606 |
| Depreciation and amortization | 5,603 | 5,363 |
| Interest expense, net | 4,400 | 4,244 |
| | ----- | ----- |
| INCOME BEFORE TAXES, MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES AND EQUITY IN EARNINGS OF INVESTMENTS | 4,602 | 6,164 |
| EQUITY IN EARNINGS OF INVESTMENTS | 1,492 | 903 |
| MINORITY INTERESTS IN INCOME OF CONSOLIDATED SUBSIDIARIES | (264) | (282) |
| | ----- | ----- |
| INCOME BEFORE TAXES | 5,830 | 6,785 |
| INCOME TAX EXPENSE | (2,332) | (2,714) |
| | ----- | ----- |
| NET INCOME | \$ 3,498 | \$ 4,071 |
| | ===== | ===== |

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| | | | |
|-------------------------------------|----|------------|------------|
| NET INCOME PER COMMON SHARE | | | |
| Basic | \$ | 0.18 | \$ 0.21 |
| Diluted | \$ | 0.17 | \$ 0.20 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | | |
| Basic | | 19,507,301 | 19,463,164 |
| Diluted | | 22,171,451 | 22,084,280 |

See accompanying notes to unaudited condensed consolidated financial statements.

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RADIOLOGIX, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

| | | FOR THE THREE MONTHS ENDING MARCH 31, 2001 |
|------------------------------------------------------------------------------------|----|-----------------------------------------------------|
| | | ----- (UNAUDITED) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ | 3,498 |
| Adjustments to reconcile net income to net cash provided by operating activities-- | | |
| Minority interests | | 264 |
| Depreciation and amortization | | 5,603 |
| Equity in earnings of investments | | (1,492) |
| Changes in assets and liabilities | | |
| Accounts receivable, net | | (3,189) |
| Other receivables and current assets | | 3,790 |
| Accounts payable and accrued expenses | | 2,352 |
| | | ----- |
| Net cash provided by operating activities | | 10,826 |
| | | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | | (2,317) |
| Cash paid for acquisitions | | -- |
| Distributions to joint ventures | | (326) |
| Distributions from joint ventures | | 1,004 |
| Other investments | | 1,802 |
| | | ----- |
| Net cash provided by (used in) investing activities | | 163 |
| | | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of long-term debt | | 3,000 |
| Proceeds (payments on) capital leases | | (1,813) |

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| | |
|-----------------------------------------------------------|-----------|
| Other | (2,748) |
| | ----- |
| Net cash provided by (used in) financing activities | (1,561) |
| | ----- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 9,428 |
| CASH AND CASH EQUIVALENTS, beginning of period | 3,620 |
| | ----- |
| CASH AND CASH EQUIVALENTS, end of period | \$ 13,048 |
| | ===== |

See accompanying notes to unaudited condensed consolidated
financial statements.

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RADIOLOGIX, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL:

Radiologix, Inc. (together with its subsidiaries, "Radiologix" or the "Company"), a Delaware corporation, is the leading provider of radiology services in the United States through its ownership and operation of technologically advanced, multi-modality outpatient diagnostic imaging centers. The Company's full-service imaging centers typically offer a broad array of diagnostic imaging modalities such as x-ray, magnetic resonance imaging ("MRI"), computed tomography ("CT"), mammography, dual energy x-ray absorptiometry ("DEXA"), ultrasound, nuclear medicine and positron emission tomography ("PET"), as well as general radiography and fluoroscopy. Physicians use the diagnostic images, which result from these procedures, and the radiology reports based on the images to diagnose and manage diseases and injuries of their patients. Ordering physicians rely extensively on this type of diagnostic information in making health care treatment decisions.

On April 26, 2001, Radiologix announced that its merger agreement with an affiliate of Saunders Karp & Megrue has been terminated by SKM. As a result, the proposed merger of SKM-RD Acquisition Corp. and Radiologix will not be completed. During the fourth quarter of 2000, the Company expensed approximately \$1.8 million of transaction related costs. Radiologix's stockholders approved the merger agreement at the special meeting of stockholders held on November 21, 2000. On January 2, 2001 Radiologix announced that it had extended the deadline for the completion of the proposed merger with SKM-RD Acquisition Corp. to June 29, 2001.

As of March 31, 2001, the Company owns, operates or maintains an ownership interest in imaging equipment at 124 locations and provides management services to ten contracted radiology practices. The Company's imaging centers are located in 18 states and the District of Columbia, with concentrated

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geographic coverage in markets located in California, Florida, Illinois, Kansas, Maryland, New York, Pennsylvania, Texas, Virginia and Washington, D.C.

Physician services are provided at all of the Company's imaging centers associated with its ten contracted radiology practices under the terms of service agreements, seven of which expire in November 2037, with the other three expiring in 2038. Under the terms of the service agreements, the Company provides management, administrative, technical and non-medical services to contracted radiology practices in return for service fees. The service agreements cannot be terminated by either party without cause, consisting primarily of bankruptcy or material default. However, under certain conditions, the Company can terminate the service agreement if the number of physicians in a practice falls below a certain percentage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Service Fee Revenues

Service fee revenues represent contracted radiology practices revenue less amounts retained by contracted radiology practices. The amounts retained by contracted radiology practices represent amounts paid to the contracted radiology practices pursuant to the service agreements between the Company and the contracted radiology practices. Under the service agreements, the Company provides each physician group with the facilities and equipment used in its medical practice, assumes responsibility for the management of the operations of the practice, and employs substantially all of the non-physician personnel utilized by the group. The Company assists in negotiating managed care contracts for the contracted radiology practices.

The Company's service fee revenue is dependent upon the operating results of the contracted radiology practices. Where state law allows, service fees due under the service agreements are derived from two distinct revenue streams: (1) a negotiated percentage (typically 20% to 30%) of the adjusted professional revenues as defined in the service agreement; and (2) 100% of the adjusted technical revenues as defined in the service agreements. In states where the law requires a flat fee structure, the Company

has negotiated a base service fee, which is equal to the fair market value of the services provided under the service agreement and which is renegotiated each year to equal the fair market value of the services provided under the service agreement. The fixed fee structure results in the Company receiving substantially the same amount of service fee as it would have received under its negotiated percentage fee structure. Adjusted professional revenues and adjusted technical revenues are determined by deducting certain contractually agreed-upon expenses (non-physician salaries and benefits, rent, depreciation, insurance, interest and other physician costs) from the contracted radiology practices' revenue. Service fee revenues of the Company's subsidiary, Questar Imaging, Inc.

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("Questar") are primarily derived from technical revenues generated from those imaging centers.

Service fee revenues consists of the following (in thousands):

| | For the Three Months Ended March 31, 2001 | 2000 |
|-----------------------------|----------------------------------------------|-----------|
| | ----- | ----- |
| Professional component..... | \$ 15,234 | \$ 13,752 |
| Technical component..... | 50,677 | 45,499 |
| | ----- | ----- |
| | \$ 65,911 | \$ 59,251 |
| | ===== | ===== |

3. LONG TERM DEBT

On March 30, 2001, the Company and the existing bank group amended the bank credit facility. In concurrence with the credit facility amendment, the technical default of certain covenants under the credit facility's restrictive covenants was waived. Under the terms of the amended credit facility, the \$160,000,000 of borrowings will consist of a \$100,000,000 Term Loan and a \$60,000,000 revolving credit facility, including a \$5,000,000 Swing Line Facility. In addition, under the terms of the new amendment, the quarterly principal installments of varying amounts will be delayed from commencing March 31, 2001 to June 30, 2001. Scheduled principal installments for 2001 have been reduced from \$47,100,000 under the prior amended agreement to \$12,000,000 under the new amendment. Each of the facilities will terminate on November 26, 2003. The interest rate is (i) an adjusted LIBOR rate, plus an applicable margin which can vary from 3.00% to 4.00% dependent on certain financial ratios or (ii) the prime rate, plus an applicable margin which can vary from 2.00% to 3.00%. In each case, the applicable margin varies based on financial ratios maintained by the Company. The credit facility includes certain restrictive covenants including prohibitions on the payment of dividends, limitations on capital expenditures and the maintenance of certain financial ratios (including maximum fixed charge coverage ratio and maximum leverage ratio, as defined). Borrowings under the credit facility are secured by all service agreements, which the Company is, or becomes a party to, a pledge of the stock of the Company's subsidiaries, and all of the Company's and its wholly-owned subsidiaries' assets.

On July 30, 1999, the Company entered into a \$20,000,000 convertible junior subordinated note in connection with the securities purchase agreement for the Questar acquisition dated August 1, 1999. The convertible junior subordinated note matures July 31, 2009, and bears interest, payable quarterly in cash or payment in kind securities, at an annual rate of 8.0%. The principal of the convertible junior subordinated note is convertible into Radiologix's common stock at the price of \$8.625 per share. If by the second anniversary date of the convertible junior subordinated note, the closing price of Radiologix's common stock has not averaged \$8.625 for 45 of the 60 days of the determination period (the "Market Price Event"), the base conversion price will be reset at 87.19% of the initial conversion price. If by the third or fourth anniversary date of the Note, the Market Price Event has not occurred, the interest rate will be increased to 8.25% and 8.5%, respectively.

4. EARNINGS PER SHARE:

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Basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period (including shares to be issued). Options, warrants, and other potentially dilutive securities are excluded from the calculation of basic EPS. Diluted EPS includes the options, warrants, and other potentially dilutive securities that are excluded from basic EPS using the treasury stock method to the extent that these securities are not anti-dilutive. Diluted EPS also includes the effect of the convertible notes using the "if converted" method to the extent the securities are not anti-dilutive.

For the three months ended March 31, 2001, under the "if converted" method, approximately \$250,875 of tax effected interest savings and 2,318,841 weighted average shares were included in the calculation of diluted EPS as an addition to net income and weighted average shares outstanding, respectively. For the three months ended March 31, 2000, under the "if converted" method, approximately \$251,000 of tax-effected interest savings and 2,318,841 weighted average shares were included in the calculation

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of diluted EPS as an addition to net income and weighted average shares outstanding, respectively. For the three months ended March 31, 2000 and 2001, 302,278 and 302,275 shares, respectively, related to stock options were included in diluted EPS.

5. SEGMENT REPORTING:

The Company has five reportable segments: Mid-Atlantic Region, Northeastern Region, Central Region, Western Region and Questar. The Company's reportable segments are strategic business units defined by management's division of responsibilities. Each owns and operates imaging centers and (except for Questar) provides management services to the radiology facilities within their respective segments.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that the Company does not allocate taxes associated with income to any of the regions. They are managed separately because each segment operates under different contractual arrangements, providing service to a diverse mix of patients and payors.

FOR THE THREE MONTHS ENDED MARCH 31, 2001 (IN THOUSANDS)

| | Mid-Atlantic Region (1) | Northeastern Region (2) | Central Region (3) | Western Region (4) |
|--------------------------|----------------------------|----------------------------|-----------------------|-----------------------|
| | ----- | ----- | ----- | ----- |
| Service fee revenues | \$ 26,445 | 15,046 | 8,231 | 7,822 |
| Total operating expenses | 18,522 | 11,114 | 5,349 | 6,238 |
| | ----- | ----- | ----- | ----- |
| Segment contribution | \$ 7,923 | 3,932 | 2,882 | 1,584 |
| Contribution margin | 30% | 26% | 35% | 20% |
| Equity in earnings of | | | | |

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| | | | | |
|---------------------------------------|-----------|--------|--------|--------|
| Investments | \$ 1,100 | -- | 392 | -- |
| Minority interests | \$ (153) | -- | (110) | -- |
| Depreciation and amortization expense | \$ 1,625 | 757 | 355 | 682 |
| Interest expense | \$ 422 | 180 | 99 | 149 |
| Segment profit | \$ 6,823 | 2,995 | 2,710 | 753 |
| Segment assets | \$ 52,319 | 42,494 | 22,817 | 19,628 |
| Expenditures for segment assets | \$ 1,570 | 248 | 277 | 122 |

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FOR THE THREE MONTHS ENDED MARCH 31, 2000
(IN THOUSANDS)

| | Mid-Atlantic Region (1) | Northeastern Region (2) | Central Region (3) | Western Region (4) |
|---------------------------------------|----------------------------|----------------------------|-----------------------|-----------------------|
| | ----- | ----- | ----- | ----- |
| Service fee revenue | \$ 23,053 | 15,095 | 6,958 | 7,461 |
| Total operating expenses | 15,515 | 10,689 | 4,341 | 5,284 |
| Segment contribution | \$ 7,538 | 4,406 | 2,617 | 2,177 |
| Contribution margin | 33% | 29% | 38% | 29% |
| Equity in earnings of | | | | |
| Investments | \$ 479 | -- | 424 | -- |
| Minority interests | \$ (102) | -- | (114) | -- |
| Depreciation and amortization expense | \$ 1,714 | 774 | 318 | 617 |
| Interest expense | \$ 349 | 202 | 93 | 180 |
| Segment profit | \$ 5,852 | 3,429 | 2,516 | 1,379 |
| Segment assets | \$ 58,719 | 41,165 | 20,911 | 18,377 |
| Expenditures for segment assets | \$ 1,632 | 785 | 231 | 228 |

- (1) Includes the Baltimore/Washington, D.C. Metropolitan area.
(2) Includes Rochester, New York, Rockland County, New York and the surrounding areas.
(3) Includes San Antonio, Texas, St. Lucie County, Florida, Topeka, Kansas, Northeast Kansas and the surrounding areas
(4) Includes the San Francisco/Oakland/San Jose, California and surrounding areas

| | | |
|--------------------------------------|-----------|-----------|
| Reconciliation of profits | 2001 | 2000 |
| | ----- | ----- |
| Segment profit | \$ 13,559 | \$ 13,681 |
| Unallocated amounts: | | |
| Corporate general and administrative | (2,970) | (2,606) |

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| | | |
|------------------------------------------------|------------|------------|
| Corporate depreciation and amortization | (1,507) | (1,273) |
| Corporate interest expense | (3,252) | (3,017) |
| | ----- | ----- |
| Income before taxes | \$ 5,830 | \$ 6,785 |
| | ===== | ===== |
| Reconciliation of assets and expenditures | 2001 | 2000 |
| | ----- | ----- |
| Assets: | | |
| Segment amounts | \$ 165,054 | \$ 163,242 |
| Corporate assets (including intangible assets) | 110,529 | 101,130 |
| | ----- | ----- |
| Total assets | \$ 275,583 | \$ 264,372 |
| | ===== | ===== |
| Expenditures: | | |
| Segment amounts | \$ 2,234 | \$ 3,009 |
| Corporate expenditures | 83 | 300 |
| | ----- | ----- |
| Total expenditures | \$ 2,317 | \$ 3,309 |
| | ===== | ===== |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and financial condition of the Company should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Annual Report on Form 10-K (as amended pursuant to Form 10-KA) for the year ended December 31, 2000, and with the consolidated financial statements included in this Form 10-Q.

OVERVIEW

The Company is a leading provider of radiology services in the United States through its (i) ownership and operation of technologically advanced, multi-modality diagnostic imaging centers and (ii) provision of administrative, management and information services to certain radiology business partners. The Company derives the majority of its service fee revenues from providing the technical component of radiology services performed at the Company's freestanding imaging facilities and pursuant to the Company's out-sourced hospital relationships. In addition, the Company also derives service fee revenues from providing management services to contracted radiology practices pursuant to long-term service agreements.

As of March 31, 2001, Radiologix's 124 owned or operated imaging centers are located in 18 states and the District of Columbia, with concentrated geographic coverage in markets located in California, Florida, Illinois, Kansas, Maryland, New York, Pennsylvania, Texas, Virginia and Washington D.C.

RESULTS OF OPERATIONS

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The Company focuses on the results of operations through the division of its contracted radiology practices into four designated regions of the United States: Mid-Atlantic, Northeastern, Central, and Western regions. In addition, the Company focuses on the operations of the imaging centers of its subsidiary, Questar Imaging, Inc. ("Questar"). The Company's operations in each of the four designated regions, as well as Questar, provide administrative, management and information services through its ownership and operation of technologically advanced, multi-modality diagnostic imaging centers. The Company has divided the operations into the four regions and Questar only for purposes of the division of internal management responsibilities, but does not focus on each of these regions as a separate product line or make financial decisions as if they are separate product lines. The Questar operations are looked at as a separate group only from the perspective that the imaging centers of Questar do not have the same type of management service agreement with physicians as the Company has with each of the contracted radiology practices. In addition, any imaging centers, which are in the same market as the operations of the contracted radiology practices are not included in the service agreements of such contracted radiology practices.

The operating margin for the Mid-Atlantic was 30% and 33% for the three months ended March 31, 2001 and 2000, respectively. This decrease in the operating margin was primarily a result of the Company acquiring more of its new radiology equipment through leases during 2000 as an alternative to purchasing such equipment. The operating margin of the Northeastern region was 26% and 29% for the three months ended March 31, 2001 and 2000, respectively and declined between periods as a result of a decrease in the fixed fee recognized at one of the New York practices. The operating margin of the Central region was 35% and 38% for the three months ended March 31, 2001 and 2000, respectively. This decrease in the operating margin between periods was partially due to the higher cost of certain radiology supplies related to specialty procedures, which increased in volume during 2001. The operating margin for the Western region was 20% and 29% for the three months ended March 31, 2001 and 2000, respectively. This decrease in the operating margin between periods was primarily as a result of continued managed care pressures and the impact of economic changes related to increased salary costs. The operating margin for Questar was 15% and 25% for the three months ended March 31, 2001 and 2000, respectively, this decrease was a result of additional costs, such as service agreements, associated with operating the facilities.

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THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

Service Fee Revenues

Service fee revenues increased \$6,660,000 or 11.2% for the three months ended March 31, 2001 to \$65,911,000 from \$59,251,000 for the three months ended March 31, 2000. The increase is primarily attributable to an increase in volume. In addition, the increase in service fee revenues is attributable to the additional imaging centers of Questar, which were acquired or developed during the later part of, or subsequent to, the first quarter of 2000.

Field Salaries and Benefits

Salaries and benefits increased \$3,011,000 or 19.5% for the three months ended March 31, 2001 to \$18,429,000 from \$15,418,000 for the three months ended March 31, 2000. As a percentage of service fee revenues, these costs were

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28.0% and 26.0% in 2001 and 2000, respectively. The increase is partially due to the additional imaging centers of Questar, which were acquired or developed during the later part of, or subsequent to, the first quarter of 2000. In addition, increased benefit costs, as well as some effect of increased wage costs experienced in certain markets, contributed to the higher salaries and benefits.

Field Supplies

Supplies increased \$682,000 or 21.6% for the three months ended March 31, 2001 to \$3,842,000 from \$3,160,000 for the three months ended March 31, 2000. As a percentage of service fee revenues, these costs were 5.8% and 5.3% in 2001 and 2000, respectively. The increase in supplies as a percentage of service fee revenues is partially attributable to an increase in volume of specialty procedures, which have a higher cost of supplies.

Field Rent and Lease Expense

Rent and lease expense increased \$1,157,000 or 16.4% for the three months ended March 31, 2001 to \$8,228,000 from \$7,071,000 for the three months ended March 31, 2000. As a percentage of service fee revenues, these costs were 12.5% and 11.9% in 2001 and 2000, respectively. The increase is primarily the result of the additional equipment operating leases entered into during 2000, as well as the additional expense incurred from the Questar imaging centers as noted above.

Other Field Expenses

Other field expenses, which include repairs and maintenance, equipment service contracts, utilities and communication costs, increased \$1,594,000 or 16.2% in the three months ended March 31, 2001 to \$11,431,000 from \$9,837,000 for the three months ended March 31, 2000. As a percentage of service fee revenues, these costs were 17.3% and 16.6% in 2001 and 2000, respectively. The increase is a result of costs associated with the increased service fee revenues from existing facilities as well as the additional expense incurred from the Questar imaging centers as noted above.

Bad Debt Expense

Bad debt expense increased \$1,018,000 or 18.9% for the three months ended March 31, 2001 to \$6,406,000 from \$5,388,000 for the three months ended March 31, 2000. This increase is primarily attributable to the increase in service fee revenues. As a percentage of service fee revenues, these costs were 9.7% and 9.1% in 2001 and 2000, respectively.

Corporate General and Administrative

Corporate general and administrative expenses increased \$364,000 or 14.0% for the three months ended March 31, 2001 to \$2,970,000 from \$2,606,000 for the three months ended March 31, 2000. As a percentage of service fee revenues, these costs were relatively constant at 4.5% and 4.4% in 2001 and 2000, respectively.

Depreciation and Amortization

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Depreciation and amortization increased \$240,000 or 4.5% for the three months ended March 31, 2001 to \$5,603,000 from \$5,363,000 for the three months ended March 31, 2000. The increase is primarily a direct result of the Company acquiring some of its equipment through operating leases during 2000 as an alternative to purchasing such equipment.

Interest Expense, net

Interest expense, net increased \$156,000 or 3.7% for the three months ended March 31, 2001 to \$4,400,000 from \$4,244,000 for the three months ended March 31, 2000. The increase is a result of the higher level of debt outstanding offset partially by the lower interest rates.

Income Taxes

The Company's effective tax rate for the three months ended March 31, 2001 and 2000 was 40.0%.

Net Income

As a result of the foregoing factors, the Company generated net income of \$3,498,000 for the three months ended March 31, 2001, or diluted income per share of \$0.17 on 22,171,451 shares outstanding, compared to net income of \$4,071,000 for the three months ended March 31, 2000, or diluted income per share of \$0.20 on 22,084,280 shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations for the three months ended March 31, 2001 and 2000 was \$10,826,000 and \$2,442,000, respectively. The increase in the cash provided by operations for the three months ended March 31, 2001 compared to the three months ended March 31, 2000 was primarily due to a significant change in operating assets and liabilities. The reduction in the accounts receivable was a result of a \$13,268,000 charge for the provision of uncollectible accounts during the fourth quarter of 2000, which reduced working capital at December 31, 2000.

Net cash provided by investing activities was \$163,000 for the three months ended March 31, 2001. Net cash used in investing activities for the three months ended March 31, 2000 was \$12,780,000. Purchases of property and equipment during the three months ended March 31, 2001 and 2000 were \$2,317,000 and \$3,309,000, respectively. During the three months ended March 31, 2000, the Company invested \$7,020,000 for acquisitions.

Net cash flows used in financing activities were \$1,561,000 for the three months ended March 31, 2001. Financing costs of \$2,748,000 were incurred associated with the new amendment to the bank credit facility. Net cash flows from financing activities for the three months ended March 31, 2000 were \$14,057,000. Borrowings under the credit facility for the three months ended March 31, 2000 were used for the acquisition of Questar, purchases of equipment and capital improvements, as well as, working capital needs. At March 31, 2001, the Company had outstanding borrowings of \$160,000,000 under the credit facility and an additional \$37,023,000 outstanding under other credit arrangements.

On March 30, 2001, the Company and the existing bank group amended the bank credit facility. In concurrence with the credit facility amendment, the technical default of certain covenants under the credit facility's restrictive covenants was waived. Under the terms of the amended credit facility, the \$160,000,000 of borrowings will consist of a \$100,000,000 Term Loan and a \$60,000,000 revolving credit facility, including a \$5,000,000 Swing Line Facility. In addition, under the terms of the new amendment the quarterly

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principal installments of varying amounts will be delayed from commencing March 31, 2001 to June 30, 2001. Scheduled principal installments for 2001 have been reduced from \$47,100,000 under the prior amended agreement to \$12,000,000 under the new amendment. Each of the facilities will terminate on November 26, 2003. The interest rate is (i) an adjusted LIBOR rate, plus an applicable margin which can vary from 3.00% to 4.00% dependent on certain financial ratios or (ii) the prime rate, plus an applicable margin which can vary from 2.00% to 3.00%. In each case, the applicable margin varies based on financial ratios maintained by the Company. The credit facility includes certain restrictive covenants including prohibitions on the payment of dividends, limitations on capital expenditures and the maintenance of certain financial ratios (including maximum

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fixed charge coverage ratio and maximum leverage ratio, as defined). Borrowings under the credit facility are secured by all service agreements, which the Company is, or becomes a party to, a pledge of the stock of the Company's subsidiaries, and all of the Company's and its wholly-owned subsidiaries' assets.

On July 30, 1999, the Company entered into a \$20,000,000 convertible junior subordinated note (the "Note") in connection with the Securities Purchase Agreement for the Questar Imaging, Inc. acquisition, effective August 1, 1999. The Note matures July 31, 2009 and bears interest, payable quarterly in cash or payment in kind securities, at 8.0%. The principal of the Note is convertible into the Company's common stock at the price of \$8.625 per share. If by the second anniversary date of the Note the closing price of the Company's common stock has not averaged \$8.625 for 45 of the 60 day determination period (the "Market Price Event"), the base conversion price will be reset at 87.19% of the initial conversion price. If by the third or fourth anniversary date of the Note the Market Price Event has not occurred, the interest rate will be increased to 8.25% and 8.5%, respectively.

On April 26, 2001, Radiologix announced that its merger agreement with an affiliate of Saunders Karp & Megrue has been terminated by SKM. As a result, the proposed merger of SKM-RD Acquisition Corp. and Radiologix will not be completed. Radiologix's stockholders approved the merger agreement at the special meeting of stockholders held on November 21, 2000. On January 2, 2001, Radiologix announced that it had extended the deadline for the completion of the proposed merger with SKM-RD Acquisition Corp. to June 29, 2001.

The Company's ability to accomplish its goals and to execute its business strategy depends on the Company's continued ability to access capital on appropriate terms. The Company's growth could be limited and its existing operations impaired unless it is able to obtain additional capital through subsequent debt or equity financings. There can be no assurance that borrowing capacity under the credit facility will be available to the Company when needed or that the Company will be able to obtain additional financing or that, if available, such financing will be on terms acceptable to the Company. As a result, there can be no assurance that the Company will be able to implement its business strategy successfully. However, management believes that cash flow from operations and other available sources of liquidity will be sufficient to fund the Company's operations in the foreseeable future over the next 12 to 18 months.

Forward-Looking Statements

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This report contains or may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 including statements of the Company's and management's expectations, intentions, plans and beliefs, including those contained in or implied by "Management's Discussion and Analysis of Financial Condition and Results of Operations." These forward-looking statements, as defined in Section 21E of the Securities Exchange Act of 1934, are dependent on certain events, risks and uncertainties that may be outside of the Company's control. These forward-looking statements may include statements of management's plans and objectives for the Company's future operations and statements of future economic performance; the Company's capital budget and future capital requirements, and the Company's meeting its future capital needs; and the assumptions described in this report underlying such forward-looking statements. Actual results and developments could differ materially from those expressed in or implied by such statements due to a number of factors, including, without limitation, those described in the context of such forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash equivalents, Credit Facility, and its convertible notes.

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Radiologix is not currently subject to any material litigation nor, to Radiologix's knowledge, is any material litigation threatened against Radiologix other than routine litigation arising in the ordinary course of business, which litigation is expected to be covered by liability insurance or which is not expected to have a material adverse effect on Radiologix's business, financial condition or results of operations. There can be no assurance that Radiologix will not subsequently be named as a defendant in additional lawsuits.

There can be no assurance that Radiologix will not be named as a defendant in lawsuits for matters arising out of events that occurred prior to the acquisition of the related radiology practices. Each practice has retained responsibility for, and/or agreed to indemnify Radiologix in full against, the liabilities associated with these lawsuits. In the event Radiologix is named as a party in any of these lawsuits, or a monetary judgment is entered against Radiologix and indemnification is unavailable for any reason, Radiologix's business, financial condition and results of operations could be materially adversely affected.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits. See Index to Exhibits following signatures.
- (b) Reports on Form 8-K

On Form 8-K dated April 26, 2001, the Company announced that the merger agreement with an affiliate of Saunders Karp & Megrue had been terminated by SKM.

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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.

RADIOLOGIX, INC.

Date: May 14, 2001

/s/ MARK L. WAGAR

 Mark L. Wagar
 Chairman of the Board and
 Chief Executive Officer
 (Principal Executive Officer)

Date: May 14, 2001

/s/ SAMI S. ABBASI

 Sami S. Abbasi
 Chief Financial Officer and
 Executive Vice President
 (Principal Accounting Officer)

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INDEX TO EXHIBITS

EXHIBIT
NUMBER

DESCRIPTION

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- 2.1 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and among Partners, Inc., Carroll Imaging Associates, P.A., Diagnostic Imaging Associates, Hyman and Shackman, P.A., Drs. Decarlo, Lyon, Hearn & Pazourek, P.A., Drs. Thomas P.A., Harbor Radiologists, P.A., and Perilla, Syndler & Associates, P.A.**
- 2.2 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., Radiology and Nuclear Medicine, A Professional Association.**
- 2.3 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Mid Rockland Imaging Associates, P.C.**
- 2.4 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Rockland Radiological Group, P.C.**
- 2.5 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Advanced Imaging of Orange County, P.C.**
- 2.6 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Central Imaging Associates, P.C.**
- 2.7 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Nyack Magnetic Resonance Imaging, P.C.**
- 2.8 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Pelham Imaging Associates, P.C.**
- 2.9 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Women's Imaging Consultants, P.C.**
- 2.10 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Pacific Imaging Consultants, A Medical Group, Inc.**
- 2.11 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Total Medical Imaging, Inc.**
- 2.12 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and Valley Radiologists Medical Group, Inc.**
- 2.13 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and The Ide Group, P.C.**
- 2.14 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and M&S X-Ray Associates, P.A.**
- 2.15 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between Partners, Inc., and South Texas MR, Inc.**
- 2.16 Agreement and Plan of Exchange, dated June 27, 1997 by and between American Physicians and San Antonio MR, Inc.**
- 2.17 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physicians Lexington MR, Ltd. and the Sellers.**
- 2.18 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physicians Madison Square Joint Venture and the Sellers.**
- 2.19 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physicians South Texas No. 1 MRI Limited Partnership, a Texas limited partnership, and the S

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- 2.20 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physicians of San Antonio MRI Partnership No. 2 Ltd., a Texas limited partnership, and the Sellers**
- 2.21 Agreement and Plan of Exchange, dated June 27, 1997 by and between American Physicians and the Sellers**
- 2.22 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and among American Physician Partners, Inc., Carroll Imaging Associates, P.A., Associates, P.A., Drs. Thomas, Wallop, Kim & Lewis, P.A., Drs. Copeland, Hyman & DeCarlo, Lyon, Hearn & Pazourek, P.A., Harbor Radiologists, P.A., and Perilla, Si... P.A.**
- 2.23 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Radiology and Nuclear Medicine Association.**

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EXHIBIT
NUMBER

DESCRIPTION

- 2.24 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Mid Rockland Imaging Associates
- 2.25 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Rockland Radiological Group
- 2.26 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Advanced Imaging of Orange
- 2.27 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Central Imaging Associates,
- 2.28 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Nyack Magnetic Resonance Im
- 2.29 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Pelham Imaging Associates,
- 2.30 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Women's Imaging Consultants
- 2.31 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Pacific Imaging Consultants Inc.**
- 2.32 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Total Medical Imaging, Inc.
- 2.33 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as to be filed by and between American Physician Partners, Inc., and Valley Radiologists Medical

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- 2.34 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as by and between American Physician Partners, Inc., and The Ide Group, P.C.**
- 2.35 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as by and between American Physician Partners, Inc., and M & S X-Ray Associates, P.A.
- 2.36 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as by and between American Physician Partners, Inc., and South Texas MR, Inc.**
- 2.37 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as by and between American Physician Partners, Inc., and San Antonio MR, Inc.**
- 2.38 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, Physician Partners, Inc., and Lexington MR, Ltd.**
- 2.39 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, Physician Partners, Inc., and Madison Square Joint Venture.**
- 2.40 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, Physician Partners, Inc., and South Texas No. 1 MRI Limited Partnership.**
- 2.41 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, Physician Partners, Inc., and San Antonio MRI Partnership No. 2, Ltd.**
- 2.42 Asset Purchase Agreement, dated as of January 1, 1998, by and among American Phys Community Radiology Associates, Inc., Drs. Korsower and Pion Radiology, P.A., and Stockholders****
- 2.43 Asset Purchase Agreement, dated as of January 12, 1998, by and among American Phy Valley Imaging Partners, Inc., Questar Imaging, Inc. and Questar Imaging VR, Inc.
- 2.44 Asset Purchase Agreement, dated as of January 23, 1998, by and among American Phy Valley Imaging Partners, Inc., PAL Imaging Corp. and the Principal Stockholders**
- 2.45 Asset Purchase Agreement, dated as of April 1, 1998, by and among American Physic Treasure Coast Imaging Partners, Inc. and Radiology Imaging Associates, Basilico, M.D., P.A. and Robert F. Basilico, M.D., Edward Gallagher, M.D., R.J. Raffa, M.D. M.D., Alex N. Vennos, M.D., and Robin J. Connolly, M.D.*****
- 2.46 Asset Purchase Agreement, dated as of April 1, 1998, by and among American Physic Treasure Coast Imaging Partners, Inc. and St. Lucie Imaging and Breast Center, In Basilico, M.D., Edward Gallagher, M.D., R.J. Raffa, M.D., Joseph T. Charles, M.D. and Robin J. Connolly, M.D.*****

EXHIBIT
NUMBER

DESCRIPTION

- 2.47 Asset Purchase Agreement, dated as of April 28, 1998, by and among American Physi Valley Imaging Partners, Inc., LXL, Ltd. and the Partners of LXL, Ltd.*****

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- 2.48 Asset Purchase Agreement, dated as of June 1, 1998, by and among American Physician Partners, Inc., Empire State Imaging Partners, Inc., RF Management Medical Modalities Corporation*****
- 2.49 Asset Purchase Agreement, dated as of June 23, 1998, by and among American Physician Partners, Inc., Valley Imaging Partners, Inc., Brewster Imaging Center, Inc. and Each Principal S
- 2.50 Asset Purchase Agreement, dated as of June 29, 1998, by and among American Physician Partners, Inc. and Bryan M. Shieman, M.D., a sole proprietorship d for Osteoporosis and/or ECOO II*****
- 2.51 Stock Purchase Agreement, dated September 1, 1998, by and among American Physician Partners, Inc. and Vimla Bhooshan, M.D., John B. DeGrazia, M.D., Edwin Gold Lubar, M.D., Calvin D. Neithamer, M.D., William P. O'Grady, M.D., Robert A. Olshaker, M.D., Michael S. Usher, M.D., Alan B. Kronthal, M.D., Steven A. Meyers, M.D. and Larry W. Busching*****
- 2.52 Asset Purchase Agreement, dated September 1, 1998, by and among American Physician Partners, Inc., Ormond Imaging Partners, Inc., Magnetic Resonance Imaging Associates Limited Part Lubar, Stanley M. Perl, Michael S. Usher, John B. DeGrazia, Larry W. Busching, Vi P. O'Grady, Robert A. Olshaker, and Calvin D. Neithamer*****
- 2.53 Asset Purchase Agreement, dated September 1, 1998, by and among American Physician Partners, Inc., Ormond Imaging Partners, Inc., Duke Associates Limited Partnership and Paul T. Lu Michael S. Usher, John B. DeGrazia, Larry W. Busching, Vimla Bhooshan, William P. Goldstein, Robert A. Olshaker, Calvin D. Neithamer and Alan J. Kronthal*****
- 2.54 Stock Purchase Agreement effective as of August 1, 1999 by and among American Physician Partners, Inc. and the shareholders of Questar Imaging, Inc.*****
- 3.1 Restated Certificate of Incorporation of American Physician Partners, Inc.***
- 3.2 Amended and Restated Bylaws of American Physician Partners, Inc.***
- 3.3 Amendment to Restated Certificate of Incorporation of American Physician Partners
- 3.4 Amendment to Restated Bylaws of American Physician Partners, Inc.*****
- 4.1 Form of certificate evidencing ownership of Common Stock of American Physician Pa
- 4.2 Form of Convertible Promissory Note of American Physician Partners, Inc.**
- 4.3 Securities Purchase Agreement dated as of August 3, 1999 by and between American Physician Partners, Inc. and BT Capital Partners SBIC, L.P.***** (see Exhibit 4.1 thereof)
- 4.4 Convertible Junior Subordinated Promissory Note dated August 1, 1999 issued to BT Capital Partners SBIC, L.P.***** (see Exhibit 4.2 thereof).
- 10.1 American Physician Partners, Inc. 1996 Stock Option Plan.**
- 10.2 Employment Agreement between American Physician Partners, Inc. and Gregory L. Sol
- 10.3 Employment Agreement between American Physician Partners, Inc. and Mark S. Martin
- 10.4 Employment Agreement between American Physician Partners, Inc. and Sami S. Abbasi
- 10.5 Employment Agreement between American Physician Partners, Inc. and Paul M. Jolas.
- 10.6 Form of Indemnification Agreement for certain Directors and Officers.***
- 10.7 Form of Registration Rights Agreement.**

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- 10.8 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., American Radiology, Inc. and Carroll Imaging Associates, P.A., Diagnostic Imaging Associates, P.A., Wallop, Kim & Lewis, P.A., Drs. Copeland, Hyman and Shackman, P.A., Drs. Decarlo, Pazourek, P.A., Harbor Radiologists, P.A., Perilla, Sindler & Associates, P.A.**
- 10.9 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc. and Ide Imaging Group, P.C.**
- 10.10 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Imaging Associates, P.A. and M&S Imaging Associates, P.A.**
- 10.11 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Radiological Group, P.C. and The Greater Rockland Radiological Group, P.C.**

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EXHIBIT
NUMBER

DESCRIPTION

- 10.12 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Orange County, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.13 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Imaging Associates, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.14 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Magnetic Resonance Imaging, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.15 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Imaging Associates, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.16 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Imaging Consultants, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.17 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Imaging Inc. and PIC Medical Group, Inc.**
- 10.18 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Nuclear Medicine, a Professional Association and RNM L.L.C.**
- 10.19 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Radiology, Inc. and Valley Radiology Medical Associates, Inc.**
- 10.20 Consulting Agreement between American Physician Partners, Inc. and Michael L. Sheehan, Inc.**
- 10.21 Office Building Lease Agreement between Dallas Main Center Limited Partnership and American Physician Partners, Inc.***
- 10.22 First Amendment to Office Building Lease Agreement between Dallas Main Center Limited Partnership and American Physician Partners, Inc.***

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- 10.24 Consulting Agreement between American Physician Partners, Inc. and Lawrence R. Mu
- 10.25 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Muroff, M.D.***
- 10.26 Side Letter dated November 12, 1997 by and between American Physician Partners, I
- 10.27 Side Letter dated November 12, 1997 by and between American Physician Partners, I
- 10.28 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Solomon.***
- 10.29 First Amendment to Consulting Agreement between American Physician Partners, Inc.
Muroff, M.D.***
- 10.30 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Sherman, M.D.***
- 10.31 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Jolas.***
- 10.32 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Schaffer, M.D.***
- 10.33 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Pappajohn.***
- 10.34 Side Letter dated November 12, 1997 by and between American Physician Partners, I
Pappajohn.***
- 10.35 Side Letter dated November 12, 1997 by and between American Physician Partners, I
- 10.36 Side Letter dated November 12, 1997 by and between American Physician Partners, I
- 10.37 Service Agreement dated January 1, 1998, by and among American Physician Partners
Imaging Partners, Inc., Community Radiology Associates, Inc. and Drs. Korsower and
P.A.****
- 10.38 Service Agreement dated April 1, 1998, by and among American Physician Partners,
Imaging Partners, Inc. and Radiology Imaging Associates -- Basilico, Gallagher &

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EXHIBIT
NUMBER

DESCRIPTION

- 10.39 First Amendment to Credit Agreement and Consent dated May 19, 1998, by and among
Partners, Inc., General Electric Capital Corporation and the other credit parties
- 10.40 Employment Agreement between American Physician Partners, Inc. and Mark L. Wagar*

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- 10.41 Service Agreement dated September 1, 1998, by and among American Physician Partners, Inc. and WB&A Imaging, P.C.*****
- 10.42 Office Building Lease Agreement between The Equitable-Nissei Dallas Company and F Corporation*****
- 10.43 Intentionally Omitted.
- 10.44 First Amendment to Employment Agreement between American Physician Partners, Inc. Wagar*****
- 10.45 First Amendment to Employment Agreement between American Physician Partners, Inc. Martin*****
- 10.46 First Amendment to Employment Agreement between American Physician Partners, Inc. Abbasi*****
- 10.47 First Amendment to Employment Agreement between American Physician Partners, Inc. Jolas*****
- 10.48 Amendment No. 1 to American Physician Partners, Inc. 1996 Stock Option Plan*****
- 10.49 Amendment No. 2 of Employment Agreement between Radiologix, Inc. and Mark S. Mart
- 10.50 Amendment No. 2 of Employment Agreement between Radiologix, Inc. and Mark L. Waga
- 10.51 Amendment No. 3 of Employment Agreement between Radiologix, Inc. and Mark S. Mart
- 10.52 Amendment No. 2 of Employment Agreement between Radiologix, Inc. and Paul M. Jola
- 10.53 Third Amendment to Credit Agreement and Consent dated August 9, 2000 by and among (formerly American Physician Partners, Inc.) and General Electric Capital Corpora parties signatory thereto*****
- 10.54 Amended and Restated Agreement and Plan of Merger, dated as of September 12, 2000 among Radiologix, Inc., SKM-RD LLC and SKM-RD Acquisition Corp. (see Exhibit 2 th
- 10.55 Second Amendment to Amended and Restated Agreement and Plan of Merger, dated as o and among Radiologix, Inc., SKM-RD LLC and SKM-RD Acquisition Corp.*****
- 10.56 Fourth Amendment to Credit Agreement and Waiver, dated as of March 28, 2001, by a General Electric Capital Corporation and other credit parties signatory thereto.
- 10.57 Assignment and Assumption Agreement dated March 2001, by and between Fibreboard C Radiologix, Inc. *****
- 10.58 Employment Agreement between Radiologix, Inc. and Sami S. Abbasi dated as of Dece 2000*****
- 10.59 Amendment No. 3 of Employment Agreement between Radiologix, Inc. and Paul M. Jola
- 99.1 Press Release issued by Radiologix on September 24, 1999 announcing its change of American Physician Partners, Inc.*****
- 99.2 Certificate of Ownership and Merger of Radiologix with and into American Physicia Inc.*****

* Filed herewith.

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** Incorporated by reference to the corresponding Exhibit number to the registrant's Registration Statement No. 333-31611 on Form S-4.

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*** Incorporated by reference to the corresponding Exhibit number to the registrant's Registration Statement No. 333-30205 on Form S-1.

**** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on May 15, 1998.

***** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on August 14, 1998.

***** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on November 13, 1998.

***** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on May 17, 1999.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 8-K filed on August 3, 1999.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-Q filed on August 16, 1999.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 8-K filed on September 24, 1999.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-K filed on March 30, 2000.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-Q filed on May 15, 2000.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-Q filed on August 14, 2000.

***** Incorporated by reference to the Registrant's Registration Statement No. 333-45790 on Form S-4.

***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-K filed on March 30, 2001.

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