DEUTSCHE BANK AKTIENGESELLSCHAFT
Form 424B2
September 06, 2016

Pricing Supplement No. 2750B
To underlying supplement No. 1 dated August 17, 2015,

product supplement B dated July 31, 2015,

prospectus supplement dated July 31, 2015 and

prospectus dated April 27, 2016

Registration Statement No. 333-206013

Rule 424(b)(2)

The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying underlying supplement, product supplement, prospectus supplement and prospectus do not constitute an offer to sell nor do they seek an offer to buy the securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated September 6, 2016

Deutsche Bank AG

$ Securities Linked to the Lesser Performing of the Russell 2000® Index and the S&P 500® Index due September 30, 2021

General

- The securities are linked to the lesser performing of the Russell 2000® Index and the S&P 500® Index (each, an "**Underlying**"). If the closing level of either Underlying on any annual Observation Date is less than its Initial Level, for each $1,000 Face Amount of securities, investors will receive a coupon of $10.00 (the "**Base Coupon**"). If the closing levels of ***both*** Underlyings on any annual Observation Date are greater than or equal to their respective Initial Levels, for each $1,000 Face Amount of securities, investors will receive the Base Coupon *plus* an additional coupon of between $70.00 and $90.00 (to be determined on the Trade Date) (the "**Additional Coupon**") *plus* any previously unpaid Additional Coupon. Investors will receive the Base Coupon regardless of the performance of either Underlying. However, investors may not receive any Additional Coupon on some or all of the Coupon Payment Dates.

- If the Final Level of the lesser performing Underlying (the "**Laggard Underlying**") is greater than or equal to its Trigger Level (equal to 50.00% of its Initial Level), for each $1,000 Face Amount of securities, investors will receive at maturity a cash payment equal to the Face Amount. However, if the Final Level of the Laggard Underlying is less than its Trigger Level, for each $1,000 Face Amount of securities, investors will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. The securities do not pay any dividends and investors should be willing to lose a significant portion or all of their investment if the Final Level of the Laggard Underlying is less than its Trigger Level. Any payment on the securities is subject to the credit of the Issuer.

- Senior unsecured obligations of Deutsche Bank AG due September 30, 2021
- Minimum purchase of $1,000. Minimum denominations of $1,000 (the "**Face Amount**") and integral multiples thereof.
- The securities are expected to price on or about September 27, 2016 (the "**Trade Date**") and are expected to settle on or about September 30, 2016 (the "**Settlement Date**").

Key Terms

Issuer:	Deutsche Bank AG, London Branch			
Issue Price:	100% of the Face Amount			
Underlyings:	**Underlying**	**Ticker Symbol**	**Initial Level**†	**Trigger Level**†
	Russell 2000® Index	RTY		
	S&P 500® Index	SPX		

† The Initial Level and Trigger Level for each Underlying will be set on the Trade Date.

(*Key Terms continued on next page*)

Investing in the securities involves a number of risks. See "Risk Factors" beginning on page 7 of the accompanying product supplement, page PS-5 of the accompanying prospectus supplement and page 13 of the accompanying prospectus and "Selected Risk Considerations" beginning on page PS-9 of this pricing supplement.

The Issuer's estimated value of the securities on the Trade Date is approximately $934.00 to $954.00 per $1,000 Face Amount of securities, which is less than the Issue Price. Please see "Issuer's Estimated Value of the Securities" on page PS-3 of this pricing supplement for additional information.

By acquiring the securities, you will be bound by and deemed irrevocably to consent to the imposition of any Resolution Measure (as defined below) by the competent resolution authority, which may include the write down of all, or a portion, of any payment on the securities or the conversion of the securities into ordinary shares or other instruments of ownership. If any Resolution Measure becomes applicable to us, you may lose some or all of your investment in the securities. Please see "Resolution Measures and Deemed Agreement" on page PS-4 of this pricing supplement for more information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of this pricing supplement or the accompanying underlying supplement, product supplement, prospectus supplement or prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Maximum Discounts and Commissions[1]	Minimum Proceeds to Us
Per Security	$1,000.00	$22.50	$977.50
Total	$	$	$

(1) For more detailed information about discounts and commissions, please see "Supplemental Plan of Distribution (Conflicts of Interest)" in this pricing supplement. The securities will be sold with varying underwriting discounts and commissions in an amount not to exceed $22.50 per $1,000 Face Amount of securities. Deutsche Bank Securities Inc. ("**DBSI**") may pay a fee of up to $20.00 per $1,000 Face Amount of securities to CAIS Capital LLC with respect to the securities for which CAIS Capital LLC acts as introducing broker.

The agent for this offering is our affiliate. For more information, please see "Supplemental Plan of Distribution (Conflicts of Interest) " in this pricing supplement.

The securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other U.S. or foreign governmental agency or instrumentality.

Deutsche Bank Securities
September   , 2016

(*Key Terms continued from previous page*)

Coupon Feature:	· **If the closing levels of both Underlyings on any Observation Date are greater than or equal to their respective Initial Levels**, for each $1,000 Face Amount of securities, Deutsche Bank AG will pay you the Base Coupon and the Additional Coupon *plus* any previously unpaid Additional Coupon on the related Coupon Payment Date. · **If the closing level of either Underlying on any Observation Date is less than its Initial Level**, for each $1,000 Face Amount of securities, Deutsche Bank AG will pay you only the Base Coupon on the related Coupon Payment Date. *If an Additional Coupon is not paid on a Coupon Payment Date because the closing level of* ***either*** *Underlying on the related Observation Date is less than its Initial Level, such unpaid Additional Coupon will be paid on a later Coupon Payment Date if the closing levels of* ***both*** *Underlyings on the related Observation Date are greater than or equal to their respective Initial Levels.* ***If the closing level of at least one Underlying on each Observation Date is less than its Initial Level, you will not receive any Additional Coupons for the entire term of the securities.***
Base Coupon:	$10.00
Additional Coupon:	$70.00 – $90.00 (to be determined on the Trade Date)
Observation Dates[1, 3]:	September 27, 2017, September 27, 2018, September 27, 2019, September 28, 2020 and September 27, 2021 (the Final Valuation Date)
Coupon Payment Dates[1, 2, 3]:	October 2, 2017, October 2, 2018, October 2, 2019, October 1, 2020 and September 30, 2021 (the Maturity Date)
Payment at Maturity:	You will receive a cash payment at maturity that will depend on the Final Level of the Laggard Underlying, calculated as follows: · **If the Final Level of the Laggard Underlying is greater than or equal to its Trigger Level**, you will receive a cash payment at maturity per $1,000 Face Amount of securities equal to the Face Amount. · **If the Final Level of the Laggard Underlying is less than its Trigger Level**, you will receive a cash payment at maturity per $1,000 Face Amount of securities calculated as follows: $1,000 + ($1,000 x Underlying Return of the Laggard Underlying) *If the Final Level of the Laggard Underlying is less than its Trigger Level, for each $1,000 Face Amount of securities, you will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. In this circumstance, you will lose a significant portion or all of your investment at maturity. Any payment at maturity is subject to the credit of the Issuer.*
Laggard Underlying:	The Underlying with the lower Underlying Return on the Final Valuation Date. If the calculation agent determines that the two Underlyings have equal Underlying Returns, then the calculation agent will, in its sole discretion, designate either of the Underlyings as the Laggard Underlying.
Trigger Level:	For each Underlying, 50.00% of its Initial Level, as set forth in the table under "Underlyings" above

Underlying Return:	For each Underlying, the Underlying Return will be calculated as follows: $\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$
Initial Level:	For each Underlying, the closing level of such Underlying on the Trade Date, as set forth in the table under "Underlyings" above
Final Level:	For each Underlying, the closing level of such Underlying on the Final Valuation Date
Trade Date[3]:	September 27, 2016
Settlement Date[3]:	September 30, 2016
Final Valuation Date[1, 3]:	September 27, 2021
Maturity Date[1, 3]:	September 30, 2021
Listing:	The securities will not be listed on any securities exchange.
CUSIP / ISIN:	25152R5A7 / US25152R5A73

1 Subject to adjustment as described under "Description of Securities — Adjustments to Valuation Dates and Payment Dates" in the accompanying product supplement. If an Observation Date is postponed, the related Coupon Payment Date will be postponed as described under "Description of Securities — Adjustments to Valuation Dates and Payment Dates" in the accompanying product supplement.

2 Subject to adjustment as described under "Description of Securities — Periodic and Contingent Coupons" in the accompanying product supplement.

3 In the event that we make any changes to the expected Trade Date or Settlement Date, the Observation Dates, Coupon Payment Dates, Final Valuation Date and Maturity Date may be changed so that the stated term of the securities remains the same.

Issuer's Estimated Value of the Securities

The Issuer's estimated value of the securities is equal to the sum of our valuations of the following two components of the securities: (i) a bond and (ii) an embedded derivative(s). The value of the bond component of the securities is calculated based on the present value of the stream of cash payments associated with a conventional bond with a principal amount equal to the Face Amount of securities, discounted at an internal funding rate, which is determined primarily based on our market-based yield curve, adjusted to account for our funding needs and objectives for the period matching the term of the securities. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. The value of the embedded derivative(s) is calculated based on our internal pricing models using relevant parameter inputs such as expected interest and dividend rates and mid-market levels of price and volatility of the assets underlying the securities or any futures, options or swaps related to such underlying assets. Our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect.

The Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge.

The Issuer's estimated value of the securities on the Trade Date does not represent the price at which we or any of our affiliates would be willing to purchase your securities in the secondary market at any time. Assuming no changes in market conditions or our creditworthiness and other relevant factors, the price, if any, at which we or our affiliates would be willing to purchase the securities from you in secondary market transactions, if at all, would generally be lower than both the Issue Price and the Issuer's estimated value of the securities on the Trade Date. Our purchase price, if any, in secondary market transactions will be based on the estimated value of the securities determined by reference to (i) the then-prevailing internal funding rate (adjusted by a spread) or another appropriate measure of our cost of funds and (ii) our pricing models at that time, less a bid spread determined after taking into account the size of the repurchase, the nature of the assets underlying the securities and then-prevailing market conditions. The price we report to financial reporting services and to distributors of our securities for use on customer account statements would generally be determined on the same basis. However, during the period of approximately six months beginning from the Trade Date, we or our affiliates may, in our sole discretion, increase the purchase price determined as described above by an amount equal to the declining differential between the Issue Price and the Issuer's estimated value of the securities on the Trade Date, prorated over such period on a straight-line basis, for transactions that are individually and in the aggregate of the expected size for ordinary secondary market repurchases.

Resolution Measures and Deemed Agreement

On May 15, 2014, the European Parliament and the Council of the European Union adopted a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (commonly referred to as the "**Bank Recovery and Resolution Directive**"). The Bank Recovery and Resolution Directive required each member state of the European Union to adopt and publish by December 31, 2014 the laws, regulations and administrative provisions necessary to comply with the Bank Recovery and Resolution Directive. Germany adopted the Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, or the "**Resolution Act**"), which became effective on January 1, 2015. The Bank Recovery and Resolution Directive and the Resolution Act provided national resolution authorities with a set of resolution powers to intervene in the event that a bank is failing or likely to fail and certain other conditions are met. From January 1, 2016, the power to initiate resolution measures applicable to significant banking groups (such as Deutsche Bank Group) in the European Banking Union has been transferred to the European Single Resolution Board which, based on the European Union regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the "**SRM Regulation**"), works in close cooperation with the European Central Bank, the European Commission and the national resolution authorities. Pursuant to the SRM Regulation, the Resolution Act and other applicable rules and regulations, the securities may be subject to any Resolution Measure by the competent resolution authority if we become, or are deemed by the competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. By acquiring the securities, you will be bound by and deemed irrevocably to consent to the provisions set forth in the accompanying prospectus, which we have summarized below.

By acquiring the securities, you will be bound by and deemed irrevocably to consent to the imposition of any Resolution Measure by the competent resolution authority. Under the relevant resolution laws and regulations as applicable to us from time to time, the securities may be subject to the powers exercised by the competent resolution authority to: (i) write down, including to zero, any payment (or delivery obligations) on the securities; (ii) convert the securities into ordinary shares of (a) the Issuer, (b) any group entity or (c) any bridge bank or other instruments of ownership of such entities qualifying as common equity tier 1 capital; and/or (iii) apply any other resolution measure including, but not limited to, any transfer of the securities to another entity, the amendment, modification or variation of the terms and conditions of the securities or the cancellation of the securities. We refer to each of these measures as a "**Resolution Measure**." A "group entity" refers to an entity that is included in the corporate group subject to a Resolution Measure. A "bridge bank" refers to a newly chartered German bank that would receive some or all of our assets, liabilities and material contracts, including those attributable to our branches and subsidiaries, in a resolution proceeding.

Furthermore, by acquiring the securities, you:

- are deemed irrevocably to have agreed, and you will agree: (i) to be bound by, to acknowledge and to accept any Resolution Measure and any amendment, modification or variation of the terms and conditions of the securities to give effect to any Resolution Measure; (ii) that you will have no claim or other right against us arising out of any Resolution Measure; and (iii) that the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the senior indenture dated November 22, 2006 among us, Law Debenture Trust

Company of New York, as trustee, and Deutsche Bank Trust Company Americas, as issuing agent, paying agent, authenticating agent and registrar, as amended and supplemented from time to time (the "**Indenture**"), or for the purposes of, but only to the fullest extent permitted by, the Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**");

- waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the paying agent, the issuing agent and the registrar (each, an "**indenture agent**") for, agree not to initiate a suit against the trustee or the indenture agents in respect of, and agree that the trustee and the indenture agents will not be liable for, any action that the trustee or the indenture agents take, or abstain from taking, in either case in accordance with the imposition of a Resolution Measure by the competent resolution authority with respect to the securities; and

- will be deemed irrevocably to have: (i) consented to the imposition of any Resolution Measure as it may be imposed without any prior notice by the competent resolution authority of its decision to exercise such power with respect to the securities; (ii) authorized, directed and requested The Depository Trust Company ("**DTC**") and any direct participant in DTC or other intermediary through which you hold such securities to take any and all necessary action, if required, to implement the imposition of any Resolution Measure with respect to the securities as it may be imposed, without any further action or direction on your part or on the part of the trustee or the indenture agents; and (iii) acknowledged and accepted that the Resolution Measure provisions described herein and in the "Resolution Measures" section of the accompanying prospectus are exhaustive on the matters described herein and therein to the exclusion of any other agreements, arrangements or understandings between you and the Issuer relating to the terms and conditions of the securities.

This is only a summary, for more information please see the accompanying prospectus dated April 27, 2016, including the risk factors beginning on page 13 of such prospectus.

Additional Terms Specific to the Securities

You should read this pricing supplement together with underlying supplement No. 1 dated August 17, 2015, product supplement B dated July 31, 2015, the prospectus supplement dated July 31, 2015 relating to our Series A global notes of which these securities are a part and the prospectus dated April 27, 2016. When you read the accompanying underlying supplement, product supplement and prospectus supplement, please note that all references in such supplements to the prospectus dated July 31, 2015, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2016 or to the corresponding sections of such prospectus, as applicable, unless otherwise specified or the context otherwise requires. You may access these documents on the website of the Securities and Exchange Commission (the "**SEC**") at.www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

· Underlying supplement No. 1 dated August 17, 2015:

http://www.sec.gov/Archives/edgar/data/1159508/000095010315006546/crt_dp58829-424b2.pdf

· Product supplement B dated July 31, 2015:

http://www.sec.gov/Archives/edgar/data/1159508/000095010315006059/crt_dp58181-424b2.pdf

· Prospectus supplement dated July 31, 2015:

http://www.sec.gov/Archives/edgar/data/1159508/000095010315006048/crt-dp58161_424b2.pdf

· Prospectus dated April 27, 2016:

http://www.sec.gov/Archives/edgar/data/1159508/000119312516559607/d181910d424b21.pdf

Our Central Index Key, or CIK, on the SEC website is 0001159508. As used in this pricing supplement, "**we**," "**us**" or "**our**" refers to Deutsche Bank AG, including, as the context requires, acting through one of its branches.

This pricing supplement, together with the documents listed above, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in this pricing supplement and in "Risk Factors" in the accompanying product supplement, prospectus supplement and prospectus, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before deciding to invest in the securities.

You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the securities prior to their issuance. We will notify you in the event of any changes to the terms of the securities and you will be asked to accept such changes in connection with your purchase of any securities. You may also choose to reject such changes, in which case we may reject your offer to purchase the securities.

Hypothetical Examples

The table below illustrates the hypothetical Payments at Maturity per $1,000 Face Amount of securities for a hypothetical range of performances of the Laggard Underlying (excluding any coupon payments). The table below reflects, for each Underlying, the Trigger Level equal to 50.00% of the Initial Level of such Underlying. The actual Initial Level and Trigger Level for each Underlying will be determined on the Trade Date. The following results are based solely on the hypothetical examples cited below. You should consider carefully whether the securities are suitable to your investment goals. The numbers appearing in the table and examples below may have been rounded for ease of analysis.

We make no representation or warranty as to which of the Underlyings will be the Laggard Underlying for the purposes of calculating the Payment at Maturity.

Hypothetical Underlying Return of the Laggard Underlying (%)	**Hypothetical Payment at Maturity ($) (*excluding* any coupon payments)**	**Hypothetical Return on the Securities (%) (*excluding* any coupon payments)**
100.00%	$1,000.00	0.00%
90.00%	$1,000.00	0.00%
80.00%	$1,000.00	0.00%
70.00%	$1,000.00	0.00%
60.00%	$1,000.00	0.00%
50.00%	$1,000.00	0.00%
40.00%	$1,000.00	0.00%
30.00%	$1,000.00	0.00%
20.00%	$1,000.00	0.00%
10.00%	$1,000.00	0.00%
0.00%	$1,000.00	0.00%
-10.00%	$1,000.00	0.00%
-20.00%	$1,000.00	0.00%
-30.00%	$1,000.00	0.00%
-40.00%	$1,000.00	0.00%
-50.00%	**$1,000.00**	**0.00%**
-60.00%	$400.00	-60.00%
-70.00%	$300.00	-70.00%
-80.00%	$200.00	-80.00%
-90.00%	$100.00	-90.00%
-100.00%	$0.00	-100.00%

Hypothetical Examples of Amounts Payable at Maturity

The following hypothetical examples illustrate how the payments on the securities set forth in the table above are calculated as well as how the coupon payments will be determined. The examples below reflect the Base Coupon of

$10.00 and assume an Additional Coupon of $80.00 (the midpoint of the range of $70.00 – $90.00). The actual Additional Coupon will be determined on the Trade Date.

Example 1: **The closing levels of both Underlyings are greater than their respective Initial Levels on all of the Observation Dates and the Final Level of the Laggard Underlying is greater than its Trigger Level**, **resulting in an Underlying Return of the Laggard Underlying of 60.00%**. Because the closing levels of both Underlyings are greater than their respective Initial Levels on all of the Observation Dates, the investor will receive the Base Coupon and the Additional Coupon on each of the related Coupon Payment Dates, resulting in a total coupon payment of $450.00. Because the Final Level of the Laggard Underlying is greater than its Trigger Level, the investor will receive a cash payment at maturity equal to the Face Amount even though the Underlying Return of the Laggard Underlying is 60.00%. As a result, the investor will receive a total of $1,450.00 per $1,000 Face Amount of securities over the term of the securities.

Example 2: **The closing level of at least one Underlying is less than its Initial Level on the first, second, fourth and final Observation Dates, but the closing levels of both Underlyings are greater than or equal to their respective Initial Levels on the third Observation Date**. **The Final Level of the Laggard Underlying is greater than its Trigger Level**, **resulting in an Underlying Return of the Laggard Underlying of -20.00%**. Because the closing level of at least one Underlying is less than its Initial Level on the first, second, fourth and final Observation Dates, the investor will receive the Base Coupon, but not the Additional Coupon, for a total coupon payment of $40.00 on the related Coupon Payment Dates. However, because the closing levels of both Underlyings are greater than their respective Initial Levels on the third Observation Date, the investor will receive the Base Coupon and the Additional Coupon *plus* the two previously unpaid

Additional Coupons for the first and second Observation Dates, resulting in a total coupon payment of $250.00 on the related Coupon Payment Date. Because the closing level of at least one Underlying is less than its Initial Level on the fourth and final Observation Dates, no Additional Coupon will be paid on the fourth and final Coupon Payment Dates. Because the Final Level of the Laggard Underlying is greater than its Trigger Level, the investor will receive a Payment at Maturity of $1,000.00 per $1,000 Face Amount of securities. After accounting for coupon payments, the investor will receive a total of $1,290.00 per $1,000 Face Amount of securities over the term of the securities.

Example 3: **The closing level of at least one Underlying is less than its Initial Level on each of the Observation Dates. The Final Level of the Laggard Underlying is greater than its Trigger Level**, **resulting in an Underlying Return of the Laggard Underlying of -30.00%**. Because the closing level of at least one Underlying is less than its Initial Level on each Observation Date, the investor will receive the Base Coupon, but not the Additional Coupon, on the related Coupon Payment Dates, resulting in a total coupon payment of $50.00. Because the Final Level of the Laggard Underlying is greater than its Trigger Level, the investor will receive a Payment at Maturity of $1,000.00 per $1,000 Face Amount of securities. After accounting for coupon payments, the investor will receive a total of $1,050.00 per $1,000 Face Amount of securities over the term of the securities.

Example 4: **The closing levels of at least one Underlying is less than its Initial Level on each of the Observation Dates**. **The Final Level of the Laggard Underlying is less than its Trigger Level**, **resulting in an Underlying Return of the Laggard Underlying of -60.00%, while the Final Level of the other Underlying is greater than its Initial Level by 30.00%.** Because the closing level of at least one Underlying is less than its Initial Level on each Observation Date, the investor will receive the Base Coupon, but not the Additional Coupon, on the related Coupon Payment Dates, resulting in a total coupon payment of $50.00. Because the Final Level of the Laggard Underlying is less than its Trigger Level, the investor will receive a Payment at Maturity of $400.00 per $1,000 Face Amount of securities, calculated as follows:

$1,000 + ($1,000 x Underlying Return of the Laggard Underlying)

$1,000 + ($1,000 x -40.00%) = $400.00

In this example, even though the Final Level of the other Underlying is greater than its Initial Level by 30.00%, because the Payment at Maturity is determined *solely by reference to the performance of the Laggard Underlying*, the investor will receive a Payment at Maturity of only $400.00 per $1,000 Face Amount of securities. After accounting for coupon payments, the investor will receive a total of $450.00 over the term of the securities.

Example 5: **The closing level of at least one Underlying is less than its Initial Level on each of the Observation Dates. The Final Levels of both Underlyings are less than their respective Trigger Levels and the Underlying Return of the Laggard Underlying equals -70.00%**. Because the closing level of at least one Underlying is less than its Initial Level on each Observation Date, the investor will receive the Base Coupon, but not the Additional Coupon, on the related Coupon Payment Dates, resulting in a total coupon payment of $50.00. Because the Final Level of the Laggard Underlying is less than its Trigger Level, the investor will receive a Payment at Maturity of $300.00 per $1,000 Face Amount of securities, calculated as follows:

$1,000 + ($1,000 x Underlying Return of the Laggard Underlying)

$1,000 + ($1,000 x -70.00%) = $300.00

After accounting for coupon payments, the investor will receive a total of $350.00 over the term of the securities.

Selected Purchase Considerations

- **THE SECURITIES OFFER A VARIABLE COUPON IN EXCHANGE FOR EXPOSURE TO THE DOWNSIDE RISK OF THE LAGGARD UNDERLYING** The securities will pay a variable coupon depending on the performances of the two Underlyings. If the closing level of ***either*** Underlying on any annual Observation Date is less than its Initial Level, for each $1,000 Face Amount of securities, investors will receive the Base Coupon of $10.00. If the closing levels of ***both*** Underlyings on any annual Observation Date are greater than or equal to their respective Initial Levels, for each $1,000 Face Amount of securities, investors will receive the Base Coupon plus the Additional Coupon of between $70.00 and $90.00 (to be determined on the Trade Date) *plus* any previously unpaid Additional Coupon. Payment of the contingent Additional Coupon may result in a higher yield than that received on debt securities of comparable maturity issued by us or by an issuer with a comparable credit rating, but is subject to the risk that the closing level of at least one Underlying will be less than its Initial Level on each of the Observation Dates and the resulting forfeiture of the Additional Coupon for the entire term of the securities, as well as the risk of losing a significant portion or all of your investment if the Final Level of the Laggard Underlying is less than its Trigger Level. **Any payment on the securities is subject to our ability to satisfy our obligations as they become due**.

- **CONTINGENT ADDITIONAL COUPON PAYMENTS** Investors will receive the Base Coupon regardless of the performance of either Underlying. However, the Additional Coupon will be paid on a Coupon Payment Date only if the closing levels of both Underlyings on the relevant Observation Date are greater than or equal to their respective Initial Levels. If an Additional Coupon is not paid on a Coupon Payment Date because the closing level of either Underlying on the related Observation Date is less than its Initial Level, such unpaid Additional Coupon will be paid on a later Coupon Payment Date if the closing levels of both Underlyings on the related Observation Date are greater than or equal to their respective Initial Levels. If the closing level of at least one Underlying on each Observation Date is less than its Initial Level, you will not receive any Additional Coupons for the entire term of the securities.

- **LIMITED PROTECTION AGAINST LOSS** — If the Final Level of the Laggard Underlying is greater than or equal to its Trigger Level, you will receive at maturity the Face Amount per $1,000 Face Amount of securities (excluding any coupon payments). However, if the Final Level of the Laggard Underlying is less than its Trigger Level, for each $1,000 Face Amount of securities, you will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard Underlying is less than its Initial Level. **In this circumstance**, **you will lose a significant portion or all of your investment in the securities**.

- **RETURN LINKED TO THE LESSER PERFORMING OF THE TWO UNDERLYINGS** — The return on the securities, which may be positive, zero or negative, is linked to the lesser performing of the Russell 2000® Index and the S&P 500® Index, as described herein. The Payment at Maturity will be determined solely by reference to the performance of the Laggard Underlying.

Russell 2000® Index

The Russell 2000® Index is designed to track the performance of the small capitalization segment of the U.S. equity market. The Russell 2000® Index measures the composite price performance of stocks of approximately 2,000 companies domiciled in the U.S. and its territories and consists of the smallest 2,000 companies included in the

Russell 3000® Index. The Russell 2000® Index represents approximately 10% of the total market capitalization of the Russell 3000® Index. *This is only a summary of the Russell 2000® Index. For more information on the Russell 2000® Index, including information concerning its composition, calculation methodology and adjustment policy, please see the section entitled "The Russell Indices — The Russell 2000® Index" in the accompanying underlying supplement No. 1 dated August 17, 2015.*

S&P 500® Index

The S&P 500® Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500® Index is based on the relative value of the aggregate market value of the shares of 500 companies as of a particular time as compared to the aggregate average market value of the shares of 500 similar companies during the base period of the years 1941 through 1943. *This is only a summary of the S&P 500® Index. For more information on the S&P 500® Index, including information concerning its composition, calculation methodology and adjustment policy, please see the section entitled "The S&P Dow Jones Indices — The S&P 500® Index" in the accompanying underlying supplement No. 1 dated August 17, 2015.*

- **TAX CONSEQUENCES** — Due to the lack of direct legal authority, there is substantial uncertainty regarding the U.S. federal income tax consequences of an investment in the securities. In determining our responsibilities for information reporting and withholding, if any, we intend to treat the securities as prepaid financial contracts that are not debt, with associated contingent coupons that constitute ordinary income and that, when paid to a non-U.S. holder, are generally subject to 30% (or lower treaty rate) withholding. Our special tax counsel, Davis Polk & Wardwell LLP, has advised that while it believes this treatment to be reasonable, it is unable to conclude that it is more likely than not that this treatment will be upheld, and that other reasonable treatments are possible that could materially affect the timing and character of income or loss on your securities. If this treatment is respected, you generally should recognize capital gain or loss on the taxable disposition of your securities (including redemption at maturity), which should be long-term capital gain or loss if you have held the securities for more than one year. However, it is likely that any sales proceeds that are attributable to the Base Coupon portion of the next succeeding contingent coupon, as well as any sales proceeds that are attributable to the Additional Coupon portion of the next succeeding contingent coupon after it has been fixed, will be treated as ordinary income. It is also possible that any sales proceeds attributable to the Additional Coupon portion of the next succeeding contingent coupon prior to the time it has been fixed will be treated as ordinary income.

In 2007, the U.S. Treasury Department and the Internal Revenue Service (the "**IRS**") released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether beneficial owners of these instruments should be required to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; and the degree, if any, to which income (including any mandated accruals) realized by non-U.S. persons should be subject to withholding tax. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially affect the tax consequences of an investment in the securities, possibly with retroactive effect.

As discussed in the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences — 'FATCA' Legislation," it would be prudent to assume that an applicable withholding agent will treat payments in respect of the securities and gross proceeds from any taxable disposition of a security (including redemption at maturity) as subject to withholding under FATCA. However, under a recent IRS notice, withholding under FATCA will not apply to payments of gross proceeds (other than any amount treated as interest) from the taxable disposition of a security occurring before January 1, 2019. You should consult your tax adviser regarding the potential application of FATCA to the securities.

Non-U.S. holders should note that, notwithstanding anything to the contrary in the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences," recently promulgated Treasury regulations imposing a withholding tax on certain "dividend equivalents" under certain "equity linked instruments" will not apply to the securities.

You should review carefully the section of the accompanying product supplement entitled "U.S. Federal Income Tax Consequences." The preceding discussion, when read in combination with that section, constitutes the full opinion of our special tax counsel regarding the material U.S. federal income tax consequences of owning and disposing of the securities.

Under current law, the United Kingdom will not impose withholding tax on payments made with respect to the securities.

For a discussion of certain German tax considerations relating to the securities, you should refer to the section in the accompanying prospectus supplement entitled "Taxation by Germany of Non-Resident Holders."

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments and the issues presented by the 2007 notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Selected Risk Considerations

An investment in the securities involves significant risks. Investing in the securities is not equivalent to a hypothetical investment in the Underlyings or a direct investment in the stocks composing the Underlyings. In addition to these selected risk considerations, you should review the "Risk Factors" sections of the accompanying product supplement, prospectus supplement and prospectus.

- **YOUR INVESTMENT IN THE SECURITIES MAY RESULT IN A LOSS** — The securities do not guarantee any return of your investment. The return on the securities at maturity is linked to the performance of the Laggard Underlying and will depend on whether the Final Level of the Laggard Underlying is less than its Trigger Level. If the Final Level of the Laggard Underlying is less than its Trigger Level, for each $1,000 Face Amount of securities, you will lose 1.00% of the Face Amount for every 1.00% by which the Final Level of the Laggard

Underlying is less than its Initial Level. In this circumstance, you will lose a significant portion or all of your investment at maturity. **Any payment on the securities is subject to our ability to satisfy our obligations as they become due**.

- **YOUR RETURN ON THE SECURITIES IS LIMITED TO THE FACE AMOUNT PLUS COUPON PAYMENTS AND YOU WILL NOT PARTICIPATE IN ANY INCREASE IN THE LEVELS OF THE UNDERLYINGS** — The securities will not pay more than the Face Amount plus the Base Coupon payments and any contingent Additional Coupon payments for each $1,000 Face Amount of securities. You will not participate in any increase in the levels of the Underlyings, even if the Final Levels of both the Underlyings are greater than their respective Initial Levels. The maximum Payment at Maturity will be $1,000.00 per $1,000 Face Amount of securities (excluding coupon payments), regardless of any increase in the levels of the Underlyings, which may be significant.

- **YOU MAY NOT RECEIVE ANY ADDITIONAL COUPONS** — The securities will pay the Base Coupon regardless of the performance of either Underlying. However, the securities may not pay any Additional Coupons on some or all of the Coupon Payment Dates and, therefore, should not be viewed as conventional debt securities with periodic coupon payments. If the closing level of at least one Underlying is less than its Initial Level on any Observation Date, on the related Coupon Payment Date you will receive neither the Additional Coupon for such Observation Date nor any previously unpaid Additional Coupon. If an Additional Coupon is not paid on a Coupon Payment Date because the closing level of at least one Underlying is less than its Initial Level on the related Observation Date, you will not receive such unpaid Additional Coupon if the closing level of at least one Underlying is less than its Initial Level on each subsequent Observation Date. If the closing level of at least one Underlying is less than its Initial Level on each of the Observation Dates, Deutsche Bank AG will not pay you any Additional Coupons during the entire term of the securities.

- **A HIGHER ADDITIONAL COUPON OR A LOWER TRIGGER LEVEL FOR EACH OF THE UNDERLYINGS MAY REFLECT A GREATER EXPECTED VOLATILITY OF ONE OR BOTH OF THE UNDERLYINGS, WHICH IS GENERALLY ASSOCIATED WITH A GREATER RISK OF LOSS** — Volatility is a measure of the degree of variation in the trading prices of an asset over a period of time. The greater the expected volatility at the time the terms of the securities are set on the Trade Date, the greater the expectation is at that time that one or both of the Underlyings may close below its respective Initial Level on an Observation Date (resulting in an Additional Coupon not being paid on the related Coupon Payment Date) or Trigger Level on the Final Valuation Date (resulting in a significant loss on your investment). In addition, the economic terms of the securities, including the Additional Coupon and the Trigger Levels, are based, in part, on the expected volatility of the Underlyings at the time the terms of the securities are set, where higher expected volatility will generally lead to a higher Additional Coupon or a lower Trigger Level for each of the Underlyings. Accordingly, a higher Additional Coupon as compared with the coupon on our conventional fixed income securities with a similar maturity or the coupon on our other similarly structured securities will generally indicate a greater risk of loss, while a lower Trigger Level for each of the Underlyings as compared with otherwise comparable securities does not necessarily indicate that the securities have a greater likelihood of returning your investment at maturity. You should be willing to accept the downside market risk of each of the Underlyings and the potential loss of a significant portion or all of your initial investment at maturity.

- **YOUR PAYMENT AT MATURITY WILL BE DETERMINED SOLELY BY THE PERFORMANCE OF THE LAGGARD UNDERLYING** — The Payment at Maturity will be determined solely by reference to the performance of the Laggard Underlying, without taking into consideration the performance of the other Underlying.

- **THE SECURITIES ARE SUBJECT TO THE CREDIT OF DEUTSCHE BANK AG** — The securities are senior unsecured obligations of Deutsche Bank AG and are not, either directly or indirectly, an obligation of any third party. Any payment(s) to be made on the securities depends on the ability of Deutsche Bank AG to satisfy its obligations as they become due. An actual or anticipated downgrade in Deutsche Bank AG's credit rating or increase in the credit spreads charged by the market for taking Deutsche Bank AG's credit risk will likely have an adverse effect on the value of the securities. As a result, the actual and perceived creditworthiness of Deutsche Bank AG will affect the value of the securities and, in the event Deutsche Bank AG were to default on its obligations or become subject to a Resolution Measure, you might not receive any amount(s) owed to you under the terms of the securities and you could lose your entire investment.

- **THE SECURITIES MAY BE WRITTEN DOWN, BE CONVERTED INTO ORDINARY SHARES OR OTHER INSTRUMENTS OF OWNERSHIP OR BECOME SUBJECT TO OTHER RESOLUTION MEASURES. YOU MAY LOSE SOME OR ALL OF YOUR INVESTMENT IF ANY SUCH MEASURE BECOMES APPLICABLE TO US** — Pursuant to the SRM Regulation, the Resolution Act and other applicable rules and regulations described above under "Resolution Measures and Deemed Agreement," the securities are subject to the powers exercised by the competent resolution authority to impose Resolution Measures on us, which may include: writing down, including to zero, any claim for payment on the securities; converting the securities into ordinary shares of (i) the Issuer, (ii) any group entity or (iii) any bridge bank or other instruments of ownership of such entities qualifying as common equity tier 1 capital; or applying any other resolution measure including, but not limited to, transferring the securities to another entity, amending, modifying or varying the terms and conditions of the securities or cancelling the securities. The competent resolution authority may apply Resolution Measures individually or in any combination.

The German law on the mechanism for the resolution of banks of November 2, 2015 (*Abwicklungsmechanismusgesetz*, or the "**Resolution Mechanism Act**") provides that, in a German insolvency proceeding of the Issuer, certain specifically defined senior unsecured debt instruments would rank junior to, without constituting subordinated debt, all other outstanding unsecured unsubordinated obligations of the Issuer and be satisfied only if all such other senior unsecured obligations of the Issuer have been paid in full. This prioritization would also be given effect if Resolution Measures are imposed on the Issuer, so that obligations under debt instruments that rank junior in insolvency as described above would be written down or converted into common equity tier 1 instruments *before* any other senior unsecured obligations of the Issuer are written down or converted. A large portion of our liabilities consist of senior unsecured obligations that either fall outside the statutory definition of debt instruments that rank junior to other senior unsecured obligations according to the Resolution Mechanism Act or are expressly exempted from such definition.

Among those unsecured unsubordinated obligations that are expressly exempted are money market instruments and senior unsecured debt instruments whose terms provide that (i) the repayment or the amount of the repayment depends on the occurrence or non-occurrence of an event which is uncertain at the point in time when the senior unsecured debt instruments are issued or is settled in a way other than by monetary payment, or (ii) the payment of interest or the amount of the interest payments depends on the occurrence or non-occurrence of an event which is uncertain at the point in time when the senior unsecured debt instruments are issued unless the payment of interest or the amount of the interest payments solely depends on a fixed or floating reference interest rate and is settled by monetary payment. This order of priority introduced by the Resolution Mechanism Act would apply in German insolvency proceedings instituted, or when Resolution Measures are imposed, on or after January 1, 2017 with effect for debt instruments of the Issuer outstanding at that time. In a German insolvency proceeding or in the event of the imposition of Resolution Measures with respect to the Issuer, the competent regulatory authority or court would determine which of our senior debt securities issued under the prospectus have the terms described in clauses (i) or (ii) above, referred to herein as the "**Structured Debt Securities**," and which do not, referred to herein as the "**Non-Structured Debt Securities**." We expect the securities offered herein to be classified as Structured Debt Securities, but the competent regulatory authority or court may classify the securities differently. In a German insolvency proceeding or in the event of the imposition of Resolution Measures with respect to the Issuer, the Structured Debt Securities are expected to be among the unsecured unsubordinated obligations that would bear losses after the Non-Structured Debt Securities as described above. **Nevertheless**, **you may lose some or all of your investment in the securities if a Resolution Measure becomes applicable to us**. Imposition of a Resolution Measure would likely occur if we become, or are deemed by the competent supervisory authority to have become, "non-viable" (as defined under the then applicable law) and are unable to continue our regulated banking activities without a Resolution Measure becoming applicable to us. The Bank Recovery and Resolution Directive and the Resolution Act are intended to eliminate the need for public support of troubled banks, and you should be aware that public support, if any, would only potentially be used by the competent supervisory authority as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution tools, including the bail-in tool.

By acquiring the securities, you would have no claim or other right against us arising out of any Resolution Measure and we would have no obligation to make payments under the securities following the imposition of a Resolution Measure. In particular, the imposition of any Resolution Measure will not constitute a default or an event of default under the securities, under the Indenture or for the purposes of, but only to the fullest extent permitted by, the Trust Indenture Act. Furthermore, because the securities are subject to any Resolution Measure, secondary market trading in the securities may not follow the trading behavior associated with similar types of securities issued by other financial institutions which may be or have been subject to a Resolution Measure.

In addition, by your acquisition of the securities, you waive, to the fullest extent permitted by the Trust Indenture Act and applicable law, any and all claims against the trustee and the indenture agents for, agree not to initiate a suit against the trustee or the indenture agents in respect of, and agree that the trustee and the indenture agents will not be liable for, any action that the trustee or the indenture agents take, or abstain from taking, in either case in accordance with the imposition of a Resolution Measure by the competent resolution authority with respect to the securities. **Accordingly**, **you may have limited or circumscribed rights to challenge any decision of the competent resolution authority to impose any Resolution Measure**.

- **THE ISSUER'S ESTIMATED VALUE OF THE SECURITIES ON THE TRADE DATE WILL BE LESS THAN THE ISSUE PRICE OF THE SECURITIES** — The Issuer's estimated value of the securities on the Trade Date (as disclosed on the cover of this pricing supplement) is less than the Issue Price of the securities. The difference between the Issue Price and the Issuer's estimated value of the securities on the Trade Date is due to the inclusion in the Issue Price of the agent's commissions, if any, and the cost of hedging our obligations under the securities through one or more of our affiliates. Such hedging cost includes our or our affiliates' expected cost of providing such hedge, as well as the profit we or our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. The Issuer's estimated value of the securities is determined by reference to an internal funding rate and our pricing models. The internal funding rate is typically lower than the rate we would pay when we issue conventional debt securities on equivalent terms. This difference in funding rate, as well as the agent's commissions, if any, and the estimated cost of hedging our obligations under the securities, reduces the economic terms of the securities to you and is expected to adversely affect the price at which you may be able to sell the securities in any secondary market. In addition, our internal pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. If at any time a third party dealer were to quote a price to purchase your securities or otherwise value your securities, that price or value may differ materially from the estimated value of the securities determined by reference to our internal funding rate and pricing models. This difference is due to, among other things, any difference in funding rates, pricing models or assumptions used by any dealer who may purchase the securities in the secondary market.

- **INVESTING IN THE SECURITIES IS NOT THE SAME AS A HYPOTHETICAL INVESTMENT IN THE UNDERLYINGS OR A DIRECT INVESTMENT IN THE STOCKS COMPOSING THE UNDERLYINGS** — The return on the securities may not reflect the return you would have realized if you had hypothetically invested in the Underlyings or directly invested in the stocks composing the Underlyings. For instance, your return on the securities is solely dependent upon the performance of the lesser performing Underlying, and you will not participate in any potential increase in the level of either Underlying, which could be significant.

- **IF THE LEVELS OF THE UNDERLYINGS CHANGE, THE VALUE OF YOUR SECURITIES MAY NOT CHANGE IN THE SAME MANNER** — Your securities may trade quite differently from the levels of the Underlyings. Changes in the levels of the Underlyings may not result in comparable changes in the value of your securities.

- **NO DIVIDEND PAYMENTS OR VOTING RIGHTS** — As a holder of the securities, you will not have any voting rights or rights to receive cash dividends or other distributions or other rights that holders of the stocks composing the Underlyings would have.

	· **YOUR INVESTMENT IS EXPOSED TO A DECLINE IN THE LEVEL OF EACH UNDERLYING** &roman; FONT-SIZE: 10pt">	101,924	311,478	298,653	
Depreciation and amortization		13,002	13,593	40,153	39,979

Provision for bad debts	8,458	8,386	24,603	24,729
Loss on sale of equipment	451	72	606	375
Severance costs	164	286	731	643
Total operating expenses	128,709	124,261	377,571	364,379
INCOME FROM OPERATIONS	11,384	9,143	25,651	28,174
OTHER EXPENSES				
Interest expense	12,781	12,367	35,477	38,538
Loss on extinguishment of debt	-	-	9,871	-
Gain on bargain purchase	-	-	-	(1,387)
Other expenses (income)	821	(2)	1,971	416
Total other expenses	13,602	12,365	47,319	37,567
LOSS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF JOINT VENTURES	(2,218)	(3,222)	(21,668)	(9,393)
Provision for income taxes	(317)	(231)	(523)	(281)
Equity in earnings of joint ventures	2,282	1,751	6,114	6,839
NET LOSS	(253)	(1,702)	(16,077)	(2,835)
Net income attributable to noncontrolling interests	32	24	75	69
NET LOSS ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	$ (285)	$ (1,726)	$ (16,152)	$ (2,904)
BASIC AND DILUTED NET LOSS PER SHARE ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	$ (0.01)	$ (0.05)	$ (0.44)	$ (0.08)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	36,979,725	36,105,149	36,755,781	35,982,558

The accompanying notes are an integral part of these financial statements.

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY DEFICIT
(IN THOUSANDS EXCEPT SHARE DATA)
(unaudited)

	Common Stock Shares	Amount		Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Radnet, Inc.'s Equity Deficit	Noncontrolling Interests	Total Equity Deficit
BALANCE - JANUARY 1, 2010	36,259,279	$ 4	#	$ 156,758	$ (229,989)	$ (1,588)	$ (74,815)	$ 54	$ (74,761)
Issuance of common stock to shareholders of Union Imaging	75,000	-		153	-	-	153	-	153
Issuance of common stock to shareholders of Truxtun Medical Group	375,000	-		1,238	-	-	1,238	-	1,238
Issuance of common stock upon exercise of options/warrants	270,446	-		49	-	-	49	-	49
Stock-based compensation	-	-		2,820	-	-	2,820	-	2,820
Distributions paid to noncontrolling interests	-	-		-	-	-	-	(84)	(84)
Change in cumulative foreign currency translation adjustment	-	-		-	-	(4)	(4)	-	(4)
Change in fair value of interest rate swap from prior periods reclassified to earnings	-	-		-	-	611	611	-	611
Change in fair value of interest rate swap	-	-		-	-	(1,472)	(1,472)	-	(1,472)
Net loss					(16,152)		(16,152)	75	(16,077)
Comprehensive loss	-	-		-	-	-	(17,013)	75	(16,938)

BALANCE - SEPTEMBER 30, 2010	36,979,725	$ 4	#	$ 161,018	$ (246,141)	$ (2,453)	$ (87,572)	$ 45	$ (87,527)

Comprehensive loss for the nine months ended September 30, 2009:	
Net loss	$ (2,904)
Change in fair value of interest rate swap	2,555
Comprehensive loss	$ (349)

The accompanying notes are an integral part of these financial statements

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RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)
(unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(16,077)	$(2,835)
Adjustments to reconcile net loss		
to net cash provided by operating activities:		
Depreciation and amortization	40,153	39,979
Provision for bad debts	24,603	24,729
Equity in earnings of joint ventures	(6,114)	(6,839)
Distributions from joint ventures	8,339	6,852
Deferred rent amortization	1,875	614
Deferred financing cost amortization	2,074	2,009
Amortization of bond discount	107	-
Loss on sale of equipment	606	375
Loss on extinguishment of debt	9,871	-
Gain on bargin purchase	-	(1,387)
Stock-based compensation	2,820	2,936
Changes in operating assets and liabilities, net of assets		
acquired and liabilities assumed in purchase transactions:		
Accounts receivable	(27,678)	(20,896)
Other current assets	(5,675)	3,213
Other assets	(48)	592
Accounts payable and accrued expenses	15,298	908
Net cash provided by operating activities	50,154	50,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of imaging facilities	(34,580)	(3,917)
Proceeds from sale of imaging facilities	-	650
Purchase of property and equipment	(33,135)	(22,805)
Proceeds from sale of imaging equipment	94	-
Purchase of equity interest in joint ventures	-	(315)
Net cash used in investing activities	(67,621)	(26,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes and leases payable	(16,295)	(17,684)
Repayment of debt	(412,000)	-
Proceeds from borrowings	482,360	-
Deferred financing costs	(17,407)	-
Distributions paid to noncontrolling interests	(84)	(88)
Payments on line of credit	-	(1,742)
Payments to counterparties of interest rate swaps, net of amounts received	(4,783)	(3,151)
Proceeds from issuance of common stock	49	-
Net cash provided by (used in) financing activities	31,840	(22,665)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,368	1,198

CASH AND CASH EQUIVALENTS, beginning of period	10,094	-
CASH AND CASH EQUIVALENTS, end of period	$24,462	$1,198
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$23,579	$32,046

The accompanying notes are an integral part of these financial statements

RADNET, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(unaudited)

Supplemental Schedule of Non-Cash Investing and Financing Activities

We entered into capital leases and equipment notes for approximately $32,000 and $10.4 million, excluding capital leases assumed in acquisitions, during the nine months ended September 30, 2010 and 2009, respectively. We also acquired equipment for approximately $9.9 million and $8.2 million during the nine months ended September 30, 2010 and 2009, respectively, that we had not paid for as of September 30, 2010 and 2009, respectively. The offsetting amount due was recorded in our consolidated balance sheet under accounts payable and accrued expenses.

As discussed in Note 2, we entered into interest rate swap modifications in the first quarter of 2009. These modifications include a significant financing element and, as such, all cash inflows and outflows subsequent to the date of modification are presented as financing activities.

Detail of investing activity related to acquisitions can be found in Note 4.

RADNET, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

At September 30, 2010, we operated a group of regional networks comprised of 192 diagnostic imaging facilities located in seven states with operations primarily in California, Maryland, Florida, Kansas, Delaware, New Jersey and New York. We provide diagnostic imaging services including magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), nuclear medicine, mammography, ultrasound, diagnostic radiology, or X-ray, fluoroscopy and other related procedures. The Company's operations comprise a single segment for financial reporting purposes.

The condensed consolidated financial statements include the accounts of Radnet Management, Inc. (or "Radnet Management") and Beverly Radiology Medical Group III, a professional partnership ("BRMG"). The condensed consolidated financial statements also include Radnet Management I, Inc., Radnet Management II, Inc., Radiologix, Inc., Radnet Management Imaging Services, Inc., Delaware Imaging Partners, Inc., New Jersey Imaging Partners, Inc. and Diagnostic Imaging Services, Inc. (" DIS "), all wholly owned subsidiaries of Radnet Management. All of these affiliated entities are referred to collectively as "RadNet", "we", "us", "our" or the "Company" in this report.

Accounting Standards Codification Section 810-10-15-14 stipulates that generally any entity with a) insufficient equity to finance its activities without additional subordinated financial support provided by any parties, or b) equity holders that, as a group, lack the characteristics specified in the Codification which evidence a controlling financial interest, is considered a Variable Interest Entity ("VIE"). We consolidate all voting interest entities in which we own a majority voting interest and all VIEs for which we are the primary beneficiary. We determine whether we are the primary beneficiary of a VIE through a qualitative analysis that identifies which variable interest holder has the controlling financial interest in the VIE. The variable interest holder who has both of the following has the controlling financial interest and is the primary beneficiary: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In performing our analysis, we consider all relevant facts and circumstances, including: the design and activities of the VIE, the terms of the contracts the VIE has entered into, the nature of the VIE's variable interests issued and how they were negotiated with or marketed to potential investors, and which parties participated significantly in the design or redesign of the entity.

Howard G. Berger, M.D. is our President and Chief Executive Officer, a member of our Board of Directors and owns approximately 15% of our outstanding common stock. Dr. Berger also owns, indirectly, 99% of the equity interests in BRMG. BRMG provides all of the professional medical services at the majority of our facilities located in California under a management agreement with us, and employs physicians or contracts with various other independent physicians and physician groups to provide the professional medical services at most of our other California facilities. We generally obtain professional medical services from BRMG in California, rather than provide such services directly or through subsidiaries, in order to comply with California's prohibition against the corporate practice of medicine. However, as a result of our close relationship with Dr. Berger and BRMG, we believe that we are able to better ensure that medical service is provided at our California facilities in a manner consistent with our needs and expectations and those of our referring physicians, patients and payors than if we obtained these services from unaffiliated physician groups. BRMG is a partnership of ProNet Imaging Medical Group, Inc. (99%), Breastlink Medical Group, Inc. (100%) and Beverly Radiology Medical Group, Inc. (99%), each of which are 99% or 100% owned by Dr. Berger. RadNet provides non-medical, technical and administrative services to BRMG for which it receives a management fee, per the management agreement. Through the management agreement and our relationship with Dr. Berger, we have exclusive authority over all non-medical decision making related to the ongoing business operations of BRMG. Through our management agreement with BRMG we determine the annual budget of BRMG and make all physician employment decisions. BRMG has insignificant operating assets and liabilities, and deminimis equity. Through the management agreement with us, all of BRMG's cash flows are transferred to us. We have determined that BRMG is a variable interest entity, and that we are the primary beneficiary, and consequently, we consolidate the revenue and expenses of BRMG. BRMG recognized $38.6 million and $36.2 of net revenue for the nine months ended September 30, 2010 and 2009, respectively, and $38.6 million and $36.3 million of operating expenses for the nine months ended September 30, 2010 and 2009, respectively. RadNet recognized $137.9 million and $130.7 million of net revenues for the nine months ended September 30, 2010 and 2009, respectively, for management services provided to BRMG relating primarily to the technical portion of total billed revenue. The cash flows of BRMG are included in the accompanying consolidated statements of cash flows. All intercompany balances and transactions have been eliminated in consolidation.

The creditors of BRMG do not have recourse to our general credit and there are no other arrangements that could expose us to losses. However, BRMG is managed to recognize no net income or net loss and, therefore, RadNet may be required to provide financial support to cover any operating expenses in excess of operating revenues. BRMG is a guarantor of the New Credit Facilities described below under "Liquidity and Capital Resources."

In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance which made significant changes to the model for determining who should consolidate a VIE and addressed how often this assessment should be performed. The guidance was effective for us on January 1, 2010 (see Note 3).

At the remaining centers in California and at all of the centers which are located outside of California, we have entered into long-term contracts with independent radiology groups in the area to provide physician services at those facilities. These third party radiology practices provide professional services, including supervision and interpretation of diagnostic imaging procedures, in our diagnostic imaging centers. The radiology practices maintain full control over the provision of professional services. The contracted radiology practices generally have outstanding physician and practice credentials and reputations; strong competitive market positions; a broad sub-specialty mix of physicians; a history of growth and potential for continued growth. In these facilities we enter into long-term agreements with radiology practice groups (typically 40 years). Under these arrangements, in addition to obtaining technical fees for the use of our diagnostic imaging equipment and the provision of technical services, we provide management services and receive a fee based on the practice group's professional revenue, including revenue derived outside of our diagnostic imaging centers. We own the diagnostic imaging equipment and, therefore, receive 100% of the technical reimbursements associated with imaging procedures. The radiology practice groups retain the professional reimbursements associated with imaging procedures after deducting management service fees. We have no financial controlling interest in the independent (non-BRMG) radiology practices; accordingly, we do not consolidate the financial statements of those practices in our condensed consolidated financial statements.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles for complete financial statements; however, in the opinion of our management, all adjustments consisting of normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods ended September 30, 2010 and 2009 have been made. The results of operations for any interim period are not necessarily indicative of the results for a full year. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

Significant accounting policies

As of the period covered in this report, there have been no material changes to the significant accounting policies we use, and have explained, in our annual report on Form 10-K for the fiscal year ended December 31, 2009 except for the following:

Foreign Currency Translation

The functional currency of our foreign subsidiaries is the local currency. In accordance with ASC 830, Foreign Currency Matters, assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet dates. Revenues and expenses are translated using average exchange rates prevailing during the reporting period. Any translation adjustments resulting from this process are shown separately as a component of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are included in the determination of net loss.

Liquidity and Capital Resources

We had a working capital balance of $29.5 million and $9.2 million at September 30, 2010 and December 31, 2009, respectively. We had a net loss attributable to RadNet, Inc.'s common stockholders of $285,000 and $1.7 million for the three months ended September 30, 2010 and 2009, respectively, and $16.2 million and $2.9 million for the nine months ended September 30, 2010 and 2009, respectively. $9.9 million of the loss in 2010 relates to extinguishment of debt which occurred on April 6, 2010. We also had an equity deficit of $87.5 million and $74.8 million at September 30, 2010 and December 31, 2009, respectively.

We operate in a capital intensive, high fixed-cost industry that requires significant amounts of capital to fund operations. In addition to operations, we require a significant amount of capital for the initial start-up and development expense of new diagnostic imaging facilities, the acquisition of additional facilities and new diagnostic imaging equipment, and to service our existing debt and contractual obligations. Because our cash flows from operations have been insufficient to fund all of these capital requirements, we have depended on the availability of financing under credit arrangements with third parties.

Our business strategy with regard to operations focuses on the following:

- maximizing performance at our existing facilities;
- focusing on profitable contracting;
- expanding MRI, CT and PET applications;
- optimizing operating efficiencies; and
- expanding our networks.

On April 6, 2010 we completed our debt refinancing plan for an aggregate of $585 million. The debt refinancing plan included the issuance of a $285 million senior secured term loan due April 6, 2016, a $100 million senior secured revolving credit facility due April 6, 2015 and $200 million in aggregate principal amount of senior unsecured notes due April 1, 2018 (the “Notes”). We used $412.0 million of the proceeds from the debt restructuring to pay off our prior credit facility and an additional $1.7 million to settle a call premium associated with our prior credit facilities. As a result of this refinancing, we recorded during the second quarter of 2010 a loss on extinguishment of debt of approximately $9.9 million which is made up of the $1.7 million call premium, $7.6 million write-off of deferred loan costs associated with the prior credit facility, as well as $600,000 of additional debt settlement costs.

At September 30, 2010, the balance of the senior secured term loan was approximately $283.6 million and the par value of our senior unsecured notes was $200.0 million.

Just prior to our refinancing discussed above, our outstanding indebtedness included a $242.0 million senior secured term loan B and a $170.0 million second lien term loan both with GE Commercial Finance Healthcare Financial Services originally entered into on November 15, 2006 (the “GE Credit Facility”).

New Credit Agreement

Radnet Management, Inc., a wholly-owned subsidiary of RadNet, Inc., entered into a new Credit and Guaranty Agreement (the “New Credit Agreement”) pursuant to which we obtained $385 million in senior secured bank financing, consisting of a $285 million, six-year term loan facility and a $100 million, five-year revolving credit facility (the New Credit Facilities). In connection with the New Credit Facilities, Radnet Management, Inc., terminated the GE Credit Facility.

Interest. The New Credit Facilities bear interest through maturity at a rate determined by adding the applicable margin to either (a) the Base Rate, which is the highest of the (i) Prime Rate, (ii) the rate which is 0.5% in excess of the Federal Funds Effective Rate, (iii) 3.00% and (iv) 1.00% in excess of the one-month Adjusted Eurodollar Rate at such time, or (b) the Adjusted Eurodollar Rate, which is the higher of (i) the London interbank offered rate, adjusted for statutory reserve requirements, for the respective interest period, as determined by the administrative agent and (ii)

2.00%. Applicable margin means (i) (a) with respect to Tranche B Term Loans that are Eurodollar Rate Loans, 3.75% per annum and (b) with respect to Tranche B Term Loans that are Base Rate Loans, 2.75% per annum; and (ii) (a) with respect to Revolving Loans that are Eurodollar Rate Loans, 3.75% per annum and (b) with respect to Revolving Loans and Swing Line Loans that are Base Rate Loans, 2.75% per annum.

Payments. Commencing on June 30, 2010, we are required to make quarterly amortization payments on the term loan facility, each in the amount of $712,500, with the remaining principal balance paid at maturity. Under the New Credit Agreement, we are also required to make mandatory prepayments, subject to specified exceptions, from Consolidated Excess Cash Flow, and upon certain events, including, but not limited to, (i) the receipt of net cash proceeds from the sale or other disposition of any property or assets by us or any of our subsidiaries, (ii) the receipt of net cash proceeds from insurance or condemnation proceeds paid on account of any loss of any property or assets of us or any of our subsidiaries, (iii) the receipt of net cash proceeds from the incurrence of indebtedness by us or any of our subsidiaries (other than certain indebtedness otherwise permitted under the loan documents relating to the New Credit Facilities) and (iv) the receipt of net cash proceeds by us or any of our subsidiaries from Extraordinary Receipts, as defined in the New Credit Agreement.

Guarantees and Collateral. The obligations under the New Credit Facilities are guaranteed by us, all of our current and future wholly-owned domestic restricted subsidiaries and certain of our affiliates. The obligations under the New Credit Facilities and the guarantees are secured by a perfected first priority security interest in all of Radnet Management's and the guarantors' tangible and intangible assets, including, but not limited to, pledges of equity interests of Radnet Management and all of our current and future domestic subsidiaries.

Restrictive Covenants. In addition to certain customary covenants, the New Credit Agreement places limits on our ability to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, engage in mergers, acquisitions and asset sales, enter into transactions with affiliates and alter the business we and our subsidiaries currently conduct.

Financial Covenants. The New Credit Agreement contains financial covenants including a minimum interest coverage ratio, a maximum total leverage ratio and a limit on annual capital expenditures. Failure to comply with these covenants could permit the lenders under the New Credit Facilities to declare all amounts borrowed, together with accrued interest and fees, to be immediately due and payable.

Events of Default. In addition to certain customary events of default, events of default under the New Credit Facilities include failure to pay principal or interest when due, a material breach of any representation or warranty contained in the loan documents, covenant defaults, events of bankruptcy and a change of control.

Senior Unsecured Notes

Also on April 6, 2010, we issued $200 million in aggregate amount of senior unsecured Notes which have a coupon of 10.375% and were issued at a price of 98.680%. The Notes were issued by Radnet Management, Inc. and guaranteed jointly and severally on a senior unsecured basis by us and all of our current and future wholly-owned domestic restricted subsidiaries. The Notes were offered and sold in a private placement exempt from registration under the Securities Act to qualified institutional buyers pursuant to Rule 144A and Regulation S under the Securities Act. The Notes will mature on April 1, 2018, and bear interest at the rate of 10.375% per year. We will pay interest on the Notes on April 1 and October 1, commencing October 1, 2010. The Notes are governed under an indenture agreement with U.S. Bank National Association as trustee. We have agreed to file a registration statement with the Securities and Exchange Commission relating to an offer to exchange the Notes for registered publicly tradable notes that have substantially identical terms as the Notes. On August 30, 2010, we filed a registration statement on Form S-4 with the Securities and Exchange Commission relating to the offer to exchange the Notes. The registration statement has not yet been declared effective.

Ranking. The Notes and the guarantees:

- rank equally in right of payment with any existing and future unsecured senior indebtedness of the guarantors;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Guarantors;
- are effectively subordinated in right of payment to any secured indebtedness of the guarantors (including indebtedness under the New Credit Facilities) to the extent of the value of the assets securing such indebtedness; and
- are structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of the Company's subsidiaries that is not a guarantor of the Notes.

Optional Redemption. Radnet Management may redeem the Notes, in whole or in part, at any time on or after April 1, 2014, at the redemption prices specified under the Indenture. Prior to April 1, 2013, we may redeem up to 35% of aggregate principal amount of the Notes issued under the Indenture from the net proceeds of one or more equity offerings at a redemption price equal to 110.375% of the Notes redeemed, plus accrued and unpaid interest, if any. Radnet Management is also permitted to redeem the Notes prior to April 1, 2014, in whole or in part, at a redemption price equal to 100% of the principal amount redeemed, plus a make-whole premium and accrued and unpaid interest, if any.

Change of Control and Asset Sales. If a change in control of Radnet Management occurs, Radnet Management must give holders of the Notes the opportunity to sell their Notes at 101% of their face amount, plus accrued interest. If we or one of our restricted subsidiaries sells assets under certain circumstances, Radnet Management will be required to make an offer to purchase the Notes at their face amount, plus accrued and unpaid interest to the purchase date.

Restrictive Covenants. The Indenture contains covenants that limit, among other things, the ability of us and our restricted subsidiaries, to:

· pay dividends or make certain other restricted payments or investments;

· incur additional indebtedness and issue preferred stock;

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

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

· enter into certain transactions with affiliates;

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

· create guarantees of indebtedness by restricted subsidiaries.

However, these limitations are subject to a number of important qualifications and exceptions, as described in the Indenture.

Our ability to generate sufficient cash flow from operations to make payments on our debt and other contractual obligations will depend on our future financial performance. A range of economic, competitive, regulatory, legislative and business factors, many of which are outside of our control, will affect our financial performance. Although no assurance can be given, taking these factors into account, including our historical experience, we believe that through implementing our strategic plans, we will obtain sufficient cash to satisfy our obligations as they become due in the next twelve months.

NOTE 2 – DERIVITIVE INSTRUMENTS

We are exposed to certain risks relating to our ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. We have entered into interest rate swap agreements to manage interest rate risk exposure. The interest rate swap agreements utilized by us effectively modifies our exposure to interest rate risk by converting our floating-rate debt to a fixed rate basis during the period of the interest rate swap, thus reducing the impact of interest-rate changes on future interest expense.

We designate our interest rate swaps as cash flow hedges of floating-rate borrowings. For interest rate swaps that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is initially reported as a component of other comprehensive income, then reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings (e.g., in “interest expense” when the hedged transactions are interest cash flows associated with floating-rate debt). The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffectiveness portion), or hedge components excluded from the assessment of effectiveness, are recognized in the statement of operations during the current period.

In connection with our GE credit facility, we swapped 50% of the aggregate principal amount of the facilities to a floating rate within 90 days of the closing. On April 11, 2006, effective April 28, 2006, we entered into an interest rate swap on $73.0 million fixing the LIBOR rate of interest at 5.47% for a period of three years. This swap was made in conjunction with the $161.0 million credit facility that closed on March 9, 2006. In addition, on November 15, 2006, we entered into an interest rate swap, designated as a cash flow hedge, on $107.0 million fixing the LIBOR rate of interest at 5.02% for a period of three years, and on November 28, 2006, we entered into an interest rate swap, also designated as a cash flow hedge, on $90.0 million fixing the LIBOR rate of interest at 5.03% for a period of three years. Previously, the interest rate on the above $270.0 million portion of the credit facility was based upon a spread over LIBOR which floats with market conditions.

During the first quarter of 2009 we modified the two interest rate swaps designated as cash flow hedges mentioned above. The modifications, commonly referred to as “blend and extends”, extended the maturity of and re-priced these two interest rate swaps originally executed in 2006 for an additional 36 months, resulting in an estimated annualized cash interest expense savings of $2.9 million.

On the LIBOR hedge modification for a notional amount of $107 million of LIBOR exposure, the Company on January 29, 2009 replaced the existing fixed LIBOR rate of 5.02% with a new rate of 3.47% maturing on November 15, 2012. On the second LIBOR hedge modification for a notional amount of $90 million of LIBOR exposure, the Company, on February 5, 2009, replaced the existing fixed LIBOR rate of 5.03% with a new rate of 3.62% also maturing on November 15, 2012. Both modified interest swaps were designated as cash flow hedges.

As part of these modifications, the negative fair values of the original interest rate swaps, as well as a certain amount of accrued interest, associated with the original cash flow hedges were incorporated into the fair values of the new modified cash flow hedges. The related Accumulated Other Comprehensive Loss (AOCL) associated with the negative fair values of the original cash flow hedges on their dates of modification, which totaled $6.1 million, was amortized on a straight-line basis to interest expense through November 15, 2009, the maturity date of the original cash flow hedges.

We document our risk management strategy and hedge effectiveness at the inception of the hedge, and, unless the instrument qualifies for the short-cut method of hedge accounting, over the term of each hedging relationship. Our use of derivative financial instruments is limited to interest rate swaps, the purpose of which is to hedge the cash flows of variable-rate indebtedness. We do not hold or issue derivative financial instruments for speculative purposes. In accordance with ASC Topic 815, derivatives that have been designated and qualify as cash flow hedging instruments are reported at fair value. The gain or loss on the effective portion of the hedge (i.e., change in fair value) is initially reported as a component of accumulated other comprehensive loss in the Company’s consolidated statement of equity deficit. The remaining gain or loss, if any, is recognized currently in earnings.

As a result of our refinancing and the New Credit Agreement and the issuance of the Notes completed on April 6, 2010, our interest rate swaps do not match the terms of our current bank debt and so accordingly, we have determined that they are no longer designated as cash flow hedges. Accordingly, all changes in their fair value after April 6, 2010 are, and will continue to be recognized in earnings as other expense.

The related Accumulated Other Comprehensive Loss (AOCL) of $3.1 million associated with the negative fair values of these interest rate swaps on April 6, 2010, the date of our refinancing, will be amortized on a straight-line basis to interest expense through November 15, 2012, the maturity date of these cash flow hedges. As of April 6, 2010, the fair value of the interest rate swaps was a negative $10.4 million. From April 6, 2010 to September 30, 2010, approximately $611,000 of AOCL was amortized to interest expense.

At September 30, 2010 the negative fair value of these interest rate swaps was $12.3 million and was classified as other non-current liabilities in our consolidated balance sheet. For the nine months ended September 30, 2010, we recognized approximately $2.0 million in other expense related to the change in fair value of these interest rate swaps from April 6, 2010 to September 30, 2010.

A tabular presentation of the fair value of derivative instruments as of September 30, 2010 is as follows (amounts in thousands):

	Balance Sheet Location	Fair Value – Asset (Liability) Derivatives
Derivatives		
Interest rate contracts	Other non-current liabilities	$ (12,343)

A tabular presentation of the fair value of derivative instruments as of December 31, 2009 is as follows (amounts in thousands):

	Balance Sheet Location	Fair Value – Asset (Liability) Derivatives
Derivatives		
Interest rate contracts	Other non-current liabilities	$ (8,901)

A tabular presentation of the effect of derivative instruments on our statement of operations is as follows (amounts in thousands):

For the Three Months Ended September 30, 2010

Ineffective Interest Rate Swap	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate contracts	---	($821)	Other income/ (expense)	* ($305)	Interest income/(expense)

* Amortization of OCI associated with the cash flow hedges through April 6, 2010 (see discussion above).

For the Three Months Ended September 30, 2009

Ineffective Interest Rate Swap	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
	($1,856)	---		* ($1,836)	

Interest rate contracts			Other income/ (expense)		Interest income/(expense)

* Amortization of OCI associated with the original cash flow hedges prior to modification on January 28, 2009 (see discussion above).

For the Nine Months Ended September 30, 2010

Ineffective Interest Rate Swap	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate contracts	($1,472)	($1,971)	Other income/ (expense)	* ($611)	Interest income/(expense)

* Amortization of OCI associated with the cash flow hedges through April 6, 2010 (see discussion above).

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For the Nine Months Ended September 30, 2009

Ineffective Interest Rate Swap	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Interest rate contracts	($2,341)	$823	Other income/ (expense)	* ($4,895)	Interest income/(expense)

* Amortization of OCI associated with the original cash flow hedges prior to modification on January 28, 2009 (see discussion above).

NOTE 3 – RECENT ACCOUNTING STANDARDS

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. ASU 2009-17 also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. ASU 2009-17 is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year entity. Early adoption is not permitted. Our adoption of ASU 2009-17 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In January 2010, the FASB issued authoritative guidance intended to improve disclosures about fair value measurements. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers. Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). The Company maintains interest rate swaps which are required to be recorded at fair value on a recurring basis. See Note 8 below for required disclosures under this guidance.

In February 2010, the FASB issued authoritative guidance on subsequent events. The guidance requires an SEC filer to evaluate subsequent events through the date the financial statements are issued but no longer requires an SEC filer to disclose the date through which the subsequent event evaluation occurred. The guidance became effective for the Company upon issuance and had no impact on the Company's results of operations or financial position.

NOTE 4 – FACILITY ACQUISITIONS

Based on tests outlined in Rule 1-02(w) of Regulation S-X and the thresholds for these tests set by Rule 3-05 of Regulation S-X, we have determined that none of the acquisitions listed below for the nine months ended September 30, 2010 and 2009 are, individually or collectively for either reporting period, material.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations, codified in FASB Accounting Standards Codification (ASC) Topic 805, Business Combinations, which replaces SFAS No. 141. ASC Topic 805 introduced significant changes in the accounting for and reporting of business acquisitions. Pursuant to ASC Topic 805, an acquiring entity is required to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, and all transaction related costs are expensed. Subsequent changes, if any, to the acquisition-date fair value that are the result of facts and circumstances that did not exist as of the acquisition date will be recognized as part of on-going operations.

On September 10, 2010, we completed the acquisition of Korangy Medical Equipment, LLC in Catonsville, Maryland for approximately $605,000. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and $605,000 of fixed assets and no goodwill was recorded with respect to this transaction.

On August 11, 2010, we completed the acquisition of Health Diagnostics of New Jersey in Edison, New Jersey for approximately $3.5 million. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and $3.0 million of fixed assets, $300,000 of other intangible assets related to covenant not to compete contracts, and $814,000 of goodwill was recorded with respect to this transaction. Also, we recorded a reserve of approximately $635,000 for obligations under an existing operating facility lease through February of 2014 that we do not intend to utilize.

On July 1, 2010, we completed the acquisition of an imaging center located in Fremont, California from Insight Health Corp. for approximately $140,000. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and $170,000 of fixed assets, $150,000 of other intangible assets related to covenant not to compete contracts, and no goodwill was recorded with respect to this transaction. Also, we recorded a reserve of approximately $184,000 for obligations under an existing operating facility lease through August of 2012 that we do not intend to utilize.

On May 1, 2010, we completed the acquisition of Touchstone Imaging of Bowie, LLC in Bowie, Maryland for approximately $595,000. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and $595,000 of fixed assets and no goodwill was recorded with respect to this transaction.

On April 30, 2010, we completed the acquisition of Delaware Diagnostic Services, Inc. (Limestone) in Wilmington, Delaware for approximately $87,000. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and $87,000 of fixed assets and no goodwill was recorded with respect to this transaction.

On April 30, 2010, we acquired three multi-modality facilities from Sonix Medical Resources, Inc. through a bankruptcy proceeding in New York for approximately $2.3 million in cash. The facilities located in Brooklyn, New York, Chatham, New Jersey and Haddon Heights, New Jersey operate a combination of MRI, CT, mammography, ultrasound, fluoroscopy, x-ray and related modalities. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and approximately $1.4 million of fixed assets and $900,000 of goodwill was recorded with respect to this transaction.

On April 1, 2010, we completed the acquisition of Truxtun Medical Group in Bakersfield, California for approximately $20.3 million in cash and the issuance of 375,000 shares of RadNet, Inc. common stock valued at approximately $1.2 million on the date of acquisition. Truxtun operates four multi-modality facilities in Bakersfield, a Metropolitan Statistical Area with a population exceeding 800,000 residents in Kern County, California. Truxtun provides a broad range of services including MRI, CT, PET/CT, mammography, nuclear medicine, fluoroscopy, ultrasound, x-ray and related procedures. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities and approximately $2.4 million of working capital, $6.3 million of fixed assets, $150,000 of other intangible assets related to covenant not to compete contracts, and $12.7 million of goodwill was recorded with respect to this transaction.

On March 15, 2010, we acquired the imaging practice of Theodore Feit, M.D., Inc. in Burbank, CA for cash consideration of $350,000. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities, and approximately $350,000 of fixed assets and no goodwill was recorded with respect to this transaction.

On March 1, 2010, we completed the acquisition of Anaheim Open MRI in Anaheim, CA for cash consideration of $910,000. The facility operates MRI, CT, ultrasound and X-ray, and has been rebranded as Anaheim Advanced Imaging. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities, and approximately $605,000 of fixed assets and $305,000 of goodwill was recorded with respect to this transaction.

On January 1, 2010, we completed the acquisition of Union Imaging Center in Union, New Jersey from Modern Medical Modalities Corporation for approximately $5.4 million in cash and the issuance of 75,000 shares of RadNet, Inc. common stock valued at approximately $153,000 on the date of acquisition. The center operates imaging modalities including MRI, CT, PET/CT, mammography, ultrasound, nuclear medicine and X-ray. We have made a preliminary purchase price allocation of the acquired assets and assumed liabilities, and approximately $1.9 million of fixed assets and $3.7 million of goodwill was recorded with respect to this transaction.

NOTE 5 – EARNINGS PER SHARE

Earnings per share is based upon the weighted average number of shares of common stock and common stock equivalents outstanding, net of common stock held in treasury, as follows (in thousands except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net loss attributable to Radnet, Inc.'s common stockholders	$(285)	$(1,726)	$(16,152)	$(2,904)
Weighted average number of common shares outstanding during the year	36,979,725	36,105,149	36,755,781	35,982,558
Basic and diluted loss per share attributable to Radnet, Inc.'s common stockholders	$(0.01)	$(0.05)	$(0.44)	$(0.08)

For the three and nine months ended September 30, 2010 and 2009, we excluded all options and warrants (see Note 7) in the calculation of diluted loss per share because their effect is antidilutive.

NOTE 6 – INVESTMENT IN JOINT VENTURES

We have eight unconsolidated joint ventures with ownership interests ranging from 22% to 50%. These joint ventures represent partnerships with hospitals, health systems or radiology practices and were formed for the purpose of owning and operating diagnostic imaging centers. Professional services at the joint venture diagnostic imaging centers are performed by contracted radiology practices or a radiology practice that participates in the joint venture. Our investment in these joint ventures is accounted for under the equity method. Investment in joint ventures decreased $2.7 million to $16.0 million at September 30, 2010 compared to $18.7 million at December 31, 2009. This decrease is primarily related to our respective share of scheduled distributions of $8.8 million offset by our recording of equity earnings of $6.1 million.

We received management service fees from the centers underlying these joint ventures of approximately $1.7 million and $1.6 million for the three months ended September 30, 2010 and 2009, respectively, and approximately $5.1 million and $5.4 million for the nine months ended September 30, 2010 and 2009, respectively, and eliminated the portion of the fees earned associated with our ownership from our net revenue with an offsetting increase to our equity earnings.

The following table is a summary of key financial data for these joint ventures as of September 30, 2010 and December 31, 2009, and for the nine months ended September 30, 2010 and 2009 (in thousands):

Balance Sheet Data:	September 30,	December 31, 2009
Current assets	$15,195	$20,920
Noncurrent assets	26,285	27,243
Current liabilities	(6,422)	(5,929)
Noncurrent liabilities	(6,771)	(7,692)
Total net assets	$28,287	$34,542
Book value of Radnet joint venture interests	$12,368	$14,934
Cost in excess of book value of acquired joint venture interests	3,383	3,383
Elimination of intercompany profit remaining on Radnet's consolidated balance sheet	269	424
Total value of Radnet joint venture interests	$16,020	$18,741
Total book value of other joint venture partner interests	$15,919	$19,608
Income Statement Data for the nine months ended September 30,	2010	2009
Net revenue	$57,745	$56,826
Net income	$9,407	$10,334

NOTE 7 – STOCK BASED COMPENSATION

We have two long-term incentive plans that currently have outstanding stock options which we refer to as the 2000 Plan and the 2006 Plan. The 2000 Plan was terminated as to future grants when the 2006 Plan was approved by the stockholders in 2006. We have reserved for issuance under the 2006 Plan 6,500,000 shares of common stock. Certain of the options granted under the 2006 Plan to employees are intended to qualify as incentive stock options under existing tax regulations. In addition, we issue non-qualified stock options and warrants under the 2006 Plan from time to time to non-employees, in connection with acquisitions and for other purposes and we may also issue stock under the Plan. Stock options and warrants generally vest over two to five years and expire five to ten years from date of grant.

As of September 30, 2010, 3,123,334, or approximately 59.6%, of all the outstanding stock options and warrants under our option plans are fully vested. During the nine months ended September 30, 2010, we granted options and warrants to acquire 1,345,000 shares of common stock.

We have issued warrants outside the Plan under various types of arrangements to employees, in conjunction with debt financing and in exchange for outside services. All warrants issued after our February 2007 listing on the NASDAQ Global Market have been characterized as awards under the 2006 Plan. All warrants outside the Plan have been issued with an exercise price equal to the fair market value of the underlying common stock on the date of grant. The warrants expire from five to seven years from the date of grant. Vesting terms are determined by the board of directors or the compensation committee of the board of directors at the date of grant.

As of September 30, 2010, 2,469,566, or approximately 90.0%, of all the outstanding warrants outside the 2006 Plan are fully vested. During the nine months ended September 30, 2010, we did not grant any warrants outside the 2006

Plan.

The following summarizes all of our option and warrant activity for the nine months ended September 30, 2010:

Outstanding Options and Warrants Under the 2006 Plan and 2000 Plan	Shares	Weighted Average Exercise price Per Common Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance, December 31, 2009	3,959,750	$ 4.15		
Granted	1,345,000	2.47		
Exercised	-	-		
Canceled or expired	(60,000)	2.40		
Balance, September 30, 2010	5,244,750	3.74	3.69	$ 516,030
Exercisable at September 30, 2010	3,123,334	3.79	3.47	369,130

Non-Plan Outstanding Warrants	Shares	Weighted Average Exercise price Per Common Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance, December 31, 2009	3,057,898	$ 2.24		
Granted	-	-		
Exercised	(315,000)	0.73		
Canceled or expired	-	-		
Balance, September 30, 2010	2,742,898	2.42	1.79	$ 1,967,309
Exercisable at September 30, 2010	2,469,566	2.22	1.81	1,935,309

The aggregate intrinsic value in the table above represents the difference between our closing stock price on September 30, 2010 and the exercise price, multiplied by the number of in-the-money options and warrants on September 30, 2010. Total intrinsic value of options and warrants exercised during the nine months ended September 30, 2010 was approximately $923,900. As of September 30, 2010, total unrecognized stock-based compensation expense related to non-vested employee awards was approximately $3.9 million, which is expected to be recognized over a weighted-average period of approximately 1.6 years.

The fair value of each option/warrant granted is estimated on the grant date using the Black-Scholes option pricing model which takes into account as of the grant date the exercise price and expected life of the option/warrant, the current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the term of the option/warrant.

The following is the weighted average data used to calculate the fair value:

	Risk-free Interest Rate	Expected Life	Expected Volatility	Expected Dividends
September 30, 2010	2.17%	3.2 years	89.92%	-
September 30, 2009	2.65%	3.1 years	91.45%	-

We have determined the expected term assumption under the "Simplified Method" as defined in ASC Topic 718. The expected stock price volatility is based on the historical volatility of our stock. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant with an equivalent remaining term. We have not paid dividends in the past and do not currently plan to pay any dividends in the near future.

The weighted-average grant date fair value of stock options and warrants granted during the nine months ended September 30, 2010 and 2009 was $1.46 and $1.43, respectively.

NOTE 8 – FAIR VALUE MEASUREMENTS

We utilize a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Our consolidated balance sheets include the following financial instruments: cash and cash equivalents, receivables, trade accounts payable, capital leases, long-term debt and other liabilities. We consider the carrying amounts of cash and cash equivalents, receivables, other current assets and current liabilities to approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization or payment. Additionally, we consider the carrying amount of our capital lease obligations to approximate their fair value because the weighted average interest rate used to formulate the carrying amounts approximates current market rates.

At September 30, 2010, based on Level 2 inputs primarily related to comparable market prices, we determined the fair values of our senior secured term loan and our senior unsecured notes, both issued on April 6, 2010, to be $277.9 million and $185.0 million, respectively. The carrying amount of the senior secured term loan and the senior unsecured notes at September 30, 2010 was $283.6 million and $200.0 million, respectively.

The Company maintains interest rate swaps which are required to be recorded at fair value on a recurring basis. At September 30, 2010 the fair value of these swaps of a liability of $12.3 million was determined using Level 2 inputs. More specifically, the fair value was determined by calculating the value of the difference between the fixed interest rate of the interest rate swaps and the counterparty's forward LIBOR curve, which would be the input used in the valuations. The forward LIBOR curve is readily available in the public markets or can be derived from information available in the public markets.

On January 1, 2009, the Company adopted, without material impact on its consolidated financial statements, the provisions of FASB ASC Topic 820 related to nonfinancial assets and nonfinancial liabilities that are not required or permitted to be measured at fair value on a recurring basis, which include those measured at fair value including goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, nonfinancial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination.

NOTE 9 – RELATED PARTY TRANSACTIONS

On June 1, 2009 we entered into a 10 year operating lease for a building at one of our imaging centers located in Wilmington, Delaware in which our Senior Vice President of Materials Management is a 50% owner. The monthly rent under this operating lease is approximately $25,000. We believe that the monthly lease amount is in line with similar 10 year lease contracts available for comparable buildings in the area.

NOTE 10 – SUBSEQUENT EVENTS

On October 1, 2010, we completed our acquisitions of Image Medical Corporation, the parent of eRAD, Inc., for $10.75 million in a combination of cash and promissory notes. eRAD, Inc., headquartered in Greenville, South Carolina, has been a premier provider of Picture Archiving and Communications Systems (PACS) and related workflow solutions to the radiology industry since 1999.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements reflect, among other things, management's current expectations and anticipated results of operations, all of which are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to differ materially from those expressed or implied by such forward-looking statements. Therefore, any statements contained herein that are not statements of historical fact may be forward-looking statements and should be evaluated as such. Without limiting the foregoing, the words "believes," "anticipates," "plans," "intends," "will," "expects," "should" and similar words and expressions are intended to identify forward-looking statements.

Statements in this report relating to the following are forward looking statements:

- future revenues;
- expected performance and cash flows;
- the timing and impact of changes in regulations affecting the Company;
- anticipated and potential changes in third-party reimbursement rates;
- the outcome of litigation;
- the availability of radiologists at BRMG and our other contracted radiology practices;
- our expectations concerning competition;
- the success, timing and impact of potential acquisitions and divestitures of businesses;
- our intentions with respect to joint ventures and other business arrangements;
- access to capital and the terms relating thereto;
- the nature and impact of technological changes in our industry;
- our ability to successfully implement and achieve our internal plans;
- our ability to maintain compliance with our debt covenants; and
- anticipated costs of capital investments.

The factors included in "Risks Relating to Our Business," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as amended or supplemented by the information, if any, in Part II – Item 1A below and in our Quarterly Reports on Form 10-Q for the period ended March 31, 2010 and June 30, 2010, among others, could cause our actual results to differ materially from those expressed in, or implied by, the forward-looking statements. You should consider the inherent limitations on, and risks associated with, forward-looking statements and not unduly rely on the accuracy of predictions contained in such forward-looking statements. These forward-looking statements speak only as of the date when they are made. Except as required under the federal securities laws or by the rules and regulations of the Securities and Exchange Commission, we do not undertake any obligation to update forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements. Moreover, in the future, the Company, through senior management, may make forward-looking statements that involve the risk factors and other matters described in this Form 10-Q as well as other risk factors subsequently identified, including, among others, those identified in the Company's filings with the Securities and Exchange Commission on Form 10-K, Form 10-Q and Form 8-K.

Overview

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements included in this Form 10-Q, as well as our 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission, which provides a more thorough discussion of the Company's services, industry outlook, and business trends.

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

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

Our business strategy with regard to operations focuses on the following:

- maximizing performance at our existing facilities;
- focusing on profitable contracting;
- expanding MRI, CT and PET applications;
- optimizing operating efficiencies; and
- expanding our networks.

Our revenue is derived from a diverse mix of payors, including private payors, managed care capitated payors and government payors. We believe our payor diversity mitigates our exposure to possible unfavorable reimbursement trends within any one-payor class. In addition, our experience with capitation arrangements over the last several years has provided us with the expertise to manage utilization and pricing effectively, resulting in a predictable stream of revenue.

The condensed consolidated financial statements include the accounts of Radnet Management, Inc. (or "Radnet Management") and Beverly Radiology Medical Group III, a professional partnership ("BRMG"). The condensed consolidated financial statements also include Radnet Management I, Inc., Radnet Management II, Inc., Radiologix, Inc., Radnet Management Imaging Services, Inc., Delaware Imaging Partners, Inc., New Jersey Imaging Partners, Inc. and Diagnostic Imaging Services, Inc. ("DIS"), all wholly owned subsidiaries of Radnet Management. All of these affiliated entities are referred to collectively in this report as "RadNet", "we", "us", "our" or the "Company" in this report.

In addition to wholly-owned subsidiaries, we have interests in certain other partnerships and entities. Accounting Standards Codification Section 810-10-15-14 stipulates that generally any entity with a) insufficient equity to finance its activities without additional subordinated financial support provided by any parties, or b) equity holders that, as a group, lack the characteristics specified in the Codification which evidence a controlling financial interest, is considered a Variable Interest Entity ("VIE"). We consolidate all voting interest entities in which we own a majority voting interest and all VIEs for which we are the primary beneficiary. We determine whether we are the primary beneficiary of a VIE through a qualitative analysis that identifies which variable interest holder has the controlling financial interest in the VIE. The variable interest holder who has both of the following has the controlling financial interest and is the primary beneficiary: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. In performing our analysis, we consider all relevant facts and circumstances, including: the design and activities of the VIE, the terms of the contracts the VIE has entered into, the nature of the VIE's variable interests issued and how they were negotiated with or marketed to potential investors, and which parties participated significantly in the design or redesign of the entity.

Howard G. Berger, M.D. is our President and Chief Executive Officer, a member of our Board of Directors and owns approximately 15% of our outstanding common stock. Dr. Berger also owns, indirectly, 99% of the equity interests in BRMG. BRMG provides all of the professional medical services at the majority of our facilities located in California under a management agreement with us, and employs physicians or contracts with various other independent physicians and physician groups to provide the professional medical services at most of our other California facilities. We generally obtain professional medical services from BRMG in California, rather than provide such services directly or through subsidiaries, in order to comply with California's prohibition against the corporate practice of medicine. However, as a result of our close relationship with Dr. Berger and BRMG, we believe that we are able to better ensure that medical service is provided at our California facilities in a manner consistent with our needs and expectations and those of our referring physicians, patients and payors than if we obtained these services from unaffiliated physician groups. BRMG is a partnership of ProNet Imaging Medical Group, Inc. (99%), Breastlink Medical Group, Inc. (100%) and Beverly Radiology Medical Group, Inc. (99%), each of which are 99% or 100% owned by Dr. Berger. RadNet provides non-medical, technical and administrative services to BRMG for which it receives a management fee, per the management agreement. Through the management agreement and our relationship with Dr. Berger, we have exclusive authority over all non-medical decision making related to the ongoing business operations of BRMG. Through our management agreement with BRMG we determine the annual budget of BRMG and make all physician employment decisions. BRMG has insignificant operating assets and liabilities, and di-minimus equity. Through the management agreement with us, all of BRMG's cash flows are transferred to us. We have determined that BRMG is a variable interest entity, and that we are the primary beneficiary, and consequently, we consolidate the revenue and expenses of BRMG. BRMG recognized $38.6 million and $36.2 of net revenue for the nine months ended September 30, 2010 and 2009, respectively, and $38.6 million and $36.3 million of operating expenses for the nine months ended September 30, 2010 and 2009, respectively. RadNet recognized $137.9 million and $130.7 million of net revenues for the nine months ended September 30, 2010 and 2009, respectively, for management services provided to BRMG relating primarily to the technical portion of total billed revenue. The cash flows of BRMG are included in the accompanying consolidated statements of cash flows. All intercompany balances and transactions have been eliminated in consolidation.

Recent Developments

On October 1, 2010, we completed our acquisition of Image Medical Corporation, the parent of eRAD, Inc., for $10.75 million in a combination of cash and promissory notes. We have also assembled a new software development team, consisting of veterans of the radiology software industry, to complement eRAD's product portfolio. eRAD and the newly hired software development team form a Radiology Information Technology division of RadNet, under the leadership of Ranjan Jayanathan, RadNet's Chief Information Officer.

eRAD, Inc., headquartered in Greenville, South Carolina, has been a premier provider of Picture Archiving and Communications Systems (PACS) and related workflow solutions to the radiology industry since 1999. Over 250 hospitals, teleradiology businesses, imaging centers and specialty physician groups use eRAD's technology to distribute, visualize, store and retrieve digital images taken from all diagnostic imaging modalities. eRAD has approximately 30 employees, including a Research and Development team of 11 software engineers in Budapest, Hungary.

In addition, this newly formed technology division has assembled an industry leading team of software developers, based out of Prince Edward Island, Canada, to create Radiology workflow solutions. All members of this Canadian based team have significant software development expertise in radiology, and together with eRAD, will create fully integrated solutions to manage all aspects of RadNet's internal information needs.

Healthcare Reform Legislation

Healthcare reform legislation enacted in the first quarter of 2010 by the Patient Protection and Affordable Care Act or PPACA, specifically requires the U.S. Department of Health and Human Services, in computing physician practice expense relative value units, to increase the equipment utilization factor for advanced diagnostic imaging services (such as MRI, CT and PET) from a presumed utilization rate of 50% to 65% for 2010 through 2012, 70% in 2013, and 75% thereafter. Excluded from the adjustment are low-technology imaging modalities such as ultrasound, X-ray and fluoroscopy. The Health Care and Education Reconciliation Act of 2010 (H.R. 4872), which was passed by the Senate and approved by the President on March 30, 2010, amends the provision for higher presumed utilization of advanced diagnostic imaging services to a presumed rate of 75%. The higher utilization rate should be fully implemented beginning in 2011, in place of the phase-in approach provided in the PPACA. These changes may result in decreased revenue for the scans we perform for Medicare beneficiaries. Other changes in reimbursement for services rendered by Medicare Advantage plans may also reduce the revenues we receive for services rendered to Medicare Advantage enrollees.

Critical Accounting Policies

Use of Estimates

Our discussion and analysis of financial condition and results of operations are based on our consolidated financial statements that were prepared in accordance with U.S. generally accepted accounting principles, or GAAP. Management makes estimates and assumptions when preparing financial statements. These estimates and assumptions affect various matters, including:

- Our reported amounts of assets and liabilities in our consolidated balance sheets at the dates of the financial statements;

- Our disclosure of contingent assets and liabilities at the dates of the financial statements; and

- Our reported amounts of net revenue and expenses in our consolidated statements of operations during the reporting periods.

These estimates involve judgments with respect to numerous factors that are difficult to predict and are beyond management's control. As a result, actual amounts could materially differ from these estimates.

The Securities and Exchange Commission defines critical accounting estimates as those that are both most important to the portrayal of a company's financial condition and results of operations and require management's most difficult, subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. In Note 2 to our consolidated financial statements in our annual report on Form 10-K for fiscal year ended December 31, 2009, as amended, we discuss our significant accounting policies, including those that do not require management to make difficult, subjective or complex judgments or estimates. The most significant areas involving management's judgments and estimates are described below.

During the period covered in this report, there were no material changes to the critical accounting estimates we use, and have described, in our annual report on Form 10-K for the fiscal year ended December 31, 2009, as amended.

Revenue Recognition

Our consolidated net revenue consists of net patient fee for service revenue and revenue from capitation arrangements, or capitation revenue. Net patient service revenue is recognized at the time services are provided net of contractual adjustments based on our evaluation of expected collections resulting from the analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. The amount of expected collection is continually adjusted as more information is received and such adjustments are recorded in current operations. Contractual adjustments result from the differences between the rates charged for services performed and reimbursements by government-sponsored healthcare programs and insurance companies for such services. Capitation revenue is recognized as revenue during the period in which we were obligated to provide services to plan enrollees under contracts with various health plans. Under these contracts, we receive a per-enrollee amount each month covering all contracted services needed by the plan enrollees.

Accounts Receivable

Substantially all of our accounts receivable are due under fee-for-service contracts from third party payors, such as insurance companies and government-sponsored healthcare programs, or directly from patients. Services are generally provided pursuant to one-year contracts with healthcare providers. Receivables generally are collected within industry norms for third-party payors. We continuously monitor collections from our payors and maintain an allowance for bad debts based upon specific payor collection issues that we have identified and our historical experience.

Depreciation and Amortization of Long-Lived Assets

We depreciate our long-lived assets over their estimated economic useful lives with the exception of leasehold improvements where we use the shorter of the assets useful lives or the lease term of the facility for which these assets are associated.

Deferred Tax Assets

We evaluate the realizability of the net deferred tax assets and assess the valuation allowance periodically. If future taxable income or other factors are not consistent with our expectations, an adjustment to our allowance for net deferred tax assets may be required. For net deferred tax assets we consider estimates of future taxable income, including tax planning strategies in determining whether our net deferred tax assets are more likely than not to be realized.

Valuation of Goodwill and Long-Lived Assets

Management evaluates goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets," codified in FASB ASC Topic 350. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of a reporting unit is estimated using a combination of the income or discounted cash flows approach and the market approach, which uses comparable market data. If the carrying amount of the reporting unit exceeds its fair value, goodwill is considered impaired and a second step is performed to measure the amount of impairment loss, if any. We tested goodwill for impairment on October 1, 2009. Based on our review, we noted no impairment related to goodwill as of October 1, 2009. However, if estimates or the related assumptions change in the future, we may be required to record impairment charges to reduce the carrying amount of goodwill.

We evaluate our long-lived assets (property and equipment) and definite-lived intangibles for impairment whenever indicators of impairment exist. The accounting standards require that if the sum of the undiscounted expected future cash flows from a long-lived asset or definite-lived intangible is less than the carrying value of that asset, an asset impairment charge must be recognized. The amount of the impairment charge is calculated as the excess of the asset's carrying value over its fair value, which generally represents the discounted future cash flows from that asset or in the case of assets we expect to sell, at fair value less costs to sell.

Derivative Financial Instruments

The Company holds derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the variability of cash flows caused by movements in interest rates. The Company documents its risk management strategy and hedge effectiveness at the inception of the hedge, and, unless the instrument qualifies for the short-cut method of hedge accounting, over the term of each hedging relationship. The Company's use of derivative financial instruments is limited to interest rate swaps, the purpose of which is to hedge the cash flows of variable-rate indebtedness. The Company does not hold or issue derivative financial instruments for speculative purposes.

Results of Operations

The following table sets forth, for the periods indicated, the percentage that certain items in the statement of operations bears to net revenue.

RADNET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
NET REVENUE	100.0%	100.0%	100.0%	100.0%
OPERATING EXPENSES				
Cost of operations	76.1%	76.4%	77.2%	76.1%
Depreciation and amortization	9.3%	10.2%	10.0%	10.2%
Provision for bad debts	6.0%	6.3%	6.1%	6.3%
Loss on sale of equipment	0.3%	0.1%	0.2%	0.1%
Severance costs	0.1%	0.2%	0.2%	0.2%
Total operating expenses	91.9%	93.1%	93.6%	92.8%
INCOME FROM OPERATIONS	8.1%	6.9%	6.4%	7.2%
OTHER EXPENSES				
Interest expense	9.1%	9.3%	8.8%	9.8%
Loss on extinguishment of debt	0.0%	0.0%	2.4%	0.0%
Gain on bargain purchase	0.0%	0.0%	0.0%	-0.4%
Other expenses (income)	0.6%	0.0%	0.5%	0.1%
Total other expenses	9.7%	9.3%	11.7%	9.6%
LOSS BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF JOINT VENTURES	-1.6%	-2.4%	-5.4%	-2.4%
Provision for income taxes	-0.2%	-0.2%	-0.1%	-0.1%
Equity in earnings of joint ventures	1.6%	1.3%	1.5%	1.7%
NET LOSS	-0.2%	-1.3%	-4.0%	-0.7%
Net income attributable to noncontrolling interests	0.0%	0.0%	0.0%	0.0%
NET LOSS ATTRIBUTABLE TO RADNET, INC. COMMON STOCKHOLDERS	-0.2%	-1.3%	-4.0%	-0.7%

Three Months Ended September 30, 2010 Compared to the Three Months Ended September 30, 2009

Net Revenue

Net revenue for the three months ended September 30, 2010 was $140.1 million compared to $133.4 million for the three months ended September 30, 2009, an increase of $6.7 million, or 5.0%.

Net revenue, including only those centers which were in operation throughout the third quarters of both 2010 and 2009, decreased $3.5 million, or 2.6%. This 2.6% decrease is primarily the result of a decline in patient scheduling during the third quarter of 2010. This comparison excludes revenue contributions from centers that were acquired or divested subsequent to July 1, 2009. For the three months ended September 30, 2010, net revenue from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $10.4 million. For the three months ended September 30, 2009, net revenue from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $193,000.

Total Operating Expenses

Total operating expenses for the three months ended September 30, 2010 increased approximately $4.4 million, or 3.6%, from $124.3 million for the three months ended September 30, 2009 to $128.7 million for the three months ended September 30, 2010. The following table sets forth our total operating expenses for the three months ended September 30, 2010 and 2009 (in thousands):

	Three Months Ended September 30, 2010	2009
Salaries and professional reading fees, excluding stock-based compensation	$58,209	$55,001
Stock-based compensation	792	712
Building and equipment rental	12,453	10,896
Medical supplies	7,838	8,070
Other operating expenses *	27,342	27,245
Cost of operations	106,634	101,924
Depreciation and amortization	13,002	13,593
Provision for bad debts	8,458	8,386
Loss on sale of equipment	451	72
Severance costs	164	286
Total operating expenses	$128,709	$124,261

* Includes billing fees, office supplies, repairs and maintenance, insurance, business tax and license, outside services, utilities, marketing, travel and other expenses.

Salaries and professional reading fees, excluding stock-based compensation and severance

Salaries and professional reading fees, excluding stock-based compensation and severance, increased $3.2 million, or 5.8%, to $58.2 million for the three months ended September 30, 2010 compared to $55.0 million for the three months ended September 30, 2009.

Salaries and professional reading fees, including only those centers which were in operation throughout the third quarters of both 2010 and 2009, decreased $1.5 million, or 2.7%. This 2.7% decrease is primarily due to certain cost cutting measures completed during the third quarter of 2010. This comparison excludes contributions from centers that were acquired or divested subsequent to July 1, 2009. For the three months ended September 30, 2010, salaries and professional reading fees from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $4.8 million. For the three months ended September 30, 2009, salaries and professional reading fees from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $75,000.

Stock-based compensation

Stock-based compensation increased $80,000, or 11.2%, to $792,000 for the three months ended September 30, 2010 compared to $712,000 for the three months ended September 30, 2009.

Building and equipment rental

Building and equipment rental expenses increased $1.6 million, or 14.3%, to $12.5 million for the three months ended September 30, 2010 compared to $10.9 million for the three months ended September 30, 2009.

Building and equipment rental expenses, including only those centers which were in operation throughout the third quarters of both 2010 and 2009, increased $412,000, or 3.8%. This 3.8% increase is primarily due to an increase in equipment rent at certain existing centers for equipment we replaced through operating leases during the third quarter of 2010 that was previously held under capital leases. This comparison excludes contributions from centers that were acquired or divested subsequent to July 1, 2009. For the three months ended September 30, 2010, building and equipment rental expenses from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $1.2 million. For the three months ended September 30, 2009, building and equipment rental expenses from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $61,000.

Medical supplies

Medical supplies expense decreased $232,000, or 2.9%, to $7.8 million for the three months ended September 30, 2010 compared to $8.0 million for the three months ended September 30, 2009.

Medical supplies expense, including only those centers which were in operation throughout the third quarters of both 2010 and 2009, decreased $729,000, or 9.0%. This 9.0% decrease is primarily due to a change in vendors supplying certain drugs used in operating our Breastlink centers as well as obtaining certain rebates during the third quarter of 2010. This comparison excludes contributions from centers that were acquired or divested subsequent to July 1, 2009. For the three months ended September 30, 2010, medical supplies expense from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $500,000. For the three months ended September 30, 2009, medical supplies expense from centers that were acquired subsequent to July 1, 2009 and excluded from the above comparison was $3,000.

Depreciation and amortization

Depreciation and amortization decreased $591,000, or 4.3%, to $13.0 million for the three months ended September 30, 2010 compared to the same period last year. This 4.3% decrease is primarily due to certain depreciable assets becoming fully depreciated before the start of the third quarter of 2010.

Provision for bad debts

Provision for bad debts increased $72,000, or 0.9%, to $8.5 million, or 6.0% of net revenue, for the three months ended September 30, 2010 compared to $8.4 million, or 6.3% of net revenue, for the three months ended September 30, 2009.

Interest expense

Interest expense for the three months ended September 30, 2010 increased approximately $414,000, or 3.4%, to $12.8 million for the three months ended September 30, 2010 compared to $12.4 million for the three months ended September 30, 2009. Interest expense for the three months ended September 30, 2010 included $305,000 of amortization of Accumulated Other Comprehensive Loss associated with fair value adjustments to our interest rate swaps accumulated prior to April 6, 2010, the date of our debt refinancing. See “Liquidity and Capital Resources” below for more details on our debt refinancing. Interest expense for the three months ended September 30, 2009 included $1.8 million of amortization of Accumulated Other Comprehensive Loss associated with fair value adjustments accumulated prior to our January 28, 2009 modification of interest rate swaps. Excluding these adjustments to interest expense related to our interest rate swaps in both periods, interest expense increased $1.9 million, which was primarily due to interest on our additional borrowings under the debt refinancing completed April 6, 2010.

Other expenses

For the three months ended September 30, 2010 we recorded $821,000 of other expenses related to fair value adjustments on our interest rate swaps.

Equity in earnings from unconsolidated joint ventures

Equity in earnings from our unconsolidated joint ventures increased $531,000, or 30.3% to $2.3 million for the three months ended September 30, 2010 compared to $1.8 million for the three months ended September 30, 2009. The 30.3% increase is primarily due to the fact that a charge to net revenue was taken during the three months ended September 30, 2009, related to valuation adjustments of accounts receivable at September 30, 2009, with no such charge being taken during the three months ended September 30, 2010.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Net Revenue

Net revenue for the nine months ended September 30, 2010 was $403.2 million compared to $392.6 million for the nine months ended September 30, 2009, an increase of $10.7 million, or 2.7%.

Net revenue, including only those centers which were in operation throughout the first nine months of both 2010 and 2009, decreased $14.9 million, or 3.9%. This 3.9% decrease is primarily the result of a decline in patient scheduling during the first nine months of 2010, much of which was due to unusually severe weather conditions on the east coast during the first quarter of 2010. This comparison excludes revenue contributions from centers that were acquired or divested subsequent to January 1, 2009. For the nine months ended September 30, 2010, net revenue from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $31.6 million. For the nine months ended September 30, 2009, net revenue from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $6.0 million.

Total Operating Expenses

Total operating expenses for the nine months ended September 30, 2010 increased approximately $13.2 million, or 3.6%, from $364.4 million for the nine months ended September 30, 2009 to $377.6 million for the nine months ended September 30, 2010. The following table sets forth our total operating expenses for the nine months ended September 30, 2010 and 2009 (in thousands):

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Salaries and professional reading fees, excluding stock-based compensation	$171,637	$160,839
Stock-based compensation	2,820	2,936
Building and equipment rental	35,702	32,518
Medical supplies	22,708	24,529
Other operating expenses *	78,611	77,831
Cost of operations	311,478	298,653
Depreciation and amortization	40,153	39,979
Provision for bad debts	24,603	24,729
Loss on sale of equipment	606	375
Severance costs	731	643
Total operating expenses	$377,571	$364,379

* Includes billing fees, office supplies, repairs and maintenance, insurance, business tax and license, outside services, utilities, marketing, travel and other expenses.

Salaries and professional reading fees, excluding stock-based compensation and severance

Salaries and professional reading fees increased $10.8 million, or 6.7%, to $171.6 million for the nine months ended September 30, 2010 compared to $160.8 million for the nine months ended September 30, 2009.

Salaries and professional reading fees, including only those centers which were in operation throughout the first nine months of both 2010 and 2009, decreased $347,000, or 0.2%. This comparison excludes contributions from centers that were acquired or divested subsequent to January 1, 2009. For the nine months ended September 30, 2010, salaries and professional reading fees from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $13.3 million. For the nine months ended September 30, 2009, salaries and professional reading fees from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $2.2 million.

Stock-based compensation

Stock-based compensation decreased $116,000, or 4.0%, to $2.8 million for the nine months ended September 30, 2010 compared to $2.9 million for the nine months ended September 30, 2009. The decrease is primarily due to a larger number of options granted during the first half of 2009 that vested on the date of grant compared to the same period of 2010.

Building and equipment rental

Building and equipment rental expenses increased $3.2 million, or 9.8%, to $35.7 million for the nine months ended September 30, 2010 compared to $32.5 million for the nine months ended September 30, 2009.

Building and equipment rental expenses, including only those centers which were in operation throughout the first nine months of both 2010 and 2009, increased $342,000, or 1.1%. This comparison excludes contributions from centers that were acquired or divested subsequent to January 1, 2009. For the nine months ended September 30, 2010, building and equipment rental expenses from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $3.9 million. For the nine months ended September 30, 2009, building and equipment rental expenses from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $1.0 million.

Medical supplies

Medical supplies expense decreased $1.8 million, or 7.4%, to $22.7 million for the nine months ended September 30, 2010 compared to $24.5 million for the nine months ended September 30, 2009.

Medical supplies expenses, including only those centers which were in operation throughout the first nine months of both 2010 and 2009, decreased $2.9 million, or 12.1%. This 12.1% decrease is primarily due to a change in vendors supplying certain drugs used in operating our Breastlink centers as well as obtaining certain rebates during the first nine months of 2010. This comparison excludes contributions from centers that were acquired or divested subsequent to January 1, 2009. For the nine months ended September 30, 2010, medical supplies expense from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $1.3 million. For the nine months ended September 30, 2009, medical supplies expense from centers that were acquired subsequent to January 1, 2009 and excluded from the above comparison was $185,000.

Depreciation and amortization

Depreciation and amortization increased $174,000, or 0.4%, to $40.2 million for the nine months ended September 30, 2010 compared to the same period last year.

Provision for bad debts

Provision for bad debts decreased $126,000, or 0.5%, to $24.6 million, or 6.1% of net revenue, for the nine months ended September 30, 2010 compared to $24.7 million, or 6.3% of net revenue, for the nine months ended September 30, 2009.

Interest expense

Interest expense for the nine months ended September 30, 2010 decreased approximately $3.1 million, or 8.0%, to $35.4 million for the nine months ended September 30, 2010 compared to $38.5 million for the nine months ended September 30, 2009. Interest expense for the nine months ended September 30, 2010 included $611,000 of amortization of Accumulated Other Comprehensive Loss associated with fair value adjustments to our interest rate swaps accumulated prior to April 6, 2010, the date of our debt refinancing. See "Liquidity and Capital Resources" below for more details on our debt refinancing. Interest expense for the nine months ended September 30, 2009 included $4.9 million of amortization of Accumulated Other Comprehensive Loss associated with fair value adjustments accumulated prior to our January 28, 2009 modification of interest rate swaps. Excluding these adjustments to interest expense related to our interest rate swaps in both periods, interest expense increased $1.2 million. This increase was primarily due to interest expense on the additional borrowings under the debt refinancing completed April 6, 2010.

Loss on extinguishment of debt

For the nine months ended September 30, 2010, we recorded a $9.9 million loss on extinguishment of debt related to our debt refinancing completed on April 6, 2010. This loss included $7.6 million write-off of deferred loan costs associated with our GE debt settled on April 6, 2010 as well as approximately $2.3 million to settle a call premium associated with our prior credit facilities and for interest rate swap related expenses.

Other expenses

For the nine months ended September 30, 2010 we recorded $2.0 million of other expenses related to fair value adjustments on our interest rate swaps. For the nine months ended September 30, 2009 we recorded $823,000 of other income related to fair value adjustments on our interest rate swaps, offset by $1.2 million of other expense primarily related to litigation.

Gain on bargain purchase

On June 12, 2009, we acquired the assets and business of nine imaging centers located in New Jersey from Medical Resources, Inc.

In accordance with SFAS No. 141(R), any excess of fair value of acquired net assets over the acquisition consideration results in a gain on bargain purchase. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired, and liabilities assumed have been properly valued. The Company underwent such a reassessment, and as a result, recorded a gain on bargain purchase of approximately $1.4 million for the six months ended June 30, 2009.

We believe that the gain on bargain purchase resulted from various factors that impacted the sale of these New Jersey assets. The seller was performing a full liquidation of its assets for the benefit of its creditors. Upon liquidation of all of its assets, the seller intended to close its business. The New Jersey assets were the only remaining assets to be sold before a full wind-down of the seller's business could be completed. We believe that the seller was willing to accept a bargain purchase price from us in return for our ability to act more quickly and with greater certainty than any other prospective acquirer. The decline in the credit markets made it difficult for other acquirers who relied upon third party financing to complete the transaction. The relatively small size of the transaction for us, the lack of required third-party financing and our expertise in completing similar transactions in the past gave the seller confidence that we could complete the transaction expeditiously and without difficulty.

Income tax expense

For the nine months ended September 30, 2010 and 2009, we recorded $523,000 and $281,000, respectively, for income tax expense primarily related to taxable income generated in the states of Maryland and Delaware.

Equity in earnings from unconsolidated joint ventures

Equity in earnings from our unconsolidated joint ventures decreased $725,000, or 10.6% to $6.1 million for the nine months ended September 30, 2010 compared to $6.8 million for the nine months ended September 30, 2009. The 10.6% decrease is primarily due to an adjustment in collection rates during the first nine months of 2010, offset in part by the fact that a charge to net revenue was taken during the three months ended September 30, 2009 related to valuation adjustments of accounts receivable at September 30, 2009.

Adjusted EBITDA

We use both GAAP and non-GAAP metrics to measure our financial results. We believe that, in addition to GAAP metrics, these non-GAAP metrics assist us in measuring our cash generated from operations and ability to service our debt obligations. We believe this information is useful to investors and other interested parties because we are highly leveraged and our non-GAAP metrics removes non-cash and nonrecurring charges that occur in the affected period and provides a basis for measuring the Company's financial condition against other quarters.

One non-GAAP measure we believe assists us is Adjusted EBITDA. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization, each from continuing operations and exclude losses or gains on the disposal of equipment, other income or loss, loss on debt extinguishments, bargain purchase gains and non-cash equity compensation. Adjusted EBITDA includes equity earnings in unconsolidated operations and subtracts allocations of earnings to non-controlling interests in subsidiaries, and is adjusted for non-cash or extraordinary and one-time events taken place during the period.

Adjusted EBITDA is reconciled to its nearest comparable GAAP financial measure, net income (loss). Adjusted EBITDA is a non-GAAP financial measure used as an analytical indicator by us and the healthcare industry to assess business performance, and is a measure of leverage capacity and ability to service debt. Adjusted EBITDA should not be considered a measure of financial performance under GAAP, and the items excluded from Adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. As Adjusted EBITDA is not a measurement determined in accordance with GAAP and is therefore susceptible to varying methods of calculation, this metric, as presented, may not be comparable to other similarly titled measures of other companies.

The following is a reconciliation of GAAP net income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2010 and 2009, respectively:

	Three Months Ended September 30, 2010	2009
Net Loss Attributable to RadNet, Inc. Common Stockholders	$(285)	$(1,726)
Plus Provision for Income Taxes	317	231
Plus Other Expenses (Income)	821	(2)
Plus Interest Expense	12,781	12,367
Plus Severence Costs	164	286
Plus Loss on Sale of Equipment	451	72
Plus Depreciation and Amortization	13,002	13,593
Plus Non Cash Employee Stock Compensation	793	713
Adjusted EBITDA	$28,044	$25,534

	Nine Months Ended September 30, 2010	2009
Net Loss Attributable to RadNet, Inc. Common Stockholders	$(16,152)	$(2,904)
Plus Provision for Income Taxes	523	281
Plus Other Expenses	1,971	416
Plus Interest Expense	35,477	38,538
Plus Severence Costs	731	643
Plus Loss on Sale of Equipment	606	375
Plus Depreciation and Amortization	40,153	39,979
Plus Non Cash Employee Stock Compensation	2,820	2,936
Plus Loss on Extinguishment of Debt	9,871	-
Less Gain on Bargain Purchase	-	(1,387)

Adjusted EBITDA	$76,000	$78,877

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Liquidity and Capital Resources

We had a working capital balance of $29.5 million and $9.2 million at September 30, 2010 and December 31, 2009, respectively. We had a net loss attributable to RadNet, Inc.'s common stockholders of $285,000 and $1.7 million for the three months ended September 30, 2010 and 2009, respectively, and $16.2 million and $2.9 million for the nine months ended September 30, 2010 and 2009, respectively. $9.9 million of the loss in 2010 relates to extinguishment of debt which occurred on April 6, 2010. We also had an equity deficit of $87.5 million and $74.8 million at September 30, 2010 and December 31, 2009, respectively.

We operate in a capital intensive, high fixed-cost industry that requires significant amounts of capital to fund operations. In addition to operations, we require a significant amount of capital for the initial start-up and development expense of new diagnostic imaging facilities, the acquisition of additional facilities and new diagnostic imaging equipment, and to service our existing debt and contractual obligations. Because our cash flows from operations have been insufficient to fund all of these capital requirements, we have depended on the availability of financing under credit arrangements with third parties.

Our business strategy with regard to operations focuses on the following:

- maximizing performance at our existing facilities;
- focusing on profitable contracting;
- expanding MRI, CT and PET applications;
- optimizing operating efficiencies; and
- expanding our networks.

On April 6, 2010 we completed our debt refinancing plan for an aggregate of $585 million. The debt refinancing plan included the issuance of a $285 million senior secured term loan due April 6, 2016, a $100 million senior secured revolving credit facility due April 6, 2015 and $200 million in aggregate principal amount of senior unsecured notes due April 1, 2018 (the "Notes"). We used $412.0 million of the proceeds from the debt restructuring to pay off our prior credit facility and an additional $1.7 million to settle a call premium associated with our prior credit facilities. As a result of this refinancing, we recorded during the second quarter of 2010 a loss on extinguishment of debt of approximately $9.9 million which is made up of the $1.7 million call premium, $7.6 million write-off of deferred loan costs associated with the prior credit facility, as well as $600,000 of additional debt settlement costs.

At September 30, 2010, the balance of the senior secured term loan was approximately $283.6 million and the par value of our senior unsecured notes was $200.0 million.

Just prior to our refinancing discussed above, our outstanding indebtedness included a $242.0 million senior secured term loan B and a $170.0 million second lien term loan both with GE Commercial Finance Healthcare Financial Services originally entered into on November 15, 2006 (the "GE Credit Facility").

New Credit Agreement

Radnet Management, Inc., a wholly-owned subsidiary of RadNet, Inc., entered into a new Credit and Guaranty Agreement (the "New Credit Agreement") pursuant to which we obtained $385 million in senior secured bank financing, consisting of a $285 million, six-year term loan facility and a $100 million, five-year revolving credit facility (the New Credit Facilities). In connection with the New Credit Facilities, Radnet Management, Inc., terminated the GE Credit Facility.

Interest. The New Credit Facilities bear interest through maturity at a rate determined by adding the applicable margin to either (a) the Base Rate, which is the highest of the (i) Prime Rate, (ii) the rate which is 0.5% in excess of the Federal Funds Effective Rate, (iii) 3.00% and (iv) 1.00% in excess of the one-month Adjusted Eurodollar Rate at such time, or (b) the Adjusted Eurodollar Rate, which is the higher of (i) the London interbank offered rate, adjusted for statutory reserve requirements, for the respective interest period, as determined by the administrative agent and (ii) 2.00%. Applicable margin means (i) (a) with respect to Tranche B Term Loans that are Eurodollar Rate Loans, 3.75% per annum and (b) with respect to Tranche B Term Loans that are Base Rate Loans, 2.75% per annum; and (ii) (a) with respect to Revolving Loans that are Eurodollar Rate Loans, 3.75% per annum and (b) with respect to Revolving Loans and Swing Line Loans that are Base Rate Loans, 2.75% per annum.

Payments. Commencing on June 30, 2010, we are required to make quarterly amortization payments on the term loan facility, each in the amount of $712,500, with the remaining principal balance paid at maturity. Under the New Credit Agreement, we are also required to make mandatory prepayments, subject to specified exceptions, from Consolidated Excess Cash Flow, and upon certain events, including, but not limited to, (i) the receipt of net cash proceeds from the sale or other disposition of any property or assets by us or any of our subsidiaries, (ii) the receipt of net cash proceeds from insurance or condemnation proceeds paid on account of any loss of any property or assets of us or any of our subsidiaries, (iii) the receipt of net cash proceeds from the incurrence of indebtedness by us or any of our subsidiaries (other than certain indebtedness otherwise permitted under the loan documents relating to the New Credit Facilities) and (iv) the receipt of net cash proceeds by us or any of our subsidiaries from Extraordinary Receipts, as defined in the New Credit Agreement.

Guarantees and Collateral. The obligations under the New Credit Facilities are guaranteed by us, all of our current and future wholly-owned domestic restricted subsidiaries and certain of our affiliates. The obligations under the New Credit Facilities and the guarantees are secured by a perfected first priority security interest in all of Radnet Management's and the guarantors' tangible and intangible assets, including, but not limited to, pledges of equity interests of Radnet Management and all of our current and future domestic subsidiaries.

Restrictive Covenants. In addition to certain customary covenants, the New Credit Agreement places limits on our ability to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, engage in mergers, acquisitions and asset sales, enter into transactions with affiliates and alter the business we and our subsidiaries currently conduct.

Financial Covenants. The New Credit Agreement contains financial covenants including a minimum interest coverage ratio, a maximum total leverage ratio and a limit on annual capital expenditures. Failure to comply with these covenants could permit the lenders under the New Credit Facilities to declare all amounts borrowed, together with accrued interest and fees, to be immediately due and payable.

Events of Default. In addition to certain customary events of default, events of default under the New Credit Facilities include failure to pay principal or interest when due, a material breach of any representation or warranty contained in the loan documents, covenant defaults, events of bankruptcy and a change of control.

Senior Unsecured Notes

Also on April 6, 2010, we issued $200 million in aggregate amount of senior unsecured Notes which have a coupon of 10.375% and were issued at a price of 98.680%. The Notes were issued by Radnet Management, Inc. and guaranteed jointly and severally on a senior unsecured basis by us and all of our current and future wholly-owned domestic restricted subsidiaries. The Notes were offered and sold in a private placement exempt from registration under the Securities Act to qualified institutional buyers pursuant to Rule 144A and Regulation S under the Securities Act. The Notes will mature on April 1, 2018, and bear interest at the rate of 10.375% per year. We will pay interest on the Notes on April 1 and October 1, commencing October 1, 2010. The Notes are governed under an indenture agreement with U.S. Bank National Association as trustee. We have agreed to file a registration statement with the Securities and Exchange Commission relating to an offer to exchange the Notes for registered publicly tradable notes that have substantially identical terms as the Notes. On August 30, 2010, we filed a registration statement on Form S-4 with the Securities and Exchange Commission relating to the offer to exchange the Notes. The registration statement has not yet been declared effective.

Ranking. The Notes and the guarantees:

- rank equally in right of payment with any existing and future unsecured senior indebtedness of the guarantors;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Guarantors;
- are effectively subordinated in right of payment to any secured indebtedness of the guarantors (including indebtedness under the New Credit Facilities) to the extent of the value of the assets securing such indebtedness; and
- are structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of the Company’s subsidiaries that is not a guarantor of the Notes.

Optional Redemption. Radnet Management may redeem the Notes, in whole or in part, at any time on or after April 1, 2014, at the redemption prices specified under the Indenture. Prior to April 1, 2013, we may redeem up to 35% of aggregate principal amount of the Notes issued under the Indenture from the net proceeds of one or more equity offerings at a redemption price equal to 110.375% of the Notes redeemed, plus accrued and unpaid interest, if any. Radnet Management is also permitted to redeem the Notes prior to April 1, 2014, in whole or in part, at a redemption price equal to 100% of the principal amount redeemed, plus a make-whole premium and accrued and unpaid interest, if any.

Change of Control and Asset Sales. If a change in control of Radnet Management occurs, Radnet Management must give holders of the Notes the opportunity to sell their Notes at 101% of their face amount, plus accrued interest. If we or one of our restricted subsidiaries sells assets under certain circumstances, Radnet Management will be required to make an offer to purchase the Notes at their face amount, plus accrued and unpaid interest to the purchase date.

Restrictive Covenants. The Indenture contains covenants that limit, among other things, the ability of us and our restricted subsidiaries, to:

· pay dividends or make certain other restricted payments or investments;

· incur additional indebtedness and issue preferred stock;

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

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

· enter into certain transactions with affiliates;

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

· create guarantees of indebtedness by restricted subsidiaries.

However, these limitations are subject to a number of important qualifications and exceptions, as described in the Indenture.

Sources and Uses of Cash

Cash provided by operating activities was $50.2 million for the nine months ended September 30, 2010 and $50.3 million for the nine months ended September 30, 2009.

Cash used in investing activities was $67.6 million and $26.4 million for the nine months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010, we purchased property and equipment for approximately $33.1 million and acquired the assets and businesses of additional imaging facilities for approximately $34.6 million.

Cash provided by financing activities was $31.8 million for the nine months ended September 30, 2010 compared to cash used in financing activities of $22.7 million for the nine months ended September 30, 2009. The cash provided by financing activities for the nine months ended September 30, 2010 was primarily related to our debt refinancing completed on April 6, 2010.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Foreign Currency Exchange Risk. We sell our services exclusively in the United States and receive payment for our services exclusively in United States dollars. As a result, our financial results are unlikely to be affected by factors such as changes in foreign currency, exchange rates or weak economic conditions in foreign markets.

Interest Rate Sensitivity. A large portion of our interest expense is not sensitive to changes in the general level of interest in the United States because the majority of our indebtedness has interest rates that were fixed when we entered into the note payable or capital lease obligation. Our credit facility however, which is classified as a long-term liability on our financial statements, is interest expense sensitive to changes in the general level of interest in the United States because it is based upon an index rate plus a factor.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information is: (1) gathered and communicated to our management, including our principal executive and financial officers, on a timely basis; and (2) recorded, processed, summarized, reported and filed with the SEC as required under the Securities Exchange Act of 1934, as amended.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2010. Based on such evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective for their intended purpose described above.

Changes in Internal Control over Financial Reporting

No changes were made in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recent fiscal quarter that has materially affected, or is likely to materially affect, our internal control over financial reporting.

Limitations on Disclosure Controls and Procedures.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any design may not succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

ITEM 1 Legal Proceedings

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our business. We believe that the outcome of our current litigation will not have a material adverse impact on our business, financial condition and results of operations. However, we could be subsequently named as a defendant in other lawsuits that could adversely affect us.

ITEM 1A Risk Factors

In addition to the other information set forth in this report, we urge you to carefully consider the factors discussed in Part I, “Item 1A Risk Factors” in our Form 10-K for the year ended December 31, 2009, as amended, and the factors discussed in Part II, "Item 1A Risk Factors" in our Form 10-Q for the quarter ended March 31, 2010 and June 30, 2010, which could materially affect our business, financial condition and results of operations. The risks described below and in our Form 10-K, as amended, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial

ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

None

ITEM 3 Defaults Upon Senior Securities

None

ITEM 4 Removed and Reserved

ITEM 5 Other Information

None

ITEM 6 Exhibits

The list of exhibits filed as part of this report is incorporated by reference to the Index to Exhibits at the end of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RADNET, INC.

(Registrant)

Date: November 9, 2010	By:	/s/ Howard G. Berger, M.D. Howard G. Berger, M.D., President and Chief Executive Officer (Principal Executive Officer)
Date: November 9, 2010	By:	/s/ Mark D. Stolper Mark D. Stolper, Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
10.14*+	Credit Agreement, dated as November 15, 2006, among Radnet Management, Inc., the Credit Parties designated therein, General Electric Capital Corporation, as Agent, the lenders described therein, and GE Capital Markets, Inc.
10.15*+	Amendment No. 1 of Credit Agreement with General Electric Capital dated April 2007.
10.16*+	Amendment No. 2 of Credit Agreement with General Electric Capital dated May 2007.
10.17*+	Amendment No. 3 of Credit Agreement with General Electric Capital Corporation dated August 2007.
10.18*+	Amendment No. 4 of Credit Agreement with General Electric Capital Corporation dated November 2007.
10.19*+	Amendment No. 5 of Credit Agreement with General Electric Capital Corporation dated February 2008.
10.20*+	Amendment No. 6 of Credit Agreement with General Electric Capital Corporation dated April 2008.
10.21*+	Second Lien Credit Agreement, dated as of November 15, 2006, among Radnet Management, Inc., the Credit Parties designated therein, General Electric Capital Corporation, as Agent, the Lenders described therein, and GE Capital Markets, Inc.
10.22*+	Amendment of Second Lien Credit Agreement with General Electric Capital Corporation dated May 2007.
10.23*+	Amendment of Second Lien Credit Agreement with General Electric Capital Corporation dated August 2007.
10.24*+	Amendment of Second Lien Credit Agreement with General Electric Capital Corporation dated November 2007.
10.26*+	Second Lien Guaranty, dated as of November 15, 2006, by and among the Guarantors identified therein and General Electric Capital Corporation.
10.27*+	Pledge Agreement, dated as of November 15, 2006, by and among the Pledgors identified therein and General Electric Capital Corporation.
10.28*+	Security Agreement, dated as of November 15, 2006, by and among the Grantors identified therein and General Electric Capital Corporation.
10.29*+	Second Lien Security Agreement, dated as of November 15, 2006, by and among the Grantors identified therein and General Electric Capital Corporation.

10.30*	Commitment and Term Loan Engagement Letter dated March 12, 2010.
10.31*	Credit and Guaranty Agreement, dated as of April 6, 2010, among Radnet Management, Inc., as borrower, RadNet, Inc., certain subsidiaries and affiliates of Radnet Management, Inc., as guarantors, Barclays Capital, Deutsche Bank Securities Inc., GE Capital Markets, Inc. and Royal Bank of Canada, as joint bookrunners and joint lead arrangers, Deutsche Bank Securities Inc. and General Electric Capital Corporation, as co-syndication agents, RBC Capital Markets, as documentation agent, and Barclays Bank PLC, as administrative agent and collateral agent.

31.1	Certification of Howard G. Berger, M.D. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mark D. Stolper pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 of Howard G. Berger, M.D.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 of Mark D. Stolper.

* These exhibits are being filed to correct a previously filed version of the exhibit which did not include complete copies of conformed signature pages, schedules or exhibits to the agreement.

+ This agreement has expired and is of no further force and effect.