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RADIOLOGIX INC
Form 10-Q
August 14, 2001

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

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

(MARK ONE)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED
JUNE 30, 2001
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM _____

COMMISSION FILE NO. 0-23311

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

DELAWARE
(State or other jurisdiction
of incorporation or
organization)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No

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

Class	Outstanding at July 31, 2001
COMMON STOCK, \$0.0001 PAR VALUE	19,507,428 SHARES

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FORM 10-Q ITEM

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RADIOLOGIX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

ASSETS

JUNE 30, 2001 (UNAUDITED)

CURRENT ASSETS:

Table with 2 columns: Asset description and Amount. Row 1: Cash and cash equivalents, \$ 463. Row 2: Accounts receivable, net of allowances, 71,715.

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Due from affiliates	5,344
Income tax receivable	1,406
Other current assets.....	9,454

Total current assets.....	88,382
PROPERTY AND EQUIPMENT, net of accumulated depreciation.....	51,198
INVESTMENTS IN JOINT VENTURES.....	7,584
INTANGIBLE ASSETS, net.....	96,765
DEFERRED FINANCING COSTS, net.....	5,914
OTHER ASSETS.....	11,053

Total assets.....	\$ 260,896
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses.....	\$ 22,117
Accrued physician retention.....	11,927
Accrued salaries and benefits.....	6,464
Current portion of LTD, revolving credit facility.....	23,496
Current portion of capital lease obligations.....	5,464

Total current liabilities.....	69,468
DEFERRED INCOME TAXES.....	4,096
LONG-TERM DEBT, net of current portion.....	871
CAPITAL LEASE OBLIGATIONS, net of current portion.....	8,763
LONG-TERM DEBT, REVOLVING CREDIT FACILITY.....	137,547
OTHER LIABILITIES.....	1,579

Total liabilities.....	222,324
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES.....	1,402
STOCKHOLDERS' EQUITY:	
Common stock.....	2
Additional paid-in capital.....	(579)
Retained earnings	37,747

Total stockholders' equity.....	37,170

Total liabilities and stockholders' equity.....	\$ 260,896
	=====

See accompanying notes to unaudited condensed consolidated financial statements.

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RADIOLOGIX, INC. AND SUBSIDIARIES

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

FOR THE THREE MONTHS
ENDED JUNE 30,
2001 2000

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(UNAUDITED)

SERVICE FEE REVENUES.....	\$ 68,236	\$ 61,783
COSTS AND EXPENSES:		
Salaries and benefits.....	18,679	16,011
Field supplies.....	4,065	3,418
Field rent and lease expense.....	8,538	7,596
Other field expenses.....	11,493	10,321
Bad debt expense.....	6,326	5,253
Corporate general and administrative.....	3,540	2,944
Depreciation and amortization.....	5,863	5,544
Interest expense, net.....	4,102	4,275
	-----	-----
INCOME BEFORE TAXES, MINORITY		
INTERESTS IN CONSOLIDATED SUBSIDIARIES		
AND EQUITY IN EARNINGS OF INVESTMENTS.....	5,630	6,421
EQUITY IN EARNINGS OF INVESTMENTS.....	1,234	1,115
MINORITY INTERESTS IN INCOME OF		
CONSOLIDATED SUBSIDIARIES.....	(278)	(228)
	-----	-----
INCOME BEFORE TAXES.....	6,586	7,308
INCOME TAX EXPENSE.....	2,634	2,923
	-----	-----
NET INCOME	\$ 3,952	\$4,385
	=====	=====
NET INCOME PER COMMON SHARE		
Basic	\$ 0.20	\$ 0.22
Diluted	\$ 0.19	\$ 0.21
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	19,507	19,502
Diluted	22,047	22,067

See accompanying notes to unaudited condensed consolidated financial statements.

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

FOR THE THREE MONTHS
ENDED JUNE 30,
2001 2000

(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 3,952	\$4,385
Adjustments to reconcile net income to net cash		

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Minority interests.....	278	228
Depreciation and amortization.....	5,863	5,544
Equity in earnings of investments.....	(1,234)	(1,115)
Changes in assets and liabilities		
Accounts receivable, net.....	(311)	(3,660)
Other receivables and current assets.....	496	(2,036)
Accounts payable and accrued expenses.....	2,125	4,912
	-----	-----
Net cash provided by operating activities.....	11,169	8,258
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment.....	(1,267)	(4,370)
Cash paid for acquisitions.....	--	(1,890)
Distributions to joint ventures.....	(167)	(584)
Distributions from joint ventures.....	1,431	686
Other investments.....	(2,680)	--
	-----	-----
Net cash used in investing activities.....	(2,683)	(6,158)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance (payments on) long-term debt.....	(19,453)	(3,566)
Payments on capital leases.....	(1,430)	(1,226)
Financing costs.....	(188)	--
Other.....	--	4
	-----	-----
Net cash provided by (used in) financing activities.....	(21,071)	(4,788)
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH		
EQUIVALENTS.....	(12,585)	(2,688)
CASH AND CASH EQUIVALENTS, beginning of period.....	13,048	8,021
	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 463	\$5,333
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

RADIOLOGIX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL:

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

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health care treatment decisions.

As of June 30, 2001, the Company owns, operates or maintains an ownership interest in imaging equipment at 122 locations and provides management services to ten contracted radiology practices. The Company's imaging centers are located in 18 states and the District of Columbia, with concentrated geographic coverage in markets located in California, Florida, Illinois, Kansas, Maryland, New York, Pennsylvania, Texas, Virginia and Washington, D.C.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

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

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") becomes effective for the Company on January 1, 2002. SFAS No. 142 requires that goodwill and other intangible assets with an indefinite useful life no longer be amortized as expenses of operations, but rather carried on the balance sheet as permanent assets. These intangible assets are to be subject to at least annual assessments for impairment by applying a fair-value-based test. Amortization of goodwill and other indefinite-lived intangible assets amounted to \$624,900 (\$374,900 on an after-tax basis) for the first six months of 2001 and is projected to amount to \$1,249,800 (\$749,900 on an after-tax basis) for the full year of 2001. These expense amounts, under SFAS 142, will not be recorded in years after 2001. The Company is developing plans to determine fair values of its operations in which goodwill and other indefinite-lived intangibles have been recorded and will assess whether an impairment charge is warranted as of January 1, 2002 or at any other assessment dates. The Company's service agreements, included in the consolidated balance sheets as intangible assets, net, are not considered to have an indefinite useful life and will continue to be amortized over a useful life of 25 years.

Service Fee Revenues

Service fee revenues represent contracted radiology practices revenue less amounts retained by contracted radiology practices. The amounts retained by contracted radiology practices represent amounts paid to the contracted radiology practices pursuant to the service agreements between the Company and the contracted radiology practices. Under the service agreements, the Company provides each physician group with the facilities and equipment used in its medical practice, assumes responsibility for the

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management of the operations of the practice, and employs substantially all of the non-physician personnel utilized by the group. The Company assists in negotiating managed care contracts for the contracted radiology practices.

The following table sets forth the amounts of revenue for the contracted radiology practices and diagnostic imaging centers that would have been presented in the consolidated statements of income had Radiologix met the provisions of the Financial Accounting Standards Board's Emerging Issues Task Force's abstract, Issue 97-2, "Application of FASB Statement No. 94 and Accounting Principles Board ("APB") Opinion No. 16 to Physician Practice Management Entities and Certain Other Entities with Contractual Arrangements" (in thousands):

	For the Three Months Ended June 30,		For th
	2001	2000	2001
	-----	-----	-----
Revenue for contracted radiology practices and diagnostic imaging centers, net of contractual allowances.....	\$ 97,153	\$ 86,262	\$ 189,4
Less: amounts retained by contracted radiology practices.....	(28,917)	(24,479)	(55,2
	-----	-----	-----
Service fee revenue, as reported.....	\$ 68,236	\$ 61,783	\$ 134,1
	=====	=====	=====

The Company's service fee revenue is dependent upon the operating results of the contracted radiology practices. Where state law allows, service fees due under the service agreements are derived from two distinct revenue streams: (1) a negotiated percentage (typically 20% to 30%) of the adjusted professional revenues as defined in the service agreement; and (2) 100% of the adjusted technical revenues as defined in the service agreements. In states where the law requires a flat fee structure, the Company has negotiated a base service fee, which is equal to the fair market value of the services provided under the service agreement and which is renegotiated each year to equal the fair market value of the services provided under the service agreement. The fixed fee structure results in the Company receiving substantially the same amount of service fee as it would have received under its negotiated percentage fee structure. Adjusted professional revenues and adjusted technical revenues are determined by deducting certain contractually agreed-upon expenses (non-physician salaries and benefits, rent, depreciation, insurance, interest and other physician costs) from the contracted radiology practices' revenue. Service fee revenues of the Company's subsidiary, Questar Imaging, Inc. ("Questar") are primarily derived from technical revenues generated from those imaging centers.

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

	For the Three Months Ended June 30,		For th
	2001	2000	200
	-----	-----	-----

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Professional component.....	\$ 15,986	\$13,873	\$ 31,
Technical component.....	52,250	47,910	102,
	-----	-----	-----
	\$ 68,236	\$61,783	\$134,
	=====	=====	=====

3. LONG TERM DEBT

On March 30, 2001, the Company and the existing bank group amended the bank credit facility. Under the terms of the amended credit facility, the \$160,000,000 of borrowings consist of a \$100,000,000 Term Loan and a \$60,000,000 revolving credit facility, including a \$5,000,000 Swing Line Facility. Under the amendment, on June 29, 2001, the Company made a \$4,000,000 scheduled principal installment. Scheduled principal installments for the fiscal year ended 2001 have been reduced from \$47,100,000 under the prior amended agreement to \$12,000,000 under the new amendment. Scheduled principal installments through June 30, 2002 consist of four quarterly installments as follows: 1) \$4,000,000 on September 30, 2001, 2) \$4,000,000 on December 31, 2001, 3) \$6,000,000 on March 31, 2002 and 4) \$9,000,000 on June 30, 2002. Each of the facilities will terminate on November 26, 2003. The interest rate is (i) an adjusted LIBOR rate, plus an applicable margin which can vary from 3.00% to 4.00% dependent on certain financial ratios or (ii) the prime rate, plus an applicable margin which can vary from 2.00% to 3.00%. In each case, the applicable margin varies based on financial ratios maintained by the Company. The credit facility includes certain restrictive covenants including prohibitions on the payment of dividends, limitations on capital expenditures

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and the maintenance of certain financial ratios (including maximum fixed charge coverage ratio and maximum leverage ratio, as defined). At June 30, 2001, the Company was in compliance with the covenants under the credit facility's restrictive covenants. Borrowings under the credit facility are secured by all service agreements, which the Company is, or becomes a party to, a pledge of the stock of the Company's subsidiaries, and all of the Company's and its wholly-owned subsidiaries' assets.

The Company has a \$20,000,000 convertible junior subordinated note, which matures July 31, 2009, and bears interest, payable quarterly in cash or payment in kind securities, at an annual rate of 8.0%. At August 1, 2001, the convertible junior subordinated note was convertible into Radiologix's common stock at the price of \$7.52 per share. If by August 1, 2002 or August 1, 2003 the closing price of Radiologix's common stock has not averaged \$8.625 for 45 of the 60 days of the determination period, the interest rate will be increased to 8.25% and 8.5%, respectively.

4. EARNINGS PER SHARE:

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

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For the three months ended June 30, 2001 and 2000, under the "if converted" method, approximately \$277,000 and \$256,000, respectively, of tax effected interest savings and 2,318,841 weighted average shares were included in the calculation of diluted EPS as an addition to net income and weighted average shares outstanding, respectively. For the three months ended June 30, 2001 and 2000, 221,099 and 246,618 shares, respectively, related to stock options were included in the calculation of diluted EPS.

For the six months ended June 30, 2001 and 2000, under the "if converted" method, approximately \$546,000 and \$507,000, respectively, of tax effected interest savings and 2,318,841 weighted average shares were included in the calculation of diluted EPS as an addition to net income and weighted average shares outstanding, respectively. For the six months ended June 30, 2001 and 2000, 268,412 and 274,447 shares, respectively, related to stock options were included in the calculation of diluted EPS.

5. SEGMENT REPORTING:

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

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

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The following is a table, which summarizes the operating results and assets by the Company's five reportable segments:

	FOR THE SIX MONTHS ENDED JUNE 30, 2001 (IN THOUSANDS)			
	Mid-Atlantic Region(1)	Northeastern Region(2)	Central Region(3)	Western Region(4)
Service fee revenues	\$ 53,580	30,122	17,005	16,528
Operating expenses	\$ 37,221	22,216	11,108	12,843
Contribution	\$ 16,359	7,906	5,897	3,685
Contribution margin	30.5%	26.2%	34.7%	22.3%
Equity in earnings of investments	\$ 1,967	--	759	--
Minority interests	\$ (320)	--	(226)	--
Depreciation and amortization expense	\$ 3,294	1,481	719	1,351
Interest expense	\$ 852	355	198	286
Income before taxes	\$ 13,860	6,070	5,513	2,048
Assets	\$ 54,910	41,996	23,423	19,122
Purchases of property				

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Income before taxes	\$ 12,416 =====	\$ 14,093 =====
---------------------	--------------------	--------------------

	For the Six Months Ended June 30, (in thousands)	
Expenditures:	2001	2000
Segment purchases of property and equipment	\$ 3,480	\$ 7,290
Corporate purchases of property and equipment expenditures	104	388
Total purchases of property and equipment expenditures	\$ 3,584 =====	\$ 7,678 =====

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

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

OVERVIEW

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

As of June 30, 2001, Radiologix's 122 owned or operated imaging centers are located in 18 states and the District of Columbia, with concentrated geographic coverage in markets located in California, Florida, Illinois, Kansas, Maryland, New York, Pennsylvania, Texas, Virginia and Washington D.C.

RESULTS OF OPERATIONS

The Company focuses on the results of operations through the division of its contracted radiology practices into four designated regions of the United States: Mid - Atlantic, Northeastern, Central, and Western regions. In addition, the Company focuses on the operations of the imaging centers of its subsidiary, Questar Imaging, Inc. ("Questar"). The Company's operations in the each of the

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

The operating margin for the Mid-Atlantic was 30.5% and 34% for the six months ended June 30, 2001 and 2000, respectively. This decrease in the operating margin was primarily a result of the Company acquiring more of its new radiology equipment through leases during the third and fourth quarters of 2000 as an alternative to purchasing such equipment. The operating margin of the Northeastern region was 26.2% and 29% for the six months ended June 30, 2001 and 2000, respectively, and declined between periods as a result of a decrease in the fixed fee recognized at one of the New York practices. The operating margin of the Central region was 34.7% and 37% for the six months ended June 30, 2001 and 2000, respectively. This decrease in the operating margin between periods was partially due to the higher cost of certain radiology supplies related to specialty procedures, which increased in volume during 2001. The operating margin for the Western region was 22.3% and 28% for the six months ended June 30, 2001 and 2000, respectively. This decrease in the operating margin between periods was primarily a result of continued managed care pressures and the impact of economic changes related to increased salary costs. The operating margin for Questar was 16.9% and 23% for the six months ended June 30, 2001 and 2000, respectively. This decrease was a result of additional costs, such as maintenance agreements, associated with operating the facilities.

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THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

Service Fee Revenues

Service fee revenues increased \$6,453,000 or 10.4% for the three months ended June 30, 2001 to \$68,236,000 from \$61,783,000 for the three months ended June 30, 2000. The increase is primarily attributable to an increase in volume. In addition, the increase in service fee revenues is attributable to the additional imaging centers of Questar, which were acquired or developed during the latter part of, or subsequent to, the first or second quarter of 2000.

Field Salaries and Benefits

Salaries and benefits increased \$2,668,000 or 16.7% for the three months ended June 30, 2001 to \$18,679,000 from \$16,011,000 for the three months ended June 30, 2000. As a percentage of service fee revenues, these costs were 27.4% and 25.9% in 2001 and 2000, respectively. The increase is partially due to the additional imaging centers of Questar, which were acquired or developed during the latter part of, or subsequent to, the first quarter or second quarter of 2000. In addition, increased benefit costs, as well as some effect of increased wage costs experienced in certain markets, contributed to the higher salaries and benefits.

Field Supplies

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Supplies increased \$647,000 or 18.9% for the three months ended June 30, 2001 to \$4,065,000 from \$3,418,000 for the three months ended June 30, 2000. As a percentage of service fee revenues, these costs were 6.0% and 5.5% in 2001 and 2000, respectively. The increase in supplies as a percentage of service fee revenues is partially attributable to an increase in volume of specialty procedures, which have a higher cost of supplies.

Field Rent and Lease Expense

Rent and lease expense increased \$942,000 or 12.4% for the three months ended June 30, 2001 to \$8,538,000 from \$7,596,000 for the three months ended June 30, 2000. As a percentage of service fee revenues, these costs were 12.5% and 12.3% in 2001 and 2000, respectively. The increase is primarily the result of additional equipment operating leases entered into during the third and fourth quarters of 2000, as well as the additional expense incurred from the Questar imaging centers as noted above.

Other Field Expenses

Other field expenses, which include repairs and maintenance, equipment service contracts, utilities and communication costs, increased \$1,172,000 or 11.4% in the three months ended June 30, 2001 to \$11,493,000 from \$10,321,000 for the three months ended June 30, 2000. As a percentage of service fee revenues, these costs were 16.8% and 16.7% in 2001 and 2000, respectively. The increase is a result of costs associated with the increased service fee revenues from existing facilities as well as the additional expense incurred from the Questar imaging centers as noted above.

Bad Debt Expense

Bad debt expense increased \$1,073,000 or 20.4% for the three months ended June 30, 2001 to \$6,326,000 from \$5,253,000 for the three months ended June 30, 2000. This increase is primarily attributable to the increase in revenue from contracted radiology practices and diagnostic imaging centers. As a percentage of such revenues, bad debt expense was 6.5% and 6.1% in 2001 and 2002, respectively. As a percentage of service fee revenues, these costs were 9.3% and 8.5% in 2001 and 2000, respectively.

Corporate General and Administrative

Corporate general and administrative expenses increased \$596,000 or 20.2% for the three months ended June 30, 2001 to \$3,540,000 from \$2,944,000 for the three months ended June 30, 2000. As a percentage of service fee revenues, these costs were 5.2% and 4.8% in 2001 and 2000, respectively.

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Depreciation and Amortization

Depreciation and amortization increased \$319,000 or 5.8% for the three months ended June 30, 2001 to \$5,863,000 from \$5,544,000 for the three months ended June 30, 2000. The increase is primarily due to higher amortization costs.

Interest Expense, net

Interest expense, net decreased \$173,000 or 4.0% for the three months ended June 30, 2001 to \$4,102,000 from \$4,275,000 for the three months ended June 30, 2000. The slight decrease is a result of the declining level of debt outstanding and the lower interest rates.

Income Taxes

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The Company's effective tax rate for the three months ended June 30, 2001 and 2000 was 40%.

Net Income

As a result of the foregoing factors, the Company generated net income of \$3,952,000 for the three months ended June 30, 2001, or diluted income per share of \$0.19 on 22,047,000 shares outstanding, compared to net income of \$4,385,000 for the three months ended June 30, 2000, or diluted income per share of \$0.21 on 22,067,000 shares outstanding.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Service Fee Revenues

Service fee revenues increased \$13,117,000 or 10.8% for the six months ended June 30, 2001 to \$134,147,000 from \$121,030,000 for the six months ended June 30, 2000. The increase is primarily attributable to an increase in volume. In addition, the increase in service fee revenues is attributable to the additional imaging centers of Questar, which were acquired or developed during the latter part of, or subsequent to, the first quarter or second quarter of 2000.

Field Salaries and Benefits

Salaries and benefits increased \$5,679,000 or 18.1% for the six months ended June 30, 2001 to \$37,108,000 from \$31,429,000 for the six months ended June 30, 2000. As a percentage of service fee revenues, these costs were 27.7% and 26.0% in 2001 and 2000, respectively. The increase is partially due to the additional imaging centers of Questar, which were acquired or developed during the latter part of, or subsequent to, the first quarter or second quarter of 2000. In addition, increased benefit costs, as well as some effect of increased wage costs experienced in certain markets, contributed to the higher salaries and benefits.

Field Supplies

Supplies increased \$1,329,000 or 20.2% for the six months ended June 30, 2001 to \$7,907,000 from \$6,578,000 for the six months ended June 30, 2000. As a percentage of service fee revenues, these costs were 5.9% and 5.4% in 2001 and 2000, respectively. The increase in supplies is partially attributable to an increase in volume of specialty procedures, which have a higher cost of supplies.

Field Rent and Lease Expense

Rent and lease expense increased \$2,099,000 or 14.3% for the six months ended June 30, 2001 to \$16,766,000 from \$14,667,000 for the six months ended June 30, 2000. As a percentage of service fee revenues, these costs were 12.5% and 12.1% in 2001 and 2000, respectively. The increase is primarily the result of the additional equipment operating leases entered into during the third and fourth quarters of 2000, as well as the additional expense incurred from the Questar imaging centers as noted above.

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Other Field Expenses

Other field expenses, which include repairs and maintenance, equipment service contracts, utilities and communication costs, increased \$2,766,000 or 13.7% in the six months ended June 30, 2001 to \$22,924,000 from \$20,158,000 for

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the six months ended June 30, 2000. As a percentage of service fee revenues, these costs were 17.1% and 16.7% in 2001 and 2000, respectively. The increase is a result of costs associated with the increased service fee revenues from existing imaging centers as well as the additional expense incurred from the Questar imaging centers as noted above.

Bad Debt Expense

Bad debt expense increased \$2,095,000 or 19.7% for the six months ended June 30, 2001 to \$12,732,000 from \$10,637,000 for the six months ended June 30, 2000. This increase is primarily attributable to the increase in revenue from contracted radiology practices and diagnostic imaging centers. As a percentage of such revenues bad debt expense was 6.7% and 6.3% in 2001 and 2002, respectively. As a percentage of service fee revenues, these costs were 9.5% and 8.8% in 2001 and 2000, respectively.

Corporate General and Administrative

Corporate general and administrative expenses increased \$960,000 or 17.3% for the six months ended June 30, 2001 to \$6,510,000 from \$5,550,000 for the six months ended June 30, 2000. As a percentage of service fee revenues, these costs were relatively constant at 4.9% and 4.6% in 2001 and 2000, respectively.

Depreciation and Amortization

Depreciation and amortization increased \$558,000 or 5.1% for the six months ended June 30, 2001 to \$11,466,000 from \$10,908,000 for the six months ended June 30, 2000. The increase is primarily due to higher amortization costs.

Interest Expense, net

Interest expense, net decreased \$16,000 for the six months ended June 30, 2001 to \$8,502,000 from \$8,518,000 for the six months ended June 30, 2000. The slight decrease is a result of the declining level of debt outstanding and the lower interest rates.

Income Taxes

The Company's effective tax rate for the six months ended June 30, 2001 and 2000 was 40%.

Net Income

As a result of the foregoing factors, the Company generated net income of \$7,450,000 for the six months ended June 30, 2001, or diluted income per share of \$0.36 on 22,095,000 shares outstanding, compared to net income of \$8,456,000 for the six months ended June 30, 2000, or diluted income per share of \$0.41 on 22,076,000 shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations for the six months ended June 30, 2001 and 2000 was \$21,995,000 and \$9,436,000, respectively. The increase in the cash provided by operations for the six months ended June 30, 2001 compared to the six months ended June 30, 2000 was primarily due to a significant change in operating assets and liabilities, including improved cash collections.

Net cash used in investing activities was \$2,520,000 for the six months ended June 30, 2001. Net cash used in investing activities for the six months ended June 30, 2000 was \$15,956,000. Purchases of property and equipment during the six months ended June 30, 2001 and 2000 were \$3,584,000 and \$7,678,000,

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respectively. During the six months ended June 30, 2000, the Company invested \$8,910,000 for acquisitions.

Net cash flows used in financing activities were \$22,632,000 for the six months ended June 30, 2001. Payments of \$16,453,117 were made on the credit facility during the six months ended June 30, 2001. At June 30, 2001, the Company had

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outstanding borrowings of \$140,546,833 under the credit facility and an additional \$35,593,000 outstanding under other credit arrangements. Financing costs of \$2,936,000 were incurred during the six months ended June 30, 2001 associated with the new amendment to the bank credit facility. Net cash flows from financing activities for the six months ended June 30, 2000 were \$7,551,000. Borrowings under the credit facility for the six months ended June 30, 2000 were used for the development of centers within Questar, purchases of equipment and capital improvements, as well as, working capital needs.

On March 30, 2001, the Company and the existing bank group amended the bank credit facility. Under the terms of the amended credit facility, the \$160,000,000 of borrowings consist of a \$100,000,000 Term Loan and a \$60,000,000 revolving credit facility, including a \$5,000,000 Swing Line Facility. Under the new amendment, on June 29, 2001, the Company made a \$4,000,000 scheduled principal installment payment. Scheduled principal installments for the fiscal year ended 2001 have been reduced from \$47,100,000 under the prior amended agreement to \$12,000,000 under the new amendment. Scheduled principal installments through June 30, 2002 consist of four quarterly installments as follows: 1) \$4,000,000 on September 30, 2001, 2) \$4,000,000 on December 31, 2001, 3) \$6,000,000 on March 31, 2002 and 4) \$9,000,000 on June 30, 2002. Each of the facilities will terminate on November 26, 2003. The interest rate is (i) an adjusted LIBOR rate, plus an applicable margin which can vary from 3.00% to 4.00% dependent on certain financial ratios or (ii) the prime rate, plus an applicable margin which can vary from 2.00% to 3.00%. In each case, the applicable margin varies based on financial ratios maintained by the Company. The credit facility includes certain restrictive covenants including prohibitions on the payment of dividends, limitations on capital expenditures and the maintenance of certain financial ratios (including maximum fixed charge coverage ratio and maximum leverage ratio, as defined). At June 30, 2001, the Company was in compliance with the covenants under the credit facility's restrictive covenants. Borrowings under the credit facility are secured by all service agreements, which the Company is, or becomes a party to, a pledge of the stock of the Company's subsidiaries, and all of the Company's and its wholly-owned subsidiaries' assets.

The Company has a \$20,000,000 convertible junior subordinated note, which matures July 31, 2009, and bears interest, payable quarterly in cash or payment in kind securities, at an annual rate of 8.0%. At August 1, 2001 the convertible junior subordinated note was convertible into Radiologix's common stock at the price of \$7.52 per share. If by August 1, 2002 or August 1, 2003 the closing price of Radiologix's common stock has not averaged \$8.625 for 45 of the 60 days of the determination period, the interest rate will be increased to 8.25% and 8.5%, respectively.

The Company's ability to accomplish its goals and to execute its business strategy depends on the Company's continued ability to access capital on appropriate terms. The Company's growth could be limited and its existing operations impaired unless it is able to obtain additional capital through subsequent debt or equity financings. There can be no assurance that borrowing capacity under the credit facility will be available to the Company when needed or that the Company will be able to obtain additional financing or that, if

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available, such financing will be on terms acceptable to the Company. As a result, there can be no assurance that the Company will be able to implement its business strategy successfully. However, management believes that cash flow from operations and other available sources of liquidity will be sufficient to fund the Company's operations in the foreseeable future over the next 12 to 18 months.

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Forward-Looking Statements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

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Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RADIOLOGIX, INC.

Date: August 9, 2001

/s/ MARK L. WAGAR

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

Date: August 9, 2001

/s/ SAMI S. ABBASI

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

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INDEX TO EXHIBITS

EXHIBIT
NUMBER

DESCRIPTION

- 2.1 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and among American Physician Partners, Inc., Carroll Imaging Associates, P.A., Diagnostic Imaging Associates, P.A., Drs. Copeland, Hyman and Shackman, P.A., Drs. Decarlo, Lyon, Hearn & Pazourek, P.A., Drs. Thomas, Wallop, Kim & Lewis, P.A., Harbor Radiologists, P.A., and Perilla, Syndler & Associates, P.A.**
- 2.2 Agreement and Plan of Reorganization and Merger, dated June 27,

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- 1997 by and between American Physician Partners, Inc., Radiology and Nuclear Medicine, A Professional Association.**
- 2.3 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Mid Rockland Imaging Associates, P.C.**
- 2.4 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Rockland Radiological Group, P.C.**
- 2.5 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Advanced Imaging of Orange County, P.C.**
- 2.6 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Central Imaging Associates, P.C.**
- 2.7 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Nyack Magnetic Resonance Imaging, P.C.**
- 2.8 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Pelham Imaging Associates, P.C.**
- 2.9 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Women's Imaging Consultants, P.C.**
- 2.10 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Pacific Imaging Consultants, A Medical Group, Inc.**
- 2.11 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Total Medical Imaging, Inc.**
- 2.12 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and Valley Radiologists Medical Group, Inc.**
- 2.13 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and The Ide Group, P.C.**
- 2.14 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and M&S X-Ray Associates, P.A.**
- 2.15 Agreement and Plan of Reorganization and Merger, dated June 27, 1997 by and between American Physician Partners, Inc., and South Texas MR, Inc.**
- 2.16 Agreement and Plan of Exchange, dated June 27, 1997 by and between American Physician Partners, Inc., and San Antonio MR, Inc.**
- 2.17 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physician Partners, Inc., Lexington MR, Ltd. and the Sellers.**
- 2.18 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physician Partners, Inc., Madison Square Joint Venture and the Sellers.**
- 2.19 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physician Partners, Inc., South Texas No. 1 MRI Limited Partnership, a Texas limited partnership, and the Sellers.**
- 2.20 Agreement and Plan of Exchange, dated June 27, 1997 by and among American Physician Partners, Inc., San Antonio MRI Partnership No. 2 Ltd., a Texas limited partnership, and the Sellers**
- 2.21 Agreement and Plan of Exchange, dated June 27, 1997 by and between American Physician Partners, Inc., and the Sellers**
- 2.22 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and among American Physician Partners, Inc., Carroll Imaging Associates, P.A., Diagnostic Imaging Associates, P.A., Drs. Thomas, Wallop, Kim &

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Lewis, P.A., Drs. Copeland, Hyman & Shackman, P.A., Drs. DeCarlo, Lyon, Hearn & Pazourek, P.A., Harbor Radiologists, P.A., and Perilla, Sindler & Associates, P.A.**

- 2.23 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Radiology and Nuclear Medicine, A Professional Association.**
- 2.24 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Mid Rockland Imaging Associates, P.C.**

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EXHIBIT
NUMBER

DESCRIPTION

- 2.25 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Rockland Radiological Group, P.C.**
- 2.26 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Advanced Imaging of Orange County, P.C.**
- 2.27 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Central Imaging Associates, P.C.**
- 2.28 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Nyack Magnetic Resonance Imaging, P.C.**
- 2.29 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Pelham Imaging Associates, P.C.**
- 2.30 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Women's Imaging Consultants, P.C.**
- 2.31 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Pacific Imaging Consultants, A Medical Group, Inc.**
- 2.32 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Total Medical Imaging, Inc.**
- 2.33 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and Valley Radiologists Medical Group, Inc.**
- 2.34 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and The Ide Group, P.C.**
- 2.35 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and M & S X-Ray Associates, P.A.**
- 2.36 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and South Texas MR, Inc.**
- 2.37 Amendment No. 1 to the Agreement and Plan of Reorganization and Merger, dated as of September 30, 1997, by and between American Physician Partners, Inc., and San Antonio MR, Inc.**
- 2.38 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, by and between American Physician Partners,

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- Inc., and Lexington MR, Ltd.**
- 2.39 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, by and between American Physician Partners, Inc., and Madison Square Joint Venture.**
- 2.40 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, by and between American Physician Partners, Inc., and South Texas No. 1 MRI Limited Partnership.**
- 2.41 Amendment No. 1 to the Agreement and Plan of Exchange, dated September 30, 1997, by and between American Physician Partners, Inc., and San Antonio MRI Partnership No. 2, Ltd.**
- 2.42 Asset Purchase Agreement, dated as of January 1, 1998, by and among American Physician Partners, Inc., Community Radiology Associates, Inc., Drs. Korsower and Pion Radiology, P.A., and the Principal Stockholders****
- 2.43 Asset Purchase Agreement, dated as of January 12, 1998, by and among American Physician Partners, Inc., Valley Imaging Partners, Inc., Questar Imaging, Inc. and Questar Imaging VR, Inc.****
- 2.44 Asset Purchase Agreement, dated as of January 23, 1998, by and among American Physician Partners, Inc., Valley Imaging Partners, Inc., PAL Imaging Corp. and the Principal Stockholders****
- 2.45 Asset Purchase Agreement, dated as of April 1, 1998, by and among American Physician Partners, Inc., Treasure Coast Imaging Partners, Inc. and Radiology Imaging Associates, Basilico, Gallagher and Raffa, M.D., P.A. and Robert F. Basilico, M.D., Edward Gallagher, M.D., R.J. Raffa, M.D., Joseph T. Charles, M.D., Alex N. Vennos, M.D., and Robin J. Connolly, M.D.*****
- 2.46 Asset Purchase Agreement, dated as of April 1, 1998, by and among American Physician Partners, Inc., Treasure Coast Imaging Partners, Inc. and St. Lucie Imaging and Breast Center, Inc. and Robert F. Basilico, M.D., Edward Gallagher, M.D., R.J. Raffa, M.D., Joseph T. Charles, M.D., Alex N. Vennos, M.D., and Robin J. Connolly, M.D.*****
- 2.47 Asset Purchase Agreement, dated as of April 28, 1998, by and among American Physician Partners, Inc., Valley Imaging Partners, Inc., LXL, Ltd. and the Partners of LXL, Ltd.*****
- 2.48 Asset Purchase Agreement, dated as of June 1, 1998, by and among American Physician Partners, Inc., Mid Rockland Imaging Partners, Inc., Empire State Imaging Partners, Inc., RF Management Corp. and Modern Medical Modalities Corporation*****
- 2.49 Asset Purchase Agreement, dated as of June 23, 1998, by and among American Physician Partners, Inc., Valley Imaging Partners, Inc., Brewster Imaging Center, Inc. and Each Principal Stockholder*****

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21 EXHIBIT NUMBER	DESCRIPTION
2.50	Asset Purchase Agreement, dated as of June 29, 1998, by and among American Physician Partners, Inc., Valley Imaging Partners, Inc. and Bryan M. Shieman, M.D., a sole proprietorship d/b/a El Camino Center for Osteoporosis and/or ECOO II*****
2.51	Stock Purchase Agreement, dated September 1, 1998, by and among American Physician Partners, Inc., WB&A Imaging Partners, Inc. and Vimla Bhooshan, M.D., John B. DeGrazia, M.D., Edwin Goldstein, M.D., Paul T. Lubar, M.D., Calvin D. Neithamer, M.D., William P. O'Grady, M.D., Robert A. Olshaker, M.D., Stanley M. Perl, M.D., Michael S. Usher, M.D., Alan B. Kronthal, M.D., Steven A. Meyers, M.D., Victor A. Bracey, M.D. and Larry W. Busching*****
2.52	Asset Purchase Agreement, dated September 1, 1998, by and among American Physician Partners, Inc., Ormond Imaging Partners, Inc.,

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- Magnetic Resonance Imaging Associates Limited Partnership and Paul T. Lubar, Stanley M. Perl, Michael S. Usher, John B. DeGrazia, Larry W. Busching, Vimla Bhooshan, William P. O'Grady, Robert A. Olshaker, and Calvin D. Neithamer*****
- 2.53 Asset Purchase Agreement, dated September 1, 1998, by and among American Physician Partners, Inc., Ormond Imaging Partners, Inc., Duke Associates Limited Partnership and Paul T. Lubar, Stanley M. Perl, Michael S. Usher, John B. DeGrazia, Larry W. Busching, Vimla Bhooshan, William P. O'Grady, Edwin Goldstein, Robert A. Olshaker, Calvin D. Neithamer and Alan J. Kronthal*****
- 2.54 Stock Purchase Agreement effective as of August 1, 1999 by and among American Physician Partners, Inc., Questar Imaging, Inc. and the shareholders of Questar Imaging, Inc.*****
- 3.1 Restated Certificate of Incorporation of American Physician Partners, Inc.***
- 3.2 Amended and Restated Bylaws of American Physician Partners, Inc.***
- 3.3 Amendment to Restated Certificate of Incorporation of American Physician Partners, Inc.*****
- 3.4 Amendment to Restated Bylaws of American Physician Partners, Inc.*****
- 4.1 Form of certificate evidencing ownership of Common Stock of American Physician Partners, Inc.**
- 4.2 Form of Convertible Promissory Note of American Physician Partners, Inc.**
- 4.3 Securities Purchase Agreement dated as of August 3, 1999 by and between American Physician Partners, Inc. and BT Capital Partners SBIC, L.P.***** (see Exhibit 4.1 thereof)
- 4.4 Convertible Junior Subordinated Promissory Note dated August 1, 1999 issued to BT Capital Partners SBIC, L.P.***** (see Exhibit 4.2 thereof).
- 10.1 American Physician Partners, Inc. 1996 Stock Option Plan.**
- 10.2 Employment Agreement between American Physician Partners, Inc. and Gregory L. Solomon.**
- 10.3 Employment Agreement between American Physician Partners, Inc. and Mark S. Martin.**
- 10.4 Employment Agreement between American Physician Partners, Inc. and Sami S. Abbasi.**
- 10.5 Employment Agreement between American Physician Partners, Inc. and Paul M. Jolas.**
- 10.6 Form of Indemnification Agreement for certain Directors and Officers.***
- 10.7 Form of Registration Rights Agreement.**
- 10.8 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., APPI-Advanced Radiology, Inc. and Carroll Imaging Associates, P.A., Diagnostic Imaging Associates, P.A., Drs. Thomas, Wallop, Kim & Lewis, P.A., Drs. Copeland, Hyman and Shackman, P.A., Drs. Decarlo, Lyon, Hearn & Pazourek, P.A., Harbor Radiologists, P.A., Perilla, Sindler & Associates, P.A.**
- 10.9 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Ide Admin Corp. and Ide Imaging Group, P.C.**
- 10.10 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., M & S X-Ray Associates, P.A. and M&S Imaging Associates, P.A.**
- 10.11 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Rockland Radiological Group, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.12 Service Agreement dated November , by and among American Physician Partners, Inc., Advanced Imaging of Orange County, P.C. and The Greater Rockland Radiological Group, P.C.**

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- 10.13 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Central Imaging Associates, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.14 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Nyack Magnetic Resonance Imaging, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.15 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Pelham Imaging Associates, P.C. and The Greater Rockland Radiological Group, P.C.**

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EXHIBIT
NUMBER

DESCRIPTION

- 10.16 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Women's Imaging Consultants, P.C. and The Greater Rockland Radiological Group, P.C.**
- 10.17 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., APPI-Pacific Imaging Inc. and PIC Medical Group, Inc.**
- 10.18 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., Radiology and Nuclear Medicine, a Professional Association and RNM L.L.C.**
- 10.19 Service Agreement dated November 26, 1997, by and among American Physician Partners, Inc., APPI-Valley Radiology, Inc. and Valley Radiology Medical Associates, Inc.**
- 10.20 Consulting Agreement between American Physician Partners, Inc. and Michael L. Sherman, M.D.***
- 10.21 Office Building Lease Agreement between Dallas Main Center Limited Partnership and American Physician Partners, Inc.***
- 10.22 First Amendment to Office Building Lease Agreement between Dallas Main Center Limited Partnership and American Physician Partners, Inc.***
- 10.23 Intentionally Omitted.
- 10.24 Consulting Agreement between American Physician Partners, Inc. and Lawrence R. Muroff, M.D.***
- 10.25 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Lawrence Muroff, M.D.***
- 10.26 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Mark Martin.***
- 10.27 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Sami Abbasi.***
- 10.28 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Gregory L. Solomon.***
- 10.29 First Amendment to Consulting Agreement between American Physician Partners, Inc. and Lawrence R. Muroff, M.D.***
- 10.30 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Michael Sherman, M.D.***
- 10.31 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Paul M. Jolas.***
- 10.32 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Derace Schaffer, M.D.***
- 10.33 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and John Pappajohn.***
- 10.34 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Mary Pappajohn.***
- 10.35 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Thebes Ltd.***
- 10.36 Side Letter dated November 12, 1997 by and between American Physician Partners, Inc. and Halkis Ltd.***
- 10.37 Service Agreement dated January 1, 1998, by and among American

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- Physician Partners, Inc., Community Imaging Partners, Inc.,
Community Radiology Associates, Inc. and Drs. Korsower and Pion
Radiology, P.A.****
- 10.38 Service Agreement dated April 1, 1998, by and among American
Physician Partners, Inc., Treasure Coast Imaging Partners, Inc.
and Radiology Imaging Associates -- Basilico, Gallagher & Raffa,
M.D., P.A.*****
- 10.39 First Amendment to Credit Agreement and Consent dated May 19,
1998, by and among American Physician Partners, Inc., General
Electric Capital Corporation and the other credit parties
signatory thereto*****
- 10.40 Employment Agreement between American Physician Partners, Inc.
and Mark L. Wagar*****
- 10.41 Service Agreement dated September 1, 1998, by and among American
Physician Partners, Inc., WB&A Imaging Partners, Inc. and WB&A
Imaging, P.C.*****
- 10.42 Office Building Lease Agreement between The Equitable-Nissei
Dallas Company and Fibreboard Corporation*****
- 10.43 Intentionally Omitted.
- 10.44 First Amendment to Employment Agreement between American
Physician Partners, Inc. and Mark L. Wagar*****
- 10.45 First Amendment to Employment Agreement between American
Physician Partners, Inc. and Mark S. Martin*****

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EXHIBIT
NUMBER

DESCRIPTION

- 10.46 First Amendment to Employment Agreement between American
Physician Partners, Inc. and Sami S. Abbasi*****
- 10.47 First Amendment to Employment Agreement between American
Physician Partners, Inc. and Paul M. Jolas*****
- 10.48 Amendment No. 1 to American Physician Partners, Inc. 1996 Stock
Option Plan*****
- 10.49 Amendment No. 2 of Employment Agreement between Radiologix, Inc.
and Mark S. Martin*****
- 10.50 Amendment No. 2 of Employment Agreement between Radiologix, Inc.
and Mark L. Wagar*****
- 10.51 Amendment No. 3 of Employment Agreement between Radiologix, Inc.
and Mark S. Martin*****
- 10.52 Amendment No. 2 of Employment Agreement between Radiologix, Inc.
and Paul M. Jolas*****
- 10.53 Third Amendment to Credit Agreement and Consent dated August 9,
2000 by and among Radiologix, Inc. (formerly American Physician
Partners, Inc.) and General Electric Capital Corporation and
other credit parties signatory thereto*****
- 10.54 Amended and Restated Agreement and Plan of Merger, dated as of
September 12, 2000, as amended by and among Radiologix, Inc.,
SKM-RD LLC and SKM-RD Acquisition Corp. (see Exhibit 2
thereof)*****
- 10.55 Second Amendment to Amended and Restated Agreement and Plan of
Merger, dated as of February 20, 2001, by and among Radiologix,
Inc., SKM-RD LLC and SKM-RD Acquisition Corp.*****
- 10.56 Fourth Amendment to Credit Agreement and Waiver, dated as of
March 28, 2001, by and among Radiologix, Inc., General Electric
Capital Corporation and other credit parties signatory thereto.

- 10.57 Assignment and Assumption Agreement dated March 2001, by and
between Fibreboard Corporation and Radiologix, Inc.

- 10.58 Employment Agreement between Radiologix, Inc. and Sami S. Abbasi

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- 10.59 dated as of December 13, 2000*****
Amendment No. 3 of Employment Agreement between Radiologix, Inc. and Paul M. Jolas. *****
- 99.1 Press Release issued by Radiologix on September 24, 1999 announcing its change of corporate name from American Physician Partners, Inc.*****
- 99.2 Certificate of Ownership and Merger of Radiologix with and into American Physician Partners, Inc.*****

- * Filed herewith.
- ** Incorporated by reference to the corresponding Exhibit number to the registrant's Registration Statement No. 333-31611 on Form S-4.
- *** Incorporated by reference to the corresponding Exhibit number to the registrant's Registration Statement No. 333-30205 on Form S-1.
- **** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on May 15, 1998.
- ***** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on August 14, 1998.
- ***** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on November 13, 1998.
- ***** Incorporated by reference to the corresponding Exhibit number to the registrant's Form 10-Q filed on May 17, 1999.
- ***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 8-K filed on

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- August 3, 1999.
- ***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-Q filed on August 16, 1999.
- ***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 8-K filed on September 24, 1999.
- ***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-K filed on March 30, 2000.
- ***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-Q filed on May 15, 2000.
- ***** Incorporated by reference to the corresponding Exhibit number to the Registrant's Form 10-Q filed on August 14, 2000.

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

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