From: [redacted]
Sent: Tuesday, April 22, 2014 6:47 PM
To: Jeffrey Epstein
Subject: Fwd: SPECIAL SITUATIONS - Radnet, Inc. (RDNT)

Begin =orwarded message:

From: [redacted]

Subject: Fw: SPECIAL SITUATIONS - Radnet, Inc. =RDNT)

Date: April 22, 2014 2:33:59 PM EDT

To: "Lorber" [redacted] 'Scott =apnick" [redacted], "Jeffrey Epstein" [redacted]

Reply-To: [redacted]

Mark.Stolper [redacted]
Date: Thu, 17 Apr 2014 =7:43:12 +0000
To: b [redacted]

SPECIAL SITUATIONS =

AIQ's deleveraging in =s
* Over that =eriod net debt/ebitda fell from 4.3x to =.4x
* =oncurrently AIQ shares rose from $7.50 to =24.74
* Revenue is =xpected to remain stable as are ebitda =argins
* =owever debt to expected to drop further to $463m by =rend
* Note that =td AIQ is already +37% ytd
* Further despite its current $360m mkt cap AIQ still has =o analyst coverage
* Takeaways - RDNT shld play out similarly to AIQ, BUY =DNT IN LOW $3s

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SPECIAL SITUATIONS =

Comp AIQ implemented same refi play as =DNT* Oct. 29, 2012 - Alliance =ealthCare Services, Inc. (NYSE:AIQ) (the "Company" or "Alliance")= a leading national provider of outpatient diagnostic imaging and =adiation therapy services, announced that it expects to reach an =greement with lenders for a 2nd amendment to its Credit Agreement dated =ecember 1, 2009 by end of business today. Larry C. Buckelew, Chairman =f the Board and Interim Chief Executive Officer stated, "Proactively =ddressing our debt obligation is a top priority, and our operational =iscipline and strong cash generation will provide us with the financial =lexibility to pay down our term loans and renegotiate our covenants on =ore attractive terms. We are pleased to report that we =xpect to reach an agreement by end of business today to amend our =redit Agreement, including a reduction of the term loan by $75 million =nd expansion of our total leverage covenant." Buckelew =ontinued, "We believe that this potential 12% reduction in =ur term loan and renegotiation of our total leverage covenant will be =mportant proof points highlighting the momentum the Company has =enerated on its path to long-term growth and profitability. The =ncreased financial flexibility this deal would provide will clearly =nhance our financial profile and augment our ability to execute our =rowth strategy and drive shareholder value."* Nov 7, 2012 - Alliance =ealthCare Services, Inc. (NYSE:AIQ) (the "Company" or "Alliance")= a leading national provider of outpatient diagnostic imaging and =adiation therapy services, announced that the 2nd amendment =the "Amendment") to its Credit Agreement dated December 1, 2009 =the "Credit Agreement") has become effective. The Amendment =odifies the Credit Agreement's maximum leverage covenant to require =hat the Company maintain a maximum ratio of consolidated total debt to =onsolidated Adjusted EBITDA, as defined below, less minority interest =xpense of 5.00 to 1.00 through September 30, 2014, 4.75 to 1.00 from =ctober 1, 2014through September 30, 2015, 4.50 to 1.00 from October 1, =015 through December 31, 2015 and 4.25 to 1.00 =hereafter. On November 5, 2012, in connection with the =mendment, the Company raised $30.0 million from the sale of certain =maging assets, which the Company subsequently leased from the financing =arties. The Company offered the money raised in the sale and lease =ransactions as a mandatory prepayment of outstanding term loans to the =enders under the Credit Agreement (the "Mandatory =repayment"). In addition to the Mandatory Prepayment, the =ompany offered $45.0 million of cash on the Company's balance sheet =o offer to lenders under the Credit Agreement as a voluntary prepayment =f outstanding term loans (the "Voluntary Prepayment," and, together =ith the Mandatory Prepayment, the "Prepayments"). Lenders under the =redit Agreement had the right to waive acceptance of the Mandatory =repayment, and the Amendment provided the lenders with the right to =aive acceptance of the Voluntary Prepayment. Pursuant to the Amendment, =he Company re-offered amounts of the Prepayments declined by lenders =ntil 95% of the Prepayments were applied to prepay borrowings =utstanding under the term loan facility. On November 6, 2012, the =ompany prepaid $74.5 million of outstanding term loans. The Amendment =rovides that the Prepayments will satisfy all future mandatory =mortization payments under the Credit Agreement. In connection =ith the $30 million sale and lease transactions, the Company will incur =pproximately $8 million of annual rent expense which will reduce =djusted EBITDA in the future. As of September 30, 2012, Alliance's=ratio of consolidated total debt to consolidated Adjusted EBITDA less =inority interest expense calculated pursuant to the Credit Agreement =as 4.37 to 1.00. Adjusted for the sale and lease transactions and =repayment of the $74.5 million under the Credit Agreement, the =ompany's ratio of consolidated total debt to consolidated Adjusted =BITDA less minority interest expense as of September 30, 2012 as =alculated pursuant to the Credit Agreement was 4.08 to 1.00. A =econciliation of Adjusted EBITDA calculated pursuant to the Credit =greement to net income calculated in accordance with generally accepted =ccounting principles in the United States, or "GAAP," is included =t the end of this release.

* April 2, 2013 - Alliance =ealthCare Services, Inc. (NASDAQ:AIQ), a leading national provider of =utpatient diagnostic imaging and radiation therapy =ervices, announced today the voluntary repayment of $15.0 =illion against the principal of its senior secured term loan. The debt =epayment was effective March 28, 2013. "Our organic Adjusted EBITDA =rowth, strong cash flow generation, and proceeds from our =ale/leaseback transaction have enabled us to repay a total of $90 =illion of Alliance's total debt, or 22 percent of the balance of our =enior secured term loan and 14 percent of our total debt outstanding, =ince September 30, 2012," said Howard Aihara, executive vice =resident and chief financial officer. "Continuing to pay down debt =nd reducing our total and senior secured leverage ratios remains a top =riority at Alliance." Adjusted for this $15.0 million voluntary debt =epayment, as of December 31, 2012, the Company's pro forma total debt =as $543.6 million and the outstanding balance of the senior secured =erm loan was$320.3 million. Adjusted for this $15.0 million voluntary =ebt repayment, Alliance's pro forma total leverage ratio =as 3.79x, down from 3.89x as reported on December 31, 2012. The =ompany's pro forma senior secured leverage ratio was 2.47x, down from =.58x as reported on December 31, 2012.* May 31, 2013 - Alliance =ealthCare Services, Inc. (NASDAQ: AIQ), a leading national provider of =utpatient diagnostic imaging and radiation therapy =ervices, announced that it has obtained commitments from =enders with respect to a new senior secured credit agreement. =oward Aihara, executive vice president and chief financial officer =tated, "Our ability to refinance our new senior secured term loan on =uch favorable terms is a clear testament to the improvements in our =usiness performance and the strength of our balance sheet. The =inancing represents yet another positive step in our ongoing effort to =aximize the efficiency of our capital structure, while providing the =lexibility and cash flow necessary to execute upon our strategic =nitiatives,

including ongoing reduction of our debt. This new facility =ill allow us to significantly reduce our interest rate and associated =nterest expense on an ongoing basis, which will translate into =ncreased cash flow for the current fiscal year and beyond. The Company =ntends to use the net proceeds from this new term loan agreement to =inance the repayment of our existing credit agreement and to redeem a =ortion of our outstanding senior notes. We are appreciative of the =upport we received from our lead bank, Credit Suisse, our existing =enders who renewed their commitments and a significant number of new =enders."

* June 3, 2013 - Alliance =ealthCare Services, Inc. (NASDAQ: AIQ), a leading national provider of =utpatient diagnostic imaging and radiation therapy services, announced =oday that it has called for redemption $80 million in =rincipal amount of its 8% Senior Notes due 2016 (the "Notes") =ursuant to the terms of the indenture governing the =otes. The redemption will take place on July 3, 2013. The =edemption price for the Notes will be equal to 104% of the principal =mount of the Notes redeemed, plus accrued and unpaid interest to, but =xcluding the redemption date.* Oct 11, 2013 - Alliance =ealthCare Services, Inc. (NASDAQ:AIQ), a leading national provider of =utpatient diagnostic imaging and radiation therapy services, announced =hat it has obtained commitments from lenders with respect to = $70 million incremental term loan under its existing senior secured =redit agreement (the "Credit Agreement"). The Company intends to =se the net proceeds from the borrowings under the incremental term loan =acility, together with proceeds from borrowings under its revolving =redit facility and cash on hand, to redeem all of its outstanding 8% =enior Notes due 2016 (the "Notes") in December 2013...Our =bility to raise $70 million of incremental borrowings under our =xisting senior secured term loan highlights the ongoing improvement in =ur business performance and the strength of our balance sheet. The =edemption of our 8% Senior Notes will save us approximately $5 million =nnually and will provide additional flexibility and cash flow to =xecute upon our strategic initiatives, including ongoing reduction of =ur debt."

SPECIAL SITUATIONS =

* Starting in 2014 RDNT shifted its focus to =eleveraging
* On March 25 RDNT completed a significant =ebt refinancing retiring its expensive $200m 10 3/8% Senior Notes =ue 2018 w/ $30.0 million of new first lien term loans (@ LIBOR =ate + 3.25% or the base rate plus 2.25%) + $180.0 million of =ew second lien term loans (@ LIBOR + 7.0% or the base rate =lus 6.0%)
* As a result RDNT has lowered cash interest =bligations by approx $5.1m/yr (vs. 2013 fcf of $17m) & termed =ut debt w/ its first lien term loan due in 2018 and its new second =ien term loan due in 2021 hence no =ear-term maturities * Going fwd ex small acquisition RDNT will utilize FCF to =ay down debt
* RDNT's FCF for 2014 & 2015 is expected @ =35m & $44m implying a significant FCF yld of 28% & =6%
* RDNT is tgt'ng net debt/ebitda @ =<4x* I expect net debt to ebitda cld drop to 4.8x by yrend =014 & 4.1x by yrend 2015* As RDNT de-levers given its sliver of equity =$120m mkt cap) vs. its net debt balance ($587m post refi) every 0.5x =hg in ebitda multiple adds $1.40/share to RDNT* Over the past decade RDNT has been valued @ an avg 7x =bitda
* RDNT is presently valued @ 5.8x 2014 ebitda & 5.1x =wd ebitda
* As conviction grows on RDNT's de-leveraging story RDNT =hld be afforded @ least 6x fwd ebitda multiple implying =pside @ $4.50+ or 50%+* Note that the consensus tgt px on RDNT is $3.63 implying =3% upside w/ a high tgt of $5.00 implying =0% upside
* TRADE - BUY RDNT = CURRENT LEVELS
* Business - RDNT is the leading national =rovider of freestanding, fixed-site outpatient diagnostic imaging =ervices in the United States based on number of locations and annual =maging revenue. At December 31, 2013, RDNT operated directly or =ndirectly through joint ventures, 250 centers located in California, =aryland, Florida, Delaware, New Jersey, Rhode Island and New =ork. RDNT's centers provide physicians with imaging =apabilities to facilitate the diagnosis and treatment of diseases and =isorders and may reduce unnecessary invasive procedures, often =educing the cost and amount of care for =atients. RDNT's services include magnetic resonance imaging =MRI), computed tomography (CT), positron emission tomography (PET), =uclear medicine, mammography, ultrasound, diagnostic radiology =X-ray), fluoroscopy and other related procedures. The vast majority of =ur centers offer multi-modality imaging services, a key point of =ifferentiation from our competitors. RDNT's multi-modality strategy =iversifies revenue streams, reduces exposure to reimbursement changes =nd provides patients and referring physicians one location to

serve the =eeds of multiple procedures. RDNT seeks to develop leading =ositions in regional markets in order to leverage operational =fficiencies. RDNT's scale and density within selected geographies =rovides close, long-term relationships with key payors, radiology =roups and referring physicians. Each of RDNT's center-level and =egional operations teams is responsible for managing relationships with =ocal physicians and payors, meeting its standards of patient service =nd maintaining profitability. RDNT provides training programs, =tandardized policies and procedures and sharing of best practices among =he physicians in its regional networks. In addition to its imaging =ervices, one of RDNT's subsidiaries, eRAD, Inc., develops and sells =omputerized systems for the imaging industry, including Picture =rchiving Communications Systems ("PACS") and Radiology Information =ystems ("RIS"). Another one of its subsidiaries, Imaging On Call =LC, provides teleradiology services for remote interpretation of images =n behalf of radiology groups, hospitals and imaging center customers. =eleradiology is the process of taking radiological patient images, such =s X-rays, CTs, and MRIs, from one location to another for the purposes =f interpretation and/or consultation. Teleradiology allows radiologists =o provide services without actually having to be at the location of the =atient and allows trained specialists to be available 24/7. In addition =o providing alternative revenue sources for RDNT, the capabilities of =oth eRAD and Imaging On Call can make the RadNet imaging center =perations more efficient and cost effective.

RDNT

performed 4,525,490, 4,142,267, and 3,740,443 diagnostic =maging procedures and generated net revenue of $703.0 million, $647.2 =illion, and $585.1 million, respectively.* Seasonality - RDNT =ypically experience some seasonality to its business. During the first =uarter of each year RDNT generally experiences the lowest volumes of =rocedures and the lowest level of revenue for any quarter during the =ear. This is primarily the result of two factors. First, RDNT's volumes =nd revenue are typically impacted by winter weather conditions in its =ortheastern operations. It is common for snowstorms and other inclement =eather to result in patient appointment cancellations and, in some =ases, imaging center closures. Second, in recent years, RDNT has =bserved greater participation in high deductible health plans by =atients. As these high deductibles reset in January for most of =hese patients, RDNT has observed that patients utilize medical services =ess during the first quarter, when securing medical care will =esult in significant out-of-pocket expenditures.* Industry - RDNT estimates =hat the national imaging market in the United States is $100 billion =nnually, with projected mid-single digit growth for MRI, CT and PET/CT =ver the next several years, driven by the aging of the U.S. population, =ider physician and payor acceptance for imaging technologies, and =reater consumer and physician awareness of diagnostic screening =apabilities. While X-ray remains the most commonly performed =iagnostic imaging procedure, the fastest growing and higher margin =rocedures are MRI, CT and PET. The rapid growth in PET scans is =ttributable to the increasing recognition of the efficacy of PET scans =n the diagnosis and monitoring of cancer. The number of MRI and CT =cans performed annually in the United States continues to grow due to =heir wideracceptance by physicians and payors, an increasing number of =pplications for their use and a general increase in demand due to the =ging population.

* Payors - The fees charged for =iagnostic imaging services performed at RDNT's facilities are paid by a =iverse mix of payors; Commercial Insurance (Blue Cross/Blue Shield =lans) 59%, Managed Care Capitated Payors 9% & Medicare& =edicaid 25%

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competitors include Alliance =ealthcare Services, Inc., Diagnostic Imaging Group and several smaller =egional competitors. Some of

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federal net operating loss =arryforwards acquired in connection with the 2011 acquisition of Raven =oldings U.S., Inc. were subject to limitations related to their =tilization under Section 382 of the Internal Revenue Code. Future =wnership changes as determined under Section 382 of the Internal =evenue Code could further limit the utilization of net operating loss =arryforwards. Cumulative excess tax benefits of $4.9 million, related =o the exercise of nonqualified stock options, will be recorded in =quity when realized.

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determined that deferred tax assets =f $93.1 million are more likely-than-not to be =ealized.

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Our =bjective is to lower our cash interest obligations, provide us with =dditional operating flexibility and lengthen the maturity of our most =unior debt capital. If successful, we currently expect to =onsummate a transaction in April

March 6 - Radnet Launches $30m Add-on 1L TL, $180m 2L TL, Call =arch 6* =ender call tomorrow at 3:30pm =ST.
* =ookrunner: BARC (lead left) / CS / DB / =E

* In addition, the Company has entered into a Second Lien Credit =nd Guaranty Agreement (the "Second Lien Credit Agreement"), by and =mong the Company, RadNet Management, as the borrower, certain =ubsidiaries and affiliates of RadNet Management, the lenders party =hereto from time to time, and Barclays, as administrative agent and as =ollateral agent, pursuant to which RadNet Management has =orrowed $180.0 million of new second lien term =oans.

* RadNet Management has the option of =aying interest on the new term loans under the Second Lien =redit Agreement at either (a) the adjusted LIBOR rate plus 7.0% or (b) =he base rate plus 6.0%. The interest rates payable on the new term =oans under the First Lien Credit Agreement are the same as the rates =urrently payable under the First Lien Credit Agreement, which are (a) =he adjusted LIBOR rate plus 3.25% or (b) the base rate plus =.25%. The adjusted LIBOR rate has a minimum floor of 1.0% =n both the first lien term loans and the second lien term =oans. In addition, RadNet Management has paid certain customary =ees in connection with obtaining this financing. (the "Notes") in connection with its previously =nnounced offer to purchase any and all of its Notes through a tender =ffer (the "Tender Offer") and the related solicitation of consents to =mend the indenture governing the Notes (the "Consent Solicitation"), =nd any related fees and expenses, in connection with the Tender Offer =nd Consent Solicitation. In addition, proceeds will also be used =o pay fees and expenses related to the transaction and for general =orporate purposes.

* "We are very pleased to announce the completion of =ur refinancing transaction. We have successfully replaced our =enior unsecured notes with a second lien term loan and additional =orrowings under our existing credit facility, resulting in =ower cash interest obligations of approximately $5.1 million per =ear. Additionally, the refinancing provides us with more =perating flexibility and lengthens the maturity of our most junior debt =apital." "With our first lien term loan due in 2018 and our new =econd lien term loan due in 2021, we face no near-term =aturities. This allows our management time and attention =o be dedicated to operating our business and driving strategic =nitiatives,"

* The deadline for the Consent Solicitation =xpired at 5:00 p.m., New York City time, on March 20, 2014 (the =Consent Payment Deadline"). At the Consent Payment Deadline, =193,464,000 aggregate principal amount of the Notes, representing =6.73% of the outstanding Notes, had been validly tendered and not =ithdrawn. As a result of the percentage of outstanding =otes tendered by the Consent Payment Deadline, the required consents =ere received with respect to the Consent Solicitation and the Company, =adNet Management, the subsidiaries of RadNet Management that are =uarantors, and U.S. Bank National Association, a national banking =ssociation, as trustee (the "Trustee") entered into a supplemental =ndenture on March 21, 2014 which eliminated or modified certain =estrictive covenants (not including the covenant to pay interest and =remium, if any, on and principal of, the Notes when due), and =liminated or modified certain events of default and certain other =rovisions contained in the indenture governing the Notes (the =Supplemental Indenture"). The Supplemental Indenture was entered =nto on March 21, 2014 and became operative on March 25, 2014 once the =otes tendered prior to the Consent Payment Deadline =ere accepted for payment and paid for by RadNet =anagement. RadNet Management issued an irrevocable redemption =otice today in order to call for redemption of all Notes not tendered =rior to the Expiration Date. This redemption will occur on =pril 24, 2014, at which time there will no longer be any =otes outstanding.

* Consensus ebitda estimates imply RDNT is successful in =educing its cost structure by @ least =20m

* Modelling 2014 FCF of =35m

* RDNT is presently trading @ 5.9x 2014 ebitda & 5.0x =wd ebitda

* As conviction grown on RDNT's de-leveraging story RDNT =hld be afforded @ least 6x fwd ebitda multiple implying =pside @ $4.50+ or 50%+

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