SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 COMMISSION FILE NUMBER 0-16334

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

DELAWARE	33-0239910
(State of Incorporation)	(IRS Employer Identification Number)

1065 NORTH PACIFICENTER DRIVE, SUITE 200, ANAHEIM, CALIFORNIA 92806
(Address of principal executive office) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (714) 688-7100

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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, as amended, 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 /X/

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K Section 229.405 of Title 17, Code of Federal Regulations is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 19, 1999 (computed by reference to the last reported sale price of registrant's common stock on such date): $9,666,913.

Number of shares outstanding of each of the registrant's classes of common stock as of March 19, 1999: Common Stock, $.01 par value, 4,072,611 shares.

DOCUMENTS INCORPORATED BY REFERENCE

NONE.

PART I

ITEM 1. BUSINESS.

GENERAL

Alliance Imaging, Inc. (the "Company") is a leading nationwide provider of diagnostic imaging and therapeutic services and the largest operator of state-of-the-art mobile diagnostic imaging systems and related outsourced radiology services in the United States. Unless the context otherwise requires, the term "Company" as used in this Form 10-K Annual Report refers to Alliance Imaging, Inc., and its direct and indirect subsidiaries. The Company's diagnostic imaging services include magnetic resonance imaging ("MRI"), computed axial tomography ("CT"), nuclear medicine single photon emission computed tomography ("SPECT") camera and ultrasound systems. The Company's therapeutic services include lithotripsy, brachytherapy and microwave thermotherapy systems. For the year ended December 31, 1998, 87.5% of the Company's revenues were derived from MRI services.

The Company primarily provides MRI systems and services to hospitals and other health care providers on a mobile, shared-user basis. The Company also provides fixed, full-time MRI systems and services, as well as full-service management of imaging operations for selected hospitals. The Company's MRI services include the provision of high technology diagnostic imaging systems, technologists to operate the imaging systems, equipment maintenance and upgrades, the management of day-to-day operations, educational and marketing support, patient scheduling, billing and collection services, managed care contracting and professional liability insurance coverage. The Company's services enable small to mid-size hospitals to gain access to advanced diagnostic imaging technology and related value-added services without making a substantial investment in equipment and personnel.

OPERATIONS

CUSTOMER BASE. The Company believes that many hospitals and other health care providers require access to MRI services to remain competitive in the health care marketplace. Regulatory and licensing requirements in many states may also limit access to MRI systems. In addition, many health care providers lack sufficient patient volume or financial resources to justify the purchase of an MRI system. Such providers contract for mobile, shared-user systems or single-user, full-time systems to gain access to MRI technology and to provide comprehensive MRI services to their patients. In addition, many health care providers, regardless of whether their patient utilization levels and financial resources justify the purchase of an MRI system, prefer to contract with the Company for full-time or shared-user imaging systems to (i) obtain the use of an MRI system without any capital investment or financial risk; (ii) retain the ability to switch system types and avoid technological risk; (iii) obtain MRI services in jurisdictions in which the use of the Company's services facilitates the procurement of regulatory approvals; (iv) avoid future uncertainty as to reimbursement policies; (v) eliminate the need to recruit, train and manage qualified technologists; (vi) outsource their entire MRI service to obtain management expertise; or (vii) provide additional imaging services when patient demand exceeds their in-house capability.

The Company's MRI services, which include imaging systems, technologists and support services, are provided on both a mobile, shared-user basis and on a full-time basis to single customers. As of December 31, 1998, the Company provided imaging systems and related technologists and support services to 1,028 customers (873 for MRI services, 107 for CT services, and 136 for other imaging and therapeutic modalities; some customers contract for multiple modalities) consisting primarily of small to mid-sized hospitals (i.e., hospitals with 50-200 beds). The Company believes that many of such hospitals lack the patient volume or financial resources to justify the purchase of an MRI system. As of December 31, 1998, the Company provided services and equipment to customers in 44 states.

Typically, the Company's MRI systems are contracted on average for five to six days a week. The Company believes that as customers become familiar with the basic or expanded technology and its

applications, the corresponding MRI system's rate of usage generally increases, causing the number of scans per day to increase and eventually leading to requests for additional days of usage.

CONTRACT TERMS. Contract fees are charged on a fee-per-scan, fee-per-day or fee-per-month basis (with numerous variations within each billing method to accommodate particular customers' needs). Generally, the Company provides technologists under contracts billed on a fee-per-scan or fee-per-day basis but not under contracts billed on a fee-per-month basis. Although a typical contract offers daily flat-rate options, most customers currently pay on a fee-per-scan basis. The amount of fees paid on this basis depends upon the type of imaging system provided, the term of the contract, the types and number of scans performed as well as the day of the week on which scans are performed. The contracts typically allow the Company to reduce the number of days of service provided based upon the customer's scan volume, or to terminate the contract if the Company is unable to realize a profit on the services provided. The Company typically enters into exclusive, one to eight year contracts that include automatic renewal provisions. In addition, the Company's sales representatives consistently seek to renew and extend contracts prior to expiration.

SYSTEMS. At December 31, 1998, the Company operated 244 MRI systems, 21 CT systems, 11 nuclear medicine SPECT camera systems, 10 lithotripsy systems and 18 other diagnostic imaging and therapeutic systems. Of the 244 MRI systems, 191 are state-of-the-art, high-field 1.0 or 1.5 Tesla systems and 53 are state-of-the-art, mid-field 0.5 Tesla systems. These systems are designed to facilitate hardware and software upgrades. As a result, the Company's systems should remain at the leading edge of technological developments. Further, of the 244 MRI systems, 229 are housed in mobile coaches and 15 are housed in relocatable modular buildings on hospital campuses or installed in the hospital facility. Substantially all of the imaging systems are owned by the Company.

The Company orders substantially all of its imaging systems from major medical device manufacturers, primarily General Electric Medical Systems, Siemens Medical Systems and Picker International. Generally, the Company orders its imaging systems from such major manufacturers while simultaneously contracting with health care providers for their use, thereby reducing the Company's system utilization risk. The Company's MRI systems are installed in specially-designed trailers or relocatable, modular buildings. The trailers and relocatable modular buildings are designed jointly by the imaging system manufacturer and the housing manufacturer and are designed to provide image quality identical to those installed in hospital facilities.

FLEET MANAGEMENT. The Company seeks to maximize cash flow and return on assets by actively managing its fleet to maximize utilization. The Company employs logistics management systems and redeploys or trades in older MRI systems when it purchases new MRI systems. MRI systems are currently scheduled for as little as one-half day and up to seven days per week at any particular facility. Generally, technologists and a driver are assigned to each of the mobile operating systems. Movement of the systems typically occurs at night via a fleet of Company-owned or leased tractors or via third party vendors. The drivers move the systems and activate them upon arrival at each imaging site so that the systems are operational when the Company's technologists arrive on the following scheduled imaging day.

REGIONAL MANAGEMENT. The Company's eight regional offices market, manage and staff the operation of its imaging systems. The Company's regional offices are located in Anaheim and Walnut Creek, California; Pittsburgh, Pennsylvania; Chicago, Illinois; Colorado Springs, Colorado; Cleveland, Ohio; Berlin, Connecticut; and Macon, Georgia. Each region has individuals responsible for sales and operations management.

LICENSING AND JCAHO ACCREDITATION. Hospitals with which the Company has contracted are subject to a variety of regulations and standards of state licensing and other authorities and accrediting bodies such as the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"). As an outside vendor, the Company may be required to comply with such regulations and standards to enable the

hospitals with which it has contracted to maintain their permits, approvals and accreditation. Each of the Company's regions has been awarded accreditation by the JCAHO for its MRI, CT, lithotripsy and SPECT services.

CUSTOMER SUPPORT

As part of its full service package, the Company provides several levels of support to a hospital or health care provider. The Company's technologists who staff the MRI systems regularly work with the hospital radiologists, referring physicians and nursing staff to perform the scans. The technologists also work with regional technical advisors who are specialists in MRI technology and consult on specialized technical problems, hold periodic training sessions for the technologists, radiologists, referring physicians and health care customers and provide problem-solving services. These specialists play a central role in the Company's retention of accounts and building of scan volumes. Management believes that targeted direct marketing at each hospital with assigned responsibility for support services is a key element for broadening the awareness of MRI technology, building scan volume and obtaining contract renewals.

SALES AND MARKETING

At December 31, 1998, the Company's sales force consisted of 15 members who identify and contact candidates for the Company's services, each with the overall management and sales responsibility for a specific region of the country. Direct marketing plays a primary role in the Company's development of new customers. The Company also employs 40 marketing representatives who develop scan volumes at existing and new customer locations by introducing the Company's services to referring physicians and keeping such physicians apprised of the Company's service capabilities. In addition, certain of the Company's executive officers and regional vice presidents spend a portion of their time marketing the Company's services. The Company believes that having senior managers involved in sales and contract negotiations enhances its ability to obtain new and retain existing customers.

MAINTENANCE

For its MRI and CT systems, the Company primarily relies upon the manufacturer to provide maintenance and service under warranties and service contracts. These service contracts require the Company to pay fixed monthly fees or variable fees on a risk-sharing basis.

Timely, effective service is essential to maintaining high utilization rates on the Company's MRI systems. If the Company experiences greater than anticipated malfunctions of its equipment or if it is unable to promptly obtain the service necessary to keep its systems functioning effectively, its business could be adversely affected.

The Company contracts with the MRI equipment manufacturers for comprehensive maintenance programs on its systems to minimize downtime (the period of time equipment is unavailable during scheduled use hours because of malfunctions). These maintenance contracts commence upon the expiration of the applicable warranty period. The systems are generally warranted by the systems manufacturer for a specified period of time, usually one year to eighteen months from the date of purchase. During the warranty period and maintenance contract term, the Company receives uptime guarantees (a guarantee that equipment will function for a specified percentage of scheduled use hours). However, these guarantees are not expected to substantially compensate the Company for loss of revenue for downtime.

REIMBURSEMENT

Most of the Company's revenues are derived directly from health care providers rather than from private insurers, other third party payors or governmental entities. Consequently, the Company historically has not had material direct exposure to, or direct connection with, patient billing, collections or reimbursement by insurance companies, other third parties or Medicare. However, a small portion of the Company's revenues are generated from direct billings to patients or their third party payors which are recorded net of contractual discounts and other arrangements for providing services at less than established patient billing rates. Net revenues from direct patient billing amounted to approximately 12.2% of the Company's revenue in 1998.

Most private health care insurers, including various Blue Cross and Blue Shield Plans, reimburse approximately 70% to 100% of the health care provider's charge for MRI and CT scans. Such insurers may impose limits on reimbursement for imaging services or deny reimbursement for tests that do not follow recommended diagnostic procedures. Because patient reimbursement may indirectly affect the levels of fees the Company can charge its customers by constricting the health care providers' profit margin, widespread application of restricted or denied reimbursement schedules could adversely affect the Company's business. Conversely, at lower reimbursement rates, a health care provider might find it financially unattractive to own an MRI or CT system, but could benefit from purchasing the Company's services.

Congress has attempted to restrict rising federal reimbursement costs under the Medicare program by setting predetermined payment amounts for reimbursement of inpatient services according to each patient's diagnosis related group ("DRG"). Because a DRG rate compensates a hospital for all services rendered to a patient, a hospital cannot be separately reimbursed by Medicare for an MRI scan or other procedure performed on an inpatient. DRG payment rates for inpatient services became effective in the early 1980's and have been adjusted downward since then. Currently, those payment rates are not applicable to outpatient services; instead, Medicare reimbursement for imaging services furnished in a hospital outpatient setting is subject to alternative, generally more favorable, payment limits tied to the physician fee schedule described below. As described below, the Budget Reconciliation Act for 1998 mandates implementation of a prospective payment system for hospital outpatient services.

Because payments have generally been less restricted in non-hospital outpatient settings, in prior years there has been rapid growth in MRI systems at non-hospital free-standing facilities, which provide outpatient services. The U.S. Department of Health and Human Services ("HHS"), as required by statute, has issued fee schedules for reimbursing physicians who treat Medicare patients. Under these fee schedules, physician reimbursement for professional services is based on a set of values assigned to each service provided by a physician. The fee schedules also generally apply to reimbursement for technical services (such as those provided by the Company) except in limited circumstances. There can be no assurance that Medicare payments will remain comparable to present levels. The fee schedule assigns relative value units ("RVUs") for various medical procedures, including MRI scans. The 1994 amendments to the Social Security Act and the 1997 Balanced Budget Act, required HHS to implement a new system for RVUs attributable to practice expenses, with the intent of making such RVUs reflect the relative costs actually incurred in providing various services. The new RVUs are to be phased in over a four-year period beginning 1999. On November 2, 1998 HHS issued new RVUs, including those for MRI services; the RVUs for MRI services are not materially different from those previously in effect.

The 1998 Budget Reconciliation Act requires HHS to adopt and implement a prospective payment system for hospital outpatient services beginning in 1999. HHS has announced that because of the resources it is devoting to Y2K issues it will not implement a prospective payment system for hospital outpatient services until January 1, 2000 or later. On September 8, 1998 it issued proposed regulations to effectuate prospective payments for hospital outpatient services. The proposed rates could result in hospitals receiving significantly less Medicare reimbursement for MRI services performed for Medicare outpatients compared with reimbursement levels that would have prevailed absent any change in law. The Company believes that approximately 15-20% of its hospital customers' MRI revenues are derived from Medicare patients.

REGULATION

Many aspects of the health care industry in the United States, including the Company's business, are subject to extensive federal and state government regulation. Although the Company believes that its operations comply with applicable regulations, there can be no assurance that subsequent adoption of laws or interpretations of existing laws will not regulate, restrict or otherwise adversely affect the Company's business.

The marketing and operation of the Company's MRI and CT systems are subject to state laws prohibiting the practice of medicine by non-physicians and the rebate or division of fees between physicians and non-physicians. Management believes that its operations do not involve the practice of medicine because all professional medical services relating to its operations, such as the interpretation of the scans and related diagnoses, are separately provided by licensed physicians not employed by the Company. Further, the Company believes that its operations do not violate state laws with respect to the rebate or division of fees.

The Company is subject to federal and state laws, which govern financial and other arrangements between health care providers. These include the federal Medicare and Medicaid anti-kickback statutes which prohibit bribes, kickbacks, rebates and any other direct or indirect remuneration in return for or to induce the referral of an individual to a person for the furnishing, directing or arranging of services, items or equipment for which payment may be made in whole or in part under the Medicare, Medicaid or other federal health care programs. Violation of the anti-kickback statute may result in criminal penalties and exclusion from the Medicare and other federal health care programs. Many states have enacted similar statutes, which are not necessarily limited to items, and services paid for under the Medicare or a federally funded health care program. In recent years, there has been increasing scrutiny by law enforcement authorities, HHS, the courts and Congress of financial arrangements between health care providers and potential sources of patient and similar referrals of business to ensure that such arrangements are not designed as mechanisms to pay for patient referrals. HHS interprets the anti-kickback statute broadly to apply to distributions of partnership and corporate profits to investors who refer federal health care program patients to a corporation or partnership in which they have an ownership interest, and to payments for service contracts and equipment leases that are designed to provide direct to indirect remuneration for patient referrals or similar opportunities to furnish reimbursable items or services. In July 1991, HHS issued "safe harbor" regulations that set forth certain provisions which, if met, will assure that health care providers and other parties who refer patients or other business opportunities, or who provide reimbursable items or services, will be deemed not to violate the anti-kickback statute. The Company is also subject to separate laws governing the submission of false claims. The Company is a party to seven partnerships for the provision of MRI services. The Company believes that the partnerships are in compliance with the anti-kickback statute. The Company believes that its other operations likewise comply with the anti-kickback statutes.

A federal law, commonly known as the "Stark Law", also imposes civil penalties and exclusions for referrals for "designated health services" by physicians to certain entities with which they have a financial relationship subject to certain exceptions. "Designated health services" include, among others, MRI services. While implementing regulations have been issued relating to referrals for clinical laboratory services, only proposed, but not final, regulations have been issued regarding the other designated health services, including MRI services. In addition, several states in which the Company operates have enacted or are considering legislation that prohibits "physician self-referral" arrangements or requires physicians to disclose any financial interest they may have with a health care provider to their patients to whom they recommend that provider. Possible sanctions for violating these provisions include loss of licensure and civil and criminal sanctions. Such state laws vary from state to state and seldom have been interpreted by the courts or regulatory agencies. Nonetheless, strict enforcement of these requirements is likely. The Company believes its operations comply with these federal and state physician self-referral laws.

In some states, a certificate of need ("CON") or similar regulatory approval is required prior to the acquisition of high-cost capital items, including diagnostic imaging systems or provision of diagnostic imaging services by the Company or its customers. CON regulations may limit or preclude the Company from providing diagnostic imaging services or systems. A significant increase in the number of states regulating the Company's business within the CON or state licensure framework could adversely affect the Company. Conversely, repeal of existing CON regulations in jurisdictions where the Company has obtained or operates under a CON could also adversely affect the Company. This is an area of continuing legislative activity, and there can be no assurance that the Company will not be subject to CON and licensing statutes in other states in which it operates or may operate in the future.

LIABILITY INSURANCE

While the Company's imaging systems are at a customer's facility, they operate only under the direction of licensed physicians on the customer's staff who direct the procedures, supervise the Company's technologists and interpret the results of the examinations. Currently, there are no known biological hazards associated with MRI. However, there is a risk of harm to a patient who has a ferrous material or certain types of cardiac pacemakers within his or her body. Patients are carefully screened to safeguard against this risk. To protect against possible exposure for professional liability, the Company maintains professional liability insurance.

COMPETITION

The market for diagnostic imaging services and imaging systems is highly competitive. In addition to direct competition from other mobile providers, the Company competes with free-standing imaging centers and health care providers that have their own diagnostic imaging systems and with equipment manufacturers that sell or lease imaging systems to health care providers for full-time installation. Some of the Company's direct competitors which provide contract MRI services may have access to greater financial resources than the Company. In addition, some of the Company's customers are capable of providing the same services to their patients directly, subject only to their decision to acquire a high-cost diagnostic imaging system, assume the associated financial risk, employ the necessary technologists and satisfy applicable licensure and CON requirements, if any. The Company competes against other MRI service providers on the basis of quality of services, quality and magnetic field strength of imaging systems, price, availability and reliability.

EMPLOYEES

As of December 31, 1998, the Company had 1,647 employees, of whom approximately 619 were trained diagnostic imaging technologists, patient coordinators or other technical support staff. None of the Company's employees are represented by a labor organization and the Company is not aware of any activity seeking such organization. The Company considers its relations with its employees to be satisfactory.

COMPANY HISTORY

The Company's predecessors, an English partnership and an affiliated California corporation, began operation in 1983 by providing mobile CT services in southern California. Mobile MRI services commenced in 1985. The Company's predecessors were merged into Alliance Imaging plc, an English public limited company, in 1985. The Company was incorporated in Delaware in May 1987 and in July 1987 acquired all the outstanding stock of Alliance Imaging plc.

The Company's common stock was publicly traded from August 1987 until November 1988, when the Company was acquired in a going-private transaction. In November 1991, the Company completed its second initial public offering of common stock. At a Special Meeting of the Stockholders held on

December 17, 1997, the Company's stockholders approved the Recapitalization

Merger (as hereinafter defined) pursuant to which affiliates of Apollo Management, L.P. ("Apollo") acquired control of the Company.

RECENT ACQUISITIONS

On March 12, 1998, the Company acquired Mobile Technology Inc. ("MTI"), a Los Angeles, California based provider of mobile MRI services, CT services and other outsourced health care services. The MTI acquisition added 68 MRI systems, 3 CT systems, 9 lithotripsy systems, and 3 brachytherapy systems to the Company's equipment fleet. The purchase price consisted of $58.3 million in cash plus direct acquisition costs of approximately $2.0 million. In connection with the acquisition, the Company also refinanced $37.4 million of MTI's outstanding debt and paid MTI direct transaction costs of $3.5 million.

On May 19, 1998, the Company acquired Medical Diagnostics, Inc. ("MDI"), a Wilmington, Massachusetts based subsidiary of U.S. Diagnostic, Inc. The MDI acquisition added 10 MRI systems (8 mobile and 2 fixed site) and 3 nuclear medicine SPECT camera systems to the Company's equipment fleet. The purchase price consisted of approximately $31 million in cash and the assumption of approximately $7.4 million in financing arrangements.

On November 13, 1998, two wholly owned subsidiaries of the Company acquired all of the outstanding common stock of CuraCare, Inc. and all of the partnership interests in American Shared-CuraCare (collectively, "American Shared") both of which were operating subsidiaries of San Francisco, California based American Shared Hospital Services ("ASHS"). This acquisition added 28 MRI systems, 14 CT systems, 1 nuclear medicine SPECT camera system and 8 ultrasound systems to the Company's equipment fleet. The purchase price included approximately $13.4 million in cash and the assumption of approximately $12.2 million in financing arrangements, after retiring approximately $13.1 million in outstanding indebtedness.

ITEM 2. PROPERTIES.

The Company leases an aggregate of approximately 33,600 square feet of space in two office buildings in Anaheim, California for its executive and principal administrative offices. The Company also leases a 15,600 square foot operations warehouse in Orange, California, as well as space for its other regional offices.

ITEM 3. LEGAL PROCEEDINGS.

The Company from time to time is involved in routine litigation incidental to the conduct of its business. The Company believes that no litigation pending against it will have a material adverse effect on its consolidated financial position or results of operations.

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

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of 1998.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock was traded on the Nasdaq SmallCap Market under the symbol SCAN until shortly after the Recapitalization Merger in December, 1997. The Company's Common Stock is currently traded on the over-the-counter ("OTC") bulletin board market. The high and low prices as reported on the Nasdaq SmallCap Market and OTC bulletin board market are set forth below for the respective time periods. As of March 11, 1999, there were 21 record holders and approximately 160 beneficial holders of the Company's Common Stock.

	1998	1997	1996

	HIGH	LOW	HIGH	LOW	HIGH	LOW
First Quarter	191/2	113/4	83/8	53/4	41/8	27/8
Second Quarter	20	16	105/8	65/8	61/8	313/16
Third Quarter	193/4	17	111/8	10	63/8	37/8
Fourth Quarter	25	16	113/16	101/2	515/16	45/8

The Company has never paid any cash dividends on its common stock and has no current plans to do so. The Company intends to retain available cash to provide for the operation of its business, including capital expenditures, and to fund future acquisitions. The Company's Amended and Restated Credit Agreement and the Indenture governing its Senior Subordinated Notes and Senior Subordinated Floating Rate Notes restrict the payment of cash dividends on the Company's Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial data, except as noted herein, has been taken or derived from the audited consolidated financial statements of the Company and should be read in conjunction with the full consolidated financial statements included herein.

	SELECTED CONSOLIDATED FINANCIAL DATA				
	1998	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Revenues	$ 199,401	$ 86,474	$ 68,482	$ 58,065	$ 57,875
Costs and expenses:					
Operating expenses, excluding depreciation	97,187	38,997	32,344	28,342	31,093
Depreciation expense	26,961	15,993	12,737	12,202	13,424
Selling, general and administrative expenses	19,095	8,857	8,130	6,294	6,284
Amortization expense, primarily goodwill	8,010	2,426	1,952	1,345	943
Interest expense, net	35,488	7,808	5,758	5,053	10,758
Transaction related costs	2,818	--	--	--	--
Recapitalization merger costs	--	16,350	--	--	--
Asset impairment and other special charges	--	--	--	--	13,339
Total costs and expenses	189,559	90,431	60,921	53,236	75,841
Income (loss) before income taxes and extraordinary gain (loss)	9,842	(3,957)	7,561	4,829	(17,966)
Provision for income taxes	4,973	1,700	1,060	727	1,100
Income (loss) before extraordinary gain (loss)	4,869	(5,657)	6,501	4,102	(19,066)
Extraordinary gain (loss), net of taxes	(2,271)	1,849	6,300	--	--
Net income (loss)	$ 2,598	$ (3,808)	$ 12,801	$ 4,102	$ (19,066)
Earnings per common share:					
Income (loss) before extraordinary gain (loss)	$ 0.66	$ (0.41)	$ 0.67	$ 0.30	$ (2.68)
Extraordinary gain (loss), net of taxes	(0.56)	0.17	0.58	--	--
Net income (loss) per common share	$ 0.10	$ (0.24 (1)	$ 1.25	$ 0.30	$ (2.68)(4)
Earnings per common share--assuming dilution:					
Income (loss) before extraordinary gain (loss)	$ 0.63	$ (0.41)	$ 0.63	$ 0.28	$ (2.68)
Extraordinary gain (loss), net of taxes	(0.53)	0.17	0.55	--	--
Net income (loss) per common share--assuming dilution	$ 0.10	$ (0.24 (1)	$ 1.18	$ 0.28	$ (2.68)(4)
BALANCE SHEET DATA:					
Total assets	$ 456,166	$ 193,655	$ 128,510	$ 103,327	$ 102,527
Long-term debt	246,247	42,874	68,110(2)	50,049	52,314
Senior subordinated debentures (long-term portion)	185,000	185,000	4,592(3)	15,883	16,633
Redeemable preferred stock	16,673	14,487	4,694(3)	16,430	15,500

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(1) Includes $1.23 net loss per common share for costs associated with the

Recapitalization Merger.

(2) Long-term debt of $12,872 plus $5,128 used to repurchase senior subordinated debt and redeemable preferred stock on January 2, 1997 was converted to preferred stock in March 1997.

(3) The 1996 balance of senior subordinated debentures and redeemable preferred stock was repurchased by the Company on January 2, 1997 for $5,128.

(4) Includes $1.94 net loss per common share for special charges.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The Company is a leading nationwide provider of diagnostic imaging and therapeutic services and the largest operator of state-of-the-art mobile diagnostic imaging systems and related outsourced radiology services in the United States. The Company's diagnostic imaging services include MRI, CT, SPECT camera and ultrasound systems. The Company's therapeutic services include lithotripsy, brachytherapy, and microwave thermotherapy systems. The Company primarily provides MRI and CT systems and services to hospitals and other health care providers on a mobile, shared user basis. The Company also provides dedicated, full-time MRI systems and services as well as full-service management of imaging operations for selected hospitals. The Company's MRI services include the provision of high technology diagnostic imaging systems, technologists to operate the imaging systems, equipment maintenance and upgrades, the management of day-to-day operations, educational and marketing support, patient scheduling, billing and collection services, managed care contracting and professional liability insurance. The Company's services enable small to mid-size hospitals to gain access to advanced diagnostic imaging technology and related value-added services without making a substantial investment in equipment and personnel. The Company operates a fleet of 244 MRI systems and services 1,028 customers in 44 states as of December 31, 1998.

The Company's revenues are principally a function of the number of systems in service, scan volumes and fees per scan. The Company generates substantially all of its revenues under exclusive one to eight-year contracts with hospitals and health care providers. The Company's contracts typically offer tiered pricing with lower fees per scan on incremental scans, allowing customers to benefit from increased scan volumes and the Company to benefit from the operating leverage associated with increased scan volumes. The Company expects modest continuing downward pressure on pricing levels as a result of cost containment measures in the health care industry. However, in many cases higher scan volumes justify lower prices on incremental scans.

The principal components of the Company's operating costs include salaries paid to technologists and drivers, annual system maintenance costs, insurance and transportation costs. Because a majority of these expenses are fixed, increased revenues as a result of higher scan volumes significantly improve the Company's profitability while lower scan volumes result in lower profitability.

Since the beginning of 1995, the Company has substantially increased revenues by adding new customers and increasing scan volumes at existing customer sites. The Company has also substantially increased revenue through acquisitions. During the same period, the growth rate of the Company's EBITDA (income before income taxes, plus depreciation, amortization and net interest expense), excluding expenses associated with the Recapitalization Merger (as hereinafter defined), has exceeded the growth rate of revenues as a result of spreading costs (which are primarily fixed) over a larger revenue base and implementing cost reduction and containment measures.

The Company has historically focused on maximizing cash flow and return on invested capital nationwide, deploying new and upgraded systems in high volume markets and redeploying older, less advanced systems with lower carrying values in lower volume markets. The Company's ongoing equipment trade-in and upgrade program has substantially improved the marketability and productivity of its MRI systems. Because the Company owns substantially all of its MRI systems, it periodically evaluates its older, less marketable MRI systems to determine if it is more beneficial to continue to use such systems in lower volume markets which are profitable but produce less revenue, or to trade in such equipment in connection with new system purchases. The Company currently maintains one of the most advanced fleets in the industry.

Revenues from CT services, lithotripsy services, SPECT camera services, and other imaging services accounted for approximately 7% of the Company's revenues for the year ended December 31, 1998.

On November 21, 1997, the Company acquired Medical Consultants Imaging Co. ("MCIC"), a Cleveland, Ohio based provider of mobile MRI services, CT services and other outsourced health care services. The acquisition also included MCIC's one-half interest in a limited liability company in Michigan. The purchase price consisted of $12.3 million cash plus the assumption of approximately $5.5 million in financing arrangements. MCIC operated 14 mobile MRI systems and several other diagnostic imaging systems, primarily in Ohio, Michigan, Indiana and Pennsylvania.

On December 18, 1997, after obtaining the approval of stockholders, the Company completed a series of transactions contemplated by an Agreement and Plan of Merger between Newport Investment LLC (the "Investor") and the Company (the "Recapitalization Merger") whereby the Company: obtained proceeds from debt financing aggregating $215.0 million; issued 150,000 shares of non-voting redeemable Series F preferred stock to the Investor for proceeds of $15.0 million; issued 3,632,222 shares of its common stock in exchange for all of the outstanding stock of Newport Acquisition Corporation, a subsidiary of the Investor, and received net proceeds of $40.0 million from cash placed into Newport Acquisition Corporation by the Investor; and converted all shares of its common stock held by existing stockholders in excess of 411,358 shares that were retained by electing existing stockholders into the right to receive $11 in cash.

As a result of these transactions, the Company experienced an approximate 90% ownership change. The Investor, which was formed and is wholly owned by certain affiliates of Apollo obtained ownership of approximately 83.6% of the Company's outstanding common stock, and the Company became highly leveraged.

On March 12, 1998, the Company acquired MTI, which management believes was the second largest provider of mobile MRI services in the United States, in a transaction accounted for as a purchase. The Company has included the operations of MTI in its consolidated financial statements from the date of acquisition. This acquisition added 68 MRI systems operating in 31 states, 3 CT systems, 9 lithotripsy systems, and 3 brachytherapy systems to the Company's equipment fleet. The purchase price consisted of $58.3 million for all of the equity interests in MTI plus direct acquisition costs of approximately $2.0 million. In connection with the acquisition, the Company also refinanced $37.4 million of MTI's outstanding debt and paid MTI direct transaction costs of $3.5 million. To finance these expenditures, the Company increased its existing term loan facility by $20.0 million to provide total availability of $70.0 million, established a new $50.0 million term loan facility and borrowed an aggregate of $90.0 million thereunder, for which the Company incurred debt issuance costs of approximately $2.8 million. The Company also borrowed $5.4 million under its revolving loan facility and used $8.5 million of cash on hand at MTI to complete the financing requirements. The goodwill recorded as a result of this acquisition was $6.0 million which is being amortized on a straight-line basis over 20 years. Additionally, the Company assigned $67.2 million of purchase price to customer contracts and $2.9 million of purchase price to assembled work force. The amounts are being amortized on a straight-line basis over 20 and four years respectively. The allocation of the intangible assets acquired was based on an independent valuation study.

On May 19, 1998, the Company acquired MDI, a subsidiary of U. S. Diagnostic, Inc. The purchase price consisted of approximately $31.0 million plus the assumption of approximately $7.4 million in financing arrangements. The Company borrowed $30.0 million under its revolving loan facility to finance the transaction. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of MDI have been included in the Company's consolidated financial statements from the date of acquisition. The goodwill recorded as a result of this acquisition was $17.2 million which is being amortized on a straight-line basis over 20 years. Additionally, the Company assigned $8.3 million of purchase price to customer contracts and $0.4 million of purchase price to assembled work force. The amounts are being amortized on a straight-line base over 20 and four years respectively. The allocation of the intangible assets acquired was based on an independent valuation study.

On November 13, 1998, the Company acquired American Shared. The purchase price consisted of approximately $13.4 million in cash plus the assumption of approximately $12.2 million in financing

arrangements. In connection with the acquisition, the Company also refinanced $13.1 million of American Shared's outstanding debt. The Company borrowed $30.0 million under a new tranche C term loan facility to finance the transaction. The transaction has been accounted for as a purchase and, accordingly, the results of operations of American Shared have been included in the Company's consolidated financial statements from the date of acquisition. The goodwill recorded as a result of this acquisition was approximately $30.4 million which is being amortized on a straight-line basis over 20 years. The allocation of the American Shared purchase price is tentative pending completion of fair value determinations for the net assets acquired. The allocation may change with the completion of these determinations.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Revenues for 1998 were $199.4 million, an increase of $112.9 million, or 130.6%, over 1997, primarily due to the MTI and MDI acquisitions. The remaining increase reflects higher scan-based MRI revenue, MRI revenue under fixed fee contracts and other revenue items (including revenue for other modalities). Overall, MRI revenue increased $94.9 million, as a result of a 121.3% increase in total scan volume partially offset by a 0.67% decrease in the average revenue realized per MRI scan. The average daily scan volume per MRI system increased 15.3% to 8.3 from 7.2 in 1997. Management attributes the non-acquisition volume increase to the Company's continuing MRI systems upgrade program, which has enabled the Company to obtain new, long-term contracts from both existing and new customers, and to the continuing positive effect of marketing programs implemented in early 1997. Management believes the decrease in average revenue realized per scan is the result of many customers achieving discount price levels in incremental scan volume; obtaining contracts with customers that have high scan volumes which justify lower scan prices; and continuing competitive pressure in the MRI service industry and cost containment efforts by health care payors. Other revenue increased $18.0 million, or 251.5% partly due to a $6.2 million increase in lithotripsy revenue associated with the MTI acquisition, as well as a $6.0 million increase in contract management service revenue as a result of the Company commencing these service arrangements primarily in connection with the MCIC acquisition. The remainder of the increase in other revenue was primarily due to an increase in nuclear medicine revenue.

The Company operated 244 MRI systems at December 31, 1998 compared to 121 MRI systems at December 31, 1997. The increase was primarily a result of the MTI acquisition and to a lesser degree the American Shared and MDI acquisitions.

Operating expenses, excluding depreciation, totaled $97.2 million in 1998, an increase of $58.2 million, or 149.2% from 1997. Payroll and related employee expenses increased $18.6 million, or 132.5%, primarily as a result of acquisitions, an increase in operating staffing levels necessary to support new units in operation and increased scans per unit. Preventative maintenance and cryogen expense increased $9.0 million, or 97.7%, due to an increase in the number of systems in service and the expiration of warranties on an increased number of MRI systems. Equipment rental expense increased $8.6 million, or 276.5%, resulting from a higher number of leased MRI systems in operation and the Company's leasing of 25 new tractors during the third quarter of 1997. Medical supplies expense increased $2.7 million, or 334.5%, primarily as a result of the increased level of nuclear medicine operations. Expenses associated with contract management services increased $3.6 million as a result of the Company commencing these service arrangements primarily in connection with the MCIC acquisition.

Depreciation expense during 1998 totaled $27.0 million, an increase of $11.0 million, or 68.6% from the 1997 level principally due to a higher amount of depreciable assets associated with equipment additions and upgrades and equipment acquired through acquisitions. Amortization expense during 1998 increased $5.6 million, or 230.2%, over 1997 as a result of the acquisitions made during 1998.

Selling, general and administrative expenses totaled $19.1 million in 1998, an increase of $10.2 million or 115.6%, from 1997. Payroll and related expenses increased $5.0 million, or 92.4%, primarily as a result

of increased employee compensation related to increased staffing levels necessary to support the Company's increased level of operations. Bad debt expense increased $3.3 million primarily as a result of the growth in revenues and the application of the Company's more conservative bad debt reserve policy to the acquired MTI and MDI operations.

The transaction related costs primarily represent a special non-recurring bonus paid in connection with the MTI acquisition, internal-use software development costs associated with accounting and billing systems conversions of the acquired companies, and a provision for bad debt conforming accounting adjustment made in connection with the American Shared acquisition.

Interest expense of $35.5 million in 1998 was $27.7 million, or 354.5%, higher than 1997, as a result of higher average outstanding debt balances during 1998 as compared to 1997. This increase was primarily related to debt incurred in connection with the Recapitalization Merger and the MTI and MDI acquisitions.

An income tax provision of $5.0 million was recorded in 1998, resulting in an effective tax rate of 50.5%. An income tax provision of $1.7 million was recorded in 1997, primarily as a result of permanently non-deductible costs for tax purposes associated with the Recapitalization Merger. At December 31, 1998, the Company had approximately $104.4 million of net operating losses available for federal tax purposes to offset future taxable income, subject to certain limitations.

The Company's income before extraordinary loss was $4.9 million in 1998 compared to loss before extraordinary gain of $5.7 million in 1997, an increase of $10.6 million, primarily attributable to the non-recurring nature of the 1997 recapitalization merger costs partially offset by increased interest, depreciation, and amortization costs and transaction related costs. The Company reported an extraordinary loss of $2.3 million, net of income tax benefit, on early extinguishment of debt in 1998. The Company reported an extraordinary gain, net of income taxes, in 1997 of $1.8 million, on early extinguishment of debt. The earnings per common share calculations reflect preferred dividend requirements and financing fee accretion of $2.2 million in 1998 and $0.6 million in 1997.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Revenues for 1997 were $86.4 million, an increase of $18.0 million or 26.3% ($1.0 million, or 5.7%, as a result of the MCIC acquisition), over 1996. This increase reflects a scan-based MRI revenue increase of $15.6 million, or 25.9%, resulting from a 30.0% increase in total scan volume partially offset by a 3.2% decrease in the average revenue realized per MRI scan. The average daily scan volume per MRI system increased 8.4% to 7.24 from 6.68 in 1996. Management attributes the volume increase to the Company's continuing MRI systems upgrade program, which has enabled the Company to obtain new, long-term contracts from both existing and new customers, and to the effect of marketing programs implemented in early 1997. Management believes the decrease in average revenue realized per scan is the result of many customers achieving discount price levels in incremental scan volume; obtaining contracts with customers that have high scan volumes which justify lower scan prices; and, continuing competitive pressure in the MRI service industry and cost containment efforts by health care payors. CT revenues increased $1.1 million, or 31.2%, as a result of internal growth and the fourth quarter 1996 acquisition of a small CT business. Other revenues increased $1.3 million primarily as a result of the implementation in late 1996 of a program providing management services for a large portfolio of imaging systems owned by others, and the MCIC acquisition.

The Company operated 121 MRI systems at December 31, 1997 compared to 86 MRI systems at December 31, 1996. The average number of MRI systems operated by the Company was 95 during 1997, compared to 85 during 1996.

Operating expenses, excluding depreciation, totaled $39.0 million in 1997, an increase of $6.7 million, or 20.6% from 1996. Payroll and related employee expenses increased $3.1 million, or 23.3%, primarily as

a result of an increase in operating staffing levels necessary to support new units in operation and increased scans per unit. Repairs and maintenance expense increased $0.6 million, or 38.1%, due to an increased number of systems in service, as well as costs associated with preparing additional sites. Fuel and other vehicle expenses collectively increased $0.6 million, or 34.0%, primarily due to addition of new MRI and other mobile systems. Preventative maintenance and cryogen contract expense increased $0.6 million, or 6.3%, due to the expiration of the warranties on an increased number of MRI systems. Other operating expenses (including insurance, site fees, office expenses, equipment rental, supplies, employee and professional services) increased $1.8 million, or 25.8%, as a result of the increased level of operations.

Depreciation expense during 1997 totaled $16.0 million, an increase of $3.3 million, or 25.6%, from the 1996 level principally due to a higher amount of depreciable assets associated with equipment additions and upgrades. Amortization expense during 1997 increased $0.5 million, or 24.3%, over 1996 as a result of goodwill amortization associated with recent business acquisitions.

Selling, general and administrative expenses totaled $8.9 million in 1997, an increase of $0.7 million, or 8.9%, from 1996. Employee expenses increased $0.4 million, or 96.8%, primarily as a result of the Company's recapitalization effort. Professional services expenses increased $0.1 million, or 20.3%, primarily due to costs associated with increased investor relations efforts and merger and acquisition activity. Corporate office expenses increased $0.07 million, or 10.1%, over 1996 as a result of the Company relocating its administrative office. Other expenses increased by $0.09 million primarily as a result of expanded marketing programs.

Interest expense of $7.8 million in 1997 was $2.1 million, or 35.6%, higher than 1996, as a result of higher average outstanding debt balances during 1997 as compared to 1996. This increase was primarily related to the debt incurred in connection with the Recapitalization Merger and to the financing of several new imaging systems during 1997.

An income tax provision of $1.7 million was recorded in 1997, primarily as a result of permanently non-deductible costs for tax purposes associated with the Recapitalization Merger. At December 31, 1997, the Company had approximately $36.0 million of net operating losses available for federal tax purposes to offset future taxable income, subject to certain limitations.

The Company's loss before extraordinary gain was $5.7 million in 1997, compared to income before extraordinary gain of $6.5 million in 1996, a decrease of $12.2 million, primarily attributable to costs associated with the Recapitalization Merger. The Company reported extraordinary gains, net of income taxes, in 1997 of $1.8 million on early extinguishment of debt.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated $31.5 million, $12.9 million and $21.7 million from operating activities in 1998, 1997, and 1996, respectively. Capital expenditures, consisting primarily of new equipment purchases, totaled $68.7 million, $51.8 million, and $34.4 million in 1998, 1997, and 1996, respectively. In 1998, the Company purchased 39 new MRI systems, including replacement systems. The Company expects to purchase additional equipment under binding commitments in 1999 and finance such purchases with the Company's Revolving Loan Facility.

The Company's primary cash needs consist of capital expenditures and debt service. The Company incurs capital expenditures for the purposes of (i) providing routine upgrades of its MRI systems; (ii) replacing or making major upgrades to older, less advanced systems with new state-of-the-art systems; and (iii) purchasing new systems. The Company expects capital expenditures to be approximately $75.0 million in 1999, which primarily reflects the anticipated purchase of 40 new MRI systems, including replacement systems, many of which were acquired with American Shared. The Company's decision to purchase a new system is typically predicated on obtaining new or extending existing customer contracts, which serve as the basis of demand for the new system.

As a result of the Recapitalization Merger, the Company issued $185.0 million of Notes (consisting of $140.0 million Senior Subordinated Notes due 2005, bearing interest at the rate of 9 5/8% per annum; and $45.0 million Floating Interest Rate Subordinated Term Securities due 2005, bearing interest at a rate per annum equal to LIBOR plus 4.19%) which are payable semiannually, and require no principal repayments until maturity. The Company also entered into a $125.0 million Credit Agreement consisting of a $50.0 million Term Loan Facility and a $75.0 million Revolving Loan Facility, and carried over approximately $12.7 million of other obligations. The Term Loan matures on the sixth anniversary of the initial borrowing and requires annual principal repayments of one percent per year during the first five years and the outstanding principal amount in the sixth year. The Revolving Loan Facility matures on the fifth anniversary of the initial borrowing and has mandatory commitment reductions of $40.0 million on the fourth and fifth anniversaries of the initial borrowing. The Credit Agreement contains restrictive covenants, which, among other things, limit the incurrence of additional indebtedness, dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of other indebtedness. In addition, the Credit Agreement requires loans to be prepaid with 100% of the net proceeds of non-ordinary-course asset sales or other dispositions of property, issuances of debt obligations and certain preferred stock and certain insurance proceeds, 75% of annual excess cash flow and 50% of the net proceeds from common equity and certain preferred stock issuances, in each case subject to limited exceptions. Voluntary prepayments are permitted in whole or in part. Subsequent amendments to the Credit Agreement are described below.

Also as part of the Recapitalization Merger, the Company issued $15.0 million of Series F Preferred Stock. The Series F Preferred Stock pays dividends at the rate of 13.5% per annum, payable quarterly in arrears, with such dividends payable in kind for the first five years from the issue date and thereafter in cash. The Series F Preferred Stock is mandatorily redeemable for its liquidation preference plus accrued and unpaid dividends on the 10th anniversary of the issue date. The Series F Preferred Stock is redeemable at the option of the Company prior to the 10th anniversary at premiums (expressed as a percentage of the accreted face value) declining over ten years from 13.5% to 0%. The Company does not currently intend to redeem the Series F Preferred Stock prior to the mandatory redemption date.

On November 21, 1997, the Company acquired MCIC, a Cleveland, Ohio based provider of mobile MRI services, CT services and other outsourced health care services. The acquisition also included MCIC's one-half interest in a limited liability company in Michigan. The purchase price consisted of $12.3 million cash plus the assumption of approximately $5.5 million in financing arrangements. MCIC operated 14 mobile MRI systems and several other diagnostic imaging systems, primarily in Ohio, Michigan, Indiana and Pennsylvania.

On March 12, 1998, the Company acquired MTI, another nationwide provider of diagnostic imaging services. The Company funded the MTI acquisition with $20.0 million of existing Term Loan availability under tranche A, $5.4 million of revolver borrowings, a $20.0 million increase to the Term Loan Facility under tranche A, and a new $50.0 million Term Loan Facility under tranche B. The Credit Agreement was amended to provide for the increased Term Facilities.

On May 19, 1998, the Company acquired MDI, a subsidiary of U. S. Diagnostic, Inc. The Company borrowed $30.0 million under its Revolving Loan Facility to finance the transaction.

On September 24, 1998, the Company completed a $90.0 million expansion of its Credit Agreement. The transaction added a new $85.0 million Term Loan Facility under tranche C and increased the Revolving Loan Facility to $80.0 million ($22.4 million of which was funded at December 31, 1998). The total amount outstanding under the Term Loan Facility at December 31, 1998 was $203.8 million. The increased Loan Facilities provided funds to complete the American Shared acquisition and will also provide funds for future acquisitions and capital expenditures.

On November 13, 1998, the Company acquired American Shared. The purchase price consisted of approximately $13.4 million plus the assumption of approximately $12.2 million in financing arrangements.

In connection with the acquisition, the Company also refinanced $13.1 million of American Shared's outstanding debt. The Company borrowed $30.0 million under the tranche C Term Loan Facility to finance the transaction.

The Company believes that based on current levels of operations and anticipated growth, its cash from operations, together with other available sources of liquidity, including borrowings available under the Revolving Loan Facility, will be sufficient over the next several years to fund anticipated capital expenditures and make required payments of principal and interest on its debt, including payments due on the Notes and obligations under the Credit Agreement.

The Company's expansion and acquisition strategy may require substantial capital, and no assurance can be given that the Company will be able to raise any necessary additional funds through bank financing or the issuance of equity or debt securities on terms acceptable to the Company, if at all.

Certain statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, particularly in the preceding section entitled "Liquidity and Capital Resources" and elsewhere in this annual report on Form 10-K, are forward-looking statements. Statements in this annual report on Form 10-K which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as results of operations and financial condition, the consummation of acquisitions and financing transactions and the effect of such transactions on the Company's business and the Company's plans and objectives for future operations and expansion are examples of forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including those identified as "Risk Factors" in the Company's Registration Statements on Forms S-2 (No. 333-33817) and S-4 (No. 333-33787). The foregoing should not be construed as an exhaustive list of all factors which could cause actual results to differ materially from those expressed in forward-looking statements made by the Company. Actual results may materially differ from anticipated results described in these statements.

YEAR 2000 COMPLIANCE

The following disclosure is a Year 2000 readiness disclosure statement pursuant to the Year 2000 Readiness and Disclosure Act. The Company has implemented a process to address its Year 2000 compliance issues. The process includes: (i) an inventory and assessment of the compliance of essential systems and equipment of the Company and of Year 2000 mission critical suppliers, customers, and other third parties, (ii) the remediation of non-compliant systems and equipment, and (iii) contingency planning. The Company has completed its inventory of imaging and therapeutic systems and has completed approximately 80% of its inventory of information systems. The Company has identified its mission critical suppliers, customers and other third parties and is in the process of communicating with them about their Year 2000 readiness plans and progress. During 1998, the Company purchased Year 2000 compliant financial reporting software which has been successfully implemented. As a result, the Company does not believe that its financial reporting, wholesale billing, or accounts receivable functions will be adversely affected by Year 2000 concerns. The cost of this software was approximately $1.0 million, including installation.

The Company has also been working closely with the original equipment manufacturers ("OEM") of its imaging and therapeutic systems to address Year 2000 concerns. Approximately 98% of the Company's MRI and CT systems will be made compliant on a timely basis by the OEMs pursuant to the Company's existing maintenance contracts. The Company can not currently estimate the additional costs that will be incurred to address Year 2000 concerns. The Company's analysis of its Year 2000 efforts are ongoing and its overall plan and cost estimations will continue to evolve, as new information becomes available.

The failure of the Company, its mission critical suppliers, customers or third parties to be fully Year 2000 compliant for essential systems and equipment by January 1, 2000 could result in interruptions in normal business work operations. The Company's potential risks include: (i) the inability to deliver

imaging and therapeutic services, (ii) the delayed receipt of payments from clients or fiscal intermediaries, (iii) the failure of security systems, elevators, heating systems and other operational systems in the Company's offices and (iv) the inability to receive critical equipment from vendors. Each of these events could have a material adverse effect on the Company's business, results of operations and financial condition.

Contingency plans for Year 2000 related issues continue to be developed and include, but are not limited to, identification of alternate suppliers, alternate equipment and manual systems. However, any contingency plan implemented by the Company may not succeed or may not be adequate to meet the Company's needs without materially affecting the Company's business, results of operations or financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information about the Company's financial instruments that are sensitive to changes in interest rates. For long-term debt obligations, the table presents principal cash flows and related weighted average interest rates by expected (contractual) maturity dates. All amounts are in United States dollars. Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

	EXPECTED MATURITY DATE							
DECEMBER 31, 1998	1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR VALUE
Liabilities:								
Long-term debt								
Fixed rate	$ 18,742	$ 13,545	$ 8,706	$ 5,547	$ 68,305	$ 267,750	$ 382,595	$ 397,430
Weighted average interest rate	9.00%	9.11%	9.15%	8.50%	7.71%	8.69%	8.55%	7.75%
Variable rate	$ --	$ --	$ --	$ 22,394	$ --	$ 45,000	67,394	$ 67,394
Weighted average interest rate	--	--	--	7.49%	--	9.29%	8.69%	8.69%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Consolidated Financial Statements:

ALLIANCE IMAGING, INC.

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	DECEMBER 31 1998	DECEMBER 31 1997
ASSETS		
Current assets:		
Cash and short-term investments	$ 1,681	$ 10,798
Accounts receivable, net of allowance for doubtful accounts of $8,259 in 1998 and $750 in 1997	41,634	12,628
Deferred income taxes (NOTE 8)	3,679	2,478
Prepaid expenses	3,134	1,285
Other receivables	552	472
Total current assets	50,680	27,661
Equipment, at cost (NOTE 4)	273,074	169,468
Less accumulated depreciation	(78,811)	(57,255)
	194,263	112,213
Goodwill, net of accumulated amortization of $14,382 in 1998 and $9,971 in 1997 (NOTE 3)	109,667	36,149
Other intangibles, net of accumulated amortization of $3,599 in 1998 (NOTE 3)	75,528	--
Deferred financing costs	12,867	13,641
Deposits and other assets	13,161	3,991
Total assets	$ 456,166	$ 193,655
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,688	$ 6,677
Accrued compensation and related expenses	6,733	5,982
Other accrued liabilities	21,190	8,021
Current portion of long-term debt (NOTE 4)	18,742	6,351
Total current liabilities	51,353	27,031
Long-term debt, net of current portion (NOTE 4)	431,247	227,874
Other liabilities	713	86
Deferred income taxes (NOTE 8)	38,390	6,865
Total liabilities	521,703	261,856
Commitments and Contingencies(NOTE 6)		
Redeemable preferred stock, Series F, $.01 par value; 300,000 shares authorized; shares issued and outstanding--150,000 in 1998 and 1997(redemption value - $17,211 in 1998 and $15,084 in 1997) (NOTE 5)	16,673	14,487
Common stock, $.01 par value; 10,000,000 shares authorized; shares issued and outstanding--4,072,611 in 1998 and 4,054,111 in 1997 (NOTE 5)	41	41
Additional paid-in deficit	(59,672)	(59,738)

Accumulated deficit	(22,579)	(22,991)
Total liabilities and stockholders' equity	$ 456,166	$ 193,655

SEE ACCOMPANYING NOTES.

ALLIANCE IMAGING, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31		
	1998	1997	1996
Revenues	$ 199,401	$ 86,474	$ 68,482
Costs and expenses:			
Operating expenses, excluding depreciation	97,187	38,997	32,344
Depreciation expense	26,961	15,993	12,737
Selling, general and administrative expenses	19,095	8,857	8,130
Amortization expense, primarily goodwill	8,010	2,426	1,952
Interest expense, net of interest income of $485 in 1998, $592 in 1997 and $502 in 1996	35,488	7,808	5,758
Transaction related costs	2,818	--	--
Recapitalization merger costs (NOTE 1)	--	16,350	--
Total costs and expenses	189,559	90,431	60,921
Income (loss) before income taxes and extraordinary gain (loss)	9,842	(3,957)	7,561
Provision for income taxes (NOTE 8)	4,973	1,700	1,060
Income (loss) before extraordinary gain (loss)	4,869	(5,657)	6,501
Extraordinary gain (loss), net of taxes	(2,271)	1,849	6,300
Net income (loss)	2,598	(3,808)	12,801
Less: Preferred stock dividends and financing fee accretion	2,186	626	943
Add: Excess of carrying amount of preferred stock repurchased over consideration paid	--	1,906	1,764
Income (loss) applicable to common stock	$ 412	$ (2,528)	$ 13,622
Earnings per common share:			
Income (loss) before extraordinary gain (loss)	$ 0.66	$ (0.41)	$ 0.67
Extraordinary gain (loss), net of taxes	(0.56)	0.17	0.58
Net income (loss) per common share	$ 0.10	$ (0.24)	$ 1.25
Earnings per common share--assuming dilution:			
Income (loss) before extraordinary gain (loss)	$ 0.63	$ (0.41)	$ 0.63
Extraordinary gain (loss), net of taxes	(0.53)	0.17	0.55
Net income (loss) per common share--assuming dilution	$ 0.10	$ (0.24)	$ 1.18

SEE ACCOMPANYING NOTES.

ALLIANCE IMAGING, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
OPERATING ACTIVITIES			
Net income (loss)	$ 2,598	$ (3,808)	$ 12,801
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary (gain) loss	2,271	(1,849)	(6,300)
Depreciation and amortization	34,971	18,419	14,689
Amortization of deferred financing costs	2,088	131	411

Distributions in excess of equity in (undistributed) income of investee	(417)	271	(91)
Increase (decrease) in deferred income taxes	5,481	(444)	1,041
Gain on sale of equipment	(267)	--	--
Gain on sale of investment	--	--	(750)
Changes in operating assets and liabilities:			
Accounts receivable, net	(8,122)	(1,960)	(2,474)
Prepaid expenses	1,090	(221)	(306)
Other receivables	926	211	(49)
Other assets	(2,300)	18	(72)
Accounts payable, accrued compensation and other accrued liabilities	(2,737)	4,105	2,115
Other liabilities	(4,129)	(2,009)	716
Net cash provided by operating activities	31,453	12,864	21,731
INVESTING ACTIVITIES			
Equipment purchases	(63,124)	(45,122)	(26,510)
(Increase) decrease in deposits on equipment	(7,482)	(1,106)	264
Purchase of contracts and related assets of Mobile M.R. Venture, Ltd	--	--	(455)
Purchase of common stock of Royal Medical Health Services, Inc., net of cash acquired	--	--	(1,844)
Purchase of common stock of Sun MRI Services, Inc., net of cash acquired	--	--	(269)
Purchase of contracts and related assets of West Coast Mobile Imaging	--	--	(90)
Purchase of common stock of Mobile Technology Inc., net of cash acquired	(94,147)	--	--
Purchase of common stock of Medical Diagnostics, Inc., net of cash acquired	(31,158)	--	--
Purchase of all equity interests in two operating subsidiaries of American Shared Hospital Services	(29,845)	--	--
Purchase of MRI contracts and related assets of Pacific Medical Imaging, Inc	--	(756)	--
Purchase of partnership interests of Medical Consultants Imaging Company, net of cash acquired	--	(11,436)	--
Proceeds from sale of equipment	2,008	--	--
Proceeds from sale of investment	--	--	968
Net cash used in investing activities	(223,748)	(58,420)	(27,936)

ALLIANCE IMAGING, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
FINANCING ACTIVITIES			
Payment of preferred stock dividends	--	(810)	(1,594)
Repurchase of senior subordinated debentures	--	(2,286)	(5,714)
Partial prepayment of senior notes	--	--	(3,537)
Repurchase of Series A preferred stock	--	(2,523)	(6,307)
Principal payments on long-term debt	(13,429)	(19,777)	(13,630)
Proceeds from long-term debt	--	36,027	23,889
Proceeds from senior bridge loan	--	5,128	12,872
Proceeds from senior subordinated notes and term loan	--	215,000	--
Payments on revolving loan facility	(53,576)	--	--
Proceeds from term loan facility	175,000	--	--
Proceeds from revolving loan facility	75,970	--	--
Prepayment of senior notes and certain equipment debt	--	(73,341)	--
Repurchase of common stock and common stock warrants	--	(153,339)	--
Issuance of common stock	--	39,954	--
Issuance of Series F preferred stock	--	14,400	--
Increase in deferred financing costs	(853)	(13,721)	(76)
Proceeds from exercise of employee stock options	66	775	41
Net cash provided by financing activities	183,178	45,487	5,944
Net decrease in cash and short-term investments	(9,117)	(69)	(261)
Cash and short-term investments, beginning of year	10,798	10,867	11,128
Cash and short-term investments, end of year	$ 1,681	$ 10,798	$ 10,867
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	$ 32,744	$ 7,677	$ 5,562
Income taxes paid	313	623	378
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Net book value of assets exchanged	$ 454	$ 1,434	$ 3,521
Preferred stock dividend accrued and financing fee accretion	2,186	97	266
Excess of carrying amount of preferred stock repurchased over consideration paid	--	1,906	1,764
Conversion of senior bridge loan into Series D 4% convertible preferred stock	--	18,000	--
Conversion of Series C 5% convertible preferred stock into common stock	--	388	--
Conversion of Series D 4% convertible preferred stock into common stock	--	18,000	--

ALLIANCE IMAGING, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(DOLLARS IN THOUSANDS)

During the 1998 first quarter, the Company purchased all of the equity interests of MTI for cash consideration of approximately $103,893. In connection with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 125,720
Cash paid for equity interests	(103,893)
Liabilities assumed	$ 21,827

During the 1998 second quarter, the Company purchased all of the common stock of MDI for cash consideration of approximately $31,166. In connection with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 40,076
Cash paid for common stock	(31,166)
Liabilities assumed	$ 8,910

During the 1998 fourth quarter, the Company purchased all of the equity interests in two operating subsidiaries of American Shared Hospital Services for cash consideration of approximately $29,967. In connection with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 46,706
Cash paid for equity interests	(29,967)
Liabilities assumed	$ 16,739

During the 1997 fourth quarter, the Company purchased the partnership interests of Medical Consultants Imaging Co. for cash consideration of approximately $12,323. In connection with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	$ 19,916
Cash paid for partnership interests	(12,323)
Liabilities assumed	$ 7,593

During the 1996 second quarter, the Company purchased all of the common stock of Royal Medical Health Services, Inc., and related assets for cash consideration of approximately $1,914. In connection with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired...	$ 8,601
Cash paid for common stock..	(1,914)
Liabilities assumed...	$ 6,687

As additional consideration for the above purchase, the Company issued convertible preferred stock in the amount of $388 and common stock warrants valued at $212.

During the 1996 third quarter, the Company purchased all of the common stock of Sun MRI Services, Inc. for cash consideration of approximately $391. In connection with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired...	$ 1,602
Cash paid for common stock..	(391)
Liabilities assumed...	$ 1,211

SEE ACCOMPANYING NOTES.

ALLIANCE IMAGING, INC.
CONSOLIDATED STATEMENTS OF PREFERRED STOCK, COMMON STOCK, ADDITIONAL PAID-IN CAPITAL (DEFICIT) AND ACCUMULATED DEFICIT
(DOLLARS IN THOUSANDS)

	SERIES A AND F REDEEMABLE PREFERRED STOCK		SERIES C AND D CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL (DEFICIT)	ACCUMULATED DEFICIT
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT		
Balance at December 31, 1995................	155,000	$ 16,430	--	$ --	10,836,171	$108	$ 31,908	$(30,412)
Payment of 1995 preferred stock dividends....	--	(930)	--	--	--	--	--	--
Exercise of common stock options............	--	--	--	--	77,217	1	39	--
Issuance of common stock warrants in connection with senior and subordinated debt amendment............................	--	--	--	--	--	--	259	--
Issuance of common stock warrants in connection with transfer and amendment of senior notes...............................	--	--	--	--	--	--	222	--
Issuance of Series C preferred stock in connection with acquisition of Royal Medical Health Services, Inc..............	--	--	3,876	388	--	--	--	--
Issuance of common stock warrants in connection with acquisition of Royal Medical Health Services, Inc..............	--	--	--	--	--	--	212	--
Preferred stock dividends accrued...........	--	930	--	--	--	--	--	(930)
Payment of 1996 preferred stock dividends....	--	(664)	--	--	--	--	--	--
Repurchase of Series A preferred stock.......	(110,714)	(11,072)	--	--	--	--	1,764	--
Net income for year ended December 31, 1996......................................	--	--	--	--	--	--	--	12,801
Balance at December 31, 1996................	44,286	4,694	3,876	388	10,913,388	109	34,404	(18,541)
Exercise of common stock options............	--	--	--	--	554,539	6	768	--
Repurchase of Series A redeemable preferred stock......................................	(44,286)	(4,694)	--	--	--	--	1,906	--
Transaction costs associated with conversion of senior bridge loan into Series D preferred stock...........................	--	--	--	--	--	--	(160)	--
Conversion of senior bridge loan into Series D preferred stock.........................	--	--	18,000	18,000	--	--	--	--
Series C preferred stock dividend...........	--	--	--	--	--	--	--	(13)
Series D preferred stock dividend...........	--	--	--	--	--	--	--	(528)
Conversion of Series C preferred stock into common stock..............................	--	--	(3,876)	(388)	80,206	1	400	(14)
Conversion of Series D preferred stock into common stock..............................	--	--	(18,000)	(18,000)	3,000,000	30	17,970	--
Conversion of Newport Acquisition Corp. common stock into Alliance common stock....	--	--	--	--	3,632,222	36	39,918	--
Issuance of Series F redeemable preferred stock......................................	150,000	14,400	--	--	--	--	--	--
Series F preferred stock dividend accrued and accretion.................................	--	87	--	--	--	--	--	(87)
Repurchase of common stock..................	--	--	--	--	(14,126,244)	(141)	(155,247)	--
Payment to retire common stock warrants......	--	--	--	--	--	--	(2,097)	--
Tax benefit of disqualified stock option dispositions and warrants.................	--	--	--	--	--	--	2,400	--

Net loss for the year ended December 31, 1997	--	--	--	--	--	--	--	(3,808)
Balance at December 31, 1997	150,000	14,487	--	--	4,054,111	41	(59,738)	(22,991)
Exercise of common stock options	--	--	--		18,500	--	66	--
Series F preferred stock dividend accrued and accretion	--	2,186	--	--	--	--	--	(2,186)
Net income for year ended December 31, 1998	--	--	--	--	--	--	--	2,598
	150,000	$ 16,673	--	$ --	4,072,611	$ 41	$(59,672)	$(22,579)

SEE ACCOMPANYING NOTES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF THE COMPANY AND BASIS OF FINANCIAL STATEMENT PRESENTATION

DESCRIPTION OF THE COMPANY--Alliance Imaging, Inc. (the "Company") operates in a single industry segment, the provision of outsourced high technology diagnostic imaging and therapeutic systems and related technical support services, as well as management and information services, to hospitals and other health care providers. Diagnostic imaging services are provided on both a mobile, shared-user basis as well as on a full-time basis to single customers. The Company operates entirely within the United States and is one of the largest providers of magnetic resonance imaging ("MRI") and computed tomography ("CT") services in the country. The equipment used by the Company is sophisticated and subject to accelerated obsolescence in the event of significant technological change.

BASIS OF FINANCIAL STATEMENT PRESENTATION--The accompanying consolidated financial statements include the accounts of Alliance Imaging, Inc. and its consolidated subsidiaries. Significant intercompany transactions have been eliminated. The Company owns 49% of a partnership as a general and limited partner and a 50% interest in two limited liability companies. These entities provide services similar to the Company's activities and are accounted for under the equity method.

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECAPITALIZATION MERGER--On December 18, 1997, after obtaining the approval of stockholders, the Company completed a series of transactions contemplated by an Agreement and Plan of Merger between Newport Investment LLC (the "Investor") and the Company (the "Recapitalization Merger") whereby the Company: obtained proceeds from debt financing aggregating $215,000; issued 150,000 shares of non-voting redeemable Series F preferred stock to the Investor for proceeds of $15,000; issued 3,632,222 shares of its common stock in exchange for all of the outstanding stock of Newport Acquisition Corporation, a subsidiary of the Investor, and received net proceeds of $40,000 from cash placed into Newport Acquisition Corporation by the Investor; and converted all shares of its common stock held by existing stockholders in excess of 411,358 shares that were retained by electing existing stockholders into the right to receive $11 in cash. The Company used the cash proceeds from these transactions to fund: the purchase of its common stock from existing stockholders--$162,500; repayment of existing debt, net of $1,100 net discount on prepayment of debt--$73,900; transaction costs charged to expense--$16,400; deferred debt financing fees and redeemable preferred stock financing fees of $14,300; and an increase in the Company's cash balance of $2,900.

As a result of these transactions, the Company experienced an approximate 90% ownership change. The Investor, which was formed and is wholly owned by certain affiliates of Apollo Management, L.P., ("Apollo") obtained ownership of approximately 83.6% of the Company's outstanding common stock, and the Company became highly leveraged. The Company paid $3,200 to Apollo for professional services rendered in connection with the Recapitalization Merger. The Recapitalization Merger and related transactions have been treated as a leveraged recapitalization in which the issuance and retirement of debt have been accounted for as financing transactions, the sales and purchases of the Company's stock have been accounted for as capital transactions at amounts received from or paid to stockholders, and no changes were made to the carrying values of the Company's assets and liabilities that were not directly impacted by the transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND SHORT-TERM INVESTMENTS--The Company considers short-term investments with original maturities of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE--The Company provides shared and single-user diagnostic imaging equipment and technical support services to the health care industry and directly to patients on an outpatient basis. Substantially all of the Company's accounts receivable are due from hospitals, other health care providers and health insurance providers located throughout the United States. Services are generally provided pursuant to long-term contracts with hospitals and other health care providers or directly to patients, and generally collateral is not required. Receivables generally are collected within industry norms for third-party payors. Credit losses are provided for in the consolidated financial statements and losses experienced have been within management's estimates.

EQUIPMENT--Equipment is stated at cost and is generally depreciated using the straight-line method over an initial estimated life of three to eight years to an estimated residual value, generally between five and twenty percent of original cost. If the Company continues to operate the equipment beyond its initial estimated life, the residual value is then depreciated to a nominal salvage value over three years.

Routine maintenance and repairs are charged to expense as incurred. Major repairs and purchased software and hardware upgrades, which extend the life or add value to the equipment, are capitalized and depreciated over the remaining useful life.

With the exception of a small amount of office furniture and equipment and leasehold improvements, substantially all of the property owned by the Company relates to diagnostic imaging equipment, tractors and trailers used in the business.

GOODWILL--The Company amortizes goodwill using the straight-line method over a period of one to twenty-five years. For acquired entities, the amortization period selected is primarily based upon the estimated life of the customer contracts, including expected renewals, and other related assets acquired, not to exceed twenty years. The Company reviews its long-lived assets and related intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability test is performed at the lowest level at which undiscounted net cash flows can be directly attributable to long-lived assets.

REVENUE RECOGNITION--The majority of the Company's revenues are derived directly from health care providers. To a lesser extent, revenues are generated from direct billings to patients or their medical payors which are recorded net of contractual discounts and other arrangements for providing services at less than established patient billing rates. Net revenues from direct patient billing amounted to approximately 12%, 7% and 8% of revenues in the years ended December

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

31, 1998, 1997 and 1996, respectively. No single customer accounted for 3% or more of consolidated revenues in each of the three years in the period ended December 31, 1998. All revenues are recognized at the time the service is performed.

INCOME TAXES--The Company calculates deferred taxes and related income tax expense using the liability method. This method determines deferred taxes by applying the current tax rate to the cumulative temporary differences between recorded carrying amounts and the corresponding tax basis of assets and liabilities. A valuation allowance is established for deferred tax assets unless their realization is considered

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
more likely than not. The Company's provision for income taxes is the sum of the change in the balance of deferred taxes between the beginning and the end of the period plus income taxes currently payable.

INVESTMENT TAX CREDITS--The Company accounts for investment tax credits under the flow through method.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

CASH AND SHORT-TERM INVESTMENTS: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

LONG-TERM DEBT: The fair values of the Company's long-term debt are estimated using discounted cash flow analyses, based on the Company's current incremental rates for similar types of borrowing arrangements.

REDEEMABLE PREFERRED STOCK: As more fully discussed in Note 5, the Company issued its Series F redeemable preferred stock in exchange for $15,000 cash on December 18, 1997, in connection with the Recapitalization Merger. Although it was not practicable to reevaluate the estimated fair value of the Series F redeemable preferred stock as of December 31, 1998 and 1997 because of a lack of a quoted market price and the inability to estimate fair value without incurring excessive costs, the Company believes the carrying amounts as of December 31, 1998 and 1997 of $16,673 and $14,487, which represent the original fair value of the preferred stock (less a $600 financing fee) increased for the 1998 and 1997 cumulative dividends and financing fee accretion, reasonably approximate its fair value at those dates.

Accordingly, the carrying amounts and estimated fair values of the Company's financial instruments are as follows:

	DECEMBER 31, 1998		DECEMBER 31, 1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and short-term investments	$ 1,681	$ 1,681	$ 10,798	$ 10,798
Long-term debt	449,989	464,824	234,225	233,539
Redeemable preferred stock--Series F	16,673	16,673	14,487	14,487

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER COMMON SHARE--The following table sets forth the computation of basic and diluted earnings per share:

	1998	1997	1996
Numerator:			
Income (loss) before extraordinary gain (loss)	$ 4,869	$ (5,657)	$ 6,501
Preferred stock dividends and financing fee accretion	(2,186)	(626)	(943)
Excess of carrying amount of preferred stock repurchased over consideration paid	--	1,906	1,764
Numerator for basic and diluted earnings per share--income available to common stockholders before extraordinary gain (loss)	$ 2,683	$ (4,377)	$ 7,322
Denominator:			
Denominator for basic earnings per share--weighted-average shares	4,067	10,743	10,864
Effect of dilutive securities:			
Employee stock options and common stock warrants	171	--	630
Denominator for diluted earnings per share--adjusted weighted-average shares	4,238	10,743	11,494
Basic earnings (loss) per share before extraordinary gain (loss)	$ 0.66	$ (0.41)	$ 0.67
Diluted earnings (loss) per share before extraordinary gain (loss)	$ 0.63	$ (0.41)	$ 0.63

RECENT ACCOUNTING PRONOUNCEMENTS--Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"), which establishes standards for reporting and displaying comprehensive income and its components in the financial statements. For the years ended December 31, 1998 , 1997 and 1996, the Company did not have any components of other comprehensive income as defined in FAS 130.

3. ACQUISITIONS

On March 12, 1998, the Company acquired Mobile Technology Inc. ("MTI"), which management believes was the second largest provider of mobile MRI services in the United States, in a transaction accounted for as a purchase. The Company has included the operations of MTI in its consolidated financial statements from the date of acquisition. The purchase price consisted of $58,300 for all of the equity interests in MTI plus direct acquisition costs of approximately $2,000. In connection with the acquisition, the Company also refinanced $37,400 of MTI's outstanding debt and paid MTI direct transaction costs of $3,500. The goodwill recorded as a result of this acquisition was $5,979 which is being amortized on a straight-line basis over 20 years. Additionally, the Company assigned $67,200 of purchase price to customer contracts and $2,870 of purchase price to assembled work force. The amounts are being amortized on a straight-line basis over 20 and four years respectively. The allocation of the intangible assets acquired was based on an independent valuation study.

3. ACQUISITIONS (CONTINUED)

On May 19, 1998, the Company acquired Medical Diagnostics, Inc. ("MDI"), a subsidiary of U. S. Diagnostic, Inc. The purchase price consisted of approximately $31,000 plus the assumption of approximately $7,400 in financing arrangements. The transaction has been accounted for as a purchase and, accordingly, the results of operations of MDI have been included in the Company's consolidated financial statements from the date of acquisition. The goodwill recorded as a result of this acquisition was $17,212 which is being amortized on a straight-line basis over 20 years. Additionally, the Company assigned $8,300 of purchase price to customer contracts and $350 of purchase price to assembled work force. The amounts are being amortized on a straight-line basis over 20 and four years respectively. The allocation of the intangible assets acquired was based on an independent valuation study.

On November 13, 1998, two wholly owned subsidiaries of the Company acquired all of the outstanding common stock of CuraCare, Inc. and all of the partnership interests in American Shared-CuraCare (collectively, "American Shared"). The purchase price consisted of approximately $13,377 plus the assumption of approximately $12,241 in financing arrangements. In connection with the acquisition, the Company also refinanced $13,130 of American Shared's outstanding debt. The transaction has been accounted for as a purchase and, accordingly, the results of operations of American Shared have been included in the Company's consolidated financial statements from the date of acquisition. The goodwill recorded as a result of this acquisition was approximately $30,445 which is being amortized on a straight-line basis over 20 years. The allocation of the American Shared purchase price is tentative pending completion of fair value determinations for the net assets acquired. The allocation may change with the completion of these determinations.

On November 21, 1997, the Company acquired Medical Consultants Imaging Co. ("MCIC"), a Cleveland, Ohio based provider of mobile MRI services, CT services and other outsourced health care services. The acquisition also included MCIC's one-half interest in a limited liability company in Michigan. The purchase price consisted of approximately $12,300 in cash (of which $2,000 has been placed in escrow and is subject to certain reductions) plus the assumption of approximately $5,500 in financing arrangements. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of MCIC have been included in the Company's consolidated financial statements from the date of acquisition. The goodwill recorded as a result of this acquisition was $10,932, which is being amortized on a straight-line basis over 20 years.

On April 26, 1996, the Company acquired all of the outstanding shares of Royal Medical Health Services, Inc. ("Royal") of Pittsburgh, Pennsylvania. Like the Company, Royal is a provider of comprehensive MRI services. The Company issued 3,876 shares of Series C convertible preferred stock valued at $388, common stock warrants valued at $212, and paid $1,914 in cash as consideration for the acquisition of Royal and certain related assets. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of Royal have been included in the Company's consolidated financial statements from the date of acquisition.

The unaudited pro forma information below presents combined results of operations as if the MTI, MDI and American Shared acquisitions had occurred at the beginning of 1998 and 1997, and as if the MCIC acquisition had occurred at the beginning of 1997 and 1996 and the Royal acquisition had occurred at the beginning of 1996. The unaudited pro forma information is not necessarily indicative of the results

3. ACQUISITIONS (CONTINUED)

of operations of the combined company had the acquisitions actually occurred at the beginning of the periods presented, nor is it necessarily indicative of future results.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Revenues	$ 253,548	$ 214,391	$ 87,514
Income (loss) before extraordinary gain (loss)	4,409	(8,637)	6,500
Net income (loss)	2,138	(6,788)	12,800
Earnings (loss) per share:			
Basic	$ (0.01)	$ (0.69)	$ 1.25
Diluted	(0.01)	(0.69)	1.19

4. INDEBTEDNESS

Long-term debt consisted of the following at December 31:

	1998	1997
Term loan facility, due in quarterly installments through December 2004, interest payable as defined (SEE BELOW)	$ 203,800	$ 30,000
Senior subordinated notes, due December 2005, interest at 9.625%, payable semi-annually (SEE BELOW)	140,000	140,000
Subordinated term securities, due December 2005, interest at LIBOR (as defined) plus 4.19%, payable semi-annually (SEE BELOW)	45,000	45,000
Obligations to lending institutions, secured by equipment, due in monthly installments through May 2003 with weighted average interest rates of 9.28% and 9.97% at December 31, 1998 and 1997 respectively	38,795	19,225
Revolving loan facility, due December 2002, interest payable as defined (SEE BELOW)	22,394	--
	449,989	234,225
Less current portion	18,742	6,351
	$ 431,247	$ 227,874

In connection with the Recapitalization Merger, the Company issued $140,000 of 9.625% senior subordinated notes and $45,000 of floating interest rate subordinated term securities (collectively, the "Notes"). The Notes mature on December 15, 2005 and are unsecured obligations of the Company ranking subordinate in right of payment to all senior debt. Interest on the Notes is payable semi-annually in cash on each June 15 and December 15 commencing on June 15, 1998. The interest rate on the floating interest rate subordinated term securities was 9.2881% and 10.09625% at December 31, 1998 and 1997, respectively.

4. INDEBTEDNESS (CONTINUED)

The Notes are unconditionally guaranteed, on a senior subordinated basis, jointly and severally, by all significant direct and indirect consolidated subsidiaries of the Company, which consist of Royal Medical Health Services, Inc., Alliance Imaging of Central Georgia, Inc., Alliance Imaging of Ohio, Inc., Alliance Imaging of Michigan, Inc., Mobile Technology Inc., Medical Diagnostics, Inc., Central Massachusetts MRI Services, Inc., Western Massachusetts Magnetic Resonance Services, Inc., Embarcadero Holding Corp. I, Embarcadero Holding Corp. II and Curacare, Inc. (collectively, the "Subsidiary Guarantors"). Separate financial statements of the Subsidiary Guarantors are not included herein because such guarantors are jointly and severally liable with respect to the Company's obligations pursuant to the Notes, and the aggregate net assets, earnings and equity of the Subsidiary Guarantors and the Company are substantially equivalent to the net assets, earnings and equity of the Company on a consolidated basis. Accordingly, management has determined that separate financial statements and other disclosures concerning the Subsidiary Guarantors would not provide material information to users of its financial statements. Combined summarized financial information for the Subsidiary Guarantors is set forth below:

	DECEMBER 31,	
	1998	1997
Current assets	$ 4,611	$ 111
Noncurrent assets	87,386	19,937
Total assets	$ 91,997	$ 20,048
Current liabilities	$ 4,919	$ 1,102
Noncurrent liabilities	90,669	14,893
Equity	(3,591)	4,053
Total liabilities and equity	$ 91,997	$ 20,048

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Revenues	$ 22,436	$ 8,465	$ 7,142
Costs and expenses	28,008	6,880	5,676
Operating margin	(5,572)	1,585	1,466
(Benefit) provision for income taxes	(2,269)	625	205
Net income (loss)	$ (3,303)	$ 960	$ 1,261

The total assets, revenues and income before extraordinary items of the Company's non-guarantor subsidiaries on an individual and combined basis are less than 3% and therefore considered inconsequential.

In addition to the Notes, in December 1997 the Company also entered into a Credit Agreement with a bank consisting of a $50,000 term loan facility and a $75,000 revolving loan facility. On March 12, 1998, the Company increased its term loan facility by $70,000 by increasing its existing tranche A term loan facility by $20,000 and establishing a new $50,000 tranche B term loan facility. In connection with this transaction, the Company recorded an extraordinary loss of $800, net of income tax benefit, on early extinguishment of

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

4. INDEBTEDNESS (CONTINUED)

debt. On September 24, 1998, the Company completed a $90,000 expansion of its Credit Agreement. The transaction added a new $85,000 tranche C term loan facility and increased the revolving loan facility to $80,000. In connection with this transaction, the Company recorded an extraordinary loss of $1,471, net of income tax benefit, on early extinguishment of debt. Interest under the term loan facility and revolving loan facility is variable based on the Company's leverage ratio and changes in specified published rates and the bank's prime lending rate. The weighted average interest rate on the term loan facility was 7.68% and 8.41% at December 31, 1998 and 1997, respectively. The revolving loan facility balance was $22,394 and zero at December 31, 1998 and 1997, respectively. The weighted average interest rate on the revolving loan facility was 7.47% at December 31, 1998.

In addition to a variable per annum fee in respect of outstanding letters of credit, the Company also pays a commitment fee equal to 1/2 of 1% per annum on the undrawn portion available under the Credit Agreement subject to decreases in certain circumstances. Certain mandatory prepayments are required from proceeds of various transactions and are allocated first to the term loan facility. Voluntary prepayments are permitted subject to certain limitations.

The term loan facility, the revolving loan facility, and the obligations to lending institutions are collateralized by all of the Company's equipment at December 31, 1998 and 1997.

The maturities of long-term debt as of December 31, 1998 is due as follows:

Year ending December 31:	
1999	$ 18,742
2000	13,545
2001	8,706
2002	27,941
2003	68,305
Thereafter	312,750
	$ 449,989

Of the Company's total indebtedness at December 31, 1998, $388,067 is an obligation of the Company and $61,922 is an obligation of the Company's consolidated subsidiaries.

5. PREFERRED AND COMMON STOCK

PREFERRED STOCK--The Company is authorized to issue 500,000 shares of preferred stock, undesignated as to series. The Board of Directors has the authority to establish the voting powers, designations, preferences and other special rights for each series of preferred stock issued.

In connection with the Recapitalization Merger (SEE NOTE 1), the Company authorized 300,000 shares of a new Series F redeemable preferred stock on December 18, 1997. The stock was recorded at $14,400 (liquidation value of $15,000 less a financing fee of $600). The financing fee is being accreted on a straight-line basis over the ten-year term of the stock. The holders of the Series F redeemable preferred stock are entitled to receive cumulative dividends at the rate of 13.5% per annum of the stated liquidation value. Unpaid dividends accumulate and are payable quarterly by the Company in kind for the first five years after issuance, and thereafter in cash.

5. PREFERRED AND COMMON STOCK (CONTINUED)

In the event of liquidation, dissolution or winding up of the Company, the holders of Series F redeemable preferred stock shall be entitled to receive an amount equal to the stated liquidation value per share (plus accumulated but unpaid dividends) prior to any distributions to common stockholders. The Series F redeemable preferred stock is redeemable at the option of the Company at stated redemption premiums from the date of issuance through December 31, 2007. The Company is required to redeem all outstanding shares of Series F redeemable preferred stock at 100% of liquidation value on December 31, 2007 out of funds legally available. No sinking fund has been or will be established for the retirement or redemption of the shares of Series F redeemable preferred stock. Series F preferred stock is not convertible into shares of any other class or series of capital stock.

The holders of shares of preferred stock are not entitled to any voting rights with respect to any matters voted upon by the common stockholders. However, a majority of preferred stockholders (with each series voting as a single class) must approve certain corporate transactions including the authorization of additional classes or series of stock ranking prior to their stock, any increase in the number of authorized shares of their preferred stock series, any amendment to the terms of such preferred stock series and similar actions.

STOCK OPTIONS AND AWARDS--The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Company's 1991 Stock Option Plan provides that up to 2,000,000 shares may be granted to management and key employees. Options are granted at their fair market value at the date of grant. All options granted have 10 year terms and vest and become fully exercisable at the end of 3 to 4 years of continued employment. In connection with the Recapitalization Merger, the Company adopted a new employee stock option plan pursuant to which options with respect to a total of 454,545 shares of the Company's common stock will be available for grant. Options are granted at their fair value at the date of grant. All options have 10 year terms. Fifty percent of the options vest in equal increments over four years and fifty percent vest over seven and one-half years (subject to acceleration if certain per-share equity targets are achieved). The weighted-average remaining contractual life of options outstanding as of

5. PREFERRED AND COMMON STOCK (CONTINUED)

December 31, 1998 and 1997, is 8.89 and 9.74 years, respectively. The following table summarizes the Company's stock option activity:

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1995	541,000	$ 0.5369
Granted	489,200	3.5625
Exercised	(77,217)	0.5151
Canceled	(2,000)	1.6875
Outstanding at December 31, 1996	950,983	2.0926
Granted	580,000	8.3222
Exercised	(554,539)	1.3952
Redeemed for cash	(684,975)	4.7704
Canceled	(2,000)	0.4375
Outstanding at December 31, 1997	289,469	9.5857
Granted	223,545	12.0210
Exercised	(18,500)	3.5625
Canceled	(3,000)	16.5000
	491,514	$ 10.8778

At December 31, 1998, 30,000 of these options were exercisable at $3.5625; 10,969 were exercisable at $6.5625; 412,045 were exercisable at $11.00; and 38,500 were exercisable at $16.50.

In addition, the Company had options on 40,000 shares of common stock outstanding at December 31, 1996 at exercise prices of $1.125 to $8.25 and granted options on an additional 100,000 shares of common stock in 1997 at exercise prices of $6.5625 to $7.875 per share. These stock options were granted to Company directors outside of the 1991 Stock Option Plan and were all redeemed for cash in connection with the Recapitalization Merger (SEE NOTE 1).

FAS 123 requires presentation of pro forma information regarding net income and earnings per share determined as if the Company has accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method of that Statement. The fair value for these options was estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: risk-free interest rates of 5.23%, 6.31% and 5.72%; no dividend yield; volatility factors of the expected market price of the Company's common stock of .83, .41 and .43; and a weighted-average expected life of the options of 5.75, 7 and 7 years. The weighted-average fair value of options granted during 1998, 1997 and 1996 is $8.50, $4.60 and $1.93, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in

5. PREFERRED AND COMMON STOCK (CONTINUED)

management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' expected vesting period. The Company's pro forma information for the years ended December 31, 1998, 1997 and 1996 are as follows:

	1998	1997	1996
Pro forma net income (loss)	$ 2,283	$ (641)	$ 12,577
Pro forma earnings per share	0.02	0.06	1.23
Pro forma earnings per share--assuming dilution	0.02	0.06	1.17

6. COMMITMENTS AND CONTINGENCIES

The Company has contracts with its equipment vendors for comprehensive maintenance and cryogen coverage for its MRI and CT systems. The contracts are between one and five years and extend through December 2002, but may be canceled by the Company under certain circumstances. Contract payments are approximately $21,400 per year. At December 31, 1998, the Company had binding equipment purchase commitments totaling approximately $39,200. The Company leases office and warehouse space and certain equipment under non-cancelable operating leases. The office and warehouse leases generally call for minimum monthly payments plus maintenance and inflationary increases. The future minimum payments under such leases are as follows:

Year ending December 31:	
1999	$ 10,803
2000	6,847
2001	3,807
2002	2,307
2003	1,695
Thereafter	804
	$ 26,263

The Company's total rental expense, which includes short-term equipment rentals, for the years ended December 31, 1998, 1997 and 1996 was $14,749, $3,669 and $3,380, respectively.

The Company from time to time is involved in routine litigation incidental to the conduct of its business. The Company believes that no litigation pending against it will have a material adverse effect on its consolidated financial position or results of operations.

7. 401(K) SAVINGS PLAN

The Company established a 401(k) Savings Plan ("the Plan") in January 1990. Effective August 1, 1998, the Plan was amended and restated in its entirety. Currently, all employees who are over 21 years of age are eligible to participate after attaining six months of service. Employees may contribute between 1% and 15% of their annual compensation. The Company matches 50 cents for every dollar of employee

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

7. 401(K) SAVINGS PLAN (CONTINUED)
contributions up to 5% of their annual compensation, subject to the limitations imposed by the Internal Revenue Code. The Company may also make discretionary contributions depending on profitability. The Company incurred and charged to expense $608, $207 and $157 during 1998, 1997 and 1996, respectively, related to the plan.

8. INCOME TAXES

The provision for income taxes shown in the consolidated statements of operations consists of the following:

	1998	1997	1996
Current:			
Federal	$ (2,008)	$ 3,529	$ 2,958
State	48	(105)	735
	(1,960)	3,424	3,693
Utilization of net operating loss carryovers	--	--	(2,649)
	(1,960)	3,424	1,044
Deferred:			
Federal	4,028	(1,460)	--
State	1,453	1,016	731
	5,481	(444)	731
	$ 3,521	$ 2,980	$ 1,775

The provision for income taxes applicable to income before extraordinary gain (loss) and attributed to the extraordinary gain (loss) is as follows:

	1998	1997	1996
Provision for taxes on income before extraordinary gain (loss):			
Current	$ (508)	$ 2,144	$ 329
Deferred	5,481	(444)	731
Total provision for taxes on income before extraordinary gain (loss)	4,973	1,700	1,060
(Benefit) provision for taxes on extraordinary gain (loss)	(1,452)	1,280	715
	$ 3,521	$ 2,980	$ 1,775

8. INCOME TAXES (CONTINUED)

Significant components of the Company's deferred tax assets and (liabilities) at December 31 are as follows:

	1998	1997

DEFERRED TAX LIABILITIES:		
Equipment basis differences	$ (33,696)	$ (17,774)
Cancellation of indebtedness	(3,000)	(3,000)
Acquired customer contracts	(28,413)	--
Acquired workforce in place	(1,012)	--
Total deferred tax liabilities	(66,121)	(20,774)
DEFERRED TAX ASSETS:		
Net operating losses	40,082	13,743
Accounts receivable	1,673	292
Basis differences associated with other assets	3,491	3,458
Accruals not currently deductible for tax	2,290	--
Basis differences associated with acquired investments	684	--
Deferred financing costs	1,303	--
Other	--	16
Total deferred tax assets	49,523	17,509
Valuation allowance	(18,113)	(1,122)
Net deferred tax assets	31,410	16,387
Net deferred taxes	(34,711)	(4,387)
Current deferred tax asset	3,679	2,478
Noncurrent deferred tax liability	$ (38,390)	$ (6,865)

A reconciliation of the expected total provision for income taxes, computed using the federal statutory rate on income before extraordinary gain (loss), is as follows:

	1998	1997	1996
Computed expected provision (benefit)	$ 3,445	$ (1,385)	$ 2,646
State income taxes, net of federal benefit	1,072	407	572
Amortization of goodwill	875	650	487
Nondeductible Recapitalization expenses	--	3,053	--
Warrants	--	(189)	--
Alternative minimum tax	--	--	182
Increase (decrease) in valuation allowance on federal deferred tax assets	--	(873)	(2,798)
Release of contingency reserve	(500)	--	--
Other	81	37	(29)
	$ 4,973	$ 1,700	$ 1,060

8. INCOME TAXES (CONTINUED)

In 1998, tax authorities concluded an examination of the Company's income taxes for 1994. As a result of the conclusion of this examination, the Company released approximately $500 of its contingency reserves for income taxes.

In 1998, the Company acquired MTI, which had federal net operating loss carryforwards of approximately $49,000. These loss carryforwards expire in years 2006 through 2011. Their utilization is subject to substantial limitations under the Internal Revenue Code. The Company also has other net operating loss carryforwards of approximately $55,428 and $38,336 for federal and state income tax purposes, respectively. These loss carryforwards expire in years 2003 through 2018.

The Company maintains a valuation allowance to reduce certain deferred tax assets to amounts that are in management's estimation more likely than not to be realized. This allowance primarily relates to the deferred tax assets established for net operating loss carryforwards. The 1998 increase in the valuation allowance of approximately $16,991 relates to the net operating loss carryforwards of MTI. Any reductions in the valuation allowance resulting from realization of the MTI net operating loss carryforwards will result in a reduction of goodwill.

9. RELATED PARTY TRANSACTIONS

The Company paid $3,200 to Apollo in 1997 in connection with the Recapitalization Merger.

In 1998, the Company paid Apollo an annual management fee of $500 and expects to continue to receive financial advisory services from Apollo on an ongoing basis, with compensation to be determined. In addition, the Company paid to Apollo a fee of $1,000 and $460 as consideration for services rendered in structuring and negotiating the acquisition of MTI and American Shared, respectively, and also reimbursed Apollo for expenses of approximately $275 associated with these acquisitions.

Apollo holds a controlling interest in SMT Health Services, Inc. ("SMT"), a provider of mobile MRI services in the Mid-Atlantic region of the United States. During 1998, a subsidiary of the Company purchased an MRI system from SMT for $350 and a subsidiary of the Company sold an MRI system to SMT for $520. From time to time during 1998, the Company rented MRI systems from SMT for an aggregate of $60 and SMT rented MRI systems from the Company for an aggregate $165. In addition, SMT assigned certain of its customer contracts to the Company and received an aggregate assignment fee of $556 related to these contracts.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Alliance Imaging, Inc.

We have audited the accompanying consolidated balance sheets of Alliance Imaging, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of operations, cash flows, and preferred stock, common stock, additional paid-in capital (deficit) and accumulated deficit for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alliance Imaging, Inc. at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Orange County, California

March 5, 1999

ALLIANCE IMAGING, INC.
QUARTERLY FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Summarized quarterly unaudited financial data for the years ended December 31, 1998 and 1997 is as follows:

	THREE MONTHS ENDED			
	MARCH 31, 1998	JUNE 30, 1998	SEPTEMBER 30, 1998	DECEMBER 31, 1998
Revenues	$ 31,241	$ 51,243	$ 56,229	$ 60,688
Income (loss) before income taxes and extraordinary loss	(333)	4,427	4,765	983
Extraordinary loss, net of taxes	(1,312)	--	(959)	--
Net income (loss)	(1,645)	2,300	1,395	548
Income (loss) before extraordinary loss per common share	$ (0.21)	$ 0.43	$ 0.44	$ (0.01)
Income (loss) before extraordinary loss per common share--assuming dilution	$ (0.21)	$ 0.41	$ 0.42	$ (0.01)

	THREE MONTHS ENDED			
	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
Revenues	$ 19,106	$ 20,805	$ 22,374	$ 24,189
Income (loss) before income taxes and extraordinary gains	2,539	3,701	3,991	(14,188)
Extraordinary gains, net of taxes	1,332	--	--	517
Net income (loss)	3,036	2,411	2,636	(11,891)
Income (loss) before extraordinary gain per common share	$ 0.33	$ 0.20	$ 0.22	$ (1.25)
Income (loss) before extraordinary gain per common share--assuming dilution	$ 0.30	$ 0.16	$ 0.17	$ (1.25)

The earnings (loss) per share amounts for the four quarters do not sum to the annual earnings (loss) per share amounts as a result of the significant decline in shares outstanding that occurred late in the fourth quarter in connection with the Recapitalization Merger.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Set forth below is information regarding the Company's board of directors and executive officers, including their principal occupations for the past five years, certain other directorships held by them, and their ages as of March 15, 1999. There are no family relationships among any of the directors or executive officers.

NAME	AGE	PRESENT POSITION
Richard N. Zehner(1)	46	Chairman, Chief Executive Officer and Director
Vincent S. Pino	50	President and Director
Kenneth S. Ord	52	Executive Vice President and Chief Financial Officer
Terry A. Andrues	47	Executive Vice President
Cheryl A. Ford	43	Executive Vice President
Raymond M. Almieri	44	Senior Vice President
Neil M. Cullinan, Ph.D	57	Senior Vice President
Jay A. Mericle	44	Senior Vice President
Russell D. Phillips, Jr	36	General Counsel and Secretary
Michael W. Grismer	37	Vice President, Controller and Assistant Secretary
Robert H. Falk	60	Director
Michael S. Gross(1)(2)	37	Director
Joshua J. Harris(1)(2)(3)	34	Director
Anthony R. Ignaczak(3)	34	Director
Robert A. Katz	32	Director

Mark D. Klein(3)..............................	37	Director
Michael D. Weiner.............................	46	Director

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(1) Member of the Executive Committee

(2) Member of the Compensation Committee

(3) Member of the Audit Committee

Richard N. Zehner has been the Chairman and Chief Executive Officer of the Company since November 1998. Mr. Zehner was a founder of the Company, and also served as President from 1983 through February 1998. He has served as a director of the Company since 1987.

Vincent S. Pino has been President of the Company since February 1998. Prior to that time he served as Executive Vice President and Chief Operating Officer of the Company since December 1991 and August 1993, respectively. He has been a director of the Company since 1987. From November 1988 to August 1993, he was Chief Financial Officer of the Company. Mr. Pino is also a director of Insignia Solutions.

Kenneth S. Ord joined the Company in January 1998 as Senior Vice President, Chief Financial Officer and Secretary and in November 1998 became Executive Vice President and Chief Financial Officer. From February 1997 to September 1997 he served as Executive Vice President and Chief Financial Officer of Talbert Medical Management Corporation and from February 1994 to February 1997 he served as Senior Vice President and Chief Financial Officer of FHP International Corporation. From 1982 to 1994 he was employed by Kelly Services, Inc. most recently as Vice President of Finance, Controller and Treasurer.

Terry A. Andrues was Vice President of Customer Support from 1988 to 1991; Senior Vice President from 1991 to November 1998; then became an Executive Vice President of the Company in November 1998. From 1987 to 1988, Mr. Andrues acted as a marketing representative of the Company.

Cheryl A. Ford became Senior Vice President of the Company in February 1995 and an Executive Vice President of the Company in November 1998. She joined the Company as Vice President in

October 1993. From 1987 to October 1993, she was employed by MTI in various capacities, including most recently as Vice President - Eastern Region.

Raymond M. Almieri became a Senior Vice President of the Company in March 1998 in connection with the acquisition of MTI. From 1988 to 1998, Mr. Almieri was employed by MTI in various capacities most recently as Senior Vice President - -West from 1992 to 1998. From 1985 to 1988, he had been employed by the Company as National Operations Manager.

Neil M. Cullinan, Ph.D., served since 1987 as the President of Atlantic/Gulf Imaging, Inc., which was acquired by the Company in March 1992. He was employed as Senior Vice President of the Company in connection with this acquisition.

Jay A. Mericle has acted as Senior Vice President of the Company since 1988 and technical marketing manager of the Company since 1986.

Russell D. Phillips, Jr. joined the Company in March 1998 as General Counsel and became Secretary of the Company in April 1998. From May 1997 to September 1997 he served as Chief Legal Officer of Talbert Medical Management Corporation and from June 1992 to April 1997 he served as Corporate Counsel to FHP International Corporation. Prior to 1992, Mr. Phillips was an associate with the law firm of Skadden, Arps, Slate, Meagher & Flom LLP.

Michael W. Grismer joined the Company as Controller and Assistant Secretary in July 1995 and became a Vice President of the Company in July 1998. He served as Controller of Wynn Oil Company from 1993 through 1995, and was employed by Ernst & Young LLP and its predecessor from 1983 through 1993, most recently as Senior Manager since 1991.

Robert H. Falk was named as a director of the Company in December 1997 in connection with the Recapitalization Merger. Mr. Falk has been an officer of certain affiliates of Apollo since 1992. Prior to 1992, Mr. Falk was a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Falk is also a director of Converse, Inc., Florsheim Group Inc. and Samsonite Corporation.

Michael S. Gross was named as a director of the Company in December 1997 in connection with the Recapitalization Merger. Mr. Gross is a founding principal of Apollo and has served as an officer of certain affiliates of Apollo since 1990. Mr. Gross is also a director of Allied Waste Industries, Inc., Breuners Home Furnishings, Inc., Converse Inc., Florsheim Group Inc., Saks Incorporated and United Rentals, Inc.

Joshua J. Harris was named as a director of the Company in December 1997 in connection with the Recapitalization Merger. Mr. Harris is a principal of Apollo and has served as an officer of certain affiliates of Apollo since 1990. Mr. Harris is also a director of Converse Inc., Florsheim Group Inc., NRT Incorporated and Quality Distribution Inc.

Anthony R. Ignaczak was named as a director of the Company in February 1998. Mr. Ignaczak has been a partner at Quad-C, Inc. since May 1993. Prior to 1993, Mr. Ignaczak was an Associate with the Merchant Banking Group at Merrill Lynch, and a member of the Mergers and Acquisitions department of Drexel, Burnham, Lambert Incorporated. Mr. Ignaczak is also a director of Stimsonsite Corporation.

Robert A. Katz was named as a director of the Company in February 1998. Mr. Katz has been a principal of Apollo since 1990. Prior to 1990, Mr. Katz was a member of the Mergers and Acquisitions department of Drexel, Burnham, Lambert Incorporated. Mr. Katz is also a director of Salant Corporation, Aris Industries, Inc. and Vail Resorts, Inc.

Mark D. Klein was named as a director of the Company in February 1998. Mr. Klein has served as the President of Newbrook Capital Management, Inc. since 1994. From 1991 to 1994, Mr. Klein was a Senior Portfolio Manager for Smith Barney Shearson.

Michael D. Weiner was named as a director of the Company in December 1997 in connection with the Recapitalization Merger. Mr. Weiner has been an officer of certain affiliates of Apollo since 1992. Prior to

1992, Mr. Weiner was a partner in the law firm of Morgan, Lewis & Bockius LLP. Mr. Weiner is also a director of Converse Inc., Continental Graphics Holdings, Inc., Florsheim Group Inc., NRT Incorporated, Quality Distribution, Inc. and WMC Finance Co.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

As a result of the Company's Common Stock being delisted under the Securities Exchange Act of 1934 (the "34 Act"), the Company's officers and directors and persons who own more than 10% of the Company's Common Stock have not been required to file reports under Section 16(a) of the 34 Act.

ITEM 11. EXECUTIVE COMPENSATION.

SUMMARY COMPENSATION TABLE

The following table sets forth for the fiscal years indicated the annual and long-term compensation of the Company's Chief Executive Officer and the other five most highly compensated executive officers whose total cash compensation exceeded $100,000 during the fiscal year ended December 31, 1998 (the "Named Officers").

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION		
PRINCIPAL POSITION	YEAR(1)	SALARY	BONUS	OTHER ANNUAL COMPENSATION(2)	SECURITIES UNDERLYING STOCK OPTIONS/SAR'S(3)	LTIP PAYOUTS	ALL OTHER COMPENSATION(4)
Richard N. Zehner	1998	$ 350,000	727,738(5)	--	25,000	31,250	749,247
Chief Executive Officer,	1997	316,211	472,500	--	220,000	543,750	221,596
Chairman of the Board and	1996	296,000	419,025	--	155,000	--	15,596
Director							
Vincent S. Pino	1998	275,000	537,435(5)	--	20,000	25,000	430,622
President and Director	1997	223,835	222,000	--	190,000	435,000	153,596
	1996	208,000	192,140	--	125,025	--	3,596
Kenneth S. Ord(6)	1998	247,981	179,875	--	45,000	--	320
Executive Vice President and	1997	--	--	--	--	--	--
Chief Financial Officer	1996	--	--	--	--	--	--
Terry A. Andrues	1998	145,000	70,035	--	13,500	12,500	3,595
Executive Vice President	1997	135,000	81,761	--	25,000	217,500	3,456
	1996	126,000	73,392	--	33,050		3,411
Cheryl A. Ford	1998	145,000	70,035	--	13,500	12,500	3,595
Executive Vice President	1997	135,000	93,371	--	25,000	217,500	3,455
	1996	126,000	63,675	--	33,050	--	3,411
Jay A. Mericle	1998	145,000	70,035	--	13,500	12,500	3,595
Senior Vice President	1997	135,000	95,537	--	25,000	217,500	3,455
	1996	126,000	70,691	--	33,050	--	3,436

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(1) Rows specified "1998," "1997" and "1996" represent fiscal years ended December 31, 1998, 1997 and 1996, respectively.

(2) With respect to each Named Officer for each fiscal year, excludes perquisites, which did not exceed the lesser of $50,000 or 10% of Named Officer's salary and bonus for the fiscal year.

(3) Stock options were granted under the Company's 1991 Stock Option Plan and its 1997 Stock Option Plan.

(4) Includes $736,525 and $426,900 in change in control payments which were paid to Messrs. Zehner and Pino, respectively, pursuant to their prior employment agreements, and 401(k) matching contributions (for 1998, 1997 and 1996, respectively: Mr. Zehner - $3,330, $3,164 and $3,164; Mr. Pino - $3,330, $3,164 and $3,164; Mr. Andrues - $3,330, $3,164, and $3,139; Ms. Ford - $3,330, $3,164 and $3,164; and Mr. Mericle - $3,330, $3,164 and $3,146); the balance for each Named Officer represents life insurance premiums paid by the Company.

(5) Includes $350,000 and $300,000 in bonus payments paid to Messrs. Zehner and Pino, respectively, upon the closing of the MTI acquisition.

(6) Mr. Ord joined the Company on January 18, 1998 as Senior Vice President, Chief Financial Officer and Secretary.

OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth grants of stock options during the 1998 fiscal year to the Named Officers. No stock appreciation rights have ever been granted to the Named Officers.

NAME	NUMBER OF SHARES UNDERLYING OPTIONS/SARS(1)	PERCENTAGE OF OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE PER SHARE ($/SH)(2)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATE OF STOCK PRICE APPRECIATION FOR OPTION TERM(3) 0%	5%	10%
Richard N. Zehner..................	25,000	11.3%	$ 11.00	12/18/07	$ 0	$ 172,946	$ 438,279
Vincent S. Pino....................	20,000	9.0%	11.00	12/18/07	0	138,357	350,623
Kenneth S. Ord.....................	45,000	20.4%	11.00	01/19/08	0	311,303	788,903
Terry A. Andrues...................	13,500	6.1%	11.00	01/02/08	0	93,391	236,671
Cheryl A. Ford.....................	13,500	6.1%	11.00	01/02/08	0	93,391	236,671
Jay A. Mericle.....................	13,500	6.1%	11.00	01/02/08	0	93,391	236,671

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(1) Fifty percent of the options granted under the 1997 Stock Option Plan will vest in equal increments over four years. The other fifty percent will vest after seven and one half years (subject to acceleration if the Company achieves certain per-share equity targets).

(2) Options granted pursuant to the 1997 Stock Option Plan to the Named Officers were granted at an exercise price equal to the cash amount paid for shares of the Company's Common Stock in the Recapitalization Merger.

(3) Valuations based upon the assumed rates of stock price appreciation are based upon appreciation over a ten-year period from the $11.00 exercise price of the options. The 5% and 10% assumed annual rates of appreciation related to the options granted would result in the price of the Company's Common Stock increasing to $17.92 and $28.53 per share, respectively.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUE

The following table presents information with respect to options exercised by each of the Named Officers in 1998, as well as the unexercised options to purchase the Company's Common Stock granted under the 1991 Plan and the 1997 Stock Option Plan to the Named Officers and held by them as of December 31, 1998. The value of unexercised in-the-money options as of fiscal year end is based upon last reported sales price of the Company Common Stock on December 28, 1998 of $24.00 per share.

			NUMBER OF SHARES UNDERLYING UNEXERCISED OPTIONS/SAR'S AT YEAR-END		VALUE OF UNEXERCISED IN-THE MONEY OPTIONS/SARS AT FISCAL YEAR-END	
NAME AND PRINCIPAL POSITION	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Richard N. Zehner .... Chief Executive Officer and Chairman of the Board	--	$ --	47,219	108,750	$ 662,522	$ 1,413,750
Vincent S. Pino .... President	3,500	44,844	32,500	97,500	422,500	1,267,500
Kenneth S. Ord .... Executive Vice President and Chief	--	--	11,250	33,750	146,250	438,750

Financial Officer						
Terry A. Andrues .... Executive Vice President	15,000	194,063	3,375	10,125	43,875	131,625
Cheryl A. Ford .... Executive Vice President	--	--	18,375	10,125	238,875	131,625
Jay A. Mericle .... Senior Vice President	--	--	18,375	10,125	238,875	131,625

LONG-TERM INCENTIVE PLAN--AWARDS IN LAST FISCAL YEAR

The Company instituted a long-term executive incentive plan ("LTIP") in 1995 to provide future awards in cash or equivalent amounts of Common Stock to key executives. The objective of the plan was to advance the long-term interests of the Company and its stockholders by providing substantial incentive to meet or exceed certain cash-flow goals necessary to ensure that the Company would be able to service its long-term obligations on a continuing basis, and that it would be able to pay certain preferred stock dividends in cash, thereby avoiding the substantial dilution to existing common stockholders if such dividends were paid in common stock equivalents. As of January 2, 1997, the Company had retired all of its Series A 6% Redeemable Preferred Stock (the "Series A Preferred Stock"), thereby fully satisfying the second objective of the LTIP. The final objective of the LTIP (the Company's actual earnings before depreciation, amortization, interest, taxes and equipment charges, ("EBDIT") objective for 1998) was met in 1998 and final payments have been made pursuant to the LTIP. All amounts previously earned under the LTIP were paid in cash at the time of the Recapitalization Merger.

The following awards under the plan were earned by the Named Officers in 1998:

NAME	NUMBER SHARES, UNITS OR OTHER RIGHTS	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAY-OUT	ESTIMATED FUTURE PAY-OUTS UNDER NON-STOCK PRICE-BASED PLAN(1) THRESHOLD	TARGET	MAXIMUM
Richard N. Zehner.................................	$ 31,250	N/A	$ 0	$ 0	$ 0
Vincent S. Pino..................................	25,000	N/A	0	0	0
Kenneth S. Ord...................................	0	N/A	0	0	0
Terry A. Andrues.................................	12,500	N/A	0	0	0
Cheryl A. Ford...................................	12,500	N/A	0	0	0
Jay A. Mericle...................................	12,500	N/A	0	0	0

401(K) PLAN

The Company established a tax deferred savings plan (the "401(k) Plan") in January 1990. The 401(k) Plan covers all employees who were hired before January 1, 1990 or who were subsequently employed by the Company for at least six months. Employees contributed from 1% to 15% of their compensation to the 401(k) Plan on a pre-tax basis, subject to statutory limitations. For up to 7% of an employee's compensation, the Company contributed up to $0.333 for each $1.00 of the employee's contribution. Effective August 1, 1998, the 401(k) Plan was amended and restated in its entirety. Currently, all employees who are over 21 years of age are eligible to participate after attaining six months of service. Employees may contribute between 1% and 15% of their annual compensation. The Company matches 50 cents for every dollar of employee contributions up to 5% of their compensation, subject to statutory limitations. The rates of pre-tax and matching contributions may be reduced with respect to highly compensated employees, as defined in the Code, so that the 401(k) Plan will comply with Sections 401(k) and 401(m) of the Code. Pre-tax and matching contributions are allocated to each employee's individual account, which are invested in selected fixed income or stock managed accounts according to the directions of the employee. An employee's pre-tax contributions are fully vested and nonforfeitable at all times. Matching contributions vest over four years of service. An employee may forfeit unvested amounts upon termination of employment, unless the termination is because of death, disability or retirement.

Matching contributions made by the Company pursuant to the 401(k) Plan to the Named Officers for the 1998, 1997 and 1996 fiscal years are included under "All Other Compensation" in the Summary Compensation Table.

EMPLOYMENT AND CHANGE OF CONTROL ARRANGEMENTS

The Company has entered into employment agreements with Messrs. Zehner, Pino and Ord. Base compensation under these employment agreements for the year ending December 31, 1999 has been set at $350,000 per year for Mr. Zehner, $298,000 per year for Mr. Pino and $270,000 per year for Mr. Ord, subject in each case to increase by the Board of Directors. In addition, Messrs. Zehner, Pino and Ord are entitled to receive an annual cash bonus based upon the Company's achievement of certain operating and/ or financial goals, with an annual target bonus amount equal to a specified percentage of their then current annual base salary (75% in the case of Mr. Zehner, 60% in the case of Mr. Pino and 50% in the case of Mr. Ord). Such bonus plan will be adopted and administered by the compensation committee of the Board of Directors.

The Agreements have a term of two years, with automatic extensions for additional three month periods if neither party gives notice that the term will not be so extended. The Company may terminate Mr. Zehner's, Mr. Pino's or Mr. Ord's employment at any time and for any reason and Mr. Zehner, Mr. Pino and Mr. Ord may resign at any time and for any reason.

The employment agreements for Messrs. Zehner and Pino were amended in February 1998, to provide for, among other items, the payment of one-time lump sum bonuses of $350,000 and $300,000, respectively, upon the closing of the acquisition by the Company of MTI or another acquisition with an enterprise valuation of $25,000,000 or more.

The Company is also a party with Messrs. Andrues and Mericle and Ms. Ford to written employment agreements. Each employment agreement remains in effect until notice of termination is given by either party. Each contract provides that the Named Officer will continue to receive his or her base salary and be entitled to earn bonuses and participate in all benefit plans and programs at levels and pursuant to terms that are substantially consistent with current levels and terms, subject to periodic review and possible increases by the Board of Directors or the Compensation Committee. In addition, each contract provides that if the Named Officer is terminated by the Company other than for Just Cause (as defined in the agreement) or if the Named Officer terminates his or her employment as a result of a Constructive Discharge (as defined in the agreement) (in either event, a "Severance"), then the Named Officer will be entitled to a cash severance benefit equal to a specified number of months of salary at his or her then current rate of salary, acceleration of the vesting of stock options and certain other benefits identified in the contract. If such Severance were to occur within one year prior to or following a Change of Control (as defined in the agreement), then each employment agreement provides for an increased cash severance benefit.

INDEPENDENT DIRECTOR COMPENSATION

The independent directors of the Company (i.e., non-employee and non-Apollo affiliated directors) receive a $1,000 monthly retainer; $500 for each Board or committee meeting attended; and reimbursement of travel expenses.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth information regarding the beneficial ownership of the Company's voting Common Stock as of March 15, 1999, for each person known to the Company to beneficially own more than 5% of such stock, each director and each of the Named Officers and all executive officers and directors of the Company as a group. Unless otherwise specified, the address of each such person is 1065 North PacifiCenter Drive, Suite 200, Anaheim, CA 92806.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS
Newport Investment LLC(1) c/o Apollo Advisors II, L.P. 2 Manhattanville Road Purchase, New York 10577	3,389,324	83.2%
Third Point Management Company L.L.C.(2) 277 Park Avenue, 26th Floor New York, NY 10072	212,761	5.2%
Richard N. Zehner(3)	57,750	1.4%
Vincent S. Pino(3)	36,000	*
Kenneth S. Ord(3)	11,250	*
Terry A. Andrues(3)	18,375	*
Cheryl A. Ford(3)	18,375	*
Jay A. Mericle(3)	18,375	*
Robert H. Falk(4)	0	0.0%
Michael S. Gross(4)	0	0.0%
Joshua J. Harris(4)	0	0.0%
Anthony R. Ignaczak	2,500	*
Robert A. Katz(4)	0	0.0%
Mark D. Klein	0	0.0%
Michael D. Weiner(4)	0	0.0%
All executive officers and directors as a group (17 persons)	166,386	4.0%

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* Less than 1.0%

(1) Newport Investment LLC, a Delaware limited liability company (the "Investor") was formed and is wholly owned by Apollo Investment Fund III, L.P., a Delaware limited partnership ("AIF III"), Apollo Overseas III, L.P., a Delaware limited partnership ("Overseas Partners"), and Apollo (U.K.) Partners III, L.P., a limited partnership organized under the laws of England ("UK Partners" and collectively with AIF III and Overseas, the "Apollo Entities"). Each of the Apollo Entities is principally engaged in the business of investing in securities. Apollo Advisors II, L.P., a Delaware limited partnership ("Advisors"), is the general partner of AIF III and the managing general partner of Overseas Partners and UK Partners. Apollo Capital Management II, Inc., a Delaware corporation ("Apollo Capital") is the general partner of Advisors. Apollo serves as manager of Apollo Capital and manages Apollo Capital's day-to-day operations. AIF III Management, Inc. a Delaware corporation ("AIM"), is the general partner of Apollo. Apollo, the shareholders of Apollo Capital and AIM, and all officers and directors of each Apollo Entity and each of its affiliates disclaims any beneficial ownership of the common stock of the Company owned by the Investor.

(2) Based upon a Schedule 13(G) filed with the Securities and Exchange Commission on November 13, 1998.

(3) Includes shares that the following Named Officers and Directors presently have the right to acquire by exercise of options: Mr. Zehner, 47,219 shares; Mr. Pino, 32,500 shares; Mr. Ord, 11,250 shares; Mr. Andrues, 3,375 shares; Ms. Ford, 18,375 shares; and Mr. Mericle, 18,375 shares.

(4) This individual is associated with Apollo. This individual disclaims beneficial ownership of all shares of common stock of the Company held by

the Investor.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Company pays Apollo an annual management fee of $500,000 and expects to continue to receive financial advisory services from Apollo on an ongoing basis, with compensation to be determined. In addition, the Company paid to Apollo a fee of $1,000,000 and $460,000 as consideration for services rendered in structuring and negotiating the acquisition of MTI and American Shared, respectively, and also reimbursed Apollo for expenses of approximately $275,000 associated with these acquisitions.

Apollo holds a controlling interest in SMT Health Services Inc. ("SMT"), a provider of mobile MRI services in the Mid-Atlantic region of the United States. During the 1998 fiscal year, a subsidiary of the Company purchased an MRI system from SMT for $350,000 and a subsidiary of the Company sold an MRI system to SMT for $519,805. From time to time during the 1998 fiscal year, the Company rented MRI systems from SMT for an aggregate of $59,500 and SMT rented MRI systems from the Company for an aggregate $164,500. In addition, SMT assigned certain of its customer contracts to the Company and received an aggregate assignment fee of $555,700 related to these contracts.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this Form 10-K:

1. Financial Statements:

A listing of the Consolidated Financial Statements, related notes and Report of Independent Auditors is set forth in Item 8 of this report on Form 10-K.

2. Financial Statement Schedules:

The following Financial Statement Schedule for the years ended December 31, 1998, 1997 and 1996 is set forth on page 54 of this report on Form 10-K:

Schedule II--Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and related notes for the year ended December 31, 1998.

3. INDEX TO EXHIBITS:

EXHIBIT NO.	NOTE	DESCRIPTION
2.1	(6)	Agreement and Plan of Merger dated as of July 23, 1997 between the Company and Newport Investment, LLC (the "Recapitalization Merger Agreement").
2.2	(7)	Amendment No. 1 dated as of August 13, 1997 to the Recapitalization Merger Agreement.
2.3	(7)	Amendment No. 2 dated as of October 13, 1997 to the Recapitalization Merger Agreement.
2.4	(7)	Amendment No. 3 dated as of November 10, 1997 to the Recapitalization Merger Agreement.
2.5	(7)	Guaranty Letter dated July 22, 1997, from AIF III to the Company.
3.1	(9)	Form of Amended and Restated Certificate of Incorporation of the Company.
3.2	(13)	Certificate of Amendment of Certificate of Incorporation, dated July 30, 1998.
3.3	(14)	Certificate of Designations, Powers, Preferences and Rights of Series F Preferred Stock, dated December 18, 1997.
3.4	(13)	Certificate of Amendment of Certificate Designations, Powers, Preferences and Rights of Series F Preferred Stock, dated July 30, 1998.
3.5	(9)	By Laws of the Company, as amended.

4.1	(9)	Form of Indenture for the 9 5/8% Senior Subordinated Notes due 2005 and the Senior Subordinated Floating Rate Notes due 2005 (including the Forms of Notes as Exhibits A and B thereto) between the Company and IBJ Schroder Bank & Trust Company, as trustee.
4.2	(14)	First Supplemental Indenture between the Company, various subsidiaries of the Company and IBJ Shroder, dated January 30, 1998.
4.3	(14)	Second Supplemental Indenture between the Company, various subsidiaries of the Company and IBJ Shroder, dated March 12, 1998.
4.4	(14)	Third Supplemental Indenture between the Company, various subsidiaries of the Company and IBJ Shroder, dated May 19, 1998.
4.5	(14)	Fourth Supplemental Indenture between the Company, various subsidiaries of the Company and IBJ Shroder, dated November 13, 1998.
4.6	(9)	Form of Guarantee of the Notes.
10.1	(1)	Form of Indemnification Agreement between the Company and its directors and/or officers.
10.2	(4)	Amended and Restated 1991 Stock Option Plan of the Company, including forms of agreement used thereunder.
10.3	(12)	1997 Stock Option Plan of the Company, including form of option agreement used thereunder.
10.4	(5)	Amended and Restated Long-Term Executive Incentive Plan dated as of July 22, 1997.
10.5	(9)	Employment Agreement dated as of July 23, 1997 between the Company and Richard N. Zehner.
10.6	(9)	Agreement Not to Compete dated as of July 23, 1997 among Newport Investment, LLC, the Company, Richard N. Zehner and Vincent S. Pino.

EXHIBIT NO.	NOTE	DESCRIPTION
10.7	(11)	Amendment to Employment Agreement dated as of July 23, 1997 between the Company and Richard N. Zehner.
10.8	(14)	Amendment to Employment Agreement dated as of December 31, 1997 between the Company and Richard N. Zehner.
10.9	(14)	Second Amendment to Employment Agreement dated as of February 5, 1998 between the Company and Richard N. Zehner.
10.10	(9)	Employment Agreement dated as of July 23, 1997 between the Company and Vincent S. Pino.
10.11	(11)	Amendment to Employment Agreement dated as of July 23, 1997 between the Company and Vincent S. Pino.
10.12	(14)	Amendment to Employment Agreement dated as of December 31, 1997 between the Company and Vincent S. Pino.
10.13	(14)	Second Amendment to Employment Agreement dated as of February 5, 1998 between the Company and Vincent S. Pino.
10.14	(12)	Employment Agreement dated as of January 19, 1998 between the Company and Kenneth S. Ord.
10.15	(12)	Agreement Not to Compete dated as of January 19, 1998 between the Company and Kenneth S. Ord.
10.16	(2)	Employment Agreement dated as of September 9, 1993 between the Company and Terry A. Andrues.
10.17	(2)	Employment Agreement dated as of June 6, 1994 between the Company and Cheryl A. Ford.
10.18	(2)	Employment Agreement dated as of September 9, 1993 between the Company and Jay A. Mericle.
10.19	(2)	Employment Agreement dated as of June 6, 1994 between the Company and Neil M. Cullinan.
10.20	(14)	Agreement Not to Compete dated as of April 29, 1998 between the Company and Raymond M. Almieri.
10.21	(14)	Employment Agreement dated as of April 29, 1998 between the Company and Raymond M. Almieri.
10.22	(14)	Employment Agreement dated as of April 29, 1998 between the Company and Russell D. Phillips, Jr.
10.23	(14)	Agreement Not to Compete dated as of April 29, 1998 between the Company and Russell D. Phillips, Jr.
10.24	(3)	Employment Agreement dated as of July 7, 1995 between the Company and Michael W. Grismer.
10.25	(8)	Acquisition Agreement dated as of October 17, 1997 among Medical Consultants Imaging Corp., Bondcat Corp., Chip-Cat Corp., Medical Consultants Scanning Systems, Inc., Alliance Imaging of Ohio, Inc., Alliance Imaging of Michigan, Inc., and Alliance Imaging, Inc.
10.26	(10)	Agreement and Plan of Merger dated as of January 13, 1998 relating to the acquisition of Mobile Technology Inc.
10.27	(12)	Securities Purchase Agreement dated as of March 12, 1998 relating to the acquisition of American Shared-CuraCare and CuraCare, Inc.

10.28	(12)	Stock Purchase Agreement dated as of March 30, 1998 among the Company, US Diagnostic, Inc. and Medical Diagnostics, Inc.
10.29	(13)	Amended and Restated Credit Agreement dated September 24, 1998.
21.0	(14)	List of Subsidiaries.
23	(14)	Consent of Ernst & Young LLP.
27.1	(14)	Financial Data Schedule.

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(1) Incorporated by reference herein to the indicated exhibits filed in response to Item 16, "Exhibits" of the Company's Registration Statement on Form S-1, No. 33-40805, initially filed on May 24, 1991.

(2) Incorporated by reference herein to the indicated exhibit filed in response to Item 6(a), "Exhibits" of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.

(3) Incorporated by reference herein to Exhibit 10.36 filed in response to Item 6(a), "Exhibits" of the Company's Quarterly report on Form 10-Q for the quarter ended June 30, 1995.

(4) Incorporated by reference herein to Exhibits filed with The Company's Registration Statement on Form S-1, No. 33-40805, initially filed on May 24, 1991 and The Company's definitive Proxy Statement with respect to its Annual Meeting of Shareholders held May 16, 1996.

(5) Incorporated by reference to indicated exhibits filed in response to Item 6, "Exhibits" of the Company's Quarterly report on Form 10-Q for the quarter ended June 30, 1997.

(6) Incorporated by reference herein to the indicated exhibits filed in response to Item 5, "Exhibits" of the Company's Form 8-K Current Report dated August 1, 1997.

(7) Incorporated by reference to the indicated exhibits filed in response to Item 21, "Exhibits" of the Company's Registration Statement on Form S-4, No. 333-33787, initially filed on August 15, 1997.

(8) Incorporated by reference to the indicated exhibits filed in response to Item 6, "Exhibits" of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

(9) Incorporated by reference to exhibits filed with the Company Registration Statement on Form S-2, No. 333-33817.

(10) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K dated January 13, 1998.

(11) Incorporated by reference herein to the indicated Exhibit in response to Item 14(a)(3), "Exhibits" of the Company's Annual report on Form 10-K for the year ending December 31, 1997.

(12) Incorporated by reference to exhibits filed in response to Item 6, "Exhibits" of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

(13) Incorporated by reference to exhibits filed in response to Item 6, "Exhibits" of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

(14) Filed herewith.

(b) Reports on Form 8-K in the fourth quarter of 1998:

On November 30, 1998, the Company filed a Report on Form 8-K reporting the consummation of the acquisition by two of its wholly owned subsidiaries of American Shared-CuraCare and CuraCare, Inc.

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.

ALLIANCE IMAGING, INC.

By /s/ RICHARD N. ZEHNER

Richard N. Zehner,
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

March 30, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 30, 1999.

SIGNATURE	TITLE
/s/ RICHARD N. ZEHNER Richard N. Zehner Chief	Chairman of the Board of Directors, Executive Officer (Principal Executive Officer)
/s/ VINCENT S. PINO Vincent S. Pino	President and Director
/s/ KENNETH S. ORD Kenneth S. Ord	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MICHAEL W. GRISMER Michael W. Grismer	Vice President and Controller (Principal Accounting Officer)
/s/ ROBERT H. FALK Robert H. Falk	Director
/s/ MICHAEL S. GROSS Michael S. Gross	Director
/s/ JOSHUA J. HARRIS Joshua J. Harris	Director
Anthony R. Ignaczak	Director
Robert A. Katz	Director

/s/ MARK D. KLEIN
- ------------------------------ Director
Mark D. Klein

/s/ MICHAEL D. WEINER
- ------------------------------ Director
Michael D. Weiner

ALLIANCE IMAGING, INC. AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

(DOLLARS IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	ADDITIONS FROM ACQUIRED COMPANIES	DEDUCTIONS (BAD DEBT WRITE-OFFS)	BALANCE AT END OF PERIOD
Year ended December 31, 1998					
Allowance for Doubtful Accounts................	$ 750	$ 4,509	$ 5,096	$ (2,096)	$ 8,259
Year ended December 31, 1997					
Allowance for Doubtful Accounts................	$ 513	$ 256	$ --	$ (19)	$ 750
Year ended December 31, 1996					
Allowance for Doubtful Accounts................	$ 367	$ 567	$ --	$ (421)	$ 513

CERTIFICATE OF DESIGNATIONS, POWERS, PREFERENCES
AND RIGHTS OF SERIES F PREFERRED STOCK

$.01 PAR VALUE PER SHARE
OF
ALLIANCE IMAGING, INC.
A DELAWARE CORPORATION

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

Alliance Imaging, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was duly adopted by the Board of Directors of the Corporation as required by Section 151 of the Delaware General Corporation Law at a meeting duly called and held on December 18, 1997.

RESOLVED, that one series of the class of authorized preferred stock, $.01 par value, of the Corporation is hereby created and that the designations, powers, preferences and relative, participating, optional or other special rights of the shares of such series, and qualifications, limitations or restrictions thereof, are hereby fixed as follows:

1. NUMBER OF SHARES AND DESIGNATIONS.

Three Hundred Thousand (300,000) of the shares of the Corporation's preferred stock, $.01 par value, are hereby designated the "Series F Preferred Stock." One Hundred Fifty Thousand (150,000) of such shares of Series F Preferred Stock shall be issued as of the date hereof, and the balance of such shares shall be authorized and reserved for issuance pursuant to Section 4 hereof.

2. VOTING RIGHTS

Except as otherwise required by law, this Certificate of Designation or the Amended and Restated Certificate of Incorporation, holders of Series F Preferred Stock shall not be entitled to voting rights.

3. CONVERSION RIGHTS

The holders of the Series F Preferred Stock shall not have any conversion rights.

4. DISTRIBUTIONS

The holders of shares of Series F Preferred Stock shall be entitled to receive when and as declared by the Board of Directors of the Corporation, out of funds legally available therefor, cumulative dividends on the shares of the Series F Preferred Stock, at the rate of 13.5% per annum on the Liquidation Value (as defined herein), payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. Dividends on the Series F Preferred Stock shall be payable in kind for the first five years after issuance, and thereafter in cash. Dividends on the Series F Preferred Stock shall be payable in preference to and in priority over dividends on any other class or series of capital stock of the Corporation, including the common stock of the Corporation (the "Common Stock"). Dividends shall be fully cumulative.

Except as set forth in this Certificate of Designation, or to the extent approval is provided in writing by the holders of two-thirds of the outstanding shares of Series F Preferred Stock (voting as a separate class), the Corporation shall not, and shall not permit any Subsidiary (as defined herein) to, declare or pay any dividends, or purchase, redeem, retire, or otherwise acquire for value any shares of its capital stock (or rights, options or warrants to purchase such shares) now or hereafter outstanding, return any capital or make any distribution of assets to its stockholders, except that the Corporation may: (i) permit any wholly-owned Subsidiary to declare and make payment of cash and stock dividends, return capital and make distributions of assets solely to the Corporation or another wholly-owned Subsidiary; (ii) effect a stock split of, or declare or pay any dividend on, the Common Stock consisting solely of shares of Common Stock; (iii) comply with any specific provision of the terms of any subsequently designated series of Preferred Stock approved by the holders of the Series F Preferred Stock as provided for herein; or (iv) redeem or repurchase any stock of any director, officer, employee, consultant or other person or entity, pursuant to a stock repurchase agreement or stock restriction agreement approved by the board of directors under which the Corporation has the right or obligation to repurchase (in the event of death, termination of employment or of the consulting arrangement, or other similar discontinuation of a business relationship) vested shares at no more than their fair market value and unvested shares at no more than their initial issuance price. Unless otherwise specified herein, "Subsidiary" or "Subsidiaries" means any corporation, partnership or joint venture of which the Corporation or any of its other Subsidiaries (as herein defined) directly or indirectly owns at the time at least fifty percent (50%) of the outstanding voting shares or similar interests.

5. LIQUIDATION, DISSOLUTION OR WINDING UP

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of its insolvency, before any distribution or payment is made to any holders of Common Stock or any other class or series of capital stock of the Corporation designated to be junior to the Series F Preferred Stock in liquidation preference, and subject to the liquidation rights and preferences of any class or series of Preferred Stock designated in the future to be senior to, or on a parity with, the Series F Preferred Stock with respect to liquidation preference, the holders of each share of Series F Preferred Stock shall be entitled to be paid first out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes, whether such assets are capital, surplus or earnings ("Available Assets"), an amount in respect of each share of Series F Preferred Stock equal to One Hundred Dollars ($100) plus accrued but unpaid dividends (the "Liquidation Value"); PROVIDED

that such amount shall be subject to equitable adjustment for any stock dividend, stock split, combination, reorganization, recapitalization, reclassification or other similar event involving a change in the capital structure of the Preferred Stock.

If, upon liquidation, dissolution or winding up of the Corporation, the Available Assets shall be insufficient to pay the holders of Series F Preferred Stock and of any other series of Preferred Stock on parity with the Series F Preferred Stock with respect to liquidation preference the full amounts to which they otherwise would be entitled, the holders of Series F Preferred Stock and such other series of Preferred Stock shall share ratably in any distribution of Available Assets pro rata in proportion to the respective liquidation preference amounts which would otherwise be payable upon liquidation with respect to the outstanding shares of the Series F Preferred Stock and such other series of Preferred Stock if all liquidation preference dollar amounts with respect to such shares were paid in full.

6. TREATMENT OF REORGANIZATION, CONSOLIDATION, MERGER, OR SALE OF ASSETS.

Any merger, consolidation or other corporate reorganization or combination to which the Corporation is a party, and any sale of all or substantially all of the assets or stock of the Corporation, shall be regarded, at the option of the holders of two-thirds of the outstanding shares of Series F Preferred Stock, as a liquidation, dissolution or winding up of the affairs of the Corporation for purposes of this Section 6.

The provisions of this Section 6 shall not apply to (i) any reorganization, merger or consolidation involving only a change in the state of incorporation of the Corporation, (ii) a merger of the Corporation with or into a wholly-owned Subsidiary of the Corporation that is incorporated in the United States of America, or (iii) a merger, reorganization, consolidation or other combination in which the Corporation is the surviving corporation and operates as a going concern, with another corporation incorporated in the United States of America and which does not involve a recapitalization, reorganization, reclassification or other similar change in the capital structure of the Corporation after which the shareholders of the Corporation will own less than 50% of the capital stock of the Corporation.

7. REDEMPTION

The Series F Preferred Stock shall be redeemable at the option of the Corporation at the applicable premium to Liquidation Value set forth below:

On or before	December 31, 1998	113.500%
From	January 1, 1999 to December 31, 1999	112.000
	January 1, 2000 to December 31, 2000	110.500
	January 1, 2001 to December 31, 2001	109.000
	January 1, 2002 to December 31, 2002	107.500
	January 1, 2003 to December 31, 2003	106.000
	January 1, 2004 to December 31, 2004	104.500
	January 1, 2005 to December 31, 2005	103.000
	January 1, 2006 to December 31, 2006	101.000
	January 1, 2007 to December 31, 2007	100.000

The Corporation shall redeem all outstanding shares of Series F Preferred Stock on December 31, 2007, out of funds legally available therefor.

8. RESTRICTIONS AND LIMITATIONS ON CORPORATE ACTION

(i) The Corporation shall not take any corporate action or amend its Certificate of Incorporation without the approval by vote or written consent of the holders of at least two-thirds of the then outstanding shares of Series F Preferred Stock, voting as a single class, each share of Series F Preferred Stock to be entitled to one vote in each instance, if such corporate action or amendment would change any of the rights, preferences, privileges of or limitations provided for herein for the benefit of any shares of Series F Preferred Stock. Without limiting the generality of the preceding sentence, the Corporation will not take any corporate action without the approval by the holders of at least two-thirds of the then outstanding shares of Series F Preferred Stock, voting as a single class, if such corporate action would amend the Certificate of Incorporation of the Corporation in a way that would change any of the rights, preferences, privileges of or limitations provided for herein for the benefit of any shares of Series F Preferred Stock.

9. NOTICES OF RECORD DATE. In the event of:

(i) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividends or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of capital stock of any class or any other securities or property, or to receive any other right,

(ii) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation, or any transfer of all or substantially all of the assets of the Corporation to any other corporation, or any other entity or person, or

(iii) any voluntary or involuntary dissolution, liquidation or winding up of the Corporation,

then and in each such event the Corporation shall mail or cause to be mailed to each holder of Preferred Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and a description of such dividend, distribution or right, (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (iii) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding up. Such notice shall be mailed by first class mail, postage prepaid, at least ten (10) days prior to the date specified in such notice on which action is being taken.

IN WITNESS WHEREOF, the officers named below, acting for and on behalf of Alliance Imaging, Inc., have hereunto subscribed their names on this 18th day of December, 1997.

ALLIANCE IMAGING, INC.

By: /s/ Terrence M. White

Name: Terrence M. White
Title: Secretary

ALLIANCE IMAGING, INC.,
as Issuer,

The GUARANTORS Named Herein,
as Guarantors,

MTI ACQUISITION CORP.,
as Guarantor,

and

IBJ SCHRODER BANK & TRUST COMPANY

First Supplemental Indenture

Dated as of January 30, 1998

To Indenture

of Alliance Imaging, Inc.

Dated as of December 18, 1997

for 9 5/8% Senior Subordinated Notes due 2005 and

Floating Interest Rate Subordinated Term Securities due 2005

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of January 30, 1998, among ALLIANCE IMAGING, INC., a Delaware corporation (the "Company"), each of the Guarantors named herein, as Guarantors, MTI Acquisition Corp. (the "New Guarantor Subsidiary"), a subsidiary of the Company, and IBJ Schroder Bank and Trust Company, a New York banking corporation, as trustee (hereinafter, the "Trustee"), under the Indenture (referred to hereinafter) pursuant to which the Company issued its 9 5/8% Senior Subordinated Notes due 2005 and Floating Interest Rate Subordinated Term Securities due 2005 (collectively, the "Securities").

WITNESSETH:

WHEREAS, the Company, the Guarantors named therein, and the Trustee executed and delivered a certain Indenture, dated as of December 18, 1997, providing for the issuance of up to an aggregate principal amount of $285,000,000 of the Securities;

WHEREAS, the Company by appropriate action has determined that it is desirable to amend certain provisions of the Indenture; and

WHEREAS, Section 4.18 of the Indenture provides that under certain circumstances the Company is required to cause the New Guarantor Subsidiary to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor Subsidiary shall unconditionally guarantee all of the Company's obligations under the Securities and the Indenture on the terms set forth in the Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor Subsidiary, the Company, the Guarantors named herein and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

ARTICLE I

AMENDMENT

1.1 The New Guarantor Subsidiary hereby, jointly and severally with all other Guarantors, unconditionally and irrevocably guarantees, on a senior subordinated basis, the Company's obligations under the Indenture and the Securities on the terms and subject to the conditions set forth in Article Eleven of the Indenture.

1.2 Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This First Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

ARTICLE II

MISCELLANEOUS PROVISIONS

2.1 For all purposes of this First Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, capitalized terms used herein and not defined herein shall have the meaning specified in the Indenture.

2.2 THIS FIRST SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

2.3 All provisions in this First Supplemental Indenture respecting the Company shall bind or inure to the benefit of (as the case may be) the Company, its successors or assigns.

2.4 The recitals contained herein shall be taken as the statements of the Company and the Guarantors and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity of this First Supplemental Indenture.

2.5 This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first above written.

ALLIANCE IMAGING, INC.

By: /s/ TERRENCE M. WHITE

Name: Terrence M. White
Title: Senior Vice President

ALLIANCE IMAGING OF OHIO, INC.,
as Guarantor

By: /s/ TERRENCE M. WHITE

Name: Terrence M. White
Title: Senior Vice President

ALLIANCE IMAGING OF MICHIGAN, INC.,
as Guarantor

By: /s/ TERRENCE M. WHITE

Name: Terrence M. White
Title: Senior Vice President

ROYAL MEDICAL HEALTH SERVICES, INC.,
as Guarantor

By: /s/ TERRENCE M. WHITE

Name: Terrence M. White
Title: Senior Vice President

ALLIANCE IMAGING OF CENTRAL GEORGIA, INC.,
as Guarantor

By: /s/ TERRENCE M. WHITE

Name: Terrence M. White
Title: Senior Vice President

MTI ACQUISITION CORP.

By: /s/ TERRENCE M. WHITE

Name: Terrence M. White
Title: Senior Vice President

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By: /s/ TERENCE RAWLINS

Name: Terence Rawlins
Title: Assistant Vice President

ALLIANCE IMAGING, INC.,
as Issuer,

The GUARANTORS Named Herein,
as Guarantors,

MOBILE TECHNOLOGY INC.,
as Guarantor,

and

IBJ SCHRODER BANK & TRUST COMPANY

Second Supplemental Indenture

Dated as of March 12, 1998

To Indenture

of Alliance Imaging, Inc.

Dated as of December 18, 1997

for 9 5/8% Senior Subordinated Notes due 2005 and

Floating Interest Rate Subordinated Term Securities due 2005

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of March 12, 1998, among ALLIANCE IMAGING, INC., a Delaware corporation (the "Company"), each of the Guarantors named herein, as Guarantors, Mobile Technology Inc. (the "Successor Guarantor"), a subsidiary of the Company, and IBJ Schroder Bank and Trust Company, a New York banking corporation, as trustee (hereinafter, the "Trustee"), under the Indenture (referred to hereinafter) pursuant to which the Company issued its 9 5/8% Senior Subordinated Notes due 2005 and Floating Interest Rate Subordinated Term Securities due 2005 (collectively, the "Securities").

WITNESSETH:

WHEREAS, the Company, the Guarantors named therein, and the Trustee executed and delivered a certain Indenture, dated as of December 18, 1997, as amended by First Supplemental Indenture, dated as of January 30, 1998, providing for the issuance of up to an aggregate principal amount of $285,000,000 of the Securities;

WHEREAS, the Company by appropriate action has determined that it is desirable to amend certain provisions of the Indenture; and

WHEREAS, pursuant to an Agreement and Plan of Merger between MTI Acquisition Corp. (the "Predecessor Guarantor") and the Successor Guarantor, the Predecessor Guarantor is merging with and into the Successor Guarantor; and

WHEREAS, Section 4.18 of the Indenture provides that under certain circumstances the Company is required to cause the Successor Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the Successor Guarantor shall unconditionally guarantee all of the Company's obligations under the Securities and the Indenture on the terms set forth in the Indenture; and

WHEREAS, Section 5.02(b) of the Indenture provides that under certain circumstances the Company is required to cause the Successor Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the Successor Guarantor shall assume all of the Predecessor Guarantor's obligations under the Securities and the Indenture on the terms set forth in the Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Successor Guarantor, the Company, the Guarantors named herein and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

ARTICLE I

AMENDMENT

1.1 The Successor Guarantor hereby, jointly and severally with all other Guarantors, unconditionally and irrevocably guarantees, on a senior subordinated basis, the Company's obligations under the Indenture and the Securities on the terms and subject to the conditions set forth in Article Eleven of the Indenture.

1.2 The Successor Guarantor, the Company, the Guarantors named herein and the Trustee hereby release the Predecessor Guarantor from all obligations under the Securities and the Indenture.

1.3 Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

ARTICLE II

MISCELLANEOUS PROVISIONS

2.1 For all purposes of this Second Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, capitalized terms used herein and not defined herein shall have the meaning specified in the Indenture.

2.2 THIS SECOND SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

2.3 All provisions in this Second Supplemental Indenture respecting the Company shall bind or inure to the benefit of (as the case may be) the Company, its successors or assigns.

2.4 The recitals contained herein shall be taken as the statements of the Company and the Guarantors and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity of this Second Supplemental Indenture.

2.5 This Second Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

ALLIANCE IMAGING, INC.

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ALLIANCE IMAGING OF OHIO, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ALLIANCE IMAGING OF MICHIGAN, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ROYAL MEDICAL HEALTH SERVICES, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ALLIANCE IMAGING OF CENTRAL GEORGIA, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

MOBILE TECHNOLOGY INC.

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By: /s/ TERENCE RAWLINS

Name: Terence Rawlins

Title: Assistant Vice President

ALLIANCE IMAGING, INC.,
as Issuer,

The GUARANTORS Named Herein,
as Guarantors,

MEDICAL DIAGNOSTICS, INC.,
as Guarantor,

CENTRAL MASSACHUSETTS MRI SERVICES, INC.,
as Guarantor,

WESTERN MASSACHUSETTS MAGNETIC RESONANCE SERVICES, INC.,
as Guarantor,

and

IBJ SCHRODER BANK & TRUST COMPANY

Third Supplemental Indenture

Dated as of May 19, 1998

To Indenture

of Alliance Imaging, Inc.

Dated as of December 18, 1997

for 9 5/8% Senior Subordinated Notes due 2005 and

Floating Interest Rate Subordinated Term Securities due 2005

THIS THIRD SUPPLEMENTAL INDENTURE, dated as of May 19, 1998, among ALLIANCE IMAGING, INC., a Delaware corporation (the "Company"), each of the Guarantors named herein, as Guarantors, Medical Diagnostics, Inc., Central Massachusetts MRI Services, Inc. and Western Massachusetts Magnetic Resonance Services, Inc. (the "Successor Guarantors"), subsidiaries of the Company, and IBJ Schroder Bank and Trust Company, a New York banking corporation, as trustee (hereinafter, the "Trustee"), under the Indenture (referred to hereinafter) pursuant to which the Company issued its 9 5/8% Senior Subordinated Notes due 2005 and Floating Interest Rate Subordinated Term Securities due 2005 (collectively, the "Securities").

WITNESSETH:

WHEREAS, the Company, the Guarantors named therein, and the Trustee executed and delivered a certain Indenture, dated as of December 18, 1997, as amended by First Supplemental Indenture, dated as of January 30, 1998, and by Second Supplemental Indenture, dated as of March 12, 1998, providing for the issuance of up to an aggregate principal amount of $285,000,000 of the Securities;

WHEREAS, the Company by appropriate action has determined that it is desirable to amend certain provisions of the Indenture; and

WHEREAS, Section 4.18 of the Indenture provides that under certain circumstances the Company is required to cause the Successor Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the Successor Guarantors shall unconditionally guarantee all of the Company's obligations under the Securities and the Indenture on the terms set forth in the Indenture; and

WHEREAS, Section 5.02(b) of the Indenture provides that under certain circumstances the Company is required to cause the Successor Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the Successor Guarantor shall assume all of the Predecessor Guarantor's obligations under the Securities and the Indenture on the terms set forth in the Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Successor Guarantors, the Company, the Guarantors named herein and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

ARTICLE I

AMENDMENT

1.1 The Successor Guarantors hereby, jointly and severally with all other Guarantors, unconditionally and irrevocably guarantee, on a senior subordinated basis, the Company's obligations under the Indenture and the Securities on the terms and subject to the conditions set forth in Article Eleven of the Indenture.

1.2 Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

ARTICLE II

MISCELLANEOUS PROVISIONS

2.1 For all purposes of this Third Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, capitalized terms used herein and not defined herein shall have the meaning specified in the Indenture.

2.2 THIS THIRD SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

2.3 All provisions in this Third Supplemental Indenture respecting the Company shall bind or inure to the benefit of (as the case may be) the Company, its successors or assigns.

2.4 The recitals contained herein shall be taken as the statements of the Company and the Guarantors and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity of this Third Supplemental Indenture.

2.5 This Third Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

ALLIANCE IMAGING, INC.

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ALLIANCE IMAGING OF OHIO, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ALLIANCE IMAGING OF MICHIGAN, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ROYAL MEDICAL HEALTH SERVICES, INC.,
as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

ALLIANCE IMAGING OF CENTRAL
GEORGIA, INC., as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

MOBILE TECHNOLOGY INC., as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

MEDICAL DIAGNOSTICS, INC., as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

CENTRAL MASSACHUSETTS MRI SERVICES,
INC., as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

WESTERN MASSACHUSETTS MAGNETIC RESONANCE
SERVICES, INC., as Guarantor

By: /s/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Senior Vice President and CFO

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By: /s/ TERENCE RAWLINS

Name: Terence Rawlins
Title: Assistant Vice President

ALLIANCE IMAGING, INC.,
as Issuer,

The GUARANTORS Named Herein,
as Guarantors,

EMBARCADERO HOLDING CORP. I,
EMBARCADERO HOLDING CORP. II,
CURACARE, INC.,
as Guarantors,

and

IBJ SCHRODER BANK & TRUST COMPANY

Fourth Supplemental Indenture

Dated as of November 13, 1998

To Indenture

of Alliance Imaging, Inc.

Dated as of December 18, 1997

for 9 5/8% Senior Subordinated Notes due 2005 and

Floating Interest Rate Subordinated Term Securities due 2005

THIS FOURTH SUPPLEMENTAL INDENTURE, dated as of November 13, 1998, among ALLIANCE IMAGING, INC., a Delaware corporation (the "Company"), each of the Guarantors named herein, as Guarantors, EMBARCADERO HOLDING CORP. I, EMBARCADERO HOLDING CORP. II, and CURACARE, INC. (together, the "Successor Guarantors"), are subsidiaries of the Company, and IBJ Schroder Bank and Trust Company, a New York banking corporation, as trustee (hereinafter, the "Trustee"), under the Indenture (referred to hereinafter) pursuant to which the Company issued its 9 5/8% Senior Subordinated Notes due 2005 and Floating Interest Rate Subordinated Term Securities due 2005 (collectively, the "Securities").

WITNESSETH:

WHEREAS, the Company, the Guarantors named therein, and the Trustee executed and delivered a certain Indenture, dated as of December 18, 1997, as amended by First Supplemental Indenture, dated as of January 30, 1998, and by Second Supplemental Indenture, dated as of March 12, 1998, providing for the issuance of up to an aggregate principal amount of $285,000,000 of the Securities;

WHEREAS, the Company by appropriate action has determined that it is desirable to amend certain provisions of the Indenture; and

WHEREAS, pursuant to a Securities Purchase Agreement dated March 12, 1998, Embarcadero Holding Corp. I is acquiring the capital stock of CuraCare, Inc., a Delaware corporation, and Embarcadero Holding Corp. I together with Embarcadero Holding Corp. II are acquiring the partnership interests in American-Shared CuraCare, a California partnership; and

WHEREAS, Section 4.18 of the Indenture provides that under certain circumstances the Company is required to cause the Successor Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the Successor Guarantors shall unconditionally guarantee all of the Company's obligations under the Securities and the Indenture on the terms set forth in the Indenture; and

WHEREAS, Section 5.02(b) of the Indenture provides that under certain circumstances the Company is required to cause the Successor Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the Successor Guarantor shall assume all of the obligations under the Securities and the Indenture on the terms set forth in the Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Successor Guarantors, the Company, the Guarantors named herein and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Securities as follows:

ARTICLE I

AMENDMENT

1.1 The Successor Guarantors hereby, jointly and severally with all other Guarantors, unconditionally and irrevocably guarantee, on a senior subordinated basis, the Company's obligations under the Indenture and the Securities on the terms and subject to the conditions set forth in Article Eleven of the Indenture.

1.2 Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fourth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

ARTICLE II

MISCELLANEOUS PROVISIONS

2.1 For all purposes of this Fourth Supplemental Indenture, except as otherwise defined or unless the context otherwise requires, capitalized terms used herein and not defined herein shall have the meaning specified in the Indenture.

2.2 THIS THIRD SUPPLEMENTAL INDENTURE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

2.3 All provisions in this Fourth Supplemental Indenture respecting the Company shall bind or inure to the benefit of (as the case may be) the Company, its successors or assigns.

2.4 The recitals contained herein shall be taken as the statements of the Company and the Guarantors and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity of this Fourth Supplemental Indenture.

2.5 This Fourth Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the date first above written.

ALLIANCE IMAGING, INC.

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

ALLIANCE IMAGING OF OHIO, INC.,
as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

ALLIANCE IMAGING OF MICHIGAN, INC.,
as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

ROYAL MEDICAL HEALTH SERVICES, INC.,
as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

[SIGNATURES CONTINUED ON NEXT PAGE]

ALLIANCE IMAGING OF CENTRAL GEORGIA,
INC., as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

MOBILE TECHNOLOGY INC., as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

MEDICAL DIAGNOSTICS, INC., as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips

Title: Secretary

CENTRAL MASSACHUSETTS MRI SERVICES,
INC., as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

[SIGNATURES CONTINUED ON NEXT PAGE]

WESTERN MASSACHUSETTS MAGNETIC
RESONANCE SERVICES, INC., as Guarantor

By: /s/ RUSSELL D. PHILLIPS

Name: Russell D. Phillips
Title: Secretary

EMBARCADERO HOLDING CORP. I, as Guarantor

By: /s/ Russell D. Phillips

Name: Russell D. Phillips
Title: Secretary

EMBARCADERO HOLDING CORP. II, as
Guarantor

By: /s/ Russell D. Phillips

Name: Russell D. Phillips
Title: Secretary

CURACARE, INC., as Guarantor

By: /s/ Russell D. Phillips

Name: Russell D. Phillips
Title: Secretary

[SIGNATURES CONTINUED ON NEXT PAGE]

IBJ SCHRODER BANK & TRUST COMPANY,
as Trustee

By: /s/ TERENCE RAWLINS

Name: Terence Rawlins
Title: Assistant Vice President

ALLIANCE IMAGING, INC.
1065 North PacifiCenter Drive, Suite 200
Anaheim, California 92806

As of December 31, 1997

Richard N. Zehner
9881 Orchard Lane
Villa Park, California 92861

Re: EMPLOYMENT AGREEMENT

Dear Rick:

This letter confirms our agreement to amend the Employment Agreement dated as of July 23, 1997 (the "AGREEMENT"), between you and Alliance Imaging, Inc., a Delaware corporation (the "COMPANY") in the following respects: Section 6(b) of the Agreement is amended to increase the "$644,000" amount referred to therein to "$736,525" and to change the "January 2, 1998" date referred to therein to "March 20, 1998."

Notwithstanding anything to the contrary contained herein, the Company's obligations hereunder shall be conditioned upon the Company obtaining the requisite consents under the Credit Agreement dated as of December 18, 1997 among the Company, Bankers Trust Company, as Agent, and the various lending institutions party thereto.

Except as expressly provided herein, the Agreement shall remain in full force and effect, enforceable in accordance with its terms.

If this letter correctly sets forth our agreement, please so indicate by executing in the space provided below.

Alliance Imaging, Inc.

By: /s/ Vincent S. Pino

Name: Vincent S. Pino
Title: Executive Vice President

Agreed as of the date first above written:

/s/ Richard N. Zehner
- ---
Richard N. Zehner

AMENDMENT dated as of February 5, 1998, between ALLIANCE IMAGING, INC. (the "CORPORATION") and RICHARD N. ZEHNER (the "EXECUTIVE").

RECITALS

WHEREAS, the Corporation and Executive are parties to an Employment Agreement dated as of July 23, 1997 (as thereafter amended as of December 31, 1997 and as of February 5, 1998, the "EMPLOYMENT AGREEMENT"), pursuant to which, among other things, the Corporation agreed to grant to the Executive options to acquire common stock of the Corporation (the "EXISTING OPTIONS");

WHEREAS, the parties' agreed the Executive should be granted Options subject to forfeiture if Joseph Cilurzo became employed by the Corporation after the consummation of the acquisition by the Corporation of Mobile Technology, Inc.;

WHEREAS, the Amendment dated as of an even date herewith incorrectly sets forth the parties' agreement by reducing the number of Options to be granted to the Executive without any qualification;

WHEREAS, the Options are subject to the Alliance Imaging, Inc. 1997 Stock Option Plan (the "Plan") and a Stock Option Agreement dated as of December 18, 1997 (the "OPTION AGREEMENT" and together with the Employment Agreement, the "AGREEMENTS"); and

WHEREAS, the Corporation and the Executive desire to further amend the Agreements as hereinafter described.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements of the parties set forth herein, the parties do hereby agree as follows (capitalized terms used but not defined herein have the meanings ascribed to them in the Option Agreement, or if not defined therein, in the Plan):

ARTICLE I
AMENDMENTS

1.1 GRANT OF ADDITIONAL OPTIONS.

(a) Section 2 of the Option Agreement is hereby amended by adding a new sentence to the end thereof, which shall read as follows: "The Corporation hereby grants to the Executive an additional 25,000 Options, 50% of which shall be Tranche A Options, 25% of which shall be Tranche B Options and 25% of which shall be Tranche C Options (collectively, the "NEW OPTIONS")."

(b) The Option Agreement is hereby amended by amending the term "OPTION" each time it appears therein to mean the Existing Options and the New Options.

1.2 FORFEITURE OF OPTIONS.

The Option Agreement is hereby amended by adding a new Section 15, which shall read in its entirety as follows:

"15. FORFEITURE OF NEW OPTIONS.

The Corporation may from time to time, in its sole discretion, request that the Executive forfeit up to all of the New Options on the terms and conditions set forth in this Section 15.

(a) The Compensation Committee of the Board of Directors of the Corporation shall determine the number of Options to be granted to one or more new employees of the Corporation or its subsidiaries (the "AGGREGATE FORFEITURE NUMBER"), and shall deliver a notice to the Executive to such effect.

(b) Immediately upon delivery of the notice referred to in Section 15(a), the Executive shall be deemed to have forfeited New Options (the "FORFEITED OPTIONS") as follows:

(i) The Executive shall forfeit a number of New Options equal to the Aggregate Forfeiture Number, multiplied by a fraction, the numerator of which is the number of New Options held by the Executive and the denominator of which is the number of options granted on the date hereof to and held by Richard N. Zehner and Vincent S. Pino.

(ii) 50% of the Forfeited Options shall be Tranche A Options, 25% of the Forfeited Options shall be Tranche B Options and 25% of the Forfeited Options shall be Tranche C Options.

(iii) Simultaneously with the delivery of the notice referred to in Section 15(a), the Corporation (as directed by the Compensation Committee of the Board of Directors) shall cause to be issued to the Executive a number of replacement options ("NON-PLAN OPTIONS") which will contain the same terms and conditions as the New Options (including the continuation of the same vesting schedule as the New Options) except that the exercise price of the Non-Plan Options shall be equal to (A) $11 plus (B) the absolute value of the difference between the Fair Market Value of a Share on the date that the Executive exercises the Non-Plan Option and the exercise price of the option granted to another employee pursuant to Section 15(a) hereof which grant caused the issuance to the Executive of such Non-Plan Option.

(iv) Promptly after receipt of the notice referred to in Section 15(a), the Executive will deliver to the Corporation its Option and the Corporation will cancel the Option and reissue (A) a new option to the Executive for the aggregate number of Options held by the Executive less the number of Options forfeited by the Executive and (B) a Non-Plan Option for a number of Shares equal to the number of Options forfeited by the Executive.

1.3 RIGHT OF REPURCHASE.

The Option Agreement is hereby amended by adding a new Section 16, which shall read in its entirety as follows:

"The Executive agrees that if he desires to exercise any New Option which is a Vested Option, he will first offer the Corporation the right to repurchase such Option for cash in an amount equal to the Fair Market Value of each Share subject to such Option less the exercise price thereof."

ARTICLE II
MISCELLANEOUS

2.1 NO OTHER CHANGES.

Except as expressly set forth in this Amendment, the Agreements shall remain in full force and effect, enforceable in accordance with their respective terms.

* * * * * * *

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

ALLIANCE IMAGING, INC.

By: /S/ KENNETH S. ORD

Name: Kenneth S. Ord
Title: Executive Vice President and CFO

/s/ RICHARD N. ZEHNER

Executive: Richard N. Zehner

ALLIANCE IMAGING, INC.
1065 North PacifiCenter Drive, Suite 200
Anaheim, California 92806

As of December 31, 1997

Vincent S. Pino
31441 Island Drive
Evergreen, Colorado 80439

Re: EMPLOYMENT AGREEMENT

Dear Vince:

This letter confirms our agreement to amend the Employment Agreement dated as of July 23, 1997 (the "AGREEMENT"), between you and Alliance Imaging, Inc., a Delaware corporation (the "COMPANY") in the following respects: Section 6(b) of the Agreement is amended to decrease the "$165,000" amount referred to therein to "$150,000," to increase the "$335,000" amount referred to therein to "$426,900" and to change the "January 2, 1998" date referred to therein to "March 20, 1998."

Notwithstanding anything to the contrary contained herein, the Company's obligations hereunder shall be conditioned upon the Company obtaining the requisite consents under the Credit Agreement dated as of December 18, 1997 among the Company, Bankers Trust Company, as Agent, and the various lending institutions party thereto.

Except as expressly provided herein, the Agreement shall remain in full force and effect, enforceable in accordance with its terms.

If this letter correctly sets forth our agreement, please so indicate by executing in the space provided below.

Alliance Imaging, Inc.

By: /s/ Richard N. Zehner

Name: Richard N. Zehner
Title: Chief Executive Officer

Agreed as of the date first above written:

/s/ Vincent S. Pino
- -------------------------------------
Vincent S. Pino

AMENDMENT dated as of February 5, 1998, between ALLIANCE IMAGING, INC. (the "CORPORATION") and VINCENT S. PINO (the "EXECUTIVE").

RECITALS

WHEREAS, the Corporation and Executive are parties to an Employment Agreement dated as of July 23, 1997 (as thereafter amended as of December 31, 1997 and as of February 5, 1998, the "EMPLOYMENT AGREEMENT"), pursuant to which, among other things, the Corporation agreed to grant to the Executive options to acquire common stock of the Corporation (the "EXISTING OPTIONS");

WHEREAS, the parties' agreed the Executive should be granted Options subject to forfeiture if Joseph Cilurzo became employed by the Corporation after the consummation of the acquisition by the Corporation of Mobile Technology, Inc.;

WHEREAS, the Amendment dated as of an even date herewith incorrectly sets forth the parties' agreement by reducing the number of Options to be granted to the Executive without any qualification;

WHEREAS, the Options are subject to the Alliance Imaging, Inc. 1997 Stock Option Plan (the "PLAN") and a Stock Option Agreement dated as of December 18, 1997 (the "OPTION AGREEMENT" and together with the Employment Agreement, the "AGREEMENTS"); and

WHEREAS, the Corporation and the Executive desire to further amend the Agreements as hereinafter described.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements of the parties set forth herein, the parties do hereby agree as follows (capitalized terms used but not defined herein have the meanings ascribed to them in the Option Agreement, or if not defined therein, in the Plan):

ARTICLE I

AMENDMENTS

1.1 GRANT OF ADDITIONAL OPTIONS.

(a) Section 2 of the Option Agreement is hereby amended by adding a new sentence to the end thereof, which shall read as follows: "The Corporation hereby grants to the Executive an additional 20,000 Options, 50% of which shall be Tranche A Options, 25% of which shall be Tranche B Options and 25% of which shall be Tranche C Options (collectively, the "NEW OPTIONS")."

(b) The Option Agreement is hereby amended by amending the term "OPTION" each time it appears therein to mean the Existing Options and the New Options.

1.2 FORFEITURE OF OPTIONS.

The Option Agreement is hereby amended by adding a new Section 15, which shall read in its entirety as follows:

"15. FORFEITURE OF NEW OPTIONS.

The Corporation may from time to time, in its sole discretion, request that the Executive forfeit up to all of the New Options on the terms and conditions set forth in this Section 15.

(a) The Compensation Committee of the Board of Directors of the Corporation shall determine the number of Options to be granted to one or more new employees of the Corporation or its subsidiaries (the "AGGREGATE FORFEITURE NUMBER"), and shall deliver a notice to the Executive to such effect.

(b) Immediately upon delivery of the notice referred to in Section 15(a), the Executive shall be deemed to have forfeited New Options (the "FORFEITED OPTIONS") as follows:

(i) The Executive shall forfeit a number of New Options equal to the Aggregate Forfeiture Number, multiplied by a fraction, the numerator of which is the number of New Options held by the Executive and the denominator of which is the number of options granted on the date hereof to and held by Richard N. Zehner and Vincent S. Pino.

(ii) 50% of the Forfeited Options shall be Tranche A Options, 25% of the Forfeited Options shall be Tranche B Options and 25% of the Forfeited Options shall be Tranche C Options.

(iii) Simultaneously with the delivery of the notice referred to in Section 15(a), the Corporation (as directed by the Compensation Committee of the Board of Directors) shall cause to be issued to the Executive a number of replacement options ("NON-PLAN OPTIONS") which will contain the same terms and conditions as the New Options (including the continuation of the same vesting schedule as the New Options) except that the exercise price of the Non-Plan Options shall be equal to (A) $11 plus (B) the absolute value of the difference between the Fair Market Value of a Share on the date that the Executive exercises the Non-Plan Option and the exercise price of the option granted to another employee pursuant to Section 15(a) hereof which grant caused the issuance to the Executive of such Non-Plan Option.

(iv) Promptly after receipt of the notice referred to in Section 15(a), the Executive will deliver to the Corporation its Option and the Corporation will cancel the Option and reissue (A) a new option to the Executive for the aggregate number of Options held by the Executive less the number of Options forfeited by the Executive and (B) a Non-Plan Option for a number of Shares equal to the number of Options forfeited by the Executive.

1.3 RIGHT OF REPURCHASE.

The Option Agreement is hereby amended by adding a new Section 16, which shall read in its entirety as follows:

> "The Executive agrees that if he desires to exercise any New Option which is a Vested Option, he will first offer the Corporation the right to repurchase such Option for cash in an amount equal to the Fair Market Value of each Share subject to such Option less the exercise price thereof."

ARTICLE II

MISCELLANEOUS

2.1 NO OTHER CHANGES.

Except as expressly set forth in this Amendment, the Agreements shall remain in full force and effect, enforceable in accordance with their respective terms.

* * * * * * *

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

ALLIANCE IMAGING, INC.

By: /s/ Kenneth S. Ord

Name: Kenneth S. Ord
Title: Executive Vice President and CFO

/s/ Vincent S. Pino

Executive: Vincent S. Pino

As of April 29, 1998

Raymond M. Almieri
c/o Alliance Imaging, Inc.
1065 North PacifiCenter Drive, Suite 200
Anaheim, CA 92806

AGREEMENT

Ray:

1. Reference is made to (i) the Alliance Imaging, Inc. 1997 Stock Option Plan (the "Option Plan") and (ii) the Stock Option Agreement (the "Option Agreement") between Alliance Imaging, Inc. (the "Company") and you, dated as of April 28, 1998. In consideration of the Company granting you options under the Option Plan, executing and delivering the Option Agreement and making the payments described in Paragraph 5 below, you agree that no Competition Event (as defined below) shall occur prior to one year after the Date of Termination (as defined in the employment agreement between the Company and you as of the date hereof (the "Employment Agreement")). Defined terms used but not defined herein shall have the meaning ascribed thereto in the Employment Agreement.

2. For purposes of this letter agreement, a Competition Event shall occur if you directly or indirectly (i) engage in any imaging business or any other business that becomes material to the Company's business during your employment by the Company (the "Company Business") within the United States; (ii) compete or participate as agent, employee, consultant, advisor, representative or otherwise in any enterprise engaged in a business which has any operations engaged in the Company Business within the United States; or (iii) compete or participate as a stockholder, partner or joint venturer, or have any direct or indirect financial interest, in any enterprise which has any material operations engaged in the Company Business within the United States; PROVIDED, HOWEVER, that nothing contained herein shall prohibit you from (A) owning, operating or managing any business, or acting upon any business opportunity, after obtaining approval of a majority of the Board of Directors of the Company and a majority of the independent members of the Board of Directors of the Company (if any); or (B) owning no more than five percent (5%) of the equity of any publicly traded entity with respect to which you do not serve as an officer, director, employee, consultant or in any other capacity other than as an investor.

3. As a means reasonably designed to protect certain confidential information of the Company which would otherwise inherently be utilized in the following proscribed activities, and in partial consideration of the Company's covenant to make the payments described in Paragraph 5, you agree that you will not, prior to the date you cease to receive payments under Paragraph 5 below, solicit or make any other contact with, directly or indirectly, any customer of the Company as of the Date of Termination with respect to the provision of any service to any such customer that is the same or substantially similar to any service provided to such customer by the Company.

4. In partial consideration of the Company's covenant to make the payments described in Paragraph 5, you agree that you will not, prior to the date you cease to receive payments under paragraph 5, solicit or make any other contact with, directly or indirectly, any employee of the Company on

the Date of Termination (or any person who was employed by the Company at any time during the three-month period prior to the Date of Termination) with respect to any employment, services or other business relationship.

5. In partial consideration of your covenants contained herein, the Company shall, immediately following the Date of Termination, pay you an amount equal to (A) the sum of your base salary as of the Date of Termination, multiplied by (B) a fraction, the numerator of which is the greater of 365 and the number of days remaining in the Term as of the Date of Termination assuming the Term had not expired on the Date of Termination and the denominator of which is 365. All payments under this Paragraph 5 shall be made in equal installments on a bi-weekly basis over a period equal to the greater of the remaining Term (assuming the Term had not expired) or one year. Notwithstanding the foregoing, the Company shall not be obligated to make any payments under this Paragraph 5 to you if you (x) fail to cure a breach of this Agreement within fifteen days after receipt of notice of such breach from the Company, or (y) if your employment with the Company is terminated by reason of your death or disability or for Cause or by reason of your resignation other than for Good Reason.

6. Notwithstanding paragraph 1 through 4 hereof, if the Company shall fail to make any payment to you that the Company is obligated to make pursuant to Paragraph 5 and such failure shall continue for more than five days after receipt of notice from you, all future payments to you under Paragraph 5 shall become immediately due and payable or you shall be relieved of all obligations under this Agreement.

7. For purposes of paragraph 2 through 4 hereof, the term Company shall include Alliance Imaging, Inc., its subsidiaries and/or its affiliates.

8. You acknowledge that irreparable damage would occur in the event of a breach of the provisions of this Agreement by you. It is accordingly agreed that, in addition to any other remedy to which it is entitled at law or in equity, the Company shall be entitled to an injunction or injunctions to prevent breaches of this letter agreement and to enforce specifically the terms and provisions of this letter agreement.

9. If, at the time of enforcement, any sentence, paragraph, clause, or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause, or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of this Agreement shall remain binding on the parties. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties agree that such court shall substitute a judicially enforceable limitation in its place, and that as so modified, the covenants shall be binding upon the parties as if originally set forth in this Agreement.

If you are in agreement with the foregoing, please sign a copy of this letter where indicated below.

Very truly yours,

Alliance Imaging, Inc.

By: /s/ Richard N. Zehner
____
Name: Richard N. Zehner

Title: Chairman & CEO

Acknowledged and agreed to
as of the date first above
written:

By: /s/ Raymond M. Almieri

- ---------------------------------------

Name: Raymond M. Almieri

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered into as of April 29, 1998, by and between Alliance Imaging, Inc., a Delaware corporation (hereinafter called the "Corporation"), and Raymond M. Almieri (hereinafter called the "Executive"). For purposes of this Agreement, employment with the Corporation shall include employment with any of its affiliated companies.

WITNESSETH THAT:

The Corporation desires to employ the Executive as a Senior Vice President (a "SVP"), and the Executive desires to accept such employment;

NOW, THEREFORE, the Corporation and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. EMPLOYMENT AND TERM.

(a) Employment. The Corporation shall employ the Executive as a SVP of the Corporation, and the Executive shall so serve, for the term set forth in Paragraph 1(b).

(b) Term. The term of the Executive's employment under this Agreement shall commence on the date hereof (the "Effective Time") and shall end on the first anniversary of the Effective Time, subject to the extension of such term as hereinafter provided and subject to earlier termination as provided in Paragraph 8. The expiration of the term of this Agreement shall be extended automatically by an additional three months as of the last day of each quarterly period following the Effective Time unless either party desires to modify or terminate this Agreement and notifies the other party of its desire to modify or terminate this Agreement at least 30 days prior to any such quarterly renewal date. The period of employment as provided in this Paragraph 1(b) is sometimes referred to herein as the "Term".

2. DUTIES.

During the Term, the Executive shall serve as a SVP of the Corporation and have all powers and duties consistent with such position. The Executive shall devote substantially his entire time during reasonable business hours (reasonable sick leave and vacations excepted) and use diligent efforts to fulfill faithfully, responsibly and to the best of his ability his duties hereunder; PROVIDED, HOWEVER, that Executive may engage in and devote time to other non-competitive activities to the extent that such time spent is immaterial and does not interfere with Executive's obligations hereunder. During the Term, Executive shall report to an executive of the Corporation. Executive's duties shall be performed, initially, principally at the Corporation's current offices located in Anaheim, California, or such other locations agreed upon by the parties. Notwithstanding, the foregoing, Executive may be required to travel in the conduct of the Corporation's business and to discharge his duties hereunder, provided that the amount and nature of such travel is reasonably consistent with the amount and nature of travel engaged in by Executive during the twelve-month period immediately preceding the date of this Agreement.

3. SALARY.

The Corporation shall pay to the Executive as compensation for his services a salary of $137,000.00 per year, payable in accordance with the Corporation's payroll procedures. From time to time, the Board of Directors of the Corporation or a committee thereof (the "Board") will review the Executive's performance and compensation, and will consider adjustments thereto.

4. ANNUAL BONUSES.

For each calendar year during the term of employment, the Executive shall be eligible to receive a cash bonus based on the Corporation's achievement of certain operating and/or financial or other goals established by the Board in its sole discretion, with an initial annual target bonus amount (based on the Corporation's achievement of a reasonable operating budget to be approved by the Board) equal to 50% (the "Target Bonus") of the Executive's then current annual base salary. The bonus plan shall be adopted and administered by the Compensation Committee of the Board.

5. EQUITY INCENTIVE COMPENSATION.

During the term of employment hereunder the Executive shall be eligible to participate in the Corporation's Stock Option Plan in effect as of the date hereof.

6. OTHER BENEFITS.

In addition to the compensation described in Paragraphs 3 through 5, above, the Executive shall also be entitled to the following:

(a) Expense Reimbursement. Executive will be reimbursed all reasonable, ordinary and necessary business expenses, including expenses for entertainment, travel and similar items that are approved by the Corporation in accordance with its regular policy(ies) for business expense reimbursement. The Corporation will reimburse Executive for all expenses upon a presentation by Executive of itemized accounts of such expenditures in accordance and in the manner and on a form reasonably prescribed by the Corporation.

(b) Car Allowance. The Corporation shall pay to the Executive, on the first day of each month during the term of employment, a monthly automobile allowance (the "Automobile Allowance") of not less than $470, to help defray the costs associated with Executive's acquisition or maintenance (by lease or otherwise) of an automobile and the related insurance and maintenance therefor.

(c) Vacation. The Executive shall be entitled to all legal holidays, and paid vacation per annum, in accordance with the Corporation's current policies.

(d) Insurance and Benefits. The Executive and his "dependents," to the extent eligible thereunder, shall be entitled to participate in all employee and executive benefit plans, programs and policies currently available to other Corporation employees of comparable status, title and experience, as well as any plans, programs and policies adopted by the Corporation during the Term of this Agreement.

(e) Participation in Other Benefit Plans. In addition to the foregoing, the Executive shall be entitled to participate in all of the other various retirement, welfare, fringe benefit, executive perquisite, and expense reimbursement plans, programs and arrangements of the Corporation to the same extent that employees generally of the Corporation are eligible for participation under the terms of such plans, programs and arrangements.

7. CONFIDENTIALITY.

In view of the fact that Executive's work as an executive of the Corporation will bring Executive into close contact with many confidential affairs of the Corporation, including matters of a business nature, such as information about customers (including pricing information), costs, profits, markets, sales, strategic plans for future development and any other information not readily available to the public, Executive hereby agrees:

(a) To keep secret all confidential matters of the Corporation (including without limitation such matters which the Corporation notifies Executive are confidential) learned prior to the date of this Agreement and in the course of Executive's employment hereunder, and not to disclose them to anyone outside of the Corporation, either during or after Executive's employment with the Corporation, or both, until such time as the Corporation gives its written consent to such disclosure;

(b) To deliver promptly to the Corporation on termination of Executive's employment by the Corporation or at any other time the Corporation may so request, all memoranda, notes, records, reports and other documents (and all copies thereof) relating to the Corporation's business which Executive may then possess or have under Executive's control; and

(c) That violation of this Paragraph 7 would cause the Corporation irreparable damage for which the Corporation cannot be reasonably compensated in damages in an action at law, and therefore in the event of any breach or threatened breach by Executive of this Paragraph 7, the Corporation shall be entitled to make application to a court of competent jurisdiction for equitable relief by way of injunction or otherwise (without being required to post a bond). This provision shall not, however, be construed as a waiver of any of the rights which the Corporation may have for damages under this Agreement or otherwise, and all of the Corporation's rights and remedies shall be unrestricted and cumulative.

(d) For purpose of this Paragraph 7, the term Corporation shall include Alliance Imaging, Inc., its subsidiaries and its affiliates.

8. TERMINATION.

Unless earlier terminated in accordance with the following provisions of this Paragraph 8, the Corporation shall continue to employ the Executive and the Executive shall remain employed by the Corporation during the entire Term. Paragraph 9 hereof sets forth certain obligations of the Corporation in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Paragraph 8, Paragraph 9 and Paragraph 10 hereof are defined in Paragraph 8(d), below.

(a) Death or Disability. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination payment obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event of the Executive's death or in the event that the Executive becomes disabled. The Executive will be deemed to be disabled upon the earlier of (i) the end of a six (6)-consecutive month period during which, by reason of physical or mental injury or disease, the Executive has been unable to perform substantially all of his usual and customary duties under this Agreement or (ii) the date that a reputable physician selected by the Board, and as to whom the Executive has no reasonable objection, determines in writing that the Executive will, by reason of physical or mental injury or disease, be unable to perform substantially all of the Executive's usual and customary duties under this Agreement for a period of at least six (6) consecutive months. If any question arises as to whether the Executive is disabled, upon reasonable request therefor by the Board, the Executive shall submit to reasonable medical examination for the purpose of determining the existence, nature and extent of any such disability. In accordance with Paragraph 14, the Board shall promptly give the Executive written notice of any such determination of the Executive's disability and of any decision of the Board to terminate the Executive's employment by reason thereof.

(b) Discharge for Cause. In accordance with the procedures hereinafter set forth, the Board may discharge the Executive from his employment hereunder for Cause. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for Cause. Any discharge of the Executive for Cause shall be communicated by a Notice of Termination to the Executive given in accordance with Paragraph 14 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon and (ii) if the Date of Termination is to be other than the date of receipt of such notice, specifies the termination date (which date shall in all events be within fifteen (15) days after the giving of such notice). In the case of a discharge of the Executive for Cause, the Notice of Termination shall include a copy of a resolution duly adopted by the Board at a meeting called and held for such purpose authorizing such action. No purported termination of the Executive's employment for Cause shall be effective without a Notice of Termination.

(c) Termination for Other Reasons. The Corporation may discharge the Executive without Cause by giving written notice to the Executive in accordance with Paragraph 14 at least thirty (30) days prior to the Date of Termination. The Executive may resign from

his employment by giving written notice to the Corporation in accordance with Paragraph 14 at least thirty (30) days prior to the Date of Termination. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged without Cause or resigns.

(d) Definitions. For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

(i) "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's base salary under Paragraph 3 through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid. For the purpose of this Paragraph 8(d)(i), accrued bonus shall be equal to (A) the amount up to, but not to exceed, the Target Bonus, based upon the Executive's regional and personal performance requirements contained in the Corporation's incentive compensation plan (such calculation shall be made as of the last completed month preceding the Date of Termination), multiplied by (B) a fraction equal to the number of days in such year preceding the Date of Termination divided by 365, less (C) any payments previously made with respect to such Target Bonus.

(ii) "Cause" means that any of the following has occurred with respect to Executive: (A) Executive has committed a felony (other than a motor vehicle moving violation); (B) Executive has stolen funds or property from the Corporation or otherwise engaged in fraudulent conduct against the Corporation; (C) Executive has engaged in knowing and willful misconduct which is materially injurious to the Corporation; (D) Executive has failed or refused to comply with the directions of the Board that are reasonably consistent with Executive's current executive employee title and the terms of this Agreement, the failure with which to comply is materially injurious to the Corporation; or (E) Executive has repeatedly failed or refused to comply with the directions of the Board that are reasonably consistent with Executive's current executive employee title and the terms of this Agreement. Notwithstanding clause (E) of the preceding sentence, no act or omission by the Executive shall constitute Cause hereunder unless the Corporation has given detailed written notice thereof to the Executive, and the Executive has failed to remedy such act or omission within a reasonable time after receiving such notice.

(iii) "Date of Termination" shall mean (A) in the event of a discharge of the Executive by the Board for Cause, the date the Executive receives a Notice of Termination, or any later date specified in such Notice of Termination,

as the case may be, (B) in the event of a discharge of the Executive without Cause or a resignation by the Executive, the date specified in the written notice to the Executive (in the case of discharge) or the Corporation (in the case of resignation), which date shall be no less than thirty (30) days from the date of such written notice, (C) in the event of the Executive's death, the date of the Executive's death, and (D) in the event of termination of the Executive's employment by reason of disability pursuant to Paragraph 8(a), the date the Executive receives written notice of such termination (or, if earlier, six (6) months following the date the Executive's disability began).

(iv) "Good Reason" shall mean any of the following:

(A) the Corporation reduces Executive's base salary; or

(B) the assignment to the Executive of any duties inconsistent in any material respect with the Executive's positions with the Corporation as set forth in this Agreement (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Paragraph 2; or

(C) any material failure by the Corporation to comply with any of the provisions of this Agreement, which is not remedied within 15 days after notice thereof from the Executive.

(D) the Corporation requires Executive to change the location of his principal office or offices in a manner inconsistent with Paragraph 2 hereof;

(E) the Corporation or the Board shall notify the Executive that it does not want to renew the Term pursuant to Paragraph 1(b); or

(F) the Corporation otherwise subjects Executive to abusive, critical or adversarial conditions such that there is a material worsening of the general quality of Executive's job conditions immediately prior to such change.

9. OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

The following provisions describe the obligations of the Corporation to the Executive under this Agreement upon termination of his employment.

(a) Death, Disability, Discharge for Cause, or Resignation Without Good Reason. In the event this Agreement terminates pursuant to Paragraph 8(a) by reason of the death or disability of the Executive, or pursuant to Paragraph 8(b) by reason of the discharge of the Executive by the Corporation for Cause, or pursuant to Paragraph 8(c) by reason of the resignation of the Executive other than for Good Reason, the Corporation shall pay to the Executive, or his heirs or estate, in the event of the Executive's death, all Accrued

Obligations in a lump sum in cash within thirty (30) days after the Date of Termination; provided further that in the event this Agreement terminates pursuant to Paragraph 8(a) by reason of the disability of the Executive, the Corporation shall continue to provide to the Executive, for a period of twenty-four (24) months from the commencement of such disability, all health benefits at least equal to those which would have been provided to Executive in accordance with the plans, programs and arrangements referred to in Paragraph 7 of this Agreement, in addition to any other benefits or payments to which Executive is entitled hereunder or otherwise.

(b) Discharge Without Cause or Resignation with Good Reason. In the event that this Agreement terminates pursuant to Paragraph 8(c) by reason of the discharge of the Executive by the Corporation other than for Cause, death or disability or by reason of the resignation of the Executive for Good Reason (any such termination, a "Severance"):

(i) The Corporation shall pay all Accrued Obligations to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination;

(ii) For a period equal to the greater of one year and the remainder of the Term (assuming the Term had not expired on the Date of Termination), the Corporation shall continue to provide benefits to the Executive and/or the Executive's dependents at least equal to those which would have been provided to them in accordance with the plans, programs and arrangements referred to in Paragraph 6 of this Agreement; and

(iii) The Corporation shall, at its sole expense (not to exceed $25,000), provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive.

10. DEFRA LIMITATION.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that the provisions of the Deficit Reduction Act of 1984 ("DEFRA") relating to "excess parachute payments" shall be applicable to any payment or benefit received or to be received by Executive in connection with a termination of the Executive's employment with the Corporation, then the total amount of payments or benefits payable to Executive which are deemed to constitute parachute payments shall be reduced to the largest amount such that provisions of DEFRA relating to "excess parachute payment" shall no longer be applicable. Should such a reduction be required, the Executive shall determine, in the exercise of his sole discretion, which payment or benefit to reduce or eliminate. Pending such determination, the Corporation shall continue to make all other required payments to Executive at the time and in the manner provided herein and shall pay the largest portion of any parachute payments such that the provisions of DEFRA relating to "excess parachute payments" shall no longer be applicable.

(b) Recharacterization of Payments. Due to the complexity in the application of Section 280(G) of the Internal Revenue Code of 1986, as amended (the "Code") it is possible that payments made or benefits received hereunder should not have been made under Paragraph 10(a) (an "Overpayment"). In the event that it is determined in writing by the Corporation's outside auditors in their reasonable good faith judgment or by any court of competent jurisdiction that an Overpayment has been made resulting in an "Excess Parachute Payment" as defined in Section 280G(b)(1) of the Code, then any such Overpayment shall be treated for all purposes as an unsecured, long-term loan from the Corporation to the Executive, his personal representative, his successors or assigns, as the case may be, that is payable, together with accrued interest from the date of the making of the Overpayment at the rate of 8% per annum on the later to occur of the third anniversary of the payment of such Overpayment, or 6 months following the date upon which it is determined an Overpayment was made. Should it be determined that such an Overpayment has been made, the Executive shall determine, in the exercise of his sole discretion, which payments or benefits shall be deemed to constitute the Overpayment.

11. NO SET-OFF OR MITIGATION.

The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

12. PAYMENT OF CERTAIN EXPENSES.

The losing party in any suit or proceeding to enforce this Agreement shall reimburse the prevailing party for all reasonable costs and expenses incurred in connection with such suit or proceeding.

13. BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the successors and assigns of the Corporation. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its assets, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any successor of the Corporation in accordance with the operation of law, and such successor shall be deemed the "Corporation" for purposes of this Agreement.

14. NOTICES.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) If to the Board or the Corporation, to:

Alliance Imaging, Inc.

1065 North PacifiCenter Drive, Suite 200
Anaheim, CA 92806
Attention: President
Facsimile: (714) 688-3377

with a copy to:

Apollo Management, L.P.
1301 Avenue of the Americas, 38th Floor
New York, NY 10019
Attention: Joshua Harris
Facsimile: (212) 261-4102

(b) If to the Executive, to:

Raymond M. Almieri
6021 Shadowbrook Circle
Huntington Beach, CA 92648

Such addresses may be changed by written notice sent to the other party at the last recorded address of that party.

15. INDEMNIFICATION.

The Corporation agrees to indemnify the Executive to the fullest extent permitted by law for his services to, or on behalf of the Corporation, as an Executive hereunder, as a director (as applicable) and in any and every other capacity in which he may serve the Corporation or its interests. In furtherance of such agreement to indemnify, but not by way of limitation, the terms of the Corporation's certificate of incorporation and by-laws providing for such indemnification and payment of expenses, as in effect on the date hereof (and, which are attached hereto as Exhibit A), are hereby incorporated by reference as if fully stated herein. For the purpose of this Agreement, any amendment to said certificate of incorporation or by-laws shall not be effective to reduce, qualify or otherwise limit the scope, benefit or enforceability of this provision; provided, however, if any such amendment extends or improves the scope, benefit or enforceability of the indemnification and payment of expenses contained in such certificate of incorporation or

by-laws for any officer, director, employee or agent, such extended or improved provisions shall be deemed to be incorporated by reference herein for the benefit of the Executive without any further action by the Corporation or the Executive.

16. TAX WITHHOLDING.

The Corporation shall provide for the withholding of any taxes required to be withheld by federal, state, or local law with respect to any payment in cash, shares of stock and/or other property made by or on behalf of the Corporation to or for the benefit of the Executive under this Agreement or otherwise. The Corporation may, at its option: (a) withhold such taxes from any cash payments owing from the Corporation to the Executive, (b) require the Executive to pay to the Corporation in cash such amount as may be required to satisfy such withholding obligations and/or (c) make other satisfactory arrangements with the Executive to satisfy such withholding obligations.

17. ARBITRATION.

Except as to any controversy or claim which the Executive elects, by written notice to the Corporation, to have adjudicated by a court of competent jurisdiction, any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in Los Angeles, California in accordance with the laws of the State of California. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The costs and expenses of the arbitrator(s) shall be borne by the Corporation. The award of the arbitrator(s) shall be binding upon the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

18. NO ASSIGNMENT.

Except as otherwise expressly provided herein, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

19. EXECUTION IN COUNTERPARTS.

This Agreement may be executed by the parties hereto in two (2) or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

20. JURISDICTION AND GOVERNING LAW.

Except as provided in Paragraph 17, jurisdiction over disputes with regard to this Agreement shall be exclusively in the courts of the State of California, and this Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of California, other than the conflict of laws provisions of such laws.

21. SEVERABILITY.

If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement. Furthermore, if the scope of any restriction or requirement contained in this Agreement is too broad to permit enforcement of such restriction or requirement to its full extent, then such restriction or requirement shall be enforced to the maximum extent permitted by law, and the Executive consents and agrees that any court of competent jurisdiction may so modify such scope in any proceeding brought to enforce such restriction or requirement.

22. PRIOR UNDERSTANDINGS.

This Agreement embodies the entire understanding of the parties hereto and, upon its effectiveness, will supersede all other oral or written agreements or understandings between them regarding the subject matter hereof. THIS AGREEMENT SHALL SUPERSEDE AND REPLACE THAT CERTAIN EXECUTIVE EMPLOYMENT AGREEMENT BY AND BETWEEN EXECUTIVE AND THE CORPORATION'S WHOLLY-OWNED SUBSIDIARY, MOBILE TECHNOLOGY INC., DATED AS OF DECEMBER 31, 1996. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for convenience and reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

Attest:

/s/ RUSSELL D. PHILLIPS, JR.
- ---------------------------------
Name: Russell D. Phillips, Jr.

ALLIANCE IMAGING, INC.

By: /s/ RICHARD N. ZEHNER

Name: Richard N. Zehner
Title: Chairman and Chief
Executive Officer

EXECUTIVE

By: /s/ RAYMOND M. ALMIERI

Name: Raymond M. Almieri
Senior Vice President

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered into as of April 29, 1998, by and between Alliance Imaging, Inc., a Delaware corporation (hereinafter called the "Corporation"), and Russell D. Phillips, Jr. (hereinafter called the "Executive").

WITNESSETH THAT:

The Corporation desires to employ the Executive as its General Counsel ("GC"), and the Executive desires to accept such employment;

NOW, THEREFORE, the Corporation and the Executive, each intending to be legally bound, hereby mutually covenant and agree as follows:

1. EMPLOYMENT AND TERM.

(a) Employment. The Corporation shall employ the Executive as the GC of the Corporation, and the Executive shall so serve, for the term set forth in Paragraph 1(b).

(b) Term. The term of the Executive's employment under this Agreement shall commence on the date hereof (the "Effective Time") and shall end on the second anniversary of the Effective Time, subject to the extension of such term as hereinafter provided and subject to earlier termination as provided in Paragraph 8. The expiration of the term of this Agreement shall be extended automatically by an additional three months as of the last day of each quarterly period following the Effective Time unless either party desires to modify or terminate this Agreement and notifies the other party of its desire to modify or terminate this Agreement at least 30 days prior to any such quarterly renewal date. The period of employment as provided in this Paragraph 1(b) is sometimes referred to herein as the "Term".

2. DUTIES.

During the Term, the Executive shall serve as GC of the Corporation and have all powers and duties consistent with such position. The Executive shall devote substantially his entire time during reasonable business hours (reasonable sick leave and vacations excepted) and use diligent efforts to fulfill faithfully, responsibly and to the best of his ability his duties hereunder; PROVIDED, HOWEVER, that Executive may engage in and devote time to other non-competitive activities to the extent that such time spent is immaterial and does not interfere with Executive's obligations hereunder. During the Term, Executive shall report to the Chairman and Chief Executive Officer of the Corporation. Executive's duties shall be performed, initially, principally at the Corporation's current offices located in Anaheim, California, unless Executive otherwise agrees in writing. Notwithstanding, the foregoing, Executive may be required to travel in the conduct of the Corporation's business and to discharge his duties hereunder, provided that the amount and nature of such travel is reasonably consistent with the amount and

nature of travel engaged in by other senior executives of the Corporation during the twelve-month period immediately preceding the date of this Agreement.

3. SALARY.

The Corporation shall pay to the Executive as compensation for his services a salary of $125,000 per year, payable in accordance with the Corporation's payroll procedures. From time to time, the Board of Directors of the Corporation or a committee thereof (the "Board") will review the Executive's performance and compensation, and will consider adjustments thereto.

4. ANNUAL BONUSES.

For each calendar year during the term of employment, the Executive shall be eligible to receive a cash bonus based on the Corporation's achievement of certain operating and/or financial or other goals established by the Board in its sole discretion, with an annual target bonus amount (based on the Corporation's achievement of a reasonable operating budget to be approved by the Board) equal to 30% (the "Target Bonus") of the Executive's then current annual base salary. The bonus plan shall be adopted and administered by the Compensation Committee of the Board.

5. EQUITY INCENTIVE COMPENSATION.

During the term of employment hereunder the Executive shall be eligible to participate in the Corporation's Stock Option Plan in effect as of the date hereof.

6. OTHER BENEFITS.

In addition to the compensation described in Paragraphs 3 through 5, above, the Executive shall also be entitled to the following:

(a) Expense Reimbursement. Executive will be reimbursed all reasonable, ordinary and necessary business expenses, including expenses for entertainment, travel and similar items that are approved by the Corporation in accordance with its regular policy(ies) for business expense reimbursement. The Corporation will reimburse Executive for all expenses upon a presentation by Executive of itemized accounts of such expenditures in accordance and in the manner and on a form reasonably prescribed by the Corporation.

(b) Car Allowance. The Corporation shall pay to the Executive, on the first day of each month during the term of employment, a monthly automobile allowance (the "Automobile Allowance") of not less than $400, to help defray the costs associated with Executive's acquisition or maintenance (by lease or otherwise) of an automobile and the related insurance and maintenance therefor.

(c) Vacation. The Executive shall be entitled to all legal holidays, and three weeks paid vacation per annum, in accordance with the Corporation's policies.

(d) Insurance and Benefits. The Executive and his "dependents," to the extent eligible thereunder, shall be entitled to participate in all employee and executive benefit plans, programs and policies currently available to other Corporation employees of comparable status, title and experience, as well as any plans, programs and policies adopted by the Corporation during the Term of this Agreement.

(e) Participation in Other Benefit Plans. In addition to the foregoing, the Executive shall be entitled to participate in all of the other various retirement, welfare, fringe benefit, executive perquisite, and expense reimbursement plans, programs and arrangements of the Corporation to the same extent that employees generally of the Corporation are eligible for participation under the terms of such plans, programs and arrangements.

7. CONFIDENTIALITY.

In view of the fact that Executive's work as an executive of the Corporation will bring Executive into close contact with many confidential affairs of the Corporation, including matters of a business nature, such as information about customers (including pricing information), costs, profits, markets, sales, strategic plans for future development and any other information not readily available to the public, Executive hereby agrees:

(a) To keep secret all confidential matters of the Corporation (including without limitation such matters which the Corporation notifies Executive are confidential) learned prior to the date of this Agreement and in the course of Executive's employment hereunder, and not to disclose them to anyone outside of the Corporation, either during or after Executive's employment with the Corporation, or both, until such time as the Corporation gives its written consent to such disclosure;

(b) To deliver promptly to the Corporation on termination of Executive's employment by the Corporation or at any other time the Corporation may so request, all memoranda, notes, records, reports and other documents (and all copies thereof) relating to the Corporation's business which Executive may then possess or have under Executive's control; and

(c) That violation of this Paragraph 7 would cause the Corporation irreparable damage for which the Corporation cannot be reasonably compensated in damages in an action at law, and therefore in the event of any breach or threatened breach by Executive of this Paragraph 7, the Corporation shall be entitled to make application to a court of competent jurisdiction for equitable relief by way of injunction or otherwise (without being required to post a bond). This provision shall not, however, be construed as a waiver of any of the rights which the Corporation may have for damages under this Agreement or otherwise, and all of the Corporation's rights and remedies shall be unrestricted and cumulative.

8. TERMINATION.

Unless earlier terminated in accordance with the following provisions of this Paragraph 8, the Corporation shall continue to employ the Executive and the Executive shall remain employed by the Corporation during the entire Term. Paragraph 9 hereof sets forth certain obligations of the Corporation in the event that the Executive's employment hereunder is terminated. Certain capitalized terms used in this Paragraph 8, Paragraph 9 and Paragraph 10 hereof are defined in Paragraph 8(d), below.

(a) Death or Disability. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination payment obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event of the Executive's death or in the event that the Executive becomes disabled. The Executive will be deemed to be disabled upon the earlier of (i) the end of a six (6)-consecutive month period during which, by reason of physical or mental injury or disease, the Executive has been unable to perform substantially all of his usual and customary duties under this Agreement or (ii) the date that a reputable physician selected by the Board, and as to whom the Executive has no reasonable objection, determines in writing that the Executive will, by reason of physical or mental injury or disease, be unable to perform substantially all of the Executive's usual and customary duties under this Agreement for a period of at least six (6) consecutive months. If any question arises as to whether the Executive is disabled, upon reasonable request therefor by the Board, the Executive shall submit to reasonable medical examination for the purpose of determining the existence, nature and extent of any such disability. In accordance with Paragraph 14, the Board shall promptly give the Executive written notice of any such determination of the Executive's disability and of any decision of the Board to terminate the Executive's employment by reason thereof.

(b) Discharge for Cause. In accordance with the procedures hereinafter set forth, the Board may discharge the Executive from his employment hereunder for Cause. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged for Cause. Any discharge of the Executive for Cause shall be communicated by a Notice of Termination to the Executive given in accordance with Paragraph 14 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon and (ii) if the Date of Termination is to be other than the date of receipt of such notice, specifies the termination date (which date shall in all events be within fifteen (15) days after the giving of such notice). In the case of a discharge of the Executive for Cause, the Notice of Termination shall include a copy of a resolution duly adopted by the Board at a meeting called and held for such purpose authorizing such action. No purported termination of the Executive's employment for Cause shall be effective without a Notice of Termination.

(c) Termination for Other Reasons. The Corporation may discharge the Executive without Cause by giving written notice to the Executive in accordance with Paragraph 14 at least thirty (30) days prior to the Date of Termination. The Executive may resign from

his employment by giving written notice to the Corporation in accordance with Paragraph 14 at least thirty (30) days prior to the Date of Termination. Except to the extent otherwise provided in Paragraph 9 with respect to certain post-Date of Termination obligations of the Corporation, this Agreement shall terminate immediately as of the Date of Termination in the event the Executive is discharged without Cause or resigns.

(d) Definitions. For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

(i) "Accrued Obligations" shall mean, as of the Date of Termination, the sum of (A) the Executive's base salary under Paragraph 3 through the Date of Termination to the extent not theretofore paid, (B) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation accrued by the Executive as of the Date of Termination to the extent not theretofore paid and (C) any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive as of the Date of Termination to the extent not theretofore paid. For the purpose of this Paragraph 8(d)(i), the amount of bonus accrued shall be equal to (A) the Average Bonus, multiplied by (B) a fraction equal to the number of days in such year preceding the Date of Termination divided by 365.

(ii) "Average Bonus" means (A) if a termination of employment of the Executive occurs prior to January 1, 1999, the Target Bonus of the Executive payable in respect of the calendar year in which such termination occurs and (B) if a termination of employment of the Executive occurs on or after January 1, 1999, the actual cash bonus earned by the Executive pursuant to Section 4 for the calendar year completed immediately prior to the time in question.

(iii) "Cause" means that any of the following has occurred with respect to Executive: (A) Executive has committed a felony (other than a motor vehicle moving violation); (B) Executive has stolen funds or property from the Corporation or otherwise engaged in fraudulent conduct against the Corporation; (C) Executive has engaged in knowing and willful misconduct which is materially injurious to the Corporation; (D) Executive has failed or refused to comply with the directions of the Board that are reasonably consistent with Executive's current executive employee title and the terms of this Agreement, the failure with which to comply is materially injurious to the Corporation; or (E) Executive has repeatedly failed or refused to comply with the directions of the Board that are reasonably consistent with Executive's current executive employee title and the terms of this Agreement. Notwithstanding clause (E) of the preceding sentence, no act or omission by the Executive shall constitute Cause hereunder unless the Corporation has given detailed written notice thereof to the Executive, and the Executive has failed to remedy such act or omission within a reasonable time after receiving such notice.

(iv) "Date of Termination" shall mean (A) in the event of a discharge of the Executive by the Board for Cause, the date the Executive receives a Notice of Termination, or any later date specified in such Notice of Termination, as the case may be, (B) in the event of a discharge of the Executive without Cause or a resignation by the Executive, the date specified in the written notice to the Executive (in the case of discharge) or the Corporation (in the case of resignation), which date shall be no less than thirty (30) days from the date of such written notice, (C) in the event of the Executive's death, the date of the Executive's death, and (D) in the event of termination of the Executive's employment by reason of disability pursuant to Paragraph 8(a), the date the Executive receives written notice of such termination (or, if earlier, six (6) months following the date the Executive's disability began).

(v) "Good Reason" shall mean any of the following:

(A) the Corporation reduces Executive's base salary; or

(B) the assignment to the Executive of any duties inconsistent in any material respect with the Executive's positions with the Corporation as set forth in this Agreement (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Paragraph 2; or

(C) any material failure by the Corporation to comply with any of the provisions of this Agreement, which is not remedied within 15 days after notice thereof from the Executive.

(D) the Corporation requires Executive to change the location of his principal office or offices in a manner inconsistent with Paragraph 2 hereof;

(E) the Corporation or the Board shall notify the Executive that it does not want to renew the Term pursuant to Paragraph 1(b); or

(F) the Corporation otherwise subjects Executive to abusive, critical or adversarial conditions such that there is a material worsening of the general quality of Executive's job conditions immediately prior to such change.

9. OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

The following provisions describe the obligations of the Corporation to the Executive under this Agreement upon termination of his employment.

(a) Death, Disability, Discharge for Cause, or Resignation Without Good Reason. In the event this Agreement terminates pursuant to Paragraph 8(a) by reason of the death or disability of the Executive, or pursuant to Paragraph 8(b) by reason of the discharge of

the Executive by the Corporation for Cause, or pursuant to Paragraph 8(c) by reason of the resignation of the Executive other than for Good Reason, the Corporation shall pay to the Executive, or his heirs or estate, in the event of the Executive's death, all Accrued Obligations in a lump sum in cash within thirty (30) days after the Date of Termination; provided further that in the event this Agreement terminates pursuant to Paragraph 8(a) by reason of the disability of the Executive, the Corporation shall continue to provide to the Executive, for a period of twenty-four (24) months from the commencement of such disability, all health benefits at least equal to those which would have been provided to Executive in accordance with the plans, programs and arrangements referred to in Paragraph 7 of this Agreement, in addition to any other benefits or payments to which Executive is entitled hereunder or otherwise.

(b) Discharge Without Cause or Resignation with Good Reason. In the event that this Agreement terminates pursuant to Paragraph 8(c) by reason of the discharge of the Executive by the Corporation other than for Cause, death or disability or by reason of the resignation of the Executive for Good Reason (any such termination, a "Severance"):

(i) The Corporation shall pay all Accrued Obligations to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination;

(ii) For a period equal to the greater of two years and the remainder of the Term (assuming the Term had not expired on the Date of Termination), the Corporation shall continue to provide benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs and arrangements referred to in Paragraph 6 of this Agreement; and

(iii) The Corporation shall, at its sole expense (not to exceed $25,000), provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive.

10. DEFRA LIMITATION.

(a) Notwithstanding anything in this Agreement to the contrary, in the event that the provisions of the Deficit Reduction Act of 1984 ("DEFRA") relating to "excess parachute payments" shall be applicable to any payment or benefit received or to be received by Executive in connection with a termination of the Executive's employment with the Corporation, then the total amount of payments or benefits payable to Executive which are deemed to constitute parachute payments shall be reduced to the largest amount such that provisions of DEFRA relating to "excess parachute payment" shall no longer be applicable. Should such a reduction be required, the Executive shall determine, in the exercise of his sole discretion, which payment or benefit to reduce or eliminate. Pending such determination, the Corporation shall continue to make all other required payments to Executive at the time and in the manner provided herein and shall pay the largest portion

of any parachute payments such that the provisions of DEFRA relating to "excess parachute payments" shall no longer be applicable.

(b) Recharacterization of Payments. Due to the complexity in the application of Section 280(G) of the Internal Revenue Code of 1986, as amended (the "Code") it is possible that payments made or benefits received hereunder should not have been made under Paragraph 10(a) (an "Overpayment"). In the event that it is determined in writing by the Corporation's outside auditors in their reasonable good faith judgment or by any court of competent jurisdiction that an Overpayment has been made resulting in an "Excess Parachute Payment" as defined in Section 280G(b)(1) of the Code, then any such Overpayment shall be treated for all purposes as an unsecured, long-term loan from the Corporation to the Executive, his personal representative, his successors or assigns, as the case may be, that is payable, together with accrued interest from the date of the making of the Overpayment at the rate of 8% per annum on the later to occur of the third anniversary of the payment of such Overpayment, or 6 months following the date upon which it is determined an Overpayment was made. Should it be determined that such an Overpayment has been made, the Executive shall determine, in the exercise of his sole discretion, which payments or benefits shall be deemed to constitute the Overpayment.

11. NO SET-OFF OR MITIGATION.

The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

12. PAYMENT OF CERTAIN EXPENSES.

The losing party in any suit or proceeding to enforce this Agreement shall reimburse the prevailing party for all reasonable costs and expenses incurred in connection with such suit or proceeding.

13. BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Executive and the successors and assigns of the Corporation. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation, or otherwise) to all or a substantial portion of its assets, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform this Agreement if no such succession had taken place. Regardless of whether such an agreement is executed, this Agreement shall be binding upon any

successor of the Corporation in accordance with the operation of law, and such successor shall be deemed the "Corporation" for purposes of this Agreement.

14. NOTICES.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first class certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) If to the Board or the Corporation, to:

Alliance Imaging, Inc.
1065 North PacifiCenter Drive, Suite 200
Anaheim, CA 92806
Attention: President
Facsimile: (714) 688-3377

with a copy to:

Apollo Management, L.P.
1301 Avenue of the Americas, 38th Floor
New York, NY 10019
Attention: Joshua Harris
Facsimile: (212) 261-4102

(b) If to the Executive, to:

Russell D. Phillips, Jr.
8162 Manitoba St., Unit 320
Playa del Rey, CA 90293

Such addresses may be changed by written notice sent to the other party at the last recorded address of that party.

15. INDEMNIFICATION.

The Corporation agrees to indemnify the Executive to the fullest extent permitted by law for his services to, or on behalf of the Corporation, as an Executive hereunder, as a director (as applicable) and in any and every other capacity in which he may serve the Corporation or its interests. In furtherance of such agreement to indemnify, but not by way of limitation, the terms of the Corporation's certificate of incorporation and by-laws providing for such indemnification and payment of expenses, as in effect on the date hereof (and, which are attached hereto as Exhibit A), are hereby incorporated by reference as if fully stated herein. For the purpose of this Agreement, any amendment to said certificate of incorporation or by-laws shall not be effective to reduce, qualify or

otherwise limit the scope, benefit or enforceability of this provision; provided, however, if any such amendment extends or improves the scope, benefit or enforceability of the indemnification and payment of expenses contained in such certificate of incorporation or by-laws for any officer, director, employee or agent, such extended or improved provisions shall be deemed to be incorporated by reference herein for the benefit of the Executive without any further action by the Corporation or the Executive.

16. TAX WITHHOLDING.

The Corporation shall provide for the withholding of any taxes required to be withheld by federal, state, or local law with respect to any payment in cash, shares of stock and/or other property made by or on behalf of the Corporation to or for the benefit of the Executive under this Agreement or otherwise. The Corporation may, at its option: (a) withhold such taxes from any cash payments owing from the Corporation to the Executive, (b) require the Executive to pay to the Corporation in cash such amount as may be required to satisfy such withholding obligations and/or (c) make other satisfactory arrangements with the Executive to satisfy such withholding obligations.

17. ARBITRATION.

Except as to any controversy or claim which the Executive elects, by written notice to the Corporation, to have adjudicated by a court of competent jurisdiction, any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in Los Angeles, California in accordance with the laws of the State of California. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The costs and expenses of the arbitrator(s) shall be borne by the Corporation. The award of the arbitrator(s) shall be binding upon the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

18. NO ASSIGNMENT.

Except as otherwise expressly provided herein, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

19. EXECUTION IN COUNTERPARTS.

This Agreement may be executed by the parties hereto in two (2) or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

20. JURISDICTION AND GOVERNING LAW.

Except as provided in Paragraph 17, jurisdiction over disputes with regard to this Agreement shall be exclusively in the courts of the State of California, and this Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of California, other than the conflict of laws provisions of such laws.

21. SEVERABILITY.

If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement. Furthermore, if the scope of any restriction or requirement contained in this Agreement is too broad to permit enforcement of such restriction or requirement to its full extent, then such restriction or requirement shall be enforced to the maximum extent permitted by law, and the Executive consents and agrees that any court of competent jurisdiction may so modify such scope in any proceeding brought to enforce such restriction or requirement.

22. PRIOR UNDERSTANDINGS.

This Agreement embodies the entire understanding of the parties hereto and, upon its effectiveness, will supersede all other oral or written agreements or understandings between them regarding the subject matter hereof. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto. The headings in this Agreement are for convenience and reference only and shall not be construed as part of this Agreement or to limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

Attest: ALLIANCE IMAGING, INC.

/s/ EVELYN CASHMAN
- --------------------------------
Name: Evelyn Cashman

By: /s/ RICHARD N. ZEHNER

Name: Richard N. Zehner
Title: Chairman and Chief
Executive Officer

EXECUTIVE

By: /s/ RUSSELL D. PHILLIPS, JR.

Name: Russell D. Phillips, Jr.
General Counsel

As of April 29, 1998

Russell D. Phillips, Jr.
c/o Alliance Imaging, Inc.
1065 North PacifiCenter Drive, Suite 200
Anaheim, CA 92806

AGREEMENT

Russell:

1. Reference is made to (i) the Alliance Imaging, Inc. 1997 Stock Option Plan (the "Option Plan") and (ii) the Stock Option Agreement (the "Option Agreement") between Alliance Imaging, Inc. (the "Company") and you, dated as of April 28, 1998. In consideration of the Company granting you options under the Option Plan, executing and delivering the Option Agreement and making the payments described in Paragraph 5 below, you agree that no Competition Event (as defined below) shall occur prior to two years after the Date of Termination (as defined in the employment agreement between the Company and you as of the date hereof (the "Employment Agreement")). Defined terms used but not defined herein shall have the meaning ascribed thereto in the Employment Agreement.

2. For purposes of this letter agreement, a Competition Event shall occur if you directly or indirectly (i) engage in any imaging business or any other business that becomes material to the Company's business during your employment by the Company (the "Company Business") within the United States; (ii) compete or participate as agent, employee, consultant, advisor, representative or otherwise in any enterprise engaged in a business which has any operations engaged in the Company Business within the United States; or (iii) compete or participate as a stockholder, partner or joint venturer, or have any direct or indirect financial interest, in any enterprise which has any material operations engaged in the Company Business within the United States; PROVIDED, HOWEVER, that nothing contained herein shall prohibit you from (A) owning, operating or managing any business, or acting upon any business opportunity, after obtaining approval of a majority of the Board of Directors of the Company and a majority of the independent members of the Board of Directors of the Company (if any); or (B) owning no more than five percent (5%) of the equity of any publicly traded entity with respect to which you do not serve as an officer, director, employee, consultant or in any other capacity other than as an investor.

3. As a means reasonably designed to protect certain confidential information of the Company which would otherwise inherently be utilized in the following proscribed activities, and in partial consideration of the Company's covenant to make the payments described in Paragraph 5, you agree that you will not, prior to the date you cease to receive payments under Paragraph 5 below, solicit or make any other contact with, directly or indirectly, any customer of the Company as of the Date of Termination with respect to the provision of any service to any such customer that is the same or substantially similar to any service provided to such customer by the Company.

4. In partial consideration of the Company's covenant to make the payments described in Paragraph 5, you agree that you will not, prior to the date you cease to receive payments under paragraph 5, solicit or make any other contact with, directly or indirectly, any employee of the Company on the Date of Termination (or any person who was employed by the Company at any

time during the three-month period prior to the Date of Termination) with respect to any employment, services or other business relationship.

5. In partial consideration of your covenants contained herein, the Company shall, immediately following the Date of Termination, pay you an amount equal to (A) the sum of your base salary as of the Date of Termination and your Average Bonus, multiplied by (B) a fraction, the numerator of which is the greater of 730 and the number of days remaining in the Term as of the Date of Termination assuming the Term had not expired on the Date of Termination and the denominator of which is 365. All payments under this Paragraph 5 shall be made in equal installments on a bi-weekly basis over a period equal to the greater of the remaining Term (assuming the Term had not expired) or two years. Notwithstanding the foregoing, the Company shall not be obligated to make any payments under this Paragraph 5 to you if you (x) fail to cure a breach of this Agreement within fifteen days after receipt of notice of such breach from the Company, or (y) if your employment with the Company is terminated by reason of your death or disability or for Cause or by reason of your resignation other than for Good Reason.

6. Notwithstanding paragraph 1 through 4 hereof, if the Company shall fail to make any payment to you that the Company is obligated to make pursuant to Paragraph 5 and such failure shall continue for more than five days after receipt of notice from you, all future payments to you under Paragraph 5 shall become immediately due and payable or you shall be relieved of all obligations under this Agreement.

You acknowledge that irreparable damage would occur in the event of a breach of the provisions of this Agreement by you. It is accordingly agreed that, in addition to any other remedy to which it is entitled at law or in equity, the Company shall be entitled to an injunction or injunctions to prevent breaches of this letter agreement and to enforce specifically the terms and provisions of this letter agreement.

7. If, at the time of enforcement, any sentence, paragraph, clause, or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause, or combination of the same shall be void in the

jurisdictions where it is unlawful, and the remainder of this Agreement shall remain binding on the parties. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties agree that such court shall substitute a judicially enforceable limitation in its place, and that as so modified, the covenants shall be binding upon the parties as if originally set forth in this Agreement.

If you are in agreement with the foregoing, please sign a copy of this letter where indicated below.

Very truly yours,

Alliance Imaging, Inc.

By: /s/ Richard N. Zehner

Name: Richard N. Zehner
Title: Chairman & CEO

Acknowledged and agreed to
as of the date first above
written:

By: /s/ Russell D. Phillips, Jr.

Name: Russell D. Phillips, Jr.

Exhibit 21.0

SUBSIDIARIES OF THE REGISTRANT

There is no parent of the Registrant. The following is a listing of the active subsidiaries of the Registrant, or if indented, subsidiaries of the subsidiary under which they are listed:

	INCORPORATION
Alliance Imaging of Central Georgia, Inc.	Georgia
Royal Medical Health Services, Inc.	Pennsylvania
Alliance Imaging of Ohio, Inc.	Delaware
Alliance Imaging of Michigan, Inc.	Delaware
Mobile Technology Inc.	Delaware
Embarcadero Holding Corp. I	Delaware
CuraCare, Inc.	Delaware
Embarcadero Holding Corp. II	Delaware
Medical Diagnostics, Inc.	Delaware
MDI - New York, Inc.	New York
Western Massachusetts Magnetic Resonance Services, Inc.	Massachusetts
MRI Associates, Inc.	Massachusetts
Greater Boston MRI Services, Inc.	Massachusetts
Central Massachusetts MRI Services, Inc.	Massachusetts
Mobile MRI of Western Massachusetts, Inc.	Massachusetts
Greater Springfield MRI, Inc.	Massachusetts
Meritus PLS, Inc.	Virginia

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-22333) pertaining to the 1991 Amended and Restated Stock Option Plan and the Long Term Executive Incentive Plan of Alliance Imaging, Inc. of our report dated March 5, 1999, with respect to the consolidated financial statements and schedule of Alliance Imaging, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1998.

/s/ ERNST & YOUNG LLP

Orange County, California
March 27, 1999

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