

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
)	
INSIGHT HEALTH SERVICES)	Case No. 10-16564 (AJG)
HOLDINGS CORP., <u>et al.</u> ,)	
)	
Debtors.)	Jointly Administered
)	

COVER SHEET: FINAL APPLICATION FOR PROFESSIONAL COMPENSATION

Type of Application: Interim Final

Name of Applicant: Zolfo Cooper, LLC
 Authorized to Provide Professional Services to: The Debtors
 Date of Order Authorizing Employment: January 4, 2011

Compensation Sought:

Application Date:	April 22, 2011	
Application Period:	December 11, 2010 - January 28, 2011	
Fees:	Hours	Amount
Professional	281.9	\$ 139,697.50
Expense Reimbursement		<u>5,861.70</u>
Total	281.9	<u>\$ 145,559.20</u>

Name of Professional	Title	Hours Billed	Rate	Total
Professional Staff				
Timothy Hughes	Senior Director	80.2	\$ 675.00	\$ 54,135.00
Erik Bell	Manager	181.5	\$ 450.00	\$ 81,675.00
Elizabeth Kardos	Managing Director	3.6	\$ 425.00	\$ 1,530.00
Paraprofessional				
Laurie Capen-Verry	Director of Eng. Admin.	7.1	\$ 225.00	\$ 1,597.50
Alicia Englund	Executive Assistant	9.5	\$ 80.00	\$ 760.00
		<u>281.90</u>		<u>\$ 139,697.50</u>
Blended Hourly Rate				<u>\$ 495.56</u>

Is this a first application: Yes No

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INSIGHT HEALTH SERVICES)	Case No. 10-16564 (AJG)
HOLDINGS CORP., <u>et al.</u> , ¹)	
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Debtors.)	Jointly Administered

**FINAL APPLICATION OF ZOLFO COOPER, LLC FOR ALLOWANCE OF
COMPENSATION FOR SERVICES RENDERED AS SPECIAL FINANCIAL
ADVISORS AND BANKRUPTCY CONSULTANTS TO THE DEBTORS
AND FOR REIMBURSEMENT OF EXPENSES UNDER 11 U.S.C. § 330(a)**

TO THE HONORABLE ARTHUR J. GONZALEZ,
UNITED STATES BANKRUPTCY JUDGE:

1. On December, 10, 2010 (the “Filing Date”), InSight Health Services Corp (also referred to herein as “InSight” or the “Debtor”), the Debtor, and 16 of its wholly-owned subsidiaries (Collectively, the “Debtors”) filed voluntary petitions for reorganization under chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the “Bankruptcy Code”). Since the Filing Date, the Debtors have continued to operate their businesses and manage their properties as debtors-in-possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: InSight Health Services Holdings Corp. (0028); InSight Health Services Corp. (2770); Comprehensive Medical Imaging Centers, Inc. (6946); Comprehensive Medical Imaging, Inc. (2473); InSight Health Corp. (8857); Maxum Health Services Corp. (5957); North Carolina Mobile Imaging I LLC (9930); North Carolina Mobile Imaging II LLC (0165); North Carolina Mobile Imaging III LLC (0251); North Carolina Mobile Imaging IV LLC (0342); North Carolina Mobile Imaging V LLC (0431); North Carolina Mobile Imaging VI LLC (0532); North Carolina Mobile Imaging VII LLC (0607); Open MRI, Inc. (1529); Orange County Regional PET Center - Irvine, LLC (0190); Parkway Imaging Center, LLC (2858); and Signal Medical Services, Inc. (2413). The location of the Debtors’ corporate headquarters and the Debtors’ service address is: 26250 Enterprise Court, Suite 100, Lake Forest, California 92630.

2. The Debtors are a leading provider of diagnostic imaging and certain related businesses with operations located throughout the United States. The Debtors required the services of experienced Special Financial Advisors and Bankruptcy Consultants to assist them in developing chapter 11 reporting, responding to diligence requests and developing business responses to legal issues. Because of Zolfo Cooper, LLC's ("ZC" or "Applicant") expertise and experience at a national level in providing reorganization, accounting and a broad range of consulting services to Debtors and other parties in interest in financially complex troubled situations, the Debtors applied to the Bankruptcy Court to authorize ZC's retention as Special Financial Advisors and Bankruptcy Consultants to the Debtors.

3. The Bankruptcy Court entered an order (the "Retention Order") on January 4, 2011, authorizing the retention of ZC to:

- (a) advise and assist management regarding chapter 11 reporting;
- (b) advise and assist on other financial-related matters in the chapter 11 case, as may be requested by the Debtors and agreed by ZC;
- (c) advise and assist management in connection with various due diligence activities; and
- (d) such other services as may be required by the Debtors.

A copy of the Order authorizing the retention of ZC as Special Financial Advisors and Bankruptcy Consultants to the Debtors, along with the related application to the Bankruptcy Court for such retention authority and the supporting Affidavit of Jonathon A. Mitchell, is attached as Exhibit "1".

4. The Retention Order authorized the Debtors to pay the fees for services rendered and ZC's out-of-pocket expenses, as reflected on each monthly invoice. Such payments were authorized to be made by the Debtors upon receipt of ZC's monthly invoices, subject to final allowance by the Bankruptcy Court at the final fee hearing.

Relief Requested

5. This application is made for final allowance of compensation for services rendered by ZC as Special Financial Advisors and Bankruptcy Consultants to the Debtors and for reimbursement of necessary out-of-pocket expenses actually incurred during the Application Period. ZC has not filed previous applications for allowance of interim compensation and reimbursement of out-of-pocket expenses during the Application Period.

6. During the Application Period, ZC provided an aggregate of 281.9 hours of services as Special Financial Advisors and Bankruptcy Consultants to the Debtors, 265.3 hours for professional services and 16.6 hours for paraprofessional and support services, thereby incurring fees of \$139,697.50 in the aggregate, \$137,340.00 for professional services and \$2,357.50 for paraprofessional and support services, and out-of-pocket expenses of \$5,861.70. The above amounts do not include the number hours of professional services and related fees for services expected to be incurred in preparing for and attending the final fee hearing and responding to such objections as may be filed and estimates of out-of-pocket expenses expected to be incurred in connection with attending the final fee hearing. The hours expended and the fees and out-of-pocket expenses incurred by month during the Application Period are summarized below:

Period	Hours	Professional Fees	Expenses	Total Fees & Expenses
December, 2010	109.50	\$ 56,412.50	\$ 2,862.24	\$ 59,274.74
January, 2011	172.40	\$ 83,285.00	\$ 2,999.46	\$ 86,284.46
Total	281.90	\$ 139,697.50	\$ 5,861.70	\$ 145,559.20

7. \$111,758.00, representing 80% of the fees and 100% of the out-of-pocket expenses, were invoiced currently and subsequently paid, and 20% of the fees, or \$27,939.50, were held back pending final application to the Bankruptcy Court. A recap of professional fees

and out-of-pocket expenses invoiced from the Filing Date through the end of the Application Period, showing the amounts incurred, the amounts held back pursuant to the terms of the Retention Order pending final application to the Bankruptcy Court, the amounts paid by the Debtors to the date of this final application, and the amounts unpaid are attached as Exhibit “2” to this final application for allowance of compensation and reimbursement of out-of-pocket expenses.

8. Copies of the Fee Statements issued during the Application Period are attached as Exhibit “3” to this final application for allowance of compensation and reimbursement of out-of-pocket expenses. Included with each Fee Statement is a list of professionals, paraprofessionals and support personnel providing services; their respective billing rates; the aggregate hours expended by each professional, paraprofessional and support person; a general description of the services rendered, summarized by discrete project; a detailed description of the services performed by each professional, paraprofessional and support person and the time expended, organized by debtor, by discrete project, by day and a reasonably detailed breakdown of the disbursements incurred. A summary of professional fees for services rendered during the Application Period by professional, paraprofessional and support person is appended hereto as Exhibit “4”.

9. A summary of the out-of-pocket expenses incurred by expense category during the Application Period and a breakdown of the totals by Debtor are attached as Exhibit “5” to this final application for allowance of compensation and reimbursement of out-of-pocket expenses.

Billing Practices

10. It is ZC’s customary practice to charge fees based on actual hours expended to perform its services at standard hourly rates established for each principal and employee as

adjusted semi-annually. It is the customary practice of the Firm to bill clients for travel time consistent with guidelines of the jurisdiction. Time entries are recorded in six minute increments. Fees reflect economies resulting from the use of paraprofessional and support personnel to develop schedules and analyses, perform research, work on fee applications, and other activities necessary to the efficient administration of a case. So as not to burden clients who do not require such services, ZC does not include support services in the firm's overhead for the purpose of establishing billing rates. Billing rates are generally representative of prevailing market rates, as awarded by other Courts in similar circumstances, for practitioners providing such services at a national level who have comparable skill and experience.

11. ZC charges its clients only for reasonably incurred, out-of-pocket expenses associated with an assignment. Except as necessary to comply with applicable court-mandated guidelines for allowance of professional fees and expenses or an applicable Administrative Order, all such expense billings are in accordance with the Firm's customary practices, which are accepted by its clients. ZC personnel stay at convenient, quality hotels and eat at quality restaurants; ZC does not incur costs for luxury accommodations or deluxe meals and ZC purchased only economy class airfare when traveling to or from the Debtor's offices or for any other business travel on the Debtor's behalf. Except as follows, all expenses are billed at actual cost, exclusive of amortization of the cost of any investment, equipment or capital outlay: (i) internal charges for outgoing out-of-town facsimile transmissions are \$1.25 for domestic transmissions and \$2.50 for foreign transmissions and (ii) internal photocopy charges are \$.20 per page.

12. ZC maintains contemporaneous records of the time expended and out-of-pocket expenses incurred in support of its billings for services. All such records are located in the

Firm's offices and are available for inspection, subject to certain matters contained therein that may be privileged.

Staffing and Approach

13. As one of the world's leading financial advisory, interim management and litigation support firms, with a team of restructuring and litigation specialists in North America specializing in advising debtors, creditors, investors and court-appointed officials in formal bankruptcy proceedings and out-of-court workouts, ZC has significant qualifications and experience in these matters. ZC has a reputation for quality and breadth of experience, and a proven track record for success, earned by serving clients in numerous nationally prominent bankruptcy proceedings. A substantial portion of ZC's work is advisory and involves ZC's professionals counseling senior client personnel regarding high-level strategic and tactical issues. Consistent with its relatively unique practice, ZC's managing directors and professional staff consists of accomplished professionals primarily former "Big 4" partners or managers and senior industry and banking executives. Indeed, more than 50% of ZC's professionals have in excess of ten years of relevant business experience. The firm's internal structure and work approach are designed around its unusual staff composition of senior professionals. Individual staff members are assigned project roles, to bring to bear their particular talents and experience in view of the specific requirements of the engagement. ZC provides high value for its fees, efficiently leveraging its experienced professionals by directing client personnel to perform routine tasks.

14. Jonathan A. Mitchell, the managing director who was responsible for this engagement has over 25 years of diversified business and professional experience across a wide range of industries. He is a graduate of Auckland University of Technology and of the Advanced Management Program at the University of Hawaii. He has gained significant experience in developing and implementing solutions for companies facing financial and operation problems.

Mr. Mitchell was assisted by Timothy Hughes, who, as project manager, was responsible for all aspects of engagement administration and the coordination of the efforts of the assigned staff. An MBA, Mr. Hughes has 18 years of business experience, including 11 years advising troubled companies.

15. Integral to any team approach, and essential to minimize misunderstandings and assure continuity of service in a case such as this one, are conferences, meetings and worksessions among the members of the engagement team. Ongoing communications and review of work product facilitate the sharing of information and assure continued alignment with established priorities and objectives, thereby reducing the time expended and avoiding duplicative efforts. Throughout the engagement, ZC communicated continually with Debtors on the status and results of its work efforts and interfaced with other professionals to improve coordination and ensure that it did not duplicate services rendered by other professionals retained in the case.

Services Rendered During the Chapter 11 Case

16. The Company filed for Chapter 11 protection on December 10, 2010 and during the Application Period ZC provided significant advice, assistance and leadership to the Debtors management team contributing to the accelerated conclusion of these Chapter 11 cases. ZC provided bankruptcy project leadership and mangement to the Company which allowed management to focus on their business. ZC fielded numerous diligence, legal and technical questions and requests and streamlined the process insuring that information was provided in a timely manner. The table below shows ZC's total fees and expenses for the Application Period:

Period	Outstanding			Outstanding			Outstanding		
	Total Fees	Fees Awarded	Subject to Court Approval	Total Expenses	Expenses Awarded	Subject to Court Approval	Total Incurred	Total Awarded	Subject to Court Approval
December, 2010	\$ 56,412.50	\$ 45,130.00	\$ 11,282.50	\$ 2,862.24	\$ 2,862.24	\$ -	\$ 59,274.74	\$ 47,992.24	\$ 11,282.50
Janaury, 2011	\$ 83,285.00	\$ 66,628.00	\$ 16,657.00	\$ 2,999.46	\$ 2,999.46	\$ -	\$ 86,284.46	\$ 69,627.46	\$ 16,657.00
Total	\$ 139,697.50	\$ 111,758.00	\$ 27,939.50	\$ 5,861.70	\$ 5,861.70	\$ -	\$ 145,559.20	\$ 117,619.70	\$ 27,939.50

Detailed Discussion of Services Performed During the Application Period

17. In the table below are the major services provided by ZC during the Application Period. Services rendered are summarized into project categories consistent with service areas included in the Amended Guidelines. It should be noted that many activities could be allocated to more than one of the categories described below and many are inter-related. In the summary below, ZC attempted to place each activity in the most relevant project category. In addition to the following summary of ZC's fees, detailed time descriptions for each professional, by day, are included in Exhibit "3". All services for which ZC seeks compensation were performed at the request of the Debtor or Debtor's counsel.

Code	Matter Category	Total Fees	% of Total
1	Court Reporting	\$ 52,312.50	37.4%
2	Chapter 11 Process	44,685.00	32.0%
3	Business Operations	3,397.50	2.4%
4	Cash Management	3,690.00	2.6%
5	Claims Administration	3,645.00	2.6%
6	Unexpired Leases and Executory Contracts	10,642.50	7.6%
7	Engagement Administration	9,197.50	6.6%
8	Asset Disposition	8,617.50	6.2%
9	Litigation	3,375.00	2.4%
10	DIP Budget Reporting	135.00	0.1%
		\$ 139,697.50	100.0%

18. The following is a summary of the services provided by ZC to the Debtors in each significant project service area:

- (a) **Project #1 – Court Reporting (37.4% of ZC's Fees):** ZC led the Debtors court reporting efforts. ZC was responsible for developing the

Debtor's Monthly Operating Report and ZC worked closely with management in identifying data sources and coordinating the completion of the report. Further, ZC assisted management in compiling various information and document requests for distribution to the Office of the U.S. Trustee in accordance with the local rules of the Southern District of New York. Additionally, ZC was asked by management to testify on behalf of the Debtor's motions at the critical vendors hearing and the confirmation hearing.

- (b) **Project #2 – Chapter 11 Process (32.0% of ZC's Fees):** As the project lead for the Debtor in these Chapter 11 cases, ZC was responsible for coordinating with the various professionals involved in the case: Kirkland & Ellis, BMC Group and Jefferies. ZC worked closely with management to identify answers and responses to the questions and requests of the above professionals in order to satisfy the information needs of this case. Additionally, ZC assisted Management in understanding and complying with the requirements of the Chapter 11 process (e.g., no payment of employee bonuses, deferral of severance payments, etc.).
- (c) **Project #3 – Business Operations (2.4% of ZC's Fees):** ZC aided management in reviewing trade-related executory contracts and non-residential real estate leases as management considered its best course of action in evaluating critical vendor contracts and the assumption or rejection of real estate leases.
- (d) **Project #4 – Cash Management (2.6% of ZC's Fees):** ZC assisted management and Kirkland & Ellis in identifying the Debtors short-term cash needs as the Debtor considered its strategic options. Further, ZC assisted Management with its communication strategy upon filing to the financial institutions that administer the Company's operating cash accounts.
- (e) **Project #5 – Claims Administration (2.6% of ZC's Fees):** ZC assisted management and Kirkland & Ellis in reviewing and evaluating the veracity of claims filed against the estate.
- (f) **Project #6 – Unexpired Leases and Executory Contracts (7.6% of ZC's Fees):** ZC, at management's request, analyzed unexpired leases and certain executory contracts in order to identify any non or poor performing contracts.
- (g) **Project #7 – Engagement Administration (6.6% of ZC's Fees):** ZC's activities in this project area primarily consisted of the maintenance of daily time summaries, review, preparation and distribution of monthly fee statements to all required parties and preparation of the Final Order Authorizing ZC's retention in this case.

- (h) **Project #8 – Asset Disposition (6.2% of ZC’s Fees):** ZC assisted management and Kirland & Ellis in performing diligence and developing responses to the questions posed by the Creditors regarding the sale of certain of the Debtor’s assets.
- (i) **Project #9 – Litigation (2.4% of ZC’s Fees):** ZC assisted management and Kirland & Ellis in performing diligence and developing responses to the questions posed regarding litigation actions.
- (j) **Project #10 – DIP Budget Report (0.1% of ZC’s Fees):** Assisted in the development of the Debtor’s actual to variance DIP reporting schedule.

Compensation Sought

19. In view of the assistance provided which precluded other employment, the results achieved, the value added, the requirement for ZC to finance its deferred compensation, ZC requests that it be awarded a final allowance of compensation for professional services rendered in the sum of \$139,697.50 and for actual and necessary out-of-pocket expenses incurred in the sum of \$5,681.70.

20. The Debtor has paid \$111,758.00 of professional fees invoiced and \$5,681.70 of out-of-pocket expenses incurred, \$117,439.70 in total. The unpaid balance of \$27,939.50 consists of the 20% of professional fees held back during the Application Period.

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WHEREFORE, ZC respectfully requests that it be granted an allowance of final compensation of 100% of fees and necessary out-of-pocket expenses for professional services rendered as Special Financial Advisors and Bankruptcy Consultants to the Debtors during the period December 11, 2010 through and including January 28, 2011 in the amounts of \$145,559.20 and \$5,681.70. ZC respectfully requests that the Bankruptcy Court order a final payment of \$27,939.50 for the outstanding professional fees.

Dated: April 19, 2011
New York, New York



Jonathan A. Mitchell
ZOLFO COOPER, LLC
Special Financial Advisors and Bankruptcy
Consultants
1114 Avenue of the Americas, 41st Floor
New York, NY 10036
(212) 561-4000



Notary Public

Maria E. D'elia
Notary Public, State of NY
No 01PA6061899
Qualified in Queens County
Commission Expires
July 23, 2013

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
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INSIGHT HEALTH SERVICES)	Case No. 10-16564 (AJG)
HOLDINGS CORP., <u>et al.</u> ,)	
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Debtors.)	Jointly Administered

CERTIFICATION OF JONATHAN A. MITCHELL

I, Jonathan A. Mitchell, certify as follows:

1. I am a principal in the firm of ZC and the professional designated by the Applicant with the responsibility for compliance with the Amended Guidelines for Fees and Disbursements for Professionals in the Southern District of New York (the "Amended Guidelines"). I certify that except as otherwise noted in the Application:


- (a) I have read this application,
- (b) To the best of my knowledge, information and belief, formed after reasonable inquiry:
 - (i) this application complies with the mandatory provisions of the Amended Guidelines;
 - (ii) the fees and out-of-pocket expenses are billed in accordance with the billing practices described below, and except as otherwise indicated therein fall within the Amended Guidelines, and
 - (iii) except to the extent prohibited by the Amended Guidelines, the fees and out-of-pocket expenses sought herein have been billed at rates and in accordance with practices customarily employed by the Applicant and accepted by the Applicant's clients.
- (c) This final application for allowance of fees and reimbursement of out-of-pocket expenses has been reviewed and approved by the Debtors.
- (d) The Debtors, the Trustee and all Parties identified in the Interim Compensation Order dated January 4, 2011 have each been provided, no later than 21 days after the end of each month within the Application

Period, a statement of fees for services and out-of-pocket expenses accrued during such month and containing a list of professional, paraprofessional and support personnel providing services; their respective billing rates; the aggregate hours expended by each such person; a general description of the services rendered, summarized by discrete project; a detailed description of the services performed by each professional, paraprofessional and support person and the time expended, organized by debtor, by discrete project, by day.

- (e) The Debtors, the Trustee and all parties identified in the Interim Compensation Order dated January 4, 2011 have each been provided a copy of this final application for allowance of fees and reimbursement of out-of-pocket expenses prior to the date for filing fee applications set by the Bankruptcy Court.
- (f) With respect to expenses and reimbursable services incurred for which reimbursement is sought, ZC:
 - (i) does not make a profit;
 - (ii) does not include in the amount for which reimbursement is sought the amortization of the cost of any investment, equipment or capital outlay; and
 - (iii) seeks reimbursement of services purchased from or contracted for with a third-party vendor only in the amount billed to the Applicant by and paid or to be paid by the Applicant to the vendor.

2. I presently intend to attend the fee hearing; however, if I am unable to do so, I will arrange for a member of the project team authorized to speak for the firm, to be present.

Dated: April 9, 2011
New York, New York


Jonathan A. Mitchell