



# CASE STUDY RADNET, INC

CFO Edge Helped RadNet Meet Multiple Acquisition Filing Deadlines



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– **Mark Stolper**  
EVP & CFO RadNet, Inc.

## AT A GLANCE

### Challenges

- Pressing postacquisition SEC filing deadlines
- Incomplete financial data and statements
- Need for accounting position papers
- Bandwidth limitations

### Solutions

- GAAP-compliant financial statements
- Audit-compliant pronouncements on revenue recognition, complex software rules, and foreign currency operations
- Staff training on revenue recognition and foreign currency accounting

### Outcomes

- All SEC deadlines met
- Financial statements completed
- Auditors in agreement on accounting positions
- Staff executing

There are many situations and scenarios in which a company could benefit by engaging an outsourced CFO services provider. One of the most common is when public companies acquire other businesses and are faced with strict SEC filing deadlines for 8-K reports.

### Two Acquisitions, Two 8-K Reports and Year-End Preparation

RadNet, Inc. (NASDAQ: RDNT), a Los Angeles-based national leader in providing high-quality, cost-effective diagnostic imaging services, faced these specific challenges when it completed two acquisitions at the end of 2010: Progressive Health (\$17.2 million) and Image Medical, or eRAD, (\$10.8 million). Both of the acquisitions were measured as significant business combinations by the SEC under Rule 3-05, thus requiring RadNet to file separate 8-K reports for each acquisition within 75 days of the purchase date. Each report needed to include audited financial statements

for the corresponding company’s prior years of operations.

“This was not the first time that we were faced with the task of receiving financial statements from the seller, obtaining an audit opinion on them and filing the 8-K report under Rule 3-05 within the 75 days allowed. But it was the first time that two reports were due at the same time,” says RadNet Chief Accounting Officer Kirk Lowe. “Also, the financial statements provided to us by one of the sellers were not in accordance with GAAP, so they would not pass audit.”

“In fact, these financial records were raw and incomplete – many of them had burned in a fire – and there was a lot of bad data,” adds RadNet Executive Vice President and Chief Financial Officer Mark Stolper. “We determined that a completely new set of financial statements for the year ended December 31, 2009 and the nine months ended September 30, 2010 would need to be compiled from the seller’s accounting records and

audited. We were also facing year-end preparation and the goodwill impairment process at the same time. Suffice it to say that there was a lot of work to be done in a very short period of time. Kirk and I looked at each other and wondered how we were going to get it all done?"

The answer, they decided, was to bring in outside accounting expertise. Stolper had previously worked with Arthur Rothberg, the Managing Director at CFO Edge, a provider of financial and operational performance solutions to executives leading companies in Southern California. "We needed someone who could take this raw accounting and transaction data and create GAAP-compliant financial statements – and do this without a lot of direction or oversight. It was a true divide-and-conquer mission."

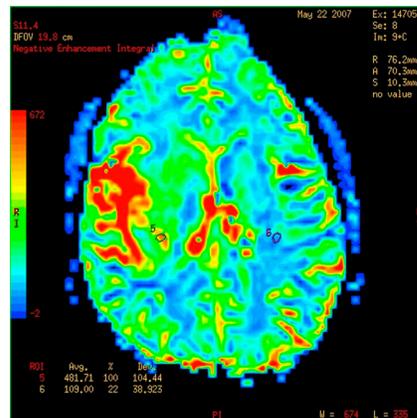
### Real Financial and Accounting Expertise

Stolper says the first step was to bring Rothberg in to meet Lowe and share with him the specifics of the data and deadline challenges and agree on the

scope of the engagement. "I knew right away that I could work with Art," says Lowe. "We didn't have to spend a lot of time explaining everything to him – he just took the ball and ran with it. Art is a real financial and accounting expert, which I think ended up being one of the keys to the success of the engagement. There were a lot of late nights during this engagement, and Art was available anytime we needed him."

The engagement called for CFO Edge to create GAAP-compliant financial statements for one of the two acquired companies that would pass audit by RadNet's auditor, Ernst & Young, and be ready for filing by the SEC deadline, which was 75 days after the purchase date.

Complex software and multiple element arrangements accounting rules – as well as revenue recognition and foreign currency requirements – were comprehensively addressed in numerous accounting pronouncements with which the auditors were in full agreement. Goals were successfully accomplished – in large part, says Stolper, due to the expert assistance provided by CFO Edge.



"We were facing a serious bandwidth challenge – I can't overemphasize this. Accounting departments at public companies face these kinds of situations often, and there are lots of different options for getting outsourced help. But the quality and consistency of this help varies considerably. We needed a heavy hitter who could come in and hit the ground running, without needing a lot of hand-holding. This is exactly what CFO Edge and Art Rothberg did for us. They really hit the ball out of the park. I would not hesitate to use them again if we're ever faced with a similar situation."



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### About CFO Edge

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