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Alliance HealthCare Services, Inc
Form 10-K/A
April 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 1-16609

ALLIANCE HEALTHCARE SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 33-0239910

(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification Number)

100 Bayview Circle, Suite 400, Newport Beach, California 92660

(Address of principal executive office)

Registrant's telephone number, including area code: (949) 242-5300

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Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
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Common Stock, Par Value \$0.01	NASDAQ Stock Market, LLC
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Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="radio"/>	Accelerated filer <input checked="" type="radio"/>
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Non-accelerated filer <input type="radio"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2015, based upon the closing price of the Common Stock as reported by The NASDAQ Stock Market, LLC on such date, was \$91.1 million.

The number of shares outstanding of Common Stock, \$.01 par value, as of April 15, 2016 was 10,716,884 shares.

Documents Incorporated by Reference

The registrant's definitive proxy statement for the Annual Meeting of Stockholders, to be filed within 120 days of December 31, 2015 is incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

EXPLANATORY NOTE

Alliance HealthCare Services, Inc. (“Alliance” and together with its direct and indirect subsidiaries, the “Company,” “we,” “our,” or “us”) is filing this amendment to its Annual Report on Form 10-K for the year ended December 31, 2015, to amend Management’s Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm and to amend and restate financial statements and other financial information for the five years ended December 31, 2015, covered in this report. As explained in Note 1 of the Notes to the Consolidated Financial Statements, this restatement corrects a noncash error made in years prior to 2011 originating from historical fixed asset impairments that resulted in an understatement of accumulated depreciation and overstatement of equipment, net of \$18.1 million that should have been expensed or associated with the gain or loss on equipment disposition transactions to conform with generally accepted accounting principles, as well as, all related footnotes and references thereto. The correction of accumulated depreciation resulted in a related reduction of \$7.1 million of deferred tax liabilities, resulting in a net effect on accumulated deficit of \$11.0 million. This error had no effect on net income (loss) or cash flows for the periods covered in this report.

The following sections of this Form 10-K/A contain information that has been amended where necessary to reflect the restatement:

- Part II, Item 6. Selected Financial Data
- Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
- Part II, Item 8. Financial Statements and Supplementary Data
- Part II, Item 9A. Controls and Procedures

In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officers and principal financial officer are filed as exhibits to this Amendment under Item 15 of Part IV hereof.

Except as stated herein, this Form 10-K/A does not reflect events occurring after the filing of the Form 10-K with the Securities and Exchange Commission on March 10, 2016 and no attempt has been made in this Form 10-K/A to modify or update other disclosures as presented in the Form 10-K.

Cautionary Statement Regarding Forward-looking Statements

This Annual Report on Form 10-K/A, including Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, particularly in the section entitled Liquidity and Capital Resources, and elsewhere in this Annual Report on Form 10-K/A, includes “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

In some cases you can identify these statements by forward-looking words, such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “seek,” “intend” and “continue” or similar words. Forward-looking statements m

use different phrases. Forward-looking statements address, among other things, our future expectations, projections of our future results of operations or of our financial condition and other forward-looking information and include statements related to the Company's improvement plan, including its efforts to grow the Radiology, Oncology, and Interventional Healthcare Services Divisions, and expected annualized savings.

Statements regarding the following subjects, among others, are forward-looking by their nature:

- (a) future legislation and other healthcare regulatory reform actions, and the effect of that legislation and other regulatory actions on our business;
- (b) our expectations with respect to future radiology services and radiation oncology volumes and revenues;
- (c) the effect of seasonality on our business;
- (d) expectations with respect to capital expenditures in 2016;
- (e) the effect of recent accounting pronouncements on our results of operations and cash flows or financial position;
- (f) our business and strategic plans, including the effect of growth and cost-cutting initiatives;
- (g) our compliance with legal and regulatory requirements;
- (h) compliance with our debt covenants;

- (i) unrecognized tax benefits and the adequacy of our tax provisions; and
- (j) our belief regarding the sufficiency of our cash and cash equivalents to meet our working capital, capital expenditure and other cash needs.

We believe it is important to communicate our expectations to our investors. There may be events in the future, however, that we are unable to predict accurately or that we do not fully control that cause actual results to differ materially from those expressed or implied by our forward-looking statements, including:

- our high degree of leverage and our ability to service our debt;
- factors affecting our leverage, including interest rates;
- the risk that the counterparties to our interest rate swap agreements fail to satisfy their obligations under those agreements;
- our ability to obtain financing;
- our ability to maintain effective internal controls and procedures;
- the effect of affirmative and negative covenants and operating and financial restrictions in our debt instruments;
- the accuracy of our estimates regarding our capital requirements;
- intense levels of competition and overcapacity in our industry;
- changes in the rates or methods of third-party reimbursements for diagnostic imaging and radiation oncology services;
- fluctuations or unpredictability of our revenues, including as a result of seasonality;
- changes in the healthcare regulatory environment;
- our ability to keep pace with technological developments within our industry;
- the growth or decline in the market for MRI and other services;
- the disruptive effect of natural disasters, including weather;
- adverse changes in general domestic and worldwide economic conditions and instability and disruption of credit and equity markets;
- our ability to successfully integrate acquisitions; and
- other factors discussed under Risk Factors in the Annual Report on Form 10-K and that are otherwise described or updated from time to time in our SEC reports.

This Annual Report on Form 10-K/A includes statistical data that we obtained from public industry publications. These publications generally indicate that they have obtained their information from sources believed to be reliable but they do not guarantee the accuracy and completeness of their information. Although we believe that the publications are reliable, we have not independently verified their data.

PART II

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data shown below has been taken or derived from the audited consolidated financial statements of the Company and should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this Annual Report on Form 10-K, as amended (in thousands, except per share data).

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Consolidated Statements of Operations Data:					
Revenues	\$473,054	\$436,387	\$448,831	\$472,258	\$493,651
Costs and expenses:					
Cost of revenues, excluding depreciation and					
amortization	269,104	237,420	239,397	253,225	279,751
Selling, general and administrative expenses	88,471	79,903	80,215	76,022	77,140
Transaction costs	3,296	2,344	465	994	3,429
Shareholder transaction costs	1,853	—	—	—	—
Severance and related costs	1,347	2,517	1,658	2,226	3,991
Impairment charges	6,817	308	13,031	—	167,792
Loss on extinguishment of debt	—	—	26,018	—	—
Depreciation expense	48,595	54,971	66,319	79,333	89,974
Amortization expense	9,325	7,880	10,973	15,861	16,444
Interest expense and other, net	26,241	24,693	39,170	54,101	49,789
Other (income) and expense, net	(12,255)	(1,823)	(1,945)	3,036	2,203
Total costs and expenses	442,794	408,213	475,301	484,798	690,513
Income (loss) before income taxes, earnings from					
unconsolidated investees and noncontrolling interest	30,260	28,174	(26,470)	(12,540)	(196,862)
Income tax expense (benefit)	6,536	7,327	(12,398)	(6,710)	(38,242)
Earnings from unconsolidated investees	(3,391)	(4,654)	(5,630)	(4,667)	(3,516)
Net income (loss)	27,115	25,501	(8,442)	(1,163)	(155,104)
Less: Net income attributable to noncontrolling interest	(20,373)	(14,883)	(13,041)	(10,775)	(5,008)
Net income (loss) attributable to Alliance HealthCare					
Services, Inc.	\$6,742	\$10,618	\$(21,483)	\$(11,938)	\$(160,112)
Income (loss) per common share attributable to Alliance					
HealthCare Services, Inc.:					
Basic (1)	\$0.63	\$1.00	\$(2.02)	\$(1.12)	\$(15.07)
Diluted	\$0.62	\$0.98	\$(2.02)	\$(1.12)	\$(15.07)
Weighted average number of shares of common stock and					
common stock equivalents:					
Basic (1)	10,741	10,669	10,634	10,624	10,626
Diluted	10,849	10,836	10,634	10,624	10,626
Consolidated Balance Sheet Data (at end of period):					

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Cash and cash equivalents	\$38,070	\$33,033	\$34,702	\$39,977	\$44,190
Total assets (2)	616,750	482,748	471,710	542,004	644,957
Long-term debt, including current maturities	577,685	507,289	529,674	558,635	643,483
Stockholders' (deficit) (2)	(77,620)	(122,524)	(147,661)	(127,337)	(115,955)

- (1) Share and per share amounts have been retroactively adjusted to reflect our one-for-five reverse stock split effective as of December 26, 2012.
- (2) Refer to the third paragraph in Note 1, "Description of the Company and Basis of Financial Statement Presentation" to our audited financial statements included in this report, for a description of the correction of a noncash error made in years prior to 2011 with respect to accumulated depreciation.

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

Overview

We are a leading national provider of outsourced healthcare services to hospitals and providers. We also operate freestanding outpatient radiology, oncology and interventional clinics, and Ambulatory Surgical Centers ("ASC") that are not owned by hospitals or providers. Our diagnostic radiology services are delivered through the Radiology Division (Alliance HealthCare Radiology), radiation oncology services through the Oncology Division (Alliance Oncology, LLC), and interventional and pain management services through the Interventional HealthCare Services Division (Alliance HealthCare Interventional Partners, LLC). We are the nation's largest provider of advanced diagnostic mobile radiology services, an industry-leading operator of fixed-site radiology centers, and a leading provider of stereotactic radiosurgery nationwide. As of December 31, 2015, we operated 563 diagnostic imaging and radiation therapy systems, including 116 fixed-site radiology centers across the country, and 32 radiation therapy centers and stereotactic radiosurgery ("SRS") facilities. With a strategy of partnering with hospitals, health systems and physician practices, we provide quality healthcare services for over 1,000 hospitals and healthcare partners in 45 states where approximately 2,430 Alliance Team Members are committed to providing exceptional patient care and exceeding customer expectations. We were incorporated in the state of Delaware on May 27, 1987.

Service Overview

- Radiology Division: We provide comprehensive radiology service line management and fixed-site radiology center management through our RAD360™ service in our Radiology Division. We also provide mobile and interim medical imaging systems to hospitals, health systems and provider groups. These services normally include the use of our medical imaging systems, technologists to operate the systems, sales and marketing, patient scheduling and pre authorization, billing and payor management, equipment maintenance and upgrades, and overall management of day-to-day shared-service and fixed-site diagnostic imaging operations.
- Oncology Division: We provide a wide range of radiation oncology services for cancer patients covering initial consultation, preparation for treatment, simulation of treatment, radiation oncology delivery, therapy management and follow-up care. Our services include the use of our linear accelerators ("Linac") and SRS, therapists to operate those systems, sales and marketing, patient scheduling and pre authorization, billing and payor management, equipment maintenance and upgrades and management of day-to-day operations.
- Interventional HealthCare Services Division: We provide interventional healthcare through therapeutic minimally invasive pain management procedures medical management, laboratory testing, and other services. Interventional procedures are performed in either a procedure room or ASC environment, as determined by the treating physician. Interventional therapies are playing a more critical role in the care and treatment pathway for patients, but they are also playing an important role in how care is delivered.

We currently operate in two reportable business segments – radiology and oncology. Radiology and oncology divisions generated 72% and 21% of our revenue, respectively, for the year ended December 31, 2015. Radiology and oncology divisions generated 79% and 21% of our revenue, respectively, for the year ended December 31, 2014. Radiology and oncology divisions generated 83% and 17% of our revenue, respectively, for the year ended December 31, 2013. For additional information on reportable business segments, see Note 17 – Segment Information.

Our clients and partners contract with us to provide radiology, radiation oncology and interventional healthcare services to:

- take advantage of our extensive radiology, radiation oncology and interventional healthcare service lines management experience;
- partner with a leader whose core competency is high-quality, efficient and scalable services in the areas of radiology, interventional healthcare and radiation oncology services.
- avoid capital investment, financial risk and contracting for maintenance associated with the purchase of their own systems;

- provide access to radiology, radiation oncology, interventional healthcare and other services for their patients when the demand for these services does not justify the purchase of dedicated, full-time systems;
- eliminate the need to recruit, train and manage qualified technologists or therapists;
- make use of our ancillary services; and,
- gain access to services under our regulatory and licensing approvals when they do not have these approvals.

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Factors Affecting our Results of Operations

Pricing

Continued expansion of health maintenance organizations, preferred provider organizations and other managed care organizations have influence over the pricing of our services because these organizations can exert greater control over patients' access to our services and reimbursement rates for accessing those services.

Cost of revenues

The principal components of our cost of revenues include compensation paid to technologists, therapists, drivers and other clinical staff; system maintenance costs; insurance; medical supplies; system transportation; team members' travel costs; and professional costs related to the delivery of radiation therapy and professional radiology interpretation services. Because a majority of these expenses are fixed, increased revenues as a result of higher scan and treatment volumes per system significantly improves our margins while lower scan and treatment volumes result in lower margins.

Selling, general and administrative expenses

The principal components of selling, general and administrative expenses are sales and marketing costs, corporate overhead costs, provision for doubtful accounts, and share-based payment.

Noncontrolling interest and earnings

We record noncontrolling interest and earnings from unconsolidated investees related to our consolidated and unconsolidated subsidiaries, respectively. These subsidiaries primarily provide shared-service and fixed-site diagnostic imaging and radiation therapy services.

Third-party payor reimbursement rates and policies

We experience seasonality in the revenues and margins generated for our services. First and fourth quarter revenues are typically lower than those from the second and third quarters. First quarter revenue is affected primarily by fewer calendar days and inclement weather, typically resulting in fewer patients being scanned or treated during the period. Fourth quarter revenues are affected by holiday and client and patient vacation schedules, resulting in fewer scans or treatments during the period. The variability in margins is higher than the variability in revenues due to the fixed nature of our costs. We also experience fluctuations in our revenues and margins due to acquisition activity and general economic conditions, including recession or economic slowdown.

Results of Operations

The following table shows our consolidated statements of operations as a percentage of revenues for each of the years ended December 31:

	2015	2014	2013
Revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of revenues, excluding depreciation and amortization	56.9	54.4	53.3
Selling, general and administrative expenses	18.7	18.3	17.9
Transaction costs	0.7	0.5	0.1
Shareholder transaction costs	0.4	—	—
Severance and related costs	0.3	0.6	0.4
Impairment charges	1.4	0.1	2.9
Loss on extinguishment of debt	—	—	5.8
Depreciation expense	10.3	12.6	14.8
Amortization expense	2.0	1.8	2.4
Interest expense and other, net	5.5	5.7	8.7
Other (income) and expense, net	(2.6)	(0.4)	(0.4)
Total costs and expenses	93.6	93.5	105.9
Income (loss) before income taxes, earnings from unconsolidated investees, and noncontrolling interest	6.4	6.5	(5.9)
Income tax expense (benefit)	1.4	1.7	(2.8)
Earnings from unconsolidated investees	(0.7)	(1.1)	(1.3)
Net income (loss)	5.7	5.8	(1.9)
Less: Net income attributable to noncontrolling interest, net of tax	(4.3)	(3.4)	(2.9)
Net income (loss) attributable to Alliance HealthCare Services, Inc.	1.4 %	2.4 %	(4.8)%

The table below provides MRI statistical information for the years ended December 31:

	2015	2014	2013
MRI statistics			
Average number of total systems	257.2	249.2	256.3
Average number of scan-based systems	208.0	206.9	214.2
Scans per system per day (scan-based systems)	8.98	8.58	8.40
Total number of scan-based MRI scans	508,856	475,044	476,305
Price per scan	\$315.18	\$339.84	\$352.67

The table below provides PET/CT statistical information for each of the years ended December 31:

	2015	2014	2013
PET/CT statistics			

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Average number of total systems	115.6	112.1	112.2
Average number of scan-based systems	107.9	105.1	105.4
Scans per system per day	5.36	5.32	5.57
Total number of PET/CT scans	139,828	137,313	147,941
Price per scan	\$890.35	\$943.28	\$953.85

The table below provides oncology statistical information for each of the years ended December 31:

	2015	2014	2013
Oncology statistics			
Linac treatments	86,491	82,215	63,014
Stereotactic radiosurgery patients	3,416	3,100	2,713

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Following are the components of revenue (in millions) for each of the years ended December 31:

	2015	2014	2013
MRI revenue	\$183.9	\$180.8	\$187.2
PET/CT revenue	128.4	133.2	145.0
Oncology revenue	100.0	92.9	77.9
Other revenue	60.8	29.4	38.7
Total	\$473.1	\$436.4	\$448.8

	Year ended December 31,		
	2015	2014	2013
Total fixed-site imaging center revenue (in millions)	\$110.6	\$109.2	\$116.2

Year Ended December 31, 2015 Compared to Year Ended December, 2014

Revenue increased \$36.7 million, or 8.4%, to \$473.1 million in 2015 compared to \$436.4 million in 2014 due to net increases in MRI revenue of \$3.1 million, oncology revenue of \$7.1 million and other revenues of \$31.4 million, partially offset by a decrease of \$4.8 million in PET/CT revenue. The increase in our oncology revenue is due to an overall increase in patient volume, number of treatments performed and acquisitions. The increase in our other revenues was primarily due to an incremental \$31.1 million from TPC and \$3.1 million from PRC, both of which are 2015 joint venture acquisitions. MRI and PET/CT revenue remained consistent with prior year with a slight decrease of \$1.7 million.

MRI revenue increased \$3.1 million in 2015, or 1.7%, compared to 2014, primarily due to an increase in non scan-based MRI revenue of \$4.1 million, or 21.4%, to \$23.5 million in 2015 from \$19.4 million in 2014, partially offset by a decrease in scan-based MRI revenue of \$1.0 million, or 0.7%, to \$160.4 million in 2015 from \$161.4 million in 2014. The decrease in scan-based MRI revenue was primarily due to year-over-year decreases in the average price per MRI scan offset by increases in the number of the average scan-based systems in service and the average scans per system, per day. The average price per MRI scan decreased 7.3% to \$315.18 in 2015 from \$339.84 per scan in 2014, as we priced competitively to protect and maintain our market share in the mobile and fixed-site imaging market. The average number of scan-based systems in service increased 0.5% to 208.0 in 2015 from 206.9 systems in 2014, and average scans per system per day increased 4.7% to 8.98 in 2015 from 8.58 scans per day in 2014.

PET/CT revenue in 2015 decreased \$4.8 million, or 3.6%, compared to 2014. This decrease was primarily due to a 5.6% decrease in the average price per PET/CT to \$890.35 in 2015 from \$943.28 per scan in 2014, as we priced competitively to protect and maintain our market share in the mobile imaging market, partially offset by an increase in the number of the average scan-based systems in service of 2.7%, or 107.9 in 2015 from 105.1 in 2014, and an increase in total PET/CT scan volumes of 1.8% to 139,828 scans in 2015 from 137,313 scans in 2014. Scans per system per day increased to 5.36 in 2015 compared to 3.32 in 2014.

Oncology revenue increased \$7.1 million, or 7.6%, to \$100.0 million in 2015 compared to \$92.9 million in 2014, primarily due to a 5.2% increase, or 4,276 Linear accelerator (“Linac”) treatments performed in 2015 when compared to 2014, and a 10.2% increase, or 316 additional SRS patients we treated in 2015 when compared to 2014. The growth in Linac treatments was primarily due to our acquisition of CARTC in the fourth quarter of 2014.

Other revenues, which includes revenues generated from our Interventional HealthCare Services Division, management fees and other, increased by \$31.4 million or 106.6%, were \$60.8 million in 2015 compared to \$29.4 million in 2014. The increase in other revenue was primarily driven by our 2015 acquisitions of TPC and PRC joint ventures in our Interventional HealthCare Services Division.

At December 31, 2015, we had 276 MRI systems and 121 PET/CT systems. We had 258 MRI systems and 124 PET/CT systems at December 31, 2014. We operated 116 fixed-site imaging centers (including one unconsolidated investee) at December 31, 2015, compared to 117 fixed-site radiology centers (including one in unconsolidated investee) at December 31, 2014. We operated 32 oncology centers (including one unconsolidated investee) at December 31, 2015, compared to 31 oncology centers (including one unconsolidated investee) at December 31, 2014.

Cost of revenues, excluding depreciation and amortization, increased \$31.7 million, or 13.3%, to \$269.1 million in 2015 compared to \$237.4 million in 2014. The increase in cost of revenues is primarily due to an increase in compensation and related employee expenses of \$25.4 million, or 24.7%, primarily due to salary costs in connection with our new affiliations with CARTC, TPC and PRC, an increase to medical supplies of \$3.4 million, or 17.7%, an increase in equipment rental expense of \$3.2 million, or 34.2%, an increase to rents expense of \$2.1 million, or 30.7%, and an increase to maintenance and related costs of \$2.0 million, or 4.1%, due to our new aforementioned affiliates and the timing of system repairs. These increases are partially offset by a decrease to

transportation and fuel expenses of \$1.9 million, or 22.9%, and a decrease in license, taxes and fees of \$0.9 million, or 24.1%. All other cost of revenues, excluding depreciation and amortization, decreased \$1.5 million, or 3.8%. Cost of revenues, excluding depreciation and amortization, as a percentage of revenue, increased to 56.9% in 2015, compared to 54.4% in 2014.

Selling, general and administrative expenses increased \$8.6 million, or 10.7%, to \$88.5 million in 2015 compared to \$79.9 million in 2014. The increase to selling, general and administrative expenses was primarily due to increases in compensation and related employee expenses of \$7.0 million, or 15.0%, and rent expenses of \$0.3 million, or 17.0%, driven by increases in investments from our growth programs and infrastructure to support our acquisitions. The increase was also due to an increase in our bad debt expense of \$0.3 million, or 9.5%, and an increase in license, taxes and fees of \$0.4 million, or 45.8%. All other selling, general and administrative expenses in 2015 increased \$0.6 million, or 2.3%, compared to 2014. Selling, general and administrative expenses as a percentage of revenue was 18.7% in 2015 compared to 18.3% in 2014.

Severance and related costs decreased \$1.2 million, or 46.5%, to \$1.3 million in 2015 compared to \$2.5 million in 2014. During the first half of 2014, an executive officer departed from our Company, leading to higher expenses.

Transaction costs increased \$1.0 million, or 40.6%, to \$3.3 million in 2015 compared to \$2.3 million in 2014 due to expenses incurred related to various acquisitions in 2015, including our joint venture partnerships with TPC and PRC, which provides interventional healthcare services and treatment for patients at multiple locations throughout Arizona and Florida.

Shareholder transaction costs of \$1.9 million are a direct result from the pending Thai Hot transaction, whereby Thai Hot and the Selling Stockholders agreed to bear a specified portion of the transaction costs. Further discussion of the Thai Hot transaction is disclosed in Note 15 – Related-Party Transactions.

Impairment charges increased to \$6.8 million in 2015 compared to \$0.3 million in 2014. During 2015, the Company implemented a plan to start the process to close a radiation therapy center and, as a result, recorded a non-cash charge to write off \$6,670 of intangible assets not subject to amortization associated with that center in its Oncology Division. Further discussion of impairment charges is disclosed in Note 6 – Impairment Charges.

Depreciation expense decreased \$6.4 million, or 11.6%, to \$48.6 million in 2015 compared to \$55.0 million in 2014 due to the year over year increase in the number of units in our fleet that are fully depreciated along with our decision to upgrade units we currently own as an alternative to purchasing new equipment.

Amortization expense increased \$1.4 million, or 18.3%, to \$9.3 million in 2015 compared to \$7.9 million in 2014. This increase is primarily due to additional amortization charges related to intangible assets that were acquired in recent transactions. Further discussion of recent transactions is disclosed in Note 3 – Acquisitions and Transactions.

Interest expense and other, net increased \$1.5 million, or 6.3%, to \$26.2 million in 2015 compared to \$24.7 million in 2014, primarily due to increased borrowings under our senior secured credit agreement and increased equipment debt.

Other income, net of expenses increased to \$12.3 million in 2015 compared to \$1.8 million in 2014. As a result of consolidating AHNI in 2015, we recorded a non-cash gain on step acquisition of \$10.7 million. Further discussion of the AHNI transaction is disclosed in Note 3 – Acquisitions and Transactions.

Income tax expense was \$6.5 million in 2015 compared to a \$7.3 million in 2014. Our effective tax rates differed from the federal statutory rate principally as a result of state income taxes and permanent non-deductible tax items, such as shareholder transaction costs.

Earnings from unconsolidated investees decreased \$1.3 million, or 27.1%, to \$3.4 million in 2015 compared to \$4.7 million in 2014. The decrease in earnings from unconsolidated investees is primarily as a result from the consolidation of AHNI, effective August 1, 2015. Further discussion of the AHNI transaction is disclosed in Note 3 – Acquisitions and Transactions.

Net income attributable to noncontrolling interest increased \$5.5 million, or 36.9%, to \$20.4 million in 2015 compared to \$14.9 million in 2014. The increase is mostly attributed to improved net income we derived from our joint venture partners, and to a lesser degree, the addition of new joint ventures in 2015.

Net income attributable to Alliance HealthCare Services, Inc. was \$6.7 million, or \$0.62 per share on a diluted basis, in 2015 compared to \$10.6 million, or \$0.98 per share on a diluted basis, in 2014.

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Year Ended December 31, 2014 Compared to Year Ended December, 2013

Revenue decreased \$12.4 million, or 2.8%, to \$436.4 million in 2014 compared to \$448.8 million in 2013 due to net decreases in PET/CT and MRI revenue of \$18.2 million and other revenues of \$9.3 million, mostly attributed to the sale of our professional radiology services business in December 2013. These decreases were partially offset by an increase in oncology revenue of \$15.1 million, due to an overall increase in patient volume and number of treatments performed while our new joint venture partnerships with the Medical University of South Carolina and Charleston Area Medical Center also contributed to the growth in oncology revenue.

MRI revenue decreased \$6.4 million in 2014, or 3.4%, compared to 2013. Scan-based MRI revenue decreased \$6.5 million in 2014, or 3.9%, compared to 2013, to \$161.4 million in 2014 from \$168.0 million in 2013. The decrease in scan-based MRI revenue was primarily due to year-over-year decreases in the average price per MRI scan and average number of scan-based systems in service. The average price per MRI scan decreased to \$339.84 per scan in 2014 from \$352.67 per scan in 2013. The average number of scan-based systems in service decreased to 206.9 systems in 2014 from 214.2 systems in 2013. Average scans per system per day increased 2.1% in 2014 compared to 2013, from 8.40 scans per system per day in 2013 to 8.58 in 2014. Scan-based MRI scan volume decreased 0.3% to 475,044 scans in 2014 from 476,305 scans in 2013. Non scan-based MRI revenue increased \$0.1 million in 2014 compared to 2013. Included in the revenue totals above is fixed-site imaging center revenues, which decreased \$7.0 million, or 6.0%, to \$109.2 million in 2014 from \$116.2 million in 2013.

PET/CT revenue in 2014 decreased \$11.8 million, or 8.1%, compared to 2013 due to a decrease in total PET/CT scan volumes and a reduction in the average price per PET/CT scan. Total PET/CT scan volumes decreased 7.2% to 137,313 scans in 2014 from 147,941 scans in 2013, and the average price per PET/CT scan decreased to \$943 per scan in 2014 compared to \$954 per scan in 2013. The average number of PET/CT systems in service remained approximately the same at 105.1 systems in 2014 from 105.4 systems in 2013. Scans per system per day decreased 4.5% to 5.32 scans per system per day in 2014 from 5.57 scans per system per day in 2013.

Oncology revenue increased \$15.1 million, or 19.3%, to \$92.9 million in 2014 compared to \$77.9 million in 2013, primarily due to a 30.5% year-over-year increase in the number of Linac treatments performed in 2014, compared to 2013, and a 14.3% increase in the number of SRS patients we treated. These results include revenue from the strategic affiliation with the Medical University of South Carolina and the Charleston Area Medical Center in West Virginia, which commenced in the first and fourth quarters of 2014, respectively.

At December 31, 2014, we had 258 MRI systems and 124 PET/CT systems, including 19 MRI systems and nine PET/CT systems on operating leases as a result of our sale and lease transaction that occurred in the fourth quarter of 2012. We had 263 MRI systems and 122 PET and PET/CT systems at December 31, 2013. We operated 117 fixed-site imaging centers (including one unconsolidated investee) at December 31, 2014, compared to 125 fixed-site radiology centers (including one in unconsolidated investee) at December 31, 2013. We operated 31 oncology centers (including one unconsolidated investee) at December 31, 2014, compared to 28 oncology centers (including one unconsolidated investee) at December 31, 2013.

Cost of revenues, excluding depreciation and amortization, decreased \$2.0 million, or 0.8%, to \$237.4 million in 2014 compared to \$239.4 million in 2013. The decrease in cost of revenues is primarily due to a \$7.5 million, or 43.6% decrease in outside medical services expense due to lower radiology fees related to the sale of our professional radiology services business. Costs related to medical supplies decreased \$1.0 million, or 5.1%, due to lower PET/CT scan volumes. These decreases were partially offset by an increase in compensation and related employee expenses of \$5.4 million, or 5.2%, and an increase in maintenance and related costs of \$1.7 million, or 3.2% due to our aging fleet of radiology equipment. All other cost of revenues, excluding depreciation and amortization, decreased \$0.5 million, or 1.1%. Cost of revenues, as a percentage of revenue, remained relatively stable at 54.4% in 2014 compared to 53.3% in 2013.

Selling, general and administrative expenses decreased \$0.3 million, or 0.4%, to \$79.9 million in 2014 compared to \$80.2 million in 2013. The majority of this decrease in selling, general and administrative expenses was due to a reduction in professional services of \$1.6 million, or 11.9%, resulting from consulting and recruiting costs in the prior year to support the enhanced value proposition initiative. The provision for doubtful accounts decreased \$0.8 million, or 22.2%, during 2014. The provision for doubtful accounts as a percentage of revenue was 0.6% and 0.8% in 2014 and 2013, respectively. Compensation and related employee expenses increased \$1.6 million, or 3.3%, as a result of overall salary increases and an increase in headcount. Non-cash stock-based compensation expense was \$1.5 million in both 2013 and 2014. All other selling, general and administrative expenses increased \$0.4 million, or 3.2%. Selling, general and administrative expenses as a percentage of revenue were 18.3% and 17.9% in 2014 and 2013, respectively.

For the year ended December 31, 2014, in accordance with ASC 350, the Company performed its annual impairment test in the fourth quarter for goodwill and intangible assets with indefinite lives, using financial information as of September 30, 2014. From this analysis, the Company concluded that no impairment was present in its long-lived assets or intangible assets with definite useful lives.

Additionally, an impairment charge of \$0.3 was recorded in 2014 primarily due to the writing off of our equity investment in an oncology treatment center upon the site's closure in 2014. Prior to the site's closure, we recorded an impairment charge in the fourth quarter of 2013 related to the pending expiration of our non-compete agreement with the related oncology physician. As negotiation efforts to renew the non-compete agreement were unsuccessful, we appropriately revalued all intangible assets specifically related to the single location originally purchased with a group of assets in 2011. The impairment charge in 2013 totaled \$3.4 million, and was comprised of various assets including a physicians' referral network, trademarks, and professional services agreement, which were all written down to zero value.

In 2013, we recorded total impairment charges of \$13.0 million. Specifically, we recognized an impairment charge of \$4.5 million related to the closure of an imaging site location in August 2013, which was originally purchased in a group of assets acquired in 2007. Upon acquisition, we recorded both tangible and intangible assets including physician referral networks, non-compete agreements, certificates of need and goodwill. In late 2012, the term of a non-compete agreement ended causing a decline in revenue, ultimately resulting in the imaging site closure. Based on this triggering event, we deemed it appropriate to perform a valuation analysis of the remaining intangible assets related to the original acquisition. We applied the excess earnings method under the income approach to value the physician referral networks, and applied the beneficial earnings method under the income approach, and the guideline transaction method under the market approach to value the certificates of need.

Also in 2013, we impaired our intangible assets related to our professional services business as a result of our decision that our professional radiology services business did not align with the long-term strategic direction of the Radiology Division, and divested of our professional radiology services business in the fourth quarter of 2013. This triggering event resulted in revaluing intangible assets related to the professional services business at \$1.5 million after recognizing an impairment charge of approximately \$5.1 million related to the intangible assets in 2013. We based the carrying value of these intangible assets on the selling price we received in the sale transaction for the assets related to our professional services business. All other assets related to the divestiture of the professional services business were immaterial.

Severance and related costs increased \$0.9 million, or 51.8%, to \$2.5 million in 2014 compared to \$1.7 million in 2013, due to the departure of an executive officer during the first half of 2014.

Transaction costs increased \$1.9 million, or 404.1%, to \$2.3 million in 2014 compared to \$0.5 million in 2013 due to expenses incurred related to various acquisitions in 2014, including our joint venture partnership with Charleston Area Medical Center in West Virginia, which provides oncology treatment for patients at multiple locations throughout the state.

Depreciation expense decreased \$11.3 million, or 17.1%, to \$55.0 million in 2014 compared to \$66.3 million in 2013 due to the year over year increase in the number of units in our fleet that are fully depreciated along with our decision to upgrade units we currently own as an alternative to purchasing new equipment.

Amortization expense decreased \$3.1 million, or 28.2%, to \$7.9 million in 2014 compared to \$11.0 million in 2013. This decrease is primarily due to lower amortization charges related to intangible assets that were impaired or written off in the latter half of 2013.

Interest expense and other, net decreased \$14.5 million, or 37.0%, to \$24.7 million in 2014 compared to \$39.2 million in 2013, primarily due to the redemption in December 2013 of the remaining outstanding principal amount of our 8% Notes due 2016 with funds borrowed under our new credit agreement and cash on hand. The interest rate pertaining to the amount borrowed under the incremental term loan to redeem the 8% Notes conforms to the rates discussed below in "Liquidity and Capital Resources".

Income tax expense was \$7.3 million in 2014 compared to a \$12.4 million tax benefit in 2013. Our effective tax rates differed from the federal statutory rate principally as a result of state income taxes and permanent non-deductible tax items.

Earnings from unconsolidated investees decreased \$1.0 million, or 17.3%, to \$4.7 million in 2014 compared to \$5.6 million in 2013.

Net income attributable to noncontrolling interest increased \$1.8 million, or 14.1%, to \$14.9 million in 2014 compared to \$13.0 million in 2013. The increase is mostly attributed to improved net income we derived from our joint venture partners, and to a lesser degree, the addition of three new joint ventures in 2014.

Net income attributable to Alliance HealthCare Services, Inc. was \$10.6 million, or \$0.98 per share on a diluted basis, in 2014 compared to a net loss of \$21.5 million, or (\$2.02) per share on a diluted basis, in 2013.

Adjusted EBITDA

Adjusted EBITDA is not a measure of financial performance under generally accepted accounting principles in the United States (“GAAP”). We believe that, in addition to GAAP metrics, this non-GAAP metric is a useful measure for investors, for a variety of reasons. Our management regularly communicates Adjusted EBITDA and their interpretation of such results to our board of directors. We also compare actual periodic Adjusted EBITDA against internal targets as a key factor in determining cash incentive compensation for executives and other employees, largely because we view Adjusted EBITDA results as indicative of how our radiology, radiation oncology and interventional healthcare services businesses are performing and are being managed.

We define Adjusted EBITDA, as net income (loss) before: interest expense, net of interest income; income taxes; depreciation expense; amortization expense; non-cash share-based compensation; severance and related costs; net income (loss) attributable to noncontrolling interests; restructuring charges; fees and expenses related to transactions; non-cash impairment charges; legal matter expenses; other non-cash charges included in other (income) expense, net, which includes non-cash losses on sales of equipment, and non-cash gains on acquisitions of previously unconsolidated entities.

The presentation of a non-GAAP metric does not imply that the reconciling items presented are non-recurring, infrequent or unusual. In general, non-GAAP metrics have certain limitations as analytical financial measures and are used in conjunction with GAAP results to evaluate our operating performance and by considering independently the economic effects of the items that are, or are not, reflected in non-GAAP metrics. We compensate for such limitations by providing GAAP-based disclosures concerning the excluded items in our financial disclosures. As a result of these limitations, and because non-GAAP metrics may not be directly comparable to similarly titled measures reported by other companies, however, the non-GAAP metrics are not an alternative to the most directly comparable GAAP measure, or as an alternative to any other GAAP measure of operating performance.

Adjusted EBITDA in 2015 totaled \$131.3 million, a decrease of 3.3%, compared to \$135.8 million in 2014. The decrease was primarily driven by competitive pricing pressure in our PET/CT business and a year-over-year decrease in add-backs to reach Adjusted EBITDA.

Adjusted EBITDA in 2014 totaled \$135.8 million, a decrease of 7.9%, compared to \$147.4 million in 2013. The decrease was primarily driven by both scan volume and pricing pressure in our PET/CT business. This was partially offset by an increase of Adjusted EBITDA related to our Oncology Division from our new partnerships with MUSC and Charleston Area Medical Center.

	Year Ended December 31,		
	2015	2014	2013
Net income (loss) attributable to Alliance HealthCare Services, Inc.	\$6,742	\$10,618	\$(21,483)
Income tax expense (benefit)	6,536	7,327	(12,398)
Interest expense and other, net	26,241	24,693	39,170
Amortization expense	9,100	7,880	10,973
Depreciation expense	48,595	54,971	66,319
Share-based payment (included in selling, general and administrative expenses)	1,701	1,515	1,487
Severance and related costs	1,320	2,517	—
Noncontrolling interest in subsidiaries	20,373	14,883	13,041
Restructuring charges (Note 3)	1,327	2,602	7,182
Transaction costs	3,296	2,344	465

Shareholder transaction costs	1,853	—	—
Impairment charges	6,817	308	13,031
Loss on extinguishment of debt	—	—	26,018
Legal expense matters	6,915	5,587	3,067
Non-cash gain on step acquisition (included in other income and expense, net)	(10,672)	—	—
Other non-cash charges (included in other income and expense, net)	1,116	510	549
Adjusted EBITDA	\$131,260	\$135,755	\$147,421

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by operating activities. We generated \$92.5 million, \$100.6 million and \$86.5 million of cash flow from operating activities in 2015, 2014 and 2013, respectively. Our ability to generate cash flow is affected by numerous factors, including demand for MRI, PET/CT, other diagnostic imaging, radiation oncology, and other revenues, including interventional services. Our ability to generate cash flow from operating activities is also dependent upon the collections of our

accounts receivable. The provision for doubtful accounts increased by \$0.3 million in 2015 compared to 2014 and decreased by \$0.8 million in 2014 compared to 2013. Our number of days of revenue outstanding for our accounts receivable falls within our expected range and historical experience and remained at 53 days as of December 31, 2015, 2014 and 2013. We believe this number is comparable to other radiology and oncology providers. As of December 31, 2015, we had \$25.7 million of available borrowings under our revolving line of credit, net of \$19.5 million outstanding on the revolving line of credit and \$4.8 million outstanding in letters of credit.

We used cash of \$118.5 million, \$58.7 million and \$24.6 million for investing activities in 2015, 2014 and 2013, respectively. Investing activities in 2015 included \$55.5 million in cash used for equipment purchases, \$49.1 million in cash used for acquisitions, and \$15.8 million in cash used for deposits on equipment, offset by \$1.9 million of proceeds from sales of assets. We used cash of \$49.1 million related to acquisition activities in 2015, primarily to purchase an approximate a 59%, 60% and 95% membership interest in TPC, PRC and PCI, respectively. Further discussion of these transactions is disclosed in Note 3 – Acquisitions and Transactions.

Investing activities in 2014 included \$32.2 million for the purchase of capital assets, net cash of \$9.2 million for deposits on equipment and other capital projects not yet in service, cash of \$16.0 million in acquisition-related activities primarily for our investment in the Charleston Area Medical Center, and net cash of \$2.8 million due to a net increase in notes receivable. This use of cash was offset by \$1.6 million of proceeds from the sale of assets.

We may continue to use cash for acquisitions in the future. Other than acquisitions, our primary use of capital resources is to fund capital expenditures. We spend capital:

- to purchase new systems;
- to replace less advanced systems with new systems;
- to upgrade MRI, PET/CT and radiation oncology systems; and
 - to upgrade our corporate infrastructure, primarily in information technology.

Capital expenditures totaled \$55.5 million, \$32.2 million and \$27.0 million in 2015, 2014 and 2013, respectively. During 2015, we purchased 31 MRI, CT and PET/CT systems, nine other modality systems, and five radiation oncology systems. In addition, we upgraded various MRI, PET/CT and radiation oncology equipment, and traded-in or sold a total of 25 systems during 2015. We expect to purchase additional systems in 2016 and finance substantially all of these purchases with our available cash, cash from operating activities and equipment leases. We expect capital expenditures to total approximately \$80 to \$90 million in 2016 based on planned expansion of our Radiology, Oncology and Interventional HealthCare Services Divisions, which will require significant investment, and capital expenditures to maintain our existing portfolio of assets.

We had cash and cash equivalents of \$38.1 million and \$33.0 million at December 31, 2015 and 2014, respectively. Available cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of invested cash and cash in our operating accounts. The invested cash is invested in interest-bearing funds managed by third-party financial institutions. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we cannot assure that access to our invested cash and cash equivalents will not be affected by adverse conditions in the financial markets.

At December 31, 2015 and 2014, we had \$29.5 million and \$26.7 million, respectively, in our accounts with third-party financial institutions that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be adversely affected if the underlying financial institutions fail or could be subject to other adverse conditions in the financial markets.

We believe that, based on current levels of operations, our cash flow from operating activities, together with other available sources of liquidity, including borrowings available under our revolving line of credit, will be sufficient over

the next year to fund anticipated capital expenditures and make required payments of principal and interest on our debt and other contracts. As of December 31, 2015, we are in compliance with all covenants contained in our Credit Agreement, and expect that we will be in compliance with these covenants for the remainder of 2016.

Acquisitions

We typically use cash from our balance sheet and our revolving line of credit to fund acquisitions. During 2015, a total of \$49.1 million in cash was paid for acquisitions and for the settlement of holdback liabilities and payments related to contingent consideration arrangements associated with prior year acquisitions. Further discussion of our acquisitions is disclosed in Note 3 – Acquisitions and Transactions.

Credit Facility

On June 3, 2013, we replaced our existing credit facility with a new senior secured credit agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the other lenders party thereto (the "Credit Agreement"). The Credit Agreement consists of (i) a \$340.0 million, six-year term loan facility, (ii) a \$50.0 million, five-year revolving loan facility, including a \$20.0 million sublimit for letters of credit, (iii) uncommitted incremental loan facilities of \$100.0 million of revolving or term loans, plus an additional amount if our pro forma leverage ratio is less than or equal to 3.25, subject to receipt of lender commitments and satisfaction of specified conditions, and (iv) an \$80.0 million delayed draw term loan facility, which was required to be drawn within thirty days of June 3, 2013 and used for the redemption of our 8% Senior Notes due 2016 (the "Notes") in the original aggregate principal amount of \$190.0 million.

On July 3, 2013 the delayed draw term loan facility was utilized together with other available funds, of which the proceeds were used to redeem \$80.0 million in aggregate principal amount of our outstanding Notes. The delayed draw term loan facility converted into, and matched the terms of, the new \$340.0 million term loan facility.

Borrowings under the Credit Agreement bear interest through maturity at a variable rate based upon, at our option, either the London interbank offered rate ("LIBOR") or the base rate (which is the highest of the administrative agent's prime rate, one-half of 1.00% in excess of the overnight federal funds rate, and 1.00% in excess of the one-month LIBOR rate), plus, in each case, an applicable margin. With respect to the term loan facilities, the applicable margin for LIBOR loans is 3.25% per annum, and with respect to the revolving loan facilities, the applicable margin for LIBOR loans ranges, based on the applicable leverage ratio, from 3.00% to 3.25% per annum, in each case, with a LIBOR floor of 1.00%. The applicable margin for base rate loans under the term loan facilities is 2.25% per annum and under the revolving loan facility ranges, based on the applicable leverage ratio, from 2.00% to 2.25% per annum. Prior to the refinancing of the term loan facilities, the applicable margin for base rate loans was 4.25% per annum and the applicable margin for revolving loans was 5.25% per annum, with a LIBOR floor of 2.00%. We are required to pay a commitment fee which ranges, based on the applicable leverage ratio, from 0.375% to 0.50% per annum on the undrawn portion available under the revolving loan facility and variable per annum fees with respect to outstanding letters of credit.

During the first five and three-quarter years after the closing date, and including the full amount of the delayed draw term loan facility, we were required to make quarterly amortization payments of the term loans in the amount of \$1.05 million. We are also required to make mandatory prepayments of term loans under the Credit Agreement, subject to specified exceptions, from excess cash flow (as defined in the Credit Agreement), and with the proceeds of asset sales, debt issuances and specified other events.

Obligations under the Credit Agreement are guaranteed by substantially all our direct and indirect domestic subsidiaries. The obligations under the Credit Agreement and the guarantees are secured by a lien on substantially all tangible and intangible property, and by a pledge of all of the shares of stock and limited liability company interests of our direct and indirect domestic subsidiaries, of which we now own or later acquire more than a 50% interest, subject to limited exceptions.

In addition to other covenants, the Credit Agreement places limits on our ability, including our subsidiaries, to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, engage in mergers, acquisitions and asset sales, transact with affiliates and alter the business we and our subsidiaries conduct.

The Credit Agreement also contains a leverage ratio covenant requiring us to maintain a maximum ratio of consolidated total debt to consolidated adjusted EBITDA that ranges from 4.95 to 1.00 to 4.30 to 1.00. At December 31, 2015, the Credit Agreement requires a maximum leverage ratio of not more than 4.55 to 1.00. The

Credit Agreement eliminated the interest coverage ratio covenant which we were subject to maintain prior to the refinancing. Failure to comply with the covenants in the Credit Agreement could permit the lenders under the Credit Agreement to declare all amounts borrowed under the Credit Agreement, together with accrued interest and fees, to be immediately due and payable, and to terminate all commitments under the Credit Agreement. As of December 31, 2015, our ratio of consolidated total debt to Consolidated Adjusted EBITDA calculated pursuant to the Credit Agreement was 4.10 to 1.00. As of December 31, 2015, there was \$502.9 million outstanding under the term loan facility and \$19.5 million in borrowings under the revolving credit facility.

On July 3, 2013, as a result of the \$80.0 million redemption in principal amount of our Notes and pursuant to the terms of the indenture governing the Notes, we immediately incurred \$1.5 million of expense related to unamortized deferred costs and associated discount, as well as \$3.2 million for the related call premium.

In September 2013, we repurchased \$8.8 million in principal amount of our Notes in privately negotiated transactions. We immediately incurred \$0.2 million of expense related to unamortized deferred costs and associated discount, as well as \$0.3 million for the related call premium.

On October 11, 2013, the Company entered into an amendment to the Credit Agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the other lenders party thereto (the "First Amendment"). Pursuant to the First Amendment, the Company raised \$70 million in incremental term loan commitments to repurchase the remaining outstanding Notes. On December 2, 2013, the Company borrowed \$70 million of incremental term loans, and with such proceeds plus borrowings under its revolving line of credit and cash on hand, completed the redemption of its outstanding Notes on December 4, 2013. With the completion of this transaction including the redemption in full of the Notes, the Company expects to save approximately \$5 million in cash interest on an annualized basis. As a result of this transaction, we recognized a loss on extinguishment totaling \$3.8 million including \$1.7 million of expense related to unamortized deferred costs and associated discount, as well as \$2.0 million for the related call premium.

The incremental term loans were funded at 99.0% of principal amount and will mature on the same date as the existing term loan facility under the Company's credit facility on June 3, 2019. Upon funding, the incremental term loans were converted to match all the terms of existing term loans. Interest on the incremental term loan is calculated, at the Company's option, at a base rate plus a 2.25% margin or LIBOR plus a 3.25% margin, subject to a 1.00% LIBOR floor.

If our remaining ability to borrow under our Credit Agreement is insufficient for our capital requirements, we will be required to seek additional sources of financing, including issuing equity, which may be dilutive to our current stockholders, or incurring additional debt. Our ability to incur additional debt is subject to the restrictions in our existing credit facility. We cannot assure that the restrictions contained in the Credit Agreement will permit us to borrow the funds that we need to finance our operations, or that additional debt will be available to us on commercially reasonable terms or at all. If we are unable to obtain funds sufficient to finance our capital requirements, we may have to forgo opportunities to expand our business.

Incremental Term Loan

During the first five and one half years after the closing date for the incremental term loan, the quarterly amortization payments of all term loans under the credit facility has increased to \$1.23 million from the previous amount of \$1.05 million.

Our obligations under the incremental term loan are guaranteed by substantially all our direct and indirect domestic subsidiaries. The obligations under the incremental term loan and the guarantees are secured by a lien on substantially all of our tangible and intangible property, and by a pledge of all of the shares of stock and limited liability company interests of our direct and indirect domestic subsidiaries, of which we own or later acquire more than a 50% interest, subject to limited exceptions.

Interest Rate Swaps

We have entered into multiple interest rate swap and cap agreements to hedge the future cash interest payments on portions of our variable rate bank debt. At December 31, 2015 and 2014, we had interest rate swap and cap agreements to hedge approximately \$265.9 million and \$258.7 million of variable rate bank debt, respectively, or 46.0% and 51.0% of total debt, respectively. Over the next twelve months, we expect to reclassify \$0.8 million from accumulated other comprehensive income (loss) to interest expense and other, net

Contractual Obligations

The maturities of our long-term debt, including interest, future payments under our capital and operating leases and binding equipment purchase commitments as of December 31, 2015 are as follows:

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	2016	2017	2018	2019	2020	Thereafter	Total
Term Loan	\$5.2	\$5.2	\$5.2	\$487.3	\$—	\$—	\$502.9
Revolving Line of Credit	—	—	19.5	—	—	—	19.5
Equipment Loans	12.5	7.8	5.2	4.3	1.8	12.5	44.1
Operating Leases (1)	11.1	9.1	7.8	2.3	1.4	7.7	39.4
Capital Leases	2.7	1.9	2.0	2.0	3.7	0.7	13.0
Letters of Credit	—	4.8	—	—	—	—	4.8
Purchase commitments	28.4	—	—	—	—	—	28.4
Total Contractual Obligation Payments	59.9	28.8	39.7	495.9	6.9	20.9	652.1
Amount Representing Interest	24.3	23.8	23.3	10.1	0.9	7.5	89.9
Future Contractual Obligations	\$84.2	\$52.6	\$63.0	\$506.0	\$7.8	\$28.4	\$742.0

(1) Includes all operating leases through the end of their main lease term, excluding options on facility leases.

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We have omitted our liability for self-insurance, contingent consideration for acquisitions and unrecognized tax benefits of \$3.4 million, \$5.8 million and \$0.2 million, respectively, at December 31, 2015 from the above table because we cannot determine with certainty when either or of these liabilities will be settled. Although we believe that it is reasonably possible that the amount of these liabilities will change in the next twelve months, we do not expect the change will have a material impact on our consolidated financial statements.

We believe that, based on current levels of operations, our cash flow from operating activities, together with other available sources of liquidity, including borrowings available under our revolving line of credit, will be sufficient over the next year to fund anticipated capital expenditures and potential acquisitions and make required payments of principal and interest on our debt and other contracts. We may require or choose to obtain additional financing. Our ability to obtain additional financing will depend, among other things, on our financial condition and operating performance, as well as the condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our stockholders may experience dilution. If we need to raise additional funds in the future and are unable to do so or obtain additional financing on acceptable terms in the future, we may have to limit planned activities or sell assets to obtain liquidity. We may also from time to time seek to repurchase, redeem, or retire our outstanding indebtedness through cash purchases and exchange offers in open market transactions, privately negotiated purchases or otherwise. Those repurchases, redemptions or retirements, if any, will depend on prevailing market conditions, our liquidity requirements and capital resources, contractual restrictions and other factors. The amounts involved may be material.

Off-Balance Sheet Arrangements

See Item 7A “Quantitative and Qualitative Disclosures about Market Risk.”

We periodically enter into guarantees and other similar arrangements as part of transactions in the ordinary course of business. We describe these arrangements in Note 12 of the Notes to the Consolidated Financial Statements.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The significant accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition

We derive the majority of our revenue directly from healthcare providers, primarily for imaging and radiation oncology services. To a lesser extent, we generate revenues from direct billings to patients or their medical payors, and we record these revenues net of contractual discounts and other arrangements for providing services at less than established patient billing rates. Revenues from direct patient billing amounted to approximately 20% of revenues in the years ended December 31, 2015, 2014 and 2013. We continuously monitor collections from direct patient billings and compare these collections to revenue, net of contractual discounts, recorded at the time of service. While these contractual discounts have historically been within our expectations and the provisions established, an inability to accurately estimate contractual discounts in the future could have a material adverse effect on our operating results. Because the price is predetermined, we recognize all revenues when we deliver the radiology service and collectability is reasonably assured, which is based upon contract terms with healthcare providers and negotiated rates with third-party payors and patients.

Accounts Receivable

We provide shared and single-user diagnostic radiology and oncology equipment and technical support services to the healthcare industry and directly to patients on an outpatient basis. Substantially all of our accounts receivable are due from hospitals, other healthcare providers and health insurance providers, including Medicare, located throughout the United States. Services are generally provided under long-term contracts with hospitals and other healthcare providers or directly to patients, and generally collateral is not required. We generally collect receivables within industry norms for third-party payors. We continuously monitor collections from our clients and maintain an allowance for estimated credit losses based upon any specific client collection issues that we have identified and our historical experience. Although those credit losses have historically been within our expectations and the provisions established, an inability to accurately estimate credit losses in the future could have a material adverse effect on our operating results.

Goodwill and Long-Lived Assets

ASC 350 requires that goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually at the reporting unit level. In addition, ASC 350 defines a reporting unit as an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit under ASC 350 if the component constitutes a business for which discrete financial information is available and used by management. We have evaluated ASC 350 and concluded there are three operating segments: the Radiology Division, the Oncology Division and the Interventional HealthCare Services Division. We have assessed that each component listed above meets the definition of a reporting unit, based on the conclusions that each component constitutes a business, discrete financial information is available for each component, and management regularly reviews the results of such financial information.

In accordance with ASC 350, we have selected to perform an annual impairment test in the fourth quarter for goodwill and intangible assets with indefinite lives or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Such indicators include a sustained significant decline in our market capitalization or a significant decline in our expected future cash flows due to changes in company-specific factors or the broader business climate. When such an event or change in circumstances occurs, consideration is given to the potential impact on the fair value of the reporting unit and the amount by which the fair value exceeds the carrying value as of the date of the last impairment test.

Determining whether impairment has occurred is a two-step process. First, for each reporting unit we compare its estimated fair value with its net book value. If the estimated fair value significantly exceeds its net book value, goodwill is deemed not to be impaired, and no further testing is necessary. If the estimated fair value does not significantly exceed its net book value, we then perform a second test to calculate the amount of impairment, if any. To determine the amount of any impairment, we determine the implied fair value of goodwill. Specifically, we determine the fair value of all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical calculation that yields the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, we record an impairment charge for the difference.

The impairment analysis in the first step utilizes two primary approaches to calculate the fair value of the reporting unit: the discounted cash flow method (“DCF”) and the Guideline Public Company (“GPC”) method.

Under the DCF method, value is measured as the present worth of anticipated future net cash flows generated by a business. In a multi-period model, net cash flows attributable to a business are forecast for an appropriate period and then discounted to present value using an appropriate discount rate. In a single-period model, net cash flow or earnings for a normalized period are capitalized to reach a determination of present value. The methods, key assumptions, degree of uncertainty associated with the key assumptions and the potential events or changes in circumstances that could reasonably be expected to negatively affect the key assumptions with respect to the reporting unit are the estimated future net cash flows generated, and the discount rate applied to capture the associated risks. The ability to achieve anticipated future net cash flows is subject to numerous assumptions and risks, including company-specific risks such as the ability to maintain and grow revenues, maintain or improve operating margins, control costs and anticipate working capital requirements. The anticipated future net cash flows are also dependent on industry-level factors, such as the impact of the Patient Protection and Affordable Care Act of 2010 on patient volumes and cost reimbursement levels and continued availability of qualified doctors and other medical professionals who are necessary to staff our operations, among other potential impacts.

Under the GPC method, value is estimated by comparing the subject company to similar companies with publicly traded ownership interests. Guideline companies are selected based on comparability to the subject company, and valuation multiples are calculated and applied to subject company operating data. The key assumption used in connection with the GPC method focuses on identifying guideline companies that operate in the same (or similar) line of business as the reporting units, with the same (or similar) operating characteristics. Eligible companies were

selected based on Global Industry Classification Standard codes, Standard Industrial Classification codes, company descriptions, and industry affiliations. Proceeding the analysis of the observed guideline public company multiples, certain of those multiples are utilized to apply against the relevant financial metrics of the reporting unit. Considered factors include relative risk, profitability, and growth considerations of the reporting unit relative to the guideline companies. Value estimates for the reporting unit involve using multiples of market value of invested capital excluding cash to revenue and earnings before interest, income taxes, depreciation and amortization ("EBITDA"). Valuations derived using the GPC method rely on information primarily obtained from available industry market data and publicly available filings with the Securities and Exchange Commission ("SEC").

ASC 350 also requires intangible assets with definite useful lives to be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment." For additional information, see Note 6 of the Notes to the Consolidated Financial Statements.

In 2015 and 2014, we concluded in Step 1 that the fair value of each reporting unit significantly exceeded its carrying value, indicating no goodwill or indefinite-lived intangible asset impairment was present.

Goodwill and intangible assets with indefinite lives are allocated to three reporting units, which are the Radiology, Oncology and Interventional HealthCare Services Divisions. Goodwill represented \$102.8 million of \$616.8 million of total assets as of December 31, 2015. Goodwill represented \$63.9 million of \$482.7 million of total assets as of December 31, 2014. Radiology Division goodwill totaled \$44.8 million and \$42.2 million as of December 31, 2015 and 2014, respectively. Oncology Division goodwill totaled \$27.6 million and \$21.7 million as of December 31, 2015 and 2014, respectively. Interventional HealthCare Services Division goodwill totaled \$30.4 million at December 31, 2015. No goodwill was recorded for the Interventional HealthCare Services Division as of December 31, 2014.

See Notes 6 and 7 of the Notes to the Consolidated Financial Statements for further information.

The determination of fair value of our reporting units requires significant estimates and assumptions. These estimates and assumptions primarily include earnings and required capital projections, discount rates, terminal growth rates, and operating income for each reporting unit and the weighting assigned to the results of each of the valuation methods described above. Changes in certain assumptions could have a significant impact on the goodwill impairment assessment. We evaluated the significant assumptions used to determine the estimated fair values of each reporting unit, both individually and in the aggregate, and concluded they are reasonable. However, if weak market conditions continue for an extended period or the operating results of any of our reporting units decline substantially compared to projected results, we could determine that we need to record additional impairment charges.

Purchase Accounting

In accordance with GAAP, the assets acquired and liabilities assumed in an acquired business are recorded at their estimated fair values on the date of acquisition. The difference between the purchase price amount and the net fair value of assets acquired and liabilities assumed is recognized as goodwill on the balance sheet if it exceeds the estimated fair value and as a bargain purchase gain on the income statement if it is below the estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, often utilizes independent valuation experts and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. The judgments made in the determination of the estimated fair value assigned to the assets acquired and liabilities assumed, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization expense.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, please refer to Note 2 of the Notes to Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
ALLIANCE HEALTHCARE SERVICES, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Alliance HealthCare Services, Inc.

Newport Beach, California

We have audited the accompanying consolidated balance sheets of Alliance HealthCare Services, Inc. and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), cash flows, and stockholders’ equity (deficit) for each of the three years in the period ended December 31, 2015. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15. These consolidated financial statements and the consolidated financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and the consolidated financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, such consolidated financial statements present fairly, in all material respects, the financial position of Alliance HealthCare Services, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2016 (April 29, 2016 as to the effects of the material weakness described in Management’s Report on Internal Control over Financial Reporting (Revised)), which report expressed an adverse opinion on the Company’s internal control over financial reporting because of a material weakness.

/s/ Deloitte & Touche LLP

Costa Mesa, California

March 10, 2016 (April 29, 2016 as to the effects of the restatement discussed in Note 1)

ALLIANCE HEALTHCARE SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share and share amounts)

	December 31,	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$38,070	\$33,033
Accounts receivable, net of allowance for doubtful accounts of \$5,461 in 2015 and \$4,055 in 2014	73,208	62,503
Deferred income taxes	6,496	16,834
Prepaid expenses	13,463	12,527
Other receivables	3,206	5,686
Total current assets	134,443	130,583
Equipment, at cost	883,804	827,638
Less accumulated depreciation	(706,616)	(696,428)
Equipment, net	177,188	131,210
Goodwill	102,782	63,864
Other intangible assets, net	162,923	115,930
Deferred financing costs, net	6,594	8,119
Other assets	32,820	33,042
Total assets	\$616,750	\$482,748
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$20,796	\$12,109
Accrued compensation and related expenses	19,933	19,808
Accrued interest payable	3,323	3,154
Current portion of long-term debt	17,732	11,160
Current portion of obligations under capital leases	2,674	4,352
Other accrued liabilities	36,453	26,542
Total current liabilities	100,911	77,125
Long-term debt, net of current portion	546,947	485,701
Obligations under capital leases, net of current portion	10,332	6,076
Deferred income taxes	29,516	29,747
Other liabilities	6,664	6,623
Total liabilities	694,370	605,272
Commitments and contingencies (Note 12)		
Stockholders' deficit:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized and no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 10,774,857 and 10,713,658 issued in 2015 and 2014, respectively; 10,616,884	108	107

and 10,555,685 outstanding in 2015 and 2014, respectively		
Treasury stock, at cost - 157,973 shares in 2015 and 2014	(3,138)	(3,138)
Additional paid-in capital	29,297	27,653
Accumulated comprehensive loss	(511)	(351)
Accumulated deficit	(198,393)	(205,135)
Total stockholders' deficit attributable to Alliance HealthCare Services, Inc.	(172,637)	(180,864)
Noncontrolling interest	95,017	58,340
Total stockholders' deficit	(77,620)	(122,524)
Total liabilities and stockholders' deficit	\$616,750	\$482,748

See accompanying notes.

ALLIANCE HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share amounts)

	Year Ended December 31,		
	2015	2014	2013
Revenues	\$473,054	\$436,387	\$448,831
Costs and expenses:			
Cost of revenues, excluding depreciation and amortization	269,104	237,420	239,397
Selling, general and administrative expenses	88,471	79,903	80,215
Transaction costs	3,296	2,344	465
Shareholder transaction costs	1,853	—	—
Severance and related costs	1,347	2,517	1,658
Impairment charges	6,817	308	13,031
Loss on extinguishment of debt	—	—	26,018
Depreciation expense	48,595	54,971	66,319
Amortization expense	9,325	7,880	10,973
Interest expense and other, net	26,241	24,693	39,170
Other (income) and expense, net	(12,255)	(1,823)	(1,945)
Total costs and expenses	442,794	408,213	475,301
Income (loss) before income taxes, earnings from unconsolidated investees, and noncontrolling interest	30,260	28,174	(26,470)
Income tax expense (benefit)	6,536	7,327	(12,398)
Earnings from unconsolidated investees	(3,391)	(4,654)	(5,630)
Net income (loss)	27,115	25,501	(8,442)
Less: Net income attributable to noncontrolling interest	(20,373)	(14,883)	(13,041)
Net income (loss) attributable to Alliance HealthCare Services, Inc.	\$6,742	\$10,618	\$(21,483)
Comprehensive income (loss), net of taxes:			
Net income (loss) attributable to Alliance HealthCare Services, Inc.	\$6,742	\$10,618	\$(21,483)
Unrealized (loss) gain on hedging transactions, net of taxes	(160)	(269)	634
Comprehensive (loss) income, net of taxes:	\$6,582	\$10,349	\$(20,849)
Income (loss) per common share attributable to Alliance HealthCare Services, Inc.:			
Basic	\$0.63	\$1.00	\$(2.02)
Diluted	\$0.62	\$0.98	\$(2.02)
Weighted-average number of shares of common stock and common stock equivalents:			
Basic	10,741	10,669	10,634
Diluted	10,849	10,836	10,634

See accompanying notes.

ALLIANCE HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Operating activities:			
Net income (loss)	\$27,115	\$25,501	\$(8,442)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for doubtful accounts	2,911	2,634	3,415
Share-based payment	1,701	1,515	1,487
Depreciation and amortization	57,920	62,851	77,292
Amortization of deferred financing costs	2,554	1,926	3,052
Accretion of discount on long-term debt	481	447	1,013
Adjustment of derivatives to fair value	29	342	(21)
Distributions more than undistributed earnings from investees	489	591	337
Deferred income taxes	6,350	6,582	(12,486)
Gain on sale of assets	(1,883)	(565)	(1,391)
Loss on extinguishment of debt	—	—	26,018
Non-cash gain on step acquisition	(10,672)	—	—
Gain on acquisition	(209)	—	—
Impairment charges	6,817	308	13,031
Excess tax benefit from share-based payment arrangements	5	(623)	—
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(7,112)	(1,424)	(4,808)
Prepaid expenses	(877)	(5,064)	(2,475)
Other receivables	1,494	(114)	1,672
Other assets	2,607	(1,852)	2,990
Accounts payable	3,442	953	(4,281)
Accrued compensation and related expenses	(1,363)	(1,358)	(1,315)
Accrued interest payable	168	1,509	(3,436)
Income taxes payable	40	31	—
Other accrued liabilities	454	6,439	(5,130)
Net cash provided by operating activities	92,461	100,629	86,522
Investing activities:			
Equipment purchases	(55,511)	(32,236)	(27,048)
Increase in deposits on equipment	(15,751)	(9,228)	(193)
Acquisitions, net of cash received	(49,140)	(16,043)	—
Increase in cash from escrow	—	—	(475)
Increase in notes receivable	—	(2,776)	—
Proceeds from sale of assets	1,941	1,557	3,156
Net cash used in investing activities	(118,461)	(58,726)	(24,560)
Financing activities:			
Principal payments on equipment debt and capital lease obligations	(12,697)	(10,368)	(14,233)
Proceeds from equipment debt	27,049	4,527	4,846

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Principal payments on term loan facility	(9,951)	(4,900)	(342,710)
Proceeds from term loan facility	29,850	—	487,200
Principal payments on revolving loan facility	(33,000)	(45,000)	—
Proceeds from revolving loan facility	50,500	28,000	19,000
Principal payments on senior notes	—	—	(190,000)
Payments of debt issuance costs	(808)	—	(16,522)
Purchase of derivative instruments	—	—	(815)
Issuance of common stock	1	—	—
Noncontrolling interest in subsidiaries	(19,927)	(16,089)	(14,409)
Equity purchase of noncontrolling interest	—	(691)	—

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	Year Ended December 31,		
	2015	2014	2013
Excess tax benefit from share-based payment arrangements	(5)	623	—
Proceeds from shared-based payment arrangements	25	466	527
Purchase of treasury stock	—	(140)	(121)
Net cash provided by (used in) financing activities	31,037	(43,572)	(67,237)
Net increase (decrease) in cash and cash equivalents	5,037	(1,669)	(5,275)
Cash and cash equivalents, beginning of period	33,033	34,702	39,977
Cash and cash equivalents, end of period	\$38,070	\$33,033	\$34,702
Supplemental disclosure of cash flow information:			
Interest paid	\$23,373	\$21,037	\$35,495
Income taxes paid (refunded), net of (refunds) payments	(664)	6,504	2,463
Supplemental disclosure of non-cash investing and financing activities:			
Net book value of assets exchanged	\$199	—	\$5
Capital lease obligations related to the purchase of equipment	11,273	1,725	0
Equipment purchases in accounts payable	3,700	834	560
Extinguishment of note receivable (Note 3)	3,071	—	—
Transfer of equity investment as consideration in step acquisition (Note 3)	721	—	—
Transfer of equipment as consideration in step acquisition (Note 3)	477	—	—
Transfer of fair value of equity investment in step acquisition (Note 3)	13,645	—	—
Noncontrolling interest assumed in connection with acquisitions (Note 3)	36,231	13,014	—
Mandatorily redeemable noncontrolling interest in connection with acquisition (Note 3)	2,386	—	—
Fair value of contingent consideration related to acquisitions (Note 5)	5,750	—	—
Debt related to purchase of equipment	—	3,183	—
Adjustment to equity of noncontrolling interest	—	1,700	—

See accompanying notes.

ALLIANCE HEALTHCARE SERVICES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share amounts)

	Stockholders' Equity (Deficit)									
	Attributable to									
	Common Stock		Treasury Stock		Paid-In Capital	Comprehensive Income (Deficit)	Retained Earnings (Deficit)	Alliance HealthCare Services, Inc.		Non-control- ling Stockholders' Equity (Deficit)
Shares	Amount	Shares	Amount	Services, Inc.				Interest		
Balance at December 31, 2012, as previously reported	10,615,072	524	(140,028)	(2,877)	21,507	(716)	(183,226)	(164,788)	48,495	(116,293)
Prior-period adjustment (see Note 1)	—	—	—	—	—	—	(11,044)	(11,044)	—	(11,044)
Balance at December 31, 2012, as revised	10,615,072	524	(140,028)	(2,877)	21,507	(716)	(194,270)	(175,832)	48,495	(127,337)
Exercise of stock options	31,679	—	—	—	527	—	—	527	—	527
Forfeiture of restricted stock	(7,334)	—	—	—	—	—	—	—	—	—
Release of vested restricted stock	27,719	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(4,893)	(121)	—	—	—	(121)	—	(121)
Share-based payment	—	—	—	—	1,487	—	—	1,487	—	1,487
Unrealized gain on hedging transaction, net of tax	—	—	—	—	—	634	—	634	—	634
Net distributions	—	—	—	—	—	—	—	—	(14,409)	(14,409)
	—	—	—	—	—	—	(21,483)	(21,483)	13,041	(8,442)

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Net (loss) income										
Balance at December 31, 2013	10,667,136	524	(144,921)	(2,998)	23,521	(82)	(215,753)	(194,788)	47,127	(147,661)
Exercise of stock options	72,794	1	—	—	466	—	—	467	—	467
Forfeiture of restricted stock	(26,272)	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(13,052)	(140)	—	—	—	(140)	—	(140)
Share-based payment	—	—	—	—	1,515	—	—	1,515	—	1,515
Share-based payment income tax benefit	—	—	—	—	82	—	—	82	—	82
Unrealized loss on hedging transaction, net of tax	—	—	—	—	—	(269)	—	(269)	—	(269)
Noncontrolling interest disposed in connection with acquisition	—	—	—	—	1,651	—	—	1,651	—	1,651
Net distributions	—	—	—	—	—	—	—	—	(3,670)	(3,670)
Other	—	(418)	—	—	418	—	—	—	—	—
Net income	—	—	—	—	—	—	10,618	10,618	14,883	25,501
Balance at December 31, 2014	10,713,658	107	(157,973)	(3,138)	27,653	(351)	(205,135)	(180,864)	58,340	(122,524)
Exercise of stock options	2,515	—	—	—	25	—	—	25	—	25
Release of vested restricted stock	58,684	1	—	—	—	—	—	1	—	1
Share-based payment	—	—	—	—	1,701	—	—	1,701	—	1,701
Share-based payment income tax detriment	—	—	—	—	(82)	—	—	(82)	—	(82)
Unrealized loss on hedging transaction, net	—	—	—	—	—	(160)	—	(160)	—	(160)

of tax										
Net										
investments in										
subsidiaries	—	—	—	—	—	—	—	—	16,304	16,304
Net income	—	—	—	—	—	—	6,742	6,742	20,373	27,115
Balance at										
December 31,										
2015	10,774,857	108	(157,973)	(3,138)	29,297	(511)	(198,393)	(172,637)	95,017	(77,620)

ALLIANCE HEALTHCARE SERVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

(Dollars in thousands, except per share and share amounts)

1. Description of the Company and Basis of Financial Statement Presentation

Description of the Company Alliance HealthCare Services, Inc. and its subsidiaries (the "Company") is a leading national provider of outsourced healthcare services to hospitals and providers. The Company also operates freestanding outpatient radiology, oncology and interventional healthcare clinics and Ambulatory Surgical Centers ("ASC") that are not owned by hospitals or providers. Diagnostic radiology services are delivered through the Radiology Division (Alliance HealthCare Radiology), radiation oncology services are delivered through the Oncology Division (Alliance Oncology, LLC), and interventional healthcare and pain management services are delivered through the Interventional HealthCare Services Division (Alliance HealthCare Interventional Partners, LLC). The Company is the nation's largest provider of advanced diagnostic mobile radiology services, an industry-leading operator of fixed-site radiology centers, and a leading provider of stereotactic radiosurgery nationwide. As of December 31, 2015, the Company operated 563 diagnostic imaging and radiation therapy systems, including 116 fixed-site imaging centers across the country and 32 radiation therapy centers and stereotactic radiosurgery ("SRS") facilities. With a strategy of partnering with hospitals, health systems and physician practices, the Company provides quality healthcare services for over 1,000 hospitals and healthcare partners in 45 states where approximately 2,430 Alliance Team Members are committed to providing exceptional patient care and exceeding customer expectations. The Company was incorporated in the state of Delaware on May 27, 1987.

Principles of Consolidation and Basis of Financial Statement Presentation The accompanying audited consolidated financial statements of the Company include the assets, liabilities, revenues and expenses of all subsidiaries over which the Company exercises control. Intercompany transactions have been eliminated. The Company evaluates participating rights in its assessment of control in determining consolidation of joint venture partners. The Company records noncontrolling interest related to its consolidated subsidiaries that are not wholly owned. Investments in non-consolidated investees over which it exercises significant influence but does not control are accounted for under the equity method. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles", or "GAAP").

Correction of Error Relating to Years Not Presented in the Comparative Financial Statements Retained earnings (accumulated deficit) as of December 31, 2012, has been reduced by \$11,044, net of income tax effect of \$7,093, to correct a noncash error originating in years prior to 2011 related to the accounting for historical fixed asset impairments that resulted in an understatement of accumulated depreciation and overstatement of equipment, net of \$18,137 that should have been expensed or associated with the gain or loss on equipment disposition transactions to conform with generally accepted accounting principles. The correction of accumulated depreciation resulted in a related reduction of \$7,093 of deferred tax liabilities. The error had no effect on net income (loss) or cash flows for the years ended December 31, 2015, 2014 and 2013, and management does not believe that the error is material to the financial statements.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents The Company classifies short-term investments with original maturities of three months or less as cash equivalents.

Accounts Receivable The Company provides shared and single-user diagnostic radiology and oncology equipment and technical support services to the healthcare industry and directly to patients on an outpatient basis. Substantially all of the Company's accounts receivable are due from hospitals, other healthcare providers and health insurance providers, including Medicare, located throughout the United States. A substantial portion of the Company's services are provided pursuant to long-term contracts with hospitals and other healthcare providers or directly to patients. Accounts receivable are typically collected within industry norms for third-party payors. Estimated credit losses are provided for in the consolidated financial statements.

Concentration of Credit Risk Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash, cash equivalents and accounts receivable. The Company invests available cash in cash equivalents and money market securities of high-credit-quality financial institutions. Cash and cash equivalents in excess of federally insured limits were \$29,488 and \$26,740 at December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the Company's accounts receivable were primarily from clients in the healthcare industry and third-party payors. No individual customer represented more than 10% of the Company's accounts receivable at December 31,

2015 and 2014. To reduce credit risk, the Company performs periodic credit evaluations of its clients, but does not generally require advance payments or collateral. Credit losses to clients in the healthcare industry have not been material. The provision for doubtful accounts was 0.6%, 0.6%, and 0.8% of revenues in 2015, 2014 and 2013, respectively.

Plant, Property and Equipment The majority of our major medical equipment is stated at cost and is depreciated using the straight-line method over an initial estimated life of three to 10 years to an estimated residual value, between five and 10 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 1.5 to 3 years.

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

Plant, property and equipment, net of depreciation, as of December 31, 2015 and 2014 are as follows:

	2015	2014
Furniture and fixtures	\$4,825	\$4,064
Office equipment	71,245	57,451
Transportation and service equipment	5,884	2,474
Major equipment	758,718	727,918
Tenant improvements	42,792	35,731
Buildings and land	340	—
	883,804	827,638
Accumulated depreciation	(706,616)	(696,428)
Plant, property and equipment, net	\$177,188	\$131,210

Goodwill and Intangible Assets Accounting Standards Codification (“ASC”) 350, “Intangibles-Goodwill and Other,” requires that goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually at the reporting unit level. In addition, ASC 350 defines a reporting unit as an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit under ASC 350 if the component constitutes a business for which discrete financial information is available and reviewed by management. The Company has evaluated ASC 350 and concluded there are three operating segments: the Radiology Division, the Oncology Division and the Interventional HealthCare Services Division. The Company has assessed that each component listed above meets the definition of a reporting unit, based on the conclusions that each component constitutes a business, discrete financial information is available for each component, and management regularly reviews the results of such financial information.

In accordance with ASC 350, the Company has selected to perform an annual impairment test in the fourth quarter for goodwill and intangible assets with indefinite lives or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Such indicators include a sustained significant decline in our market capitalization or a significant decline in expected future cash flows due to changes in company-specific factors or the broader business climate. When such an event or change in circumstances occurs, consideration is given to the potential impact on the fair value of the reporting unit and the amount by which the fair value exceeds the carrying value as of the date of the last impairment test.

Determining whether impairment has occurred is a two-step process. First, for each reporting unit, the Company compares its estimated fair value with its net book value. If the estimated fair value exceeds its net book value, goodwill is deemed not to be impaired, and no further testing is necessary. If the estimated fair value does not exceed its net book value, the Company then performs a second test to calculate the amount of impairment, if any. To determine the amount of any impairment, the Company determines the implied fair value of goodwill. Specifically, the Company determines the fair value of all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical calculation that yields the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company records an impairment charge for the difference.

The impairment analysis in the first step utilizes two primary approaches to calculate the fair value of the reporting unit: the discounted cash flow method (“DCF”) and the Guideline Public Company (“GPC”) method.

Under the DCF method, value is measured as the present worth of anticipated future net cash flows generated by a business. In a multi-period model, net cash flows attributable to a business are forecast for an appropriate period and then discounted to present value using an appropriate discount rate. In a single-period model, net cash flow or earnings for a normalized period are capitalized to reach a determination of present value. The methods, key assumptions, degree of uncertainty associated with the key assumptions and

the potential events or changes in circumstances that could reasonably be expected to negatively affect the key assumptions with respect to the reporting unit are the estimated future net cash flows generated, and the discount rate applied to capture the associated risks. The ability to achieve anticipated future net cash flows is subject to numerous assumptions and risks, including company-specific risks such as the ability to maintain and grow revenues, maintain or improve operating margins, control costs and anticipate working capital requirements. The anticipated future net cash flows are also dependent on industry-level factors, such as the impact of the Patient Protection and Affordable Care Act of 2010 on patient volumes and cost reimbursement levels and continued availability of qualified doctors and other medical professionals who are necessary to staff the Company's operations, among other potential impacts.

Under the GPC method, value is estimated by comparing the subject company to similar companies with publicly traded ownership interests. Guideline companies are selected based on comparability to the subject company, and valuation multiples are calculated and applied to subject company operating data. The key assumption used in connection with the GPC method focuses on identifying guideline companies that operate in the same (or similar) line of business as the reporting units, with the same (or similar) operating characteristics. Eligible companies are selected based on Global Industry Classification Standard codes, Standard Industrial Classification codes, company descriptions, and industry affiliations. Proceeding the analysis of the observed guideline public company multiples, certain of those multiples are utilized to apply against the relevant financial metrics of the reporting unit. Considered factors include relative risk, profitability, and growth considerations of the reporting unit relative to the guideline companies. Value estimates for the reporting unit involve using multiples of market value of invested capital excluding cash to revenue and earnings before interest, income taxes, depreciation and amortization ("EBITDA"). Valuations derived using the GPC method rely on information primarily obtained from available industry market data and publicly available filings with the Securities and Exchange Commission ("SEC").

In both 2015 and 2014, the respective annual impairment tests yielded individual fair values for each reporting unit that exceeded their respective carrying values and were not considered at risk of impairment.

Goodwill and intangible assets with indefinite lives are allocated to three reporting units, which are the Radiology, Oncology and Interventional HealthCare Services Divisions. Goodwill represented \$102,782 of \$616,750 of total assets as of December 31, 2015. Goodwill represented \$63,864 of \$482,748 of total assets as of December 31, 2014. Radiology segment goodwill totaled \$44,822 and \$42,166 as of December 31, 2015 and 2014, respectively. Oncology segment goodwill totaled \$27,589 and \$21,698 as of December 31, 2015 and 2014, respectively. Interventional HealthCare Services Division goodwill totaled \$30,371 at December 31, 2015. No goodwill was recorded for the Interventional HealthCare Services Division as of December 31, 2014.

ASC 350 also requires intangible assets with definite useful lives to be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment." For additional information, see Note 6 of the Notes to the Consolidated Financial Statements.

Impairment of Long-Lived Assets The Company accounts for long-lived assets in accordance with the provisions of ASC 360, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Purchase Accounting In accordance with GAAP, the assets acquired and liabilities assumed in an acquired business are recorded at their estimated fair values on the date of acquisition. The difference between the purchase price

amount and the net fair value of assets acquired and liabilities assumed is recognized as goodwill if it exceeds the estimated fair value and as a bargain purchase gain if it is below the estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, often utilizes independent valuation experts and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. The judgments made in the determination of the estimated fair value assigned to the assets acquired and liabilities assumed, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization expense.

Revenue Recognition The majority of the Company's revenues are derived directly from healthcare providers and are primarily for radiology and oncology services. To a lesser extent, revenues are generated from direct billings to third-party payors or patients which are recorded net of contractual discounts and other arrangements for providing services at less than established patient billing rates. Revenues from billings to third-party payors and patients amounted to approximately 20%, 20% and 20% of revenues for the years ended December 31, 2015, 2014 and 2013, respectively. No single customer accounted for more than 10% of consolidated revenues in each of the years ended December 31, 2015, 2014 and 2013. The Company recognizes revenue in accordance with ASC

605, "Revenue." As the price is predetermined, all revenues are recognized at the time the delivery of service has occurred and collectability is reasonably assured which is based upon contract terms with healthcare providers and negotiated rates with third party payors and patients. The Company also records revenue from management services that it performs based upon management service contracts with predetermined pricing. Revenues from these services amounted to approximately 2% of total revenue for the three years ended December 31, 2015, 2014 and 2013. These revenues are recorded in the period in which the service is performed and collections of the billed amounts are reasonably assured in accordance with ASC 605.

Share-Based Payment ASC 718, "Compensation—Stock Compensation" requires that the fair value at the grant date resulting from all share-based payment transactions be recognized in the financial statements. Further, ASC 718 requires entities to apply a fair-value based measurement method in accounting for these transactions. This value is recorded over the vesting period. Under ASC 718, the Company records in its consolidated statements of operations and comprehensive income (loss), compensation cost for stock options and restricted stock awarded to its employees and non-affiliated directors.

Derivatives The Company accounts for derivative instruments and hedging activities in accordance with the provisions of ASC 815, "Derivatives and Hedging." On the date the Company enters into a derivative contract, management may designate the derivative as a hedge of the identified exposure. The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Company specifically identifies the firm commitment or forecasted transaction that has been designated as a hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. The Company formally measures effectiveness of its hedging relationships, both at the hedge inception and on an ongoing basis, in accordance with its risk management policy. The Company would discontinue hedge accounting prospectively (i) if it is determined that the derivative is no longer effective in offsetting the change in the cash flows of a hedged item, (ii) when the derivative expires or is sold, terminated or exercised, (iii) because it is probable that the forecasted transaction will not occur, (iv) because a hedged firm commitment no longer meets the definition of a firm commitment, or (v) if management determines that designation of the derivative as a hedge instrument is no longer appropriate. The Company's derivatives are recorded on the balance sheet at their fair value. For derivatives accounted for as cash flow hedges, any unrealized gains or losses on fair value are included in comprehensive income (loss), net of tax, assuming perfect effectiveness. Any ineffectiveness is recognized in earnings.

Income Taxes The provision for income taxes is determined in accordance with ASC 740, "Income Taxes." Deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. Future income tax benefits are recognized only to the extent that the realization of such benefits is considered to be more likely than not. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance, when it is more likely than not that such deferred tax assets will not be recoverable, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences.

Fair Values of Financial Instruments The carrying amount reported in the Consolidated Balance Sheets for cash and cash equivalents approximates fair value based on the short-term maturity of these instruments. The carrying amounts reported in the Consolidated Balance Sheets for accounts receivable and accounts payable approximate fair value based on the short-term nature of these accounts. The carrying amount reported in the Consolidated Balance Sheets for long-term debt under the Company's Credit Agreement (as discussed in Note 5 of the Notes to the Consolidated Financial Statements) approximates fair value, as these borrowings have variable rates that reflect currently available terms, credit spreads and conditions for similar debt. As of December 31, 2015, the fair value of the Company's equipment capital leases and loans was equal to the carrying amount reported on the Consolidated Balance Sheets of

\$57,134. The fair value of the equipment capital leases and loans was estimated using discounted cash flow analyses, based on the Company's current borrowing rates for similar types of equipment loans.

Self-Insurance The Company has purchased large deductible insurance policies for its workers' compensation, auto liability, general liability, and professional liability exposures. The Company currently retains the first \$250 of loss for workers' compensation and auto liability and \$100 for general and professional liability.

The Company's policy is to accrue amounts equal to the actuarially estimated costs to settle open claims of insureds, as well as an estimate of the cost of insured claims that have been incurred but not reported. The Company develops information about the size of the ultimate claims based on historical experience, current industry information and actuarial analysis, and evaluates the estimates for claim loss exposure on an annual basis. Assets and liabilities are reported in gross amounts in other non-current assets and in current and non-current liabilities.

The Company believes that adequate provision has been made in the Consolidated Financial Statements for these liabilities. The most significant assumptions used in the estimation process include determining the trend in costs, the expected cost of claims incurred but not reported and the expected costs to settle or pay damage awards with respect to unpaid claims. Recorded liabilities are

based upon estimates, and while management believes that the estimates of loss are reasonable, the ultimate liability may be in excess of or less than the recorded amounts. Due to the inherent volatility of actuarially determined loss estimates, it is reasonably possible that the Company could experience changes in estimated losses that could be material to net income. If the Company's actual liability exceeds its estimates of loss, its future earnings, cash flows and financial condition would be adversely affected.

Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Comprehensive Income (Loss) The Company reports comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income." For the years ended December 31, 2015, 2014 and 2013, the Company has entered into multiple interest rate cap agreements and interest rate swap agreements, as discussed in Note 11 - Derivatives of the Notes to the Consolidated Financial Statements. Assuming perfect effectiveness, any unrealized gains and losses related to the swaps and caps that qualify for cash flow hedge accounting are classified as a component of comprehensive income (loss), net of any tax. Any ineffectiveness is recognized in earnings.

Segment Reporting In accordance with ASC 280, "Segment Reporting," and based on the nature of the financial information that is received by the chief operating decision maker ("CODM"), the Company operates in two reportable segments, Radiology and Oncology. Each of these segments, on a stand-alone basis, provide and make available their respective medical services in similar settings, and operate within a singular regulatory environment. Further, management assesses our segment operations and each segments' degree of efficiency and performance based on this structure of financial reporting, and primarily makes operating decisions from these reportable segment results.

Recent Accounting Pronouncements

Revenue Recognition In May 2014, the FASB issued ASU number 2014-09, "Revenue from Contracts with Customers (Topic 606)" — to clarify and converge the revenue recognition principles under U.S. GAAP and International Financial Reporting Standards and to develop guidance that would streamline and enhance revenue recognition requirements while also providing a more robust framework for addressing revenue issues. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. Key provisions of the ASU involve a 5-step model specific to recognizing revenue derived from customer contracts. In addition, ASU 2014-09 provides implementation guidance on several other important topics, including the accounting for certain revenue-related costs. The Company is currently assessing the impacts this guidance may have on its Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Income, Consolidated Statements of Cash Flows and disclosures as well as the transition method it will use to adopt the guidance. The Company is considering the impacts of the new guidance on its ability to recognize revenue for certain contracts where collectability is in question. In addition, the Company will be required to capitalize costs to acquire new contracts, whereas currently, the Company expenses those costs as incurred. In August 2015, the FASB issued an amendment to provide a one year deferral of the effective date to annual reporting periods beginning on or after December 15, 2017, as well as an option to early adopt the standard for annual periods beginning on or after December 15, 2016. The Company does not plan to early adopt the standard.

Going Concern In August 2014, the FASB issued ASU number 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40)". Under U.S. GAAP, a going concern is presumed unless and until an entity's liquidation becomes imminent. When an entity's liquidation becomes imminent, financial statements should be prepared under the liquidation basis of accounting in accordance with Subtopic 205-30, "Presentation of Financial Statements—Liquidation

Basis of Accounting." However, there may be conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, even if liquidation is not imminent. In those situations, financial statements should continue to be prepared under the going concern basis of accounting. ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to determine whether to disclose information about relevant conditions and events. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company is assessing the impact, if any, that the adoption of ASU 2014-15 may have on the Company's results of operations, cash flows, or financial position.

Simplifying the Presentation of Debt Issuance Costs In April 2015, the FASB issued ASU number 2015-03, "Simplifying the Presentation of Debt Issuance Cost" that changes the presentation of debt issuance costs in financial statements. ASU 2015-03 requires entities to present such costs in the balance sheet as a direct reduction to the related debt liability rather than as a deferred cost (i.e., an asset) as required by current guidance. In August 2015, the FASB issued clarifying authoritative guidance for debt issuance costs incurred in connection with line-of-credit arrangements. The guidance states that an entity should defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement.

ASU 2015-03 does not change the recognition or measurement of debt issuance costs and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The guidance is required to be applied retrospectively to all prior periods presented. The Company does not expect the adoption of the guidance will have a material impact on the Company's consolidated financial statements.

Balance Sheet Classification of Deferred Taxes In November 2015, the FASB issued ASU number 2015-17, "Balance Sheet Classification of Deferred Taxes," which will require entities to present deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") as noncurrent in a classified balance sheet. The ASU simplifies the current guidance, which requires entities to separately present DTAs and DTLs as current and noncurrent in a classified balance sheet. The adoption of ASU 2015-17 is effective for publicly traded business entities for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Early adoption is permitted. The Company does not expect the adoption of the guidance will have a material impact on the Company's consolidated financial statements.

Leases In February 2016, the FASB issued ASU number 2016-02, "Leases," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU supersedes the current guidance. The main difference between current guidance and ASU 2015-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 also requires an entity to separate the lease components from the nonlease components (for example, maintenance services or other activities that transfer a good or service to the customer) in a contract. Only the lease components must be accounted for in accordance with this guidance. ASU 2016-02 is effective for publicly traded business entities for annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. Early adoption is permitted. The Company does not expect the adoption of the guidance will have a material impact on the Company's consolidated financial statements. The Company is assessing the impact, if any, that the adoption of ASU 2016-02 may have on the Company's results of operations, cash flows, or financial position.

3. Acquisitions and Transactions

Acquisitions have been recorded using the acquisition method of accounting and accordingly, results of their operations have been included in the Company's consolidated financial statements since the effective date of each respective acquisition.

2015 Acquisitions

During the year ended December 31, 2015, a total of \$49.1 million in cash was paid, net of cash acquired, for the acquisitions and for the settlement of holdback liabilities. Transaction and other integration costs incurred in 2015 were \$3.3 million and were included in transaction costs in the Company's Consolidated Statement of Operations and Comprehensive Income (Loss). These acquisitions contributed \$43.8 million in revenues in 2015.

The Company negotiated the respective purchase prices of the businesses based on the expected cash flows to be derived from their operations after integration into the Company's existing operations. The acquisition purchase price for each business is allocated based on the fair values of the assets acquired and liabilities assumed, which are based on management estimates with the assistance of third-party appraisals. Purchase price allocations for the businesses acquired during 2015 are primarily based on provisional fair values and are subject to revision as the Company

finalizes appraisals and other analyses. Final determination of the fair values may result in further adjustments to the values presented.

Pacific Cancer Institute, Inc.

On December 31, 2015, the Company through its Oncology Division, acquired a 95% controlling interest in the Pacific Cancer Institute (“PCI”), a state-of-the-art radiation therapy and SRS center located in Maui, Hawaii. The purchase price consisted of \$11,013 in cash, net of holdback liabilities. The Company financed this acquisition using the revolving line of credit.

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The following table summarizes recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

Equipment, net	1,921
Other assets	152
Goodwill	5,890
Identifiable intangible assets	8,800
Deferred tax liability	(3,748)
Other liabilities	(122)
Noncontrolling interest	(430)
Total consideration	\$ 12,463

As a result of this acquisition, the Company recorded goodwill of \$5,890, which largely represents other intangible assets that do not qualify for separate recognition, including existing patients and the solid record of patient care in the local community. In addition, the Company recorded intangible assets of \$8,800, of which \$1,800 was assigned to physician referral network, \$5,400 was assigned to CONs, \$650 was assigned to non-solicitation and non-competition agreements and \$950 was assigned to trademarks, which are being amortized over 15 years. The Company recorded the intangible assets at fair value at the acquisition date, which was estimated using the income approach. A portion of the recorded goodwill and intangible assets is being amortized over 15 years. The fair value of noncontrolling interest related to this transaction was estimated to be \$430 as of the acquisition date, using the income approach. For the year ended December 31, 2015, net revenue and net income generated by PCI were not material.

The values assigned to the various assets and liabilities acquired in this transaction are preliminary and may be subject to adjustment as the calculation of their respective fair values could be subject to change.

The agreement includes contingent consideration arrangements, which are based on performance of the 12-month period following the transaction date. The fair value of these contingent consideration arrangements of \$1,450 was estimated using probability-adjusted performance estimates as of the acquisition date and as of December 31, 2015.

AHIP-Florida, LLC

On October 14, 2015, the Company, through its Interventional Healthcare Services Division, acquired a 60% controlling interest in PRC Associates, LLC, (“PRC”), a premier provider of interventional pain management healthcare with eight locations in Central Florida and the Palm Coast. The purchase price consisted of \$15,014 in cash, net of \$264 cash acquired. The Company financed this acquisition using the revolving line of credit. The purchase agreement includes a mandatory redemption provision allowing the noncontrolling interest holder to sell its 10% noncontrolling interest to Alliance up to a short period after closing date.

The following table summarizes recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

Cash received	\$264
Equipment, net	890
Other assets	1,184

Goodwill	7,806
Identifiable intangible assets	15,400
Other liabilities	(475)
Noncontrolling interest	(5,739)
Total consideration	\$ 19,330

As a result of this acquisition, the Company recorded goodwill of \$7,806, which largely represents other intangible assets that do not qualify for separate recognition, such as prominent leadership and solid record of patient care programs that set national standards for quality coordinated care in pain management. In addition, the Company recorded intangible assets of \$15,400, of which \$12,600 was assigned to physician referral network, \$1,100 was assigned to non-solicitation and non-competition agreements and \$1,700 was assigned to trademarks, which are being amortized over 15 years. The Company recorded the intangible assets at fair value at the acquisition date, which was estimated using the income approach. A portion of the recorded goodwill and intangible assets is being amortized over 15 years for tax purposes. The fair value of noncontrolling interest and mandatorily redeemable noncontrolling interest related to this transaction was \$5,739 and \$2,386, respectively, as of the acquisition date and as of December 31, 2015. To estimate the fair value of noncontrolling interest, the Company received a thirty-party appraisal. The results for the year

ended December 31, 2015 included \$3,126 of net revenue and \$357 of net income before income taxes, earnings from unconsolidated investees and noncontrolling interest.

The values assigned to the various assets and liabilities acquired in this transaction are preliminary and may be subject to adjustment as the calculation of their respective fair values could be subject to change.

The agreement includes contingent consideration arrangements, which are based on performance of the 12-month period following the transaction date. The fair value of these contingent consideration arrangements of \$2,500 was estimated using probability-adjusted performance estimates as of the acquisition date and as of December 31, 2015.

Alliance-HNI, LLC and Subsidiaries

On August 1, 2015, the Company obtained an additional 15.5% interest in its previously non-consolidated investment, Alliance-HNI, LLC ("AHNI") through a step-acquisition. Prior to August 1, 2015, the Company held a noncontrolling interest in AHNI, pursuant to its ownership of Medical Consultants Imaging, Co. ("MCIC"), which held a 50% interest in a joint venture that was subsequently renamed AHNI.

Prior to the step acquisition on August 1, 2015, AHNI had three subsidiaries: Alliance-HNI Leasing Co. ("AHNIL"), Alliance-HNV PET/CT Services, LLC ("AHNVPS"), and Alliance-HNV PET/CT Leasing, LLC ("AHNVPL"). AHNI held a 98% interest in AHNIL, which AHNI consolidated, and, effectively, a 53.4% interest in AHNVPS, which AHNI did not consolidate. In addition to the Company's original 50% investment in AHNI, it also had a 46.6% direct interest in AHNVPS prior to the step acquisition and, accordingly, the Company has historically consolidated AHNVPS and AHNVPL.

On August 1, 2015, the Company contributed its 46.6% interest in HNVPS and its rights to certain assets to AHNI in exchange for an additional 15.5% interest in AHNI. After the transaction the Company holds a 65.5% interest in AHNI which, in turn, holds all of the outstanding interest in AHNVPS. As a result of gaining a controlling interest in AHNI, the Company began consolidating AHNI effective August 1, 2015.

Pursuant to ASC 805, "Business Combinations," the transaction is considered a step acquisition and the Company was required to remeasure its previously held equity interest in AHNI at its acquisition-date fair value and recognize any resulting gain or loss. AHNVPS assets that the Company was in control of before and after the acquisition were maintained at their carrying amounts immediately before the acquisition date and no gain or loss or resulting goodwill was recognized on these assets.

The following table summarizes the consideration paid for AHNI and the recognized amounts of the assets acquired and liabilities assumed at the acquisition date:

Consideration:	
The Company's equity investment in AHNVPS transferred to AHNI	\$721
Certain equipment transferred to AHNI by the Company	477
Fair value of total consideration transferred	1,198
Fair value of the Company's equity interest held in AHNI before the business combination	13,645
Recognized amounts of AHNI assets acquired and liabilities assumed:	
Cash	1,848

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Accounts receivable, net	2,064
Equipment, net	6,962
Intangible assets	13,700
Other assets	1,919
Long term debt	(4,110)
Other liabilities	(1,095)
Total recognized net assets	21,288
Noncontrolling interest in AHNI	9,463
Goodwill	\$2,988

The fair value of the consideration transferred was based on the net book value of the assets transferred by the Company to AHNI at the acquisition date because the Company had control of those assets before and after the transaction. The intangible assets consist primarily of physician referral network, trademarks, and certificates of need, a portion of which are being amortized over 15 years.

The fair value of both the Company's equity interest and the noncontrolling interest in AHNI, a private company, was estimated by applying the income approach and market approach. This fair value measurement was based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy as described in Note 5 – Fair Value of Financial Instruments of the Notes to the Condensed Consolidated Financial Statements. Key assumptions include a weighted-average cost of capital of 11.5%, a revenue multiple of 1.7, and various earnings multiples between 5.0 and 6.5.

The Company recognized a non-cash gain of \$10,672 as a result of remeasuring to fair value its 50% equity interest in AHNI held before the business combination. The gain is included in other income, net, in the accompanying Consolidated Statements of Income and Comprehensive Income (Loss) for the year ended December 31, 2015. The goodwill recorded largely represents other intangible assets that do not qualify for separate recognition, such as assembled workforce and well-known local presence and reputation. The results for the year ended December 31, 2015 included \$10,590 and \$5,942 of net revenue and net income before income taxes, earnings from unconsolidated investees and noncontrolling interest, respectively, related to the post step-acquisition period.

The values assigned to the various assets and liabilities acquired in this transaction are preliminary and may be subject to adjustment as the calculation of their respective fair values could be subject to change.

The Pain Center of Arizona

On February 17, 2015, the Company purchased approximately a 59% membership interest in The Pain Center of Arizona (“TPC”), a comprehensive full-time pain management medical practice with 12 locations within the state of Arizona. The acquisition took place in two stages: a purchase of a 60% membership interest in TPC by the Company, and a 50% membership interest in Medical Practice Innovations, Inc. (“MPI”), followed by a transfer of MPI assets to TPC. The MPI transaction diluted the ownership interests of TPC, with the Company retaining approximately 59% membership interest in TPC. The purchase price consisted of \$24,088 in cash, net of \$234 cash acquired, and net of extinguishment of \$3,071 of related-party notes receivable. The Company financed this acquisition using the revolving line of credit.

The following table summarizes recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date, as well as adjustments to finalize the valuations that were not significant:

Cash received	\$234
Accounts receivable, net	4,440
Equipment, net	3,346
Other assets	416
Goodwill	22,566
Identifiable intangible assets	24,600
Debt	(2,781)
Other liabilities	(3,030)
Noncontrolling interest	(20,598)
Total consideration	\$29,193

As a result of this acquisition, the Company recorded goodwill of \$22,566, which largely represents other intangible assets that do not qualify for separate recognition, such as prominent leadership and solid record of patient care programs that set national standards for quality coordinated care in pain management. In addition, the Company recorded intangible assets of \$24,600, of which \$13,500 was assigned to physician referral network and \$11,100 was assigned to trademarks, which are being amortized over 20 years. The Company recorded the intangible assets at fair value at the acquisition date, which was estimated using the income approach. A portion of the recorded goodwill and intangible assets is being amortized over 15 years for tax purposes. The fair value of noncontrolling interest related to this transaction was estimated to be \$20,598 as of the acquisition date using the implied fair value based on the Company's ownership percentage. The results for the year ended December 31, 2015 included \$30,067 of net revenue and \$1,794 of net income before income taxes, earnings from unconsolidated investees and noncontrolling interest generated by TPC.

The values assigned to the various assets and liabilities acquired in this transaction are preliminary and may be subject to adjustment as the calculation of their respective fair values could be subject to change.

The agreement includes contingent consideration arrangements, which are based on performance of the 12-month period following the transaction date. The fair value of these contingent consideration arrangements of \$1,800 was estimated using probability-adjusted performance estimates as of the acquisition date and as of December 31, 2015.

2014 Acquisition

Charleston Area Radiation Therapy Centers

In November 2014, the Company through its Oncology Division invested \$14,414, net of cash received, to acquire 50% equity in the formation of a joint venture between Charleston Area Medical Center ("CAMC") and Charleston Radiation Therapy Consultants, which will establish a new, state-of-the-art radiation therapy department at the CAMC Cancer Center that will utilize the latest in cancer technologies and treatments. In addition, Alliance Oncology has assumed full operational responsibility for the existing radiation oncology units at multiple locations in the Charleston, West Virginia area. In accordance with ASC 810, "Consolidation", the Company has determined that consolidation of this joint venture is appropriate. As a result of the Company's ability to consolidate the joint venture, it recorded goodwill of \$6,889 and intangible assets of \$21,747, of which \$11,547 is attributed to the necessary Certificate of Need ("CON"). The goodwill recorded largely represents other intangible assets that do not qualify for separate recognition, including existing patients of the hospital and the solid record of patient care that CAMC has established in the local community.

The Company recognized revenues and net earnings of \$1,768 and \$899, respectively, in its 2014 Consolidated Statement of Operations and Comprehensive Income (Loss) and believes the revenues and expenses attributed to CAMC are immaterial to its 2014 consolidated results of operations, financial position, or cash flows.

Pro Forma Impact of Acquisitions

The following table provides unaudited pro forma revenues and results of operations for the years ended December 31, 2015 and 2014, as if the acquisitions had occurred on January 1, 2014. The pro forma results were prepared from financial information obtained from the sellers of the businesses, as well as information obtained during the due diligence process associated with the acquisitions. The unaudited pro forma results reflect certain adjustments related to the acquisitions, such as increased depreciation and amortization expense resulting from the stepped-up basis to fair value of assets acquired and adjustments to reflect the Company's borrowing and tax rates. The pro forma operating results do not include any anticipated synergies related to combining the businesses. Accordingly, such pro forma operating results were prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of January 1, 2014 or of results that may occur in the future.

(In thousands, except per share amounts)	2015	2014
Total revenues	\$502,287	\$503,323
Net income attributable to the Company	9,966	16,773
Basic earnings per share	0.93	1.57
Diluted earnings per share	0.92	1.55

Restructuring Plan

On August 4, 2011, the Company's board of directors approved a restructuring plan that included a significant organizational restructure and a cost savings and efficiency initiative. The Company initiated this restructuring plan in the third quarter of 2011. During the year ended December 31, 2015, the Company recorded \$1,327 related to restructuring charges, of which the Company recorded \$175 in selling, general and administrative expenses, \$225 in amortization, \$27 in severance and related costs, and \$900 in cost of revenues, excluding depreciation and amortization. During the year ended December 31, 2014, the Company recorded \$2,602 related to restructuring charges, of which the Company recorded \$1,162 in selling, general and administrative expenses, \$180 in severance and related costs; and \$1,440 in cost of revenues, excluding depreciation and amortization. During the year ended December 31, 2013, the Company recorded \$7,182 related to restructuring charges, of which the Company recorded \$4,990 in selling, general and administrative expenses; \$1,658 in severance and related costs; and \$534 in cost of revenues, excluding depreciation and amortization.

Disposition of Radiology 24/7, LLC and 24/7 Radiology

In the second quarter of 2010, the Company purchased a majority of the outstanding membership interests of Radiology 24/7, LLC (“RAD 24/7”), a teleradiology services company providing primarily final, subspecialty professional radiology interpretation services and outsourced staffing services for MRI, PET/CT, CT, mammography, X-Ray and other imaging modalities and also preliminary radiology interpretation services nationwide. In April 2011, RAD 24/7 purchased some of the assets from 24/7 Radiology, a professional radiology services company providing both preliminary and final professional radiology interpretation services for MRI, CT, ultrasound, X-Ray and other imaging modalities.

In 2013, in accordance with ASC 350, the Company impaired its intangible assets related to its professional services business as a result of its decision that its professional radiology services business did not align with the long-term strategic direction of the Radiology Division, and divested its professional radiology services business in the fourth quarter of 2013. This triggering event resulted in revaluing intangible assets related to the professional services business at \$1,525 after recognizing an impairment charge of \$5,107 related to the intangible assets in 2013. All other assets related to the divestiture of the professional services business were immaterial.

4. Share-Based Payment

The Company has adopted ASC 718, “Compensation—Stock Compensation,” and follows the alternative transition method as described in ASC 718 for computing its beginning additional paid-in capital pool. In addition, the Company treats the tax deductions from stock options as being realized when they reduce taxes payable in accordance with the principles and timing under the relevant tax law.

Stock Option Plans and Awards

In November 1999, the Company adopted an employee stock option plan (as amended and restated, the “1999 Equity Plan”) pursuant to which options and awards with respect to a total of 2,205,000 shares have become available for grant. As of December 31, 2015, a total of 476,044 shares remained available for grant under the 1999 Equity Plan. Options are granted with exercise prices equal to the fair value of the Company’s common stock at the date of grant. All options have 10-year terms. Options granted after January 1, 2008 were typically time based and vest in equal tranches over three or four years. During the years ended December 31, 2015 and 2014, there were no options in which vesting was accelerated.

The Company uses the Black-Scholes option pricing model to value the compensation expense associated with share-based payment awards. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model using the assumptions presented in the table below. In addition, forfeitures are estimated when recognizing compensation expense and the estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of compensation expense to be recognized in future periods.

The following weighted average assumptions were used in the estimated grant date fair value calculations for stock option awards:

	Year Ended		
	December 31,		
	2015	2014	2013
Risk free interest rate	1.65 %	1.83 %	1.52 %
Expected dividend yield	— %	— %	— %
Expected stock price volatility	65.2 %	66.3 %	65.1 %
Average expected life (in years)	6.00	6.00	6.00

The following table summarizes the Company's stock option activity:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2013	767,496	\$ 18.57		
Granted	156,302	\$ 23.83		
Exercised	(31,679)	\$ 16.85		
Canceled	(88,502)	\$ 31.80		
Outstanding at December 31, 2013	803,617	\$ 20.83		
Granted	47,323	\$ 28.97		
Exercised	(72,794)	\$ 6.31		
Canceled	(144,248)	\$ 14.00		
Outstanding at December 31, 2014	633,898	\$ 21.41		
Granted	83,514	\$ 23.91		
Exercised	(2,515)	\$ 10.12		
Canceled	(68,607)	\$ 39.03		
Outstanding at December 31, 2015	646,290	\$ 19.91	5.77	\$ 911
Vested and expected to vest in the future at December 31, 2015	623,827	\$ 19.73	5.70	\$ 911
Vested and exercisable at December 31, 2015	487,620	\$ 18.20	5.19	\$ 908

The following table summarizes information about all the stock options outstanding at December 31, 2015:

Options Outstanding	Exercise Price Range	Remaining Contractual Term	Options Exercisable	Weighted Average Exercise Price
100,000	\$4.85 — \$4.93	6.42	100,000	\$ 4.85
64,334	\$4.94 — \$5.95	6.11	64,334	\$ 5.65
83,002	\$5.96 — \$6.29	6.01	83,002	\$ 6.20
54,181	\$6.30 — \$22.43	5.07	54,181	\$ 15.32
78,069	\$22.44 — \$28.46	9.08	1,513	\$ 26.97
71,452	\$28.47 — \$28.92	2.75	51,011	\$ 28.58
102,952	\$28.93 — \$30.27	7.75	82,362	\$ 29.14
92,300	\$30.28 — \$48.70	2.29	92,300	\$ 40.64
646,290	\$4.85 — \$48.70	5.77	528,703	\$ 18.62

Cash proceeds, along with fair value disclosures related to grants, exercises, and vesting options, are as follows (in thousands, except per share amounts):

	Year Ended		
	December 31,		
	2015	2014	2013
Proceeds from stock options exercised	\$25	\$466	\$527
Intrinsic value of stock options exercised (1)	\$25	\$1,630	\$204
Weighted-average fair value of options granted	\$14.25	\$17.56	\$14.17
Total fair value of shares vested during the year	\$1,075	\$837	\$1,064

(1) The intrinsic value of stock options exercised is the amount by which the market price of the stock on the date of exercise exceeded the market price of the stock on the date of grant.

The following table summarizes the Company's unvested stock option activity:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2015	197,899	\$ 12.17
Granted	83,514	14.25
Vested	(113,143)	9.50
Canceled	(9,600)	14.78
Unvested at December 31, 2015	158,670	\$ 15.01

For the years ended December 31, 2015, 2014 and 2013, the Company recorded share-based payment related to stock options of \$1,012, \$830 and \$925, respectively. At December 31, 2015, the total unrecognized fair value share-based payment related to unvested stock options granted to both employees and non-employees was \$1,470, which is expected to be recognized over a remaining weighted-average period of 1.64 years. The valuation model applied in this calculation utilizes highly subjective assumptions that could potentially change over time, including the expected forfeiture rate and performance targets. Therefore, the amount of unrecognized share-based payment noted above does not necessarily represent the value that will ultimately be realized by the Company in the Consolidated Statements of Operations and Comprehensive Income (loss).

Stock Awards

The 1999 Equity Plan, as amended and restated, permits the award of restricted stock, restricted stock units, stock bonus awards and performance-based stock awards (collectively referred to as "stock awards"). There were no stock awards granted to employees in 2015 or 2014. During 2013, awards to certain employees vested immediately upon the date of grant, or cliff vested after one year, provided that the employee remained continuously employed through the issuance date. For the years ended December 31, 2015, 2014 and 2013, the Company recorded share-based payment related to stock awards of \$689, \$685 and \$562, respectively.

In the third quarter of 2014, 25,000 restricted stock units ("RSU") were granted to executive management, which vest based upon achieving certain market performance conditions. Specifically, the Company's closing stock price per common share must equal or exceed a value of \$40.00 per share for 10 consecutive days between the dates of January 1, 2015 and April 21, 2017. If these conditions are not achieved before April 21, 2017, these RSUs will expire. In accordance with ASC 718, expense related to restricted stock units that vest based on achieving a market condition should not be recognized until the derived vesting period has been met, and at such time the derived vesting period becomes the requisite service period. Since the market condition has not been met, and is currently not probable of being met based on the current market condition, the Company has not recognized any expense related to these RSUs. These RSUs contain provisions that vesting may be accelerated under a change in control of the Company. There were no RSUs granted during year ended December 31, 2015

The following table summarizes the Company's unvested restricted stock activity:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2013	104,544	
Granted to employees	14,100	
Granted to non-employee directors	13,619	
Vested	(54,038)	
Canceled	(7,334)	
Unvested at December 31, 2013	70,891	
Granted to employees	—	
Granted to non-employee directors	32,959	
Vested	(44,619)	
Canceled	(26,272)	
Unvested at December 31, 2014	32,959	\$ 20.99
Granted to employees	—	\$ —
Granted to non-employee directors	74,413	\$ 9.18
Vested	(32,959)	\$ 20.99
Canceled	—	\$ —
Unvested at December 31, 2015	74,413	\$ 9.18

At December 31, 2015, the total unrecognized fair value share-based payment related to stock awards granted to unaffiliated directors was \$663, which is expected to be recognized over a remaining weighted-average period of 1.00 year. At December 31, 2015, there was no unrecognized fair value share-based payment related to stock awards granted to employees.

5. Fair Value of Financial Instruments

The Company used the following methods and assumptions in estimating fair value disclosure for financial instruments:

Cash and cash equivalents The carrying amounts reported in the Consolidated Balance Sheets approximate fair value due to the short-term maturity or variable rates of these instruments.

Debt The carrying amounts of variable-rate borrowings at December 31, 2015 and 2014 approximate fair value estimates based on current market rates and credit spreads for similar debt instruments.

Contingent consideration The carrying amounts of contingent consideration related to acquisition at December 31, 2015 approximate fair value using probability-adjusted performance estimates.

Mandatorily redeemable noncontrolling interest The carrying amount of mandatorily redeemable noncontrolling interest related to the PRC acquisition at December 31, 2015 approximates fair value using the estimated implied fair value based on the Company's ownership percentage. Further discussion of the mandatorily redeemable noncontrolling interest is disclosed in Note 3 – Acquisitions and Transactions.

Derivative instruments Fair value was determined based on the income approach and standard valuation techniques to convert future amounts to a single present amount and approximates the net gains and losses that would have been realized if the contracts had been settled at each period-end.

The estimated fair values of the Company's financial instruments are as follows:

	As of December 31,			
	2015		2014	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
Cash and cash equivalents	\$38,070	\$38,070	\$33,033	\$33,033
Fixed-rate capital leases and debt	40,667	40,262	13,015	13,878
Variable-rate debt	537,018	538,520	494,273	494,353
Contingent consideration related to acquisition	5,750	5,750	—	—
Mandatorily redeemable noncontrolling interest	2,386	2,386	—	—
Derivative instruments - asset position	—	—	228	228
Derivative instruments - liability position	86	86	46	46

ASC 820, "Fair Value Measurement," applies to all assets and liabilities that are being measured and reported at fair value on a recurring basis. ASC 820 requires disclosure that establishes a framework for measuring fair value in GAAP by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market-based inputs or unobservable inputs, including identical securities in inactive markets or similar securities in active markets that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

The Company's fixed and variable-rate debt represent level 2 liabilities not measured at fair value on a recurring basis. None of the Company's instruments has transferred from one level to another.

The following table summarizes the valuation of the Company's financial instruments that are reported at fair value on a recurring basis by the above ASC 820 pricing levels as of December 31, 2015:

	Total	Significant other		
		Quoted market prices in active markets (Level 1)	observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$38,070	\$ 38,070	\$ —	\$ —
Contingent consideration related to acquisition	5,750	—	—	5,750
Mandatorily redeemable noncontrolling interest	2,386	—	—	2,386
Interest rate contracts - asset position	—	—	—	—
Interest rate contracts - liability position	86	—	86	—

The following table summarizes the valuation of the Company's financial instruments that are reported at fair value on a recurring basis by the above ASC 820 pricing levels as of December 31, 2014:

	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$33,033	\$ 33,033	\$ —	\$ —
Interest rate contracts - asset position	228	—	228	—
Interest rate contracts - liability position	46	—	46	—

The Company's derivative instruments are primarily pay-fixed, receive-variable interest rate swaps and caps based on the LIBOR swap rate. The Company has elected to use the income approach to value these derivatives, using observable Level 2 market expectations at measurement date and standard valuation techniques to convert future amounts to a single present amount assuming that participants are motivated, but not compelled to transact. Level 2 inputs for interest rate swap and cap valuations are limited to quoted prices for similar assets or liabilities in active markets (specifically futures contracts on LIBOR for the first two years) and inputs other than quoted prices that are observable for the asset or liability (specifically LIBOR cash and swap rates at commonly quoted intervals and implied volatilities for options). ASC 820 states that the fair value measurement of an asset or liability must reflect the nonperformance risk of the entity and the counterparty. Therefore, the impact of the counterparty's creditworthiness and the

Company's creditworthiness has also been factored into the fair value measurement of the derivative instruments. For additional information please see Note 11 - Derivatives of the Notes to the Consolidated Financial Statements.

Disclosures for Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

The Company also measures the fair value of certain assets on a non-recurring basis, generally on an annual basis, or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill, intangible assets, long-lived assets and investments in unconsolidated investees.

6. Impairment Charges

For the year ended December 31, 2015 and in accordance with ASC 350, the Company performed its annual impairment test in the fourth quarter for goodwill and intangible assets with indefinite lives. From this analysis, the Company concluded that no impairment was present. During 2015, the Company implemented a plan to start the process to close a radiation therapy center and, as a result, recorded a non-cash charge to write off \$6,670 of intangible assets not subject to amortization associated with that center in its Oncology Division. The revenues from the radiation therapy center were not material for the year ended December 31, 2015.

For the year ended December 31, 2014, in accordance with ASC 350, the Company performed its annual impairment test in the fourth quarter for goodwill and intangible assets with indefinite lives. From this analysis, the Company concluded that no impairment was present. Additionally, impairment charges totaling \$308 were recorded in 2014 primarily due to the write off of the Company's equity investment in an oncology site location upon the site's closure in 2014.

In the third quarter of 2013, in accordance with ASC 350, the Company recorded an impairment charge of \$4,529 to revalue intangible assets to an estimated fair value of \$7,458 related to the closure of an radiology site location in August 2013, which was originally purchased in a group of assets acquired in 2007. Upon acquisition, the Company recorded both tangible and intangible assets including physician referral networks, non-compete agreements, certificates of need and goodwill. In late 2012, the term of a non-compete agreement ended causing a decline in revenue, ultimately resulting in the radiology site closure. Based on this triggering event, the Company deemed it appropriate to perform a valuation analysis of the remaining intangible assets related to the original acquisition. Based on current year performance to project revenues and earnings to estimate future cash flows, the Company applied the excess earnings method under the income approach to value the physician referral networks, and applied the beneficial earnings method under the income approach. The guideline transaction method under the market approach was used to value the certificates of need. The Company categorized this fair value determination as Level 3 (unobservable) in the fair value hierarchy, as described in Note 5 of the Notes to the Consolidated Financial Statements.

In 2013, in accordance with ASC 350, the Company impaired its intangible assets related to its professional services business as a result of its decision that its professional radiology services business did not align with the long-term strategic direction of the Radiology Division, and divested its professional radiology services business in the fourth quarter of 2013. This triggering event resulted in revaluing intangible assets related to the professional services business at \$1,525 after recognizing an impairment charge of approximately \$5,107 related to the intangible assets in 2013. The Company based the carrying value of these intangible assets on the selling price the Company received in the sale transaction for the assets related to its professional services business (categorized as Level 3 in the fair value hierarchy, as described in Note 5 – Fair Value of Financial Instruments. All other assets related to the divestiture of the

professional services business were immaterial.

In the fourth quarter of 2013, in accordance with ASC 350, the Company recorded an impairment charge related to the pending expiration of one of its non-compete agreements with the affiliated oncology physician. Negotiation efforts to renew the non-compete agreement were unsuccessful, and the Company appropriately revalued all intangible assets specifically related to the single location originally purchased with a group of assets in 2011. The impairment charge totaled \$3,395 comprised of assets including a physicians' referral network, trademarks, and professional services agreement, which were all written down to zero value. The Company categorized this fair value determination as Level 3 (unobservable) in the fair value hierarchy, as described in Note 5 of the Notes to the Consolidated Financial Statements.

7. Goodwill and Intangible Assets

Changes in the carrying amount of goodwill are as follows:

Balance at January 1, 2014	\$56,975
Goodwill acquired during the period	6,889
Impairment charges	—
Adjustments to goodwill during the period	—
Balance at December 31, 2014	63,864
Goodwill acquired during the period	38,918
Impairment charges	—
Adjustments to goodwill during the period	—
Balance at December 31, 2015	\$102,782
Gross goodwill	\$277,026
Accumulated impairment charges	(174,244)
Balance at December 31, 2015	\$102,782

Intangible assets consisted of the following:

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, net
Amortizing intangible assets:						
Customer contracts	\$186,316	\$(92,280)	\$94,036	\$162,089	\$(93,617)	\$68,472
Other	38,522	(20,540)	17,982	26,241	(21,758)	4,483
Total amortizing intangible assets	\$224,838	\$(112,820)	\$112,018	\$188,330	\$(115,375)	\$72,955
Intangible assets not subject to amortization			50,905			42,975
Total other intangible assets			\$162,923			\$115,930

The Company uses the estimated useful life to amortize customer contracts, which is a weighted-average of 15 years. Other intangible assets subject to amortization are estimated to have a weighted-average useful life of six years. Amortization expense for intangible assets subject to amortization was \$9,325 and \$7,880 for the years ended December 31, 2015 and 2014, respectively. The intangible assets not subject to amortization represent certificates of need and regulatory authority rights which have indefinite useful lives.

Estimated annual amortization expense for each of the fiscal years ending December 31, is presented below:

2016	9,371
2017	8,964

2018	8,603
2019	8,119
2020	7,634
Thereafter	69,327

8. Other Accrued Liabilities

Other accrued liabilities consisted of the following (in thousands):

	December 31, 2015	December 31, 2014
Systems rental and maintenance costs	\$ 1,808	\$ 1,586
Site rental fees	1,121	992
Property and sales taxes payable	8,695	9,276
Self-insurance expense	2,037	2,276
Legal fees	1,971	—
Deferred gain on sale of equipment	312	312
Equipment purchases	4,756	2,133
Contingent consideration related to acquisition	5,750	—
Mandatorily redeemable noncontrolling interest	2,386	—
Other expenses	7,617	9,967
Total	\$ 36,453	\$ 26,542

9. Long-Term Debt and Senior Subordinated Credit Facility

Long-term debt consisted of the following:

	December 31, 2015	December 31, 2014
Term loan facility	\$ 502,874	\$ 482,825
Discount on term loan facility	(1,823)	(2,156)
Revolving credit facility	19,500	2,000
Equipment under capital leases	13,006	10,428
Equipment debt	44,128	14,192
Long-term debt, including current portion	577,685	507,289
Less current portion	20,406	15,512
Long-term debt	\$ 557,279	\$ 491,777

Equipment debt, collateralized by equipment, have interest rates ranging from 3.89% to 9.00% and are payable in various monthly principal and interest payments through 2021. Equipment under capital leases, collateralized by equipment, have interest rates ranging from 1.15% to 10.32% and are payable in various monthly principal and interest payments through 2021.

Credit Facility and Senior Secured Term Loan Refinancing

In December 2009, the Company entered into a senior secured credit agreement comprised of a \$460,000 term loan maturing in June 2016 and a \$120,000 revolving facility maturing in December 2014.

On June 3, 2013, the Company replaced its existing credit facility with a new senior secured credit agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the other lenders party thereto (the "Credit Agreement"). The Credit Agreement consists of (i) a \$340,000, six-year term loan facility, (ii) a \$50,000, five-year revolving loan facility, including a \$20,000 sublimit for letters of credit, (iii) uncommitted incremental loan facilities of \$100,000 of revolving or term loans, plus an additional amount if the Company's pro forma leverage ratio is less than or equal to 3.25, subject to receipt of lender commitments and satisfaction of specified conditions, and (iv) an \$80,000 delayed draw term loan facility, which was required to be drawn within thirty days of June 3, 2013 and used for the redemption of the Company's \$190,000 of 8% Senior Notes ("Notes").

On July 3, 2013 the delayed draw term loan facility was utilized, of which the proceeds were used to redeem \$80,000 in aggregate principal amount of the Company's outstanding Notes that were originally issued in December 2009 as a cash tender offer for any and all of its outstanding 7.25% Notes originally issued in December of 2004. The delayed draw term loan facility converted into, and matched the terms of, the new \$340,000 term loan facility. If any of the Notes remain outstanding on September 1, 2016, then the maturity date of all loans under the Credit Agreement will be September 1, 2016.

Borrowings under the Credit Agreement bear interest through maturity at a variable rate based upon, at the Company's option, either the LIBOR or the base rate (which is the highest of the administrative agent's prime rate, one-half of 1.00% in excess of the

overnight federal funds rate, and 1.00% in excess of the one-month LIBOR rate), plus, in each case, an applicable margin. With respect to the term loan facilities, the applicable margin for LIBOR loans is 3.25% per annum, and with respect to the revolving loan facilities, the applicable margin for LIBOR loans ranges, based on the applicable leverage ratio, from 3.00% to 3.25% per annum, in each case, with a LIBOR floor of 1.00%. The applicable margin for base rate loans under the term loan facilities is 2.25% per annum and under the revolving loan facility ranges, based on the applicable leverage ratio, from 2.00% to 2.25% per annum. Prior to the refinancing of the term loan facilities, the applicable margin for base rate loans was 4.25% per annum and the applicable margin for revolving loans was 5.25% per annum, with a LIBOR floor of 2.00%. The Company is required to pay a commitment fee which ranges, based on the applicable leverage ratio, from 0.38% to 0.50% per annum on the undrawn portion available under the revolving loan facility and variable per annum fees with respect to outstanding letters of credit.

During the first five and one-half years after the closing date, and including the full amount of the delayed draw term loan facility, the Company will be required to make quarterly amortization payments of the term loans in the amount of \$1,050. The Company is also required to make mandatory prepayments of term loans under the Credit Agreement, subject to specified exceptions, from excess cash flow (as defined in the Credit Agreement) and with the proceeds of asset sales, debt issuances and specified other events.

Obligations under the Credit Agreement are guaranteed by substantially all the Company's direct and indirect domestic subsidiaries. The obligations under the Credit Agreement and the guarantees are secured by a lien on substantially all tangible and intangible property, and by a pledge of all of the shares of stock and limited liability company interests of the Company's direct and indirect domestic subsidiaries, of which the Company now owns or later acquires more than a 50% interest, subject to limited exceptions.

In addition to other covenants, the Credit Agreement places limits on the ability of the Company and its subsidiaries to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, engage in mergers, acquisitions and asset sales, transact with affiliates and alter the business conducted by the Company and its subsidiaries.

The Credit Agreement also contains a leverage ratio covenant requiring the Company to maintain a maximum ratio of consolidated total debt to consolidated adjusted EBITDA expense that ranges from 4.95 to 1.00 to 4.30 to 1.00. At December 31, 2015, the Credit Agreement requires a maximum leverage ratio of not more than 4.55 to 1.00. The Credit Agreement eliminated the interest coverage ratio covenant that the Company was subject to maintain prior to the refinancing. Failure to comply with the covenants in the Credit Agreement could permit the lenders under the Credit Agreement to declare all amounts borrowed under the Credit Agreement, together with accrued interest and fees, to be immediately due and payable, and to terminate all commitments under the Credit Agreement.

As a result of the 2013 debt refinancing transaction, the Company recognized a loss on extinguishment totaling \$17,069 resulting from the write-off of unamortized deferred financing costs and the discount related to the former credit facility.

Incremental Term Loan

On October 11, 2013, the Company entered into an amendment to the Credit Agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the other lenders party thereto (the "First Amendment"). Pursuant to the First Amendment, the Company raised \$70,000 in incremental term loan commitments to repurchase the remaining Notes. On December 2, 2013, the Company borrowed \$70,000 of incremental term loans, and with such proceeds plus borrowings under its revolving line of credit and cash on hand, completed the redemption of all its outstanding Notes on December 4, 2013.

On June 19, 2015, the Company entered into a second amendment to the Credit Agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the other lenders party thereto (the "Second Amendment"). Pursuant to the Second Amendment, the Company raised the remaining \$30,000 in incremental term loan commitments. The funds were used to repay all outstanding borrowings under the Company's revolving credit facility, pay fees and expenses related to the Second Amendment, and general corporate purposes. The Second Amendment did not impact the borrowing capacity on the revolving credit facility which remains at \$50,000.

The incremental term loan under the Second Amendment was funded at 99.0% of principal amount and will mature on the same date as the existing term loan under the Company's credit agreement on June 3, 2019. Upon funding, the incremental term loans were converted to match all the terms of existing term loans. Interest on the incremental term loan is calculated, at the Company's option, at a base rate plus a 2.25% margin or LIBOR plus a 3.25% margin, subject to a 1.00% LIBOR floor.

The quarterly amortization payments of all term loans under the credit facility for the first five and one-half years was initially established at \$1,050. The quarterly amortization payment was increased to \$1,225 in December 2013 pursuant to the First Amendment and subsequently increased to \$1,300 in June 2015 pursuant to the Second Amendment.

The Company's obligations under the incremental term loans are guaranteed by substantially all of the Company's direct and indirect domestic subsidiaries. The obligations under the incremental term loan and the guarantees are secured by a lien on substantially all of the Company's tangible and intangible property, and by a pledge of all of the shares of stock and limited liability company interests of the Company's direct and indirect domestic subsidiaries, of which the Company now owns or later acquires more than a 50% interest, subject to limited exceptions.

As a result of the 2013 transaction, the Company recognized a loss on extinguishment totaling \$3,817 including \$1,721 of expense related to unamortized deferred costs and associated discount, as well as \$2,025 for the related call premium.

As of December 31, 2015, the Company's ratio of consolidated total debt to Consolidated Adjusted EBITDA calculated pursuant to the Credit Agreement was 4.10 to 1.00. As of December 31, 2015, the Company had \$25.7 million of available borrowings under our revolving line of credit, net of \$19.5 million outstanding on the revolving line of credit and \$4.8 million outstanding in letters of credit.

8% Senior Notes

In December 2009, the Company completed a cash tender offer (the "2009 Tender Offer") for any and all of its outstanding 7.25% Notes issued in December of 2004, and issued \$190,000 of 8.0% senior notes due in 2016 in a transaction that was exempt from the registration requirements of the Securities Act of 1933, as amended. The Company used the proceeds from this transaction, its term loan facility and existing cash to complete the 2009 Tender Offer. The Notes were issued at 98.7% of par, with the discount to par being amortized to interest expense and other, net through the maturity date of the notes.

On July 3, 2013, as a result of the Company's \$80,000 redemption in principal amount of its Notes and pursuant to the terms of the indenture governing the Notes, the Company immediately incurred \$1,522 of expense related to unamortized deferred costs and associated discount, as well as \$3,200 for the related call premium.

In September 2013, the Company repurchased \$8,772 in principal amount of its Notes in privately negotiated transactions. The Company immediately incurred \$160 of expense related to unamortized deferred costs and associated discount, as well as \$251 for the related call premium.

The annual principal maturities of long-term debt as of December 31, 2015 are as follows:

	Bank Credit Facilities		Equipment Under Capital Leases	Equipment Loans	Total
	Term Loan	Revolving Credit Facility			
Year ending December 31:					
2016	5,200	—	2,674	12,532	20,406
2017	5,200	—	1,908	7,795	14,903

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2018	5,200	19,500	1,992	5,200	31,892
2019	487,274	—	2,029	4,280	493,583
2020	—	—	3,669	1,808	5,477
Thereafter	—	—	734	12,513	13,247
	\$502,874	\$ 19,500	\$ 13,006	\$ 44,128	\$579,508

Notes Payable and Line of Credit with PNC

As a result of the step acquisition on August 1, 2015, and subsequent consolidation of AHNI, the Company had notes payable to PNC totaling \$6,539 at December 31, 2015. The notes payable are due in various installments through December 2020 at interest rates between 1.64% and 1.83% per annum. The notes are also collateralized by equipment and contain restrictive covenants. AHNI also has a \$2,000 line of credit with PNC, with interest calculated based on LIBOR plus 1.4%. As of December 31, 2015, there was no amount outstanding on the line of credit.

10. Income (Loss) Per Common Share

Basic net income (loss) per share is computed utilizing the two-class method and is calculated based on the weighted-average number of common shares outstanding during the periods presented, excluding unvested restricted stock units which do not contain nonforfeitable rights to dividend and dividend equivalents.

Diluted net income (loss) per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options, unvested restricted stock and unvested restricted stock units. Potentially dilutive securities are not considered in the calculation of net loss per share as their impact would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share (amounts in thousands, except per share amounts):

	Year Ended		
	December 31, 2015	2014	2013
Numerator:			
Net income (loss) attributable to Alliance HealthCare Services, Inc.	\$6,742	\$10,618	\$(21,483)
Denominator:			
Weighted-average shares-basic	10,741	10,669	10,634
Effect of dilutive securities:			
Employee stock options	108	167	—
Weighted-average shares-diluted	10,849	10,836	10,634
Income (loss) per common share attributable to Alliance HealthCare			
Services, Inc.:			
Basic	\$0.63	\$1.00	\$(2.02)
Diluted	\$0.62	\$0.98	\$(2.02)
Stock options excluded from the computation of diluted per share amounts:			
Weighted-average shares for which the exercise price exceeds average			
market price of common stock	384	337	176
Average exercise price per share that exceeds average market price of			
common stock	\$30.16	\$34.75	\$35.02

11. Derivatives

The Company accounts for derivative instruments and hedging activities in accordance with the provisions of ASC 815, "Derivatives and Hedging." Management generally designates derivatives in a hedge relationship with the identified exposure on the date the Company enters into a derivative contract, as disclosed below. The Company has only executed derivative instruments that are economic hedges of exposures that can qualify in hedge relationships

under ASC 815. The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Company specifically identifies the firm commitment or forecasted transaction that has been designated as a hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. The Company formally assesses effectiveness of its hedging relationships, both at the hedge inception and on an ongoing basis, then measures and records ineffectiveness. The Company would discontinue hedge accounting prospectively (i) if it is determined that the derivative is no longer effective in offsetting change in the cash flows of a hedged item, (ii) when the derivative expires or is sold, terminated or exercised, (iii) because it is probable that the forecasted transaction will not occur, or (iv) if management determines that designation of the derivative as a hedge instrument is no longer appropriate. The Company's derivatives are recorded on the balance sheet at their fair value. For additional information please see Note 5 of the Notes to the Consolidated Financial Statements. For derivatives accounted for as cash flow hedges, any effective unrealized gains or losses on fair value are included in comprehensive income (loss), net of tax, and any ineffective gains or losses are recognized in income immediately. Amounts recorded in comprehensive income (loss) are reclassified to earnings when the hedged item impacts earnings.

Cash Flow Hedges

Interest Rate Cash Flow Hedges

The Company has entered into multiple interest rate swap and cap agreements to hedge the future cash interest payments on portions of its variable rate bank debt. At December 31, 2015 and 2014, the Company had interest rate swap and cap agreements to hedge approximately \$265,879 and \$258,729 of its variable rate bank debt, respectively, or 46.0% and 51.0% of total debt, respectively. Over the next twelve months, the Company expects to reclassify \$814 from accumulated other comprehensive income (loss) to interest expense and other, net.

In the first quarter of 2010, the Company entered into three interest rate cap agreements, in accordance with Company policy, to avoid unplanned volatility in the income statement due to changes in the LIBOR interest rate environment. The interest rate cap agreements, matured in February 2014 with a total notional amount of \$150,000 and were de-designated as cash flow hedges associated with the Company's variable rate bank debt in the fourth quarter of 2013.

In the second quarter of 2011, the Company acquired two interest rate swap agreements (the "USR Swaps") as part of the acquisition of US Radiosurgery, LLC ("USR"). One of the USR Swaps, which matured in October 2015, had a notional amount of \$871 as of December 31, 2014. Under the terms of this agreement, the Company receives one-month LIBOR and pays a fixed rate of 5.71%. The net effect of the hedge is to record interest expense at a fixed rate of 8.71%, as the underlying debt incurred interest based on one-month LIBOR plus 3.00%. The other USR Swap matured in April 2014. As a result of the acquisition of USR, the USR Swaps were de-designated, hedge accounting was terminated and all further changes in the fair market value of these swaps are being recorded in interest expense and other, net.

In the fourth quarter of 2012, the Company entered into an interest rate swap agreement in connection with equipment financing. The swap, which matures in December 2017, had a notional amount of \$2,197 as of December 31, 2015. Under the terms of this agreement, the Company receives one-month LIBOR plus 2.50% and pays a fixed rate of 3.75%. The net effect of the hedge is to convert interest expense to a fixed rate of 3.75%, as the underlying debt incurred interest based on one-month LIBOR plus 2.50%.

In the first quarter of 2013, the Company entered into an interest rate swap agreement in connection with equipment financing. The swap, which matures in April 2018, had a notional amount of \$2,051 as of December 31, 2015. Under the terms of this agreement, the Company receives one-month LIBOR plus 2.00% and pays a fixed rate of 2.87%. The net effect of the hedge is to convert interest expense to a fixed rate of 2.87%, as the underlying debt incurred interest based on one-month LIBOR plus 2.00%.

In the fourth quarter of 2013, the Company entered into five interest rate cap agreements ("2013 Caps"). The 2013 Caps, which mature in December 2016, had a notional amount of \$250,000 and were designated as cash flow hedges of future cash interest payments associated with a portion of the Company's variable rate bank debt. Under these arrangements, the Company has purchased a cap on LIBOR at 2.50%. The Company paid \$815 to enter into the caps, which is being amortized through interest expense and other, net over the life of the agreements.

In the fourth quarter of 2014, the Company entered into an interest rate swap agreement in connection with equipment financing. The swap, which matures in November 2019, had a notional amount of \$1,347 as of December 31, 2015. Under the terms of this agreement, the Company receives one-month LIBOR and pays a fixed rate of 1.34%. The net effect of the hedge is to convert interest expense to a fixed rate of 1.34%, as the underlying debt incurred interest based on one-month LIBOR.

In the third quarter of 2015, the Company acquired eight non-designated interest rate swaps (the "AHNI Swaps") as a result of the step acquisition of AHNI. The AHNI swaps mature on various dates ranging from April 2017 through April 2020 and had notional amounts totaling \$3,304 as of December 31, 2015. Under the terms of these arrangements, the Company receives one-month LIBOR and pays fixed rates ranging from 0.85% to 1.17%. The changes in fair market value of the AHNI Swaps are recorded in interest expense and other, net, as incurred.

In the fourth quarter of 2015, the Company entered into two interest rate swap agreements in connection with equipment financing. The swaps mature from December 2020 through December 2021 and had notional amounts totaling \$6,979 as of December 31, 2015. Under the terms of these agreements, the Company receives one-month LIBOR and one-month LIBOR plus 2.00% and pays fixed rates of 1.37% and 3.69%, respectively. The net effect of these hedges is to convert interest expense to fixed rates of 1.37% and 3.69%, as the underlying debt incurred interest based on one-month LIBOR and one-month LIBOR plus 2.00%, respectively.

Quantitative information about the Company's derivatives' impact on performance and operations is provided below:

Asset Derivatives Fair Value as of December 31, Balance Sheet			
	Location	2015	2014
Derivatives designated as hedging instruments			
Interest rate contracts	Other assets	\$ —	\$ 228
Liability Derivatives Fair Value as of December 31, Balance Sheet			
	Location	2015	2014
Derivatives not designated as hedging instruments			
Interest rate contracts	Other liabilities	\$ 7	\$ 10
Derivatives designated as hedging instruments			
Interest rate contracts	Other liabilities	\$ 79	\$ 36

The Effect of Designated Derivative Instruments on the Statement of Operations

For the Year Ended December 31, 2015

	Location of Gain (Loss)	Amount of Gain (Loss)	Location of Gain (Loss)	Amount of Gain (Loss)
Derivatives in	Reclassified from	Reclassified from	Location of Gain	Amount of Gain (Loss)
Cash	Recognized in OCI or Accumulated OCI	Accumulated OCI in OCI	Recognized in OCI	Recognized in Income
Flow Hedging	Derivatives (Effective portion)	Income (Effective portion)	Income on Derivatives	on Derivatives
Relationships	Portion)	(Effective Portion)	(Ineffective Portion)	(Ineffective Portion)
Interest rate	Interest expense	Interest expense	Interest expense	Interest expense
contracts	\$ (246) and other, net	\$ 25	and other, net	\$ 1
Total	\$ (246)	\$ 25		\$ 1

The Effect of Designated Derivative Instruments on the Statement of Operations

For the Year Ended December 31, 2014

	Amount of Gain (Loss)	Location of Gain (Loss)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)
Derivatives in Cash Flow Hedging Relationships Interest rate contracts	Recognized in OCI on Derivatives (Effective Portion)	Reclassified from Accumulated OCI into Income (Effective Portion) Interest expense and other, net	Accumulated OCI into Income (Effective Portion)	in Income on Derivatives (Ineffective Portion) Interest expense and other, net	Recognized in Income on Derivatives (Ineffective Portion)
	\$ (552)		\$ (109)		\$ (2)
Total	\$ (552)		\$ (109)		\$ (2)

The effect of non-designated derivative instruments on the Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2015 and 2014 was immaterial.

12. Commitments and Contingencies

Purchase Commitments

The Company has maintenance contracts with its equipment vendors for substantially all of its radiology and oncology equipment. The contracts are between one and five years from inception and extend through the year 2020, but may be canceled by the Company under certain circumstances. The Company's total contract payments for the years ended December 31, 2015, 2014 and 2013 were \$40,421, \$38,860 and \$39,209, respectively. At December 31, 2015, the Company had binding equipment purchase commitments totaling \$28,428.

Leases

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 Company also leases equipment under capital lease arrangements. The future minimum payments under operating and capital leases are as follows:

Year ending December 31:	Capital Leases	Operating Leases
2016	\$2,674	\$ 11,108
2017	1,908	9,102
2018	1,992	7,792
2019	2,029	2,302
2020	3,669	1,403
Thereafter	734	7,665
	\$13,006	\$ 39,372

The Company's total rental expense, which includes short-term equipment rentals, for the years ended December 31, 2015, 2014 and 2013 was \$22,819, \$16,814 and \$15,760, respectively.

Guarantees and Indemnities

The Company has applied the disclosure provisions of ASC 460, "Guarantees," to its agreements that contain guarantee or indemnification clauses. These disclosure provisions expand those required by ASC 440, "Commitments," and ASC 450, "Contingencies," by requiring a guarantor to disclose certain types of guarantees, even if the likelihood of requiring the guarantor's performance is remote. The following is a description of arrangements in which the Company is the guarantor or indemnifies a party.

In the normal course of business, the Company has made certain guarantees and indemnities, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. The Company indemnifies other parties, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed to hold the other party harmless against losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims arising from a breach of representations or covenants. In addition, the Company has entered into indemnification agreements with its executive officers and directors and the Company's bylaws contain similar indemnification obligations. Under these arrangements, the Company is obligated to indemnify, to the fullest extent permitted under applicable law, its current or former officers and directors for various amounts incurred with respect to actions, suits or proceedings in which they were made, or threatened to be made, a party as a result of acting as an officer or director.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made related to these indemnifications have been immaterial. At December 31, 2015, the Company has determined that no liability is necessary related to these guarantees and indemnities.

Litigation

In connection with the acquisition of Medical Outsourcing Services, LLC (“MOS”) in the third quarter of 2008, the Company subsequently identified a Medicare billing practice related to a portion of MOS's retail billing operations that raised compliance issues under Medicare reimbursement guidelines. The practice was in place before the acquisition and was discontinued when the Company became aware of it. In accordance with the corporate compliance program, the Company entered into discussions with representatives of the federal government to advise it of the issue and seek guidance on appropriate next steps.

In June 2010, the Company commenced arbitration proceedings against the former owners of MOS related to the Medicare billing matter, in addition to certain other indemnification issues. In the arbitration, the Company asserted claims of fraud and breach of representations and warranties.

On December 29, 2011, the Company received notice of an award by the arbitration panel, which awarded the Company \$2,527 in damages for breach of contract claims, plus prejudgment interest at 9% under New York law from July 29, 2008 (which interest continues to accrue until the award is paid in full); \$255 for two other indemnification claims; \$1,453 for attorneys' fees and expenses; and \$110 for arbitration expenses. The award also provides that approximately \$1,300 of a remaining indemnification cap created in connection with the acquisition is available for future indemnification claims, including with respect to the potential government claim discussed above, and must be satisfied by the former owners of MOS. On January 25, 2012, one of the former owners of MOS paid

\$665 to the Company, and on February 17, 2012, the same owner released \$592 to the Company from amounts held in an indemnification escrow related to the acquisition. On January 25, 2012, the Company filed an action in the United States District Court for the Northern District of Illinois to confirm the award as a judgment against the other former owner of MOS that has refused to satisfy its obligations under the award.

In the first quarter of 2013, the former owners of MOS paid \$1,198 which amount represented the remaining amount of the indemnification cap created in connection with the acquisition. This amount was in addition to \$5,300 the Company already recovered from the former owners of MOS in connection with the arbitration award against them. With these final payments totaling \$1,198, the former owners of MOS have now fully satisfied their obligations to the Company under the arbitration award. Following receipt of the final payments from the former owners of MOS, the Company then entered into a settlement agreement to resolve the government's investigation of the Medicare billing practices engaged in by MOS prior to the acquisition. Under the terms of the settlement agreement, the Company paid \$2,400 to the government, which amount was paid primarily from the funds recovered in the arbitration from the former owners of MOS.

In June 2012, Pacific Coast Cardiology (“PCC”) d/b/a Pacific Coast Imaging, Emanuel Shaoulian, MD, Inc., and Michael M. Radin, MD, Inc. filed a lawsuit in California state court against the Company and other defendants. The complaint asserted a number of claims related to management’s decision not to purchase PCC in 2010, and also separately sought a determination regarding an amount the Company contends was owed to us by PCC pursuant to a previous contractual arrangement. In July 2014, the Company entered into a settlement agreement for an amount that is not material to its consolidated financial statements, for which it had previously recorded an accrual. The Court approved the settlement on August 11, 2014.

On March 27, 2013, the Company was served with a lawsuit filed in U.S. District Court for the Northern District of Mississippi by Superior MRI Services, Inc. The Plaintiff is an alleged successor in interest to a former local competitor, P&L Contracting, Inc. Plaintiff alleges the Company disregarded Mississippi CON rules and regulations by operating without obtaining the appropriate authority, and is seeking in excess of \$1,000 in damages as well as requesting injunctive relief. In January 2014, the District Court dismissed Plaintiff’s complaint on a number of procedural and substantive grounds. The plaintiff subsequently appealed the District Court’s ruling to the Fifth Circuit Court of Appeals. On February 18, 2015, the Fifth Circuit Court of Appeals affirmed the District Court’s dismissal, thereby, effectively concluding this case in Alliance’s favor.

On June 14, 2013, Alliance Oncology, LLC, a subsidiary of the Company, filed a complaint against Harvard Vanguard Medical Associates, Inc. (“HVMA”) in the United States District Court for the District of Massachusetts, including several claims seeking damages resulting from HVMA’s early termination of a long-term services agreement between the two companies. HVMA filed an answer to Alliance Oncology’s complaint on August 27, 2013. Without specifying its alleged damages, HVMA also asserted several counterclaims in its answer. The Company filed its answer to HVMA’s counterclaims on October 4, 2013. The matter was settled on November 13, 2015 pursuant to a confidential settlement agreement.

On February 10, 2015, Alliance Oncology was served with a lawsuit in the United States District Court for the Western District of Missouri by Dr. Barry Michael Driver. At the time the lawsuit was filed, the Plaintiff was an employed physician at Alliance Oncology’s Joplin, Missouri, Radiation Therapy Cancer Treatment Center. The Plaintiff alleged Alliance Oncology breached his employment agreement by failing to pay him in accordance with the terms of the contract. Alliance Oncology disputed Dr. Driver’s interpretation of the employment agreement and asserted Dr. Driver was paid appropriately. On September 9, 2015, the parties agreed to resolve the matter by mutual agreement whereby the Company agreed to pay the Plaintiff \$1,500 as full release of any and all claims.

In November 2015, the Company was served with a lawsuit in the United States District Court for the Northern District of Ohio by Todd S. Elwert, DC, Inc. The Complaint alleges violations of the Junk Fax Prevention Act for allegedly sending an unsolicited advertisement to Plaintiff which promoted commercial availability and/or quality of the Company's services. The Plaintiff further alleges that it is part of a class of similarly situated chiropractors who received the blast fax, and as such, requested class certification. The Company filed its response on December 17, 2015 and is currently in the discovery phase of the lawsuit.

Other Matters

The Company from time to time is involved in routine litigation and regulatory matters incidental to the conduct of its business. The Company believes that resolution of such matters will not have a material adverse effect on its consolidated financial statements.

13. 401(k) Savings Plan

Under the Company's 401(k) Savings Plan (the "Plan"), all employees who are over 21 years of age are eligible to participate after attaining 30 days to 9 months of service, depending on the eligible participant's work schedule. Employees may contribute between 1% and 50% of their annual compensation, subject to Internal Revenue Code limitations. For the years ended December 31, 2015 and 2014, the Company accrued \$778 and \$492, respectively, to the Plan for employee services rendered in 2015 and 2014, to be contributed subsequent to year-end. For the year ended December 31, 2013, the Company did not match any employee contributions to the Plan. The Company may also make discretionary contributions depending on profitability. No discretionary contributions were made in 2015, 2014 and 2013.

14. Income Taxes

The income tax (benefit) expense shown in the Consolidated Statements of Operations and Comprehensive Income (Loss) consists of the following:

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	\$(91)	\$239	\$92
State	288	334	228
Total current	197	573	320
Deferred:			
Federal	5,864	5,858	(10,681)
State	475	896	(2,037)
Total deferred	6,339	6,754	(12,718)
Total income tax (benefit) expense	\$6,536	\$7,327	\$(12,398)

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

	2015	2014
Basis differences in equipment	\$(24,162)	\$(22,014)
Basis differences in intangible assets	(287)	2,479
Net operating losses	6,841	5,672
Accounts receivable	1,673	1,671
State income taxes	992	623
Accruals not currently deductible for income tax purposes	7,913	8,057
Basis differences associated with acquired investments	(21,612)	(14,308)
Other	5,622	4,907
Total deferred taxes	(23,020)	(12,913)

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Valuation allowance	—	—
Net deferred taxes	\$(23,020)	\$(12,913)
Current deferred tax asset	\$6,496	\$16,834
Noncurrent deferred tax liability	(29,516)	(29,747)
Net deferred taxes	\$(23,020)	\$(12,913)

A reconciliation of expected total income tax (benefit) expense, computed using the federal statutory rate on income is as follows:

	Year Ended December 31,		
	2015	2014	2013
U.S. Federal tax benefit at statutory rates	\$10,591	\$9,861	\$(9,265)
State income taxes, net of federal benefit	496	800	(1,175)
Earnings from unconsolidated investees	1,187	1,629	1,971
Noncontrolling interest	(7,130)	(5,209)	(4,564)
Shareholder transaction costs	737	—	—
Other	655	246	635
Income tax (benefit) expense	\$6,536	\$7,327	\$(12,398)

As of December 31, 2015, the Company had net operating loss ("NOL") carryforwards of approximately \$16,847 and \$14,937 for federal and state income tax purposes, respectively. These loss carryforwards will expire at various dates from 2016 through 2031. As of December 31, 2015, the Company also had alternative minimum tax credit carryforwards of \$4,633 with no expiration date.

As of December 31, 2015, the Company has provided a liability for \$229 of unrecognized tax benefits related to various federal and state income tax matters. The tax-effected amount that would reduce the Company's effective income tax rate if recognized is \$192.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2015	2014	2013
Unrecognized tax benefits at January 1	\$269	\$287	\$428
Increases for positions taken in current year	51	64	41
Increases for positions taken in a prior year	—	31	—
Decreases for positions taken in a prior year	(11)	—	(15)
Decreases for lapses in the applicable statute of limitations	(80)	(113)	(167)
Decreases for settlements with taxing authorities	—	—	—
Unrecognized tax benefits at December 31	\$229	\$269	\$287

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2015, the Company had approximately \$10 in accrued interest and penalties related to unrecognized tax benefits.

The Company is subject to United States federal income tax as well as income tax of multiple state tax jurisdictions. The Company's federal tax returns are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2012 through 2015. The Company's and its subsidiaries' state income tax returns are open to audit under the applicable statutes of limitations for the years ended December 31, 2011 through 2015. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

15. Related-Party Transactions

Ownership Structure and Credit Agreements

On April 16, 2007, Oaktree and MTS purchased 4,900,301 shares of the Company's common stock. Upon completion of the transaction, Oaktree and MTS owned in the aggregate approximately 50% of the outstanding shares of common stock of the Company. At December 31, 2015, Oaktree and MTS owned in the aggregate approximately 51% of the outstanding shares of common stock of the Company. The Company has not paid management fees to Oaktree and MTS for their financial advisory services to the Company.

On June 3, 2013, the Company replaced its existing credit facility with a new senior secured credit agreement with Credit Suisse AG, Cayman Islands Branch, as administrative agent, and the other lenders party thereto (the "Credit Agreement"). Of the other lenders, Oaktree funded approximately \$40,476 of the \$340,000 six-year term loan facility. In addition, as of July 3, 2013, Oaktree funded approximately \$9,524 of the \$80,000 delayed draw.

On October 11, 2013, the Company obtained commitments from its current lenders with respect to a \$70,000 incremental term loan under its Credit Agreement. On December 2, 2013, the Company borrowed \$70,000 of incremental term loans, and with such

proceeds plus borrowings under its revolving line of credit and cash on hand, completed the redemption of all its outstanding Notes on December 4, 2013. Oaktree funded \$10,000 of the \$70,000 incremental term loan.

On September 16, 2015, Fujian Thai Hot Investment Co., Ltd. (“Thai Hot”) agreed to purchase approximately 5,537,945 shares of Company common stock from funds managed by Oaktree, MTS and Larry C. Buckelew (“Buckelew” and, together with Oaktree and MTS, the “Selling Stockholders”) for approximately \$102.5 million or \$18.50 per share (the “Transaction”). In connection with the Transaction, Thai Hot and the Selling Stockholders agreed to bear a specified portion of the following Company expenses related to the Transaction: (i) 100% of the fees and expenses incurred by the Company in connection with the amendment or waiver of its credit agreement, and (ii) all reasonable and documented fees and expenses incurred by the Company in connection with the Transaction in excess of \$1 million. In addition, subject to the approval of the Board or an authorized special committee of the Board, Thai Hot agreed to fund a new management incentive arrangement which involves the issuance of \$1.5 million in cash-based awards to the Company’s management.

Selling Stockholders believe that the Transaction is expected to close within a few weeks of the filing of this Form 10-K. Upon completion of the Transaction, Thai Hot will own a majority of the outstanding shares of common stock of the Company. The Company has not agreed to pay any management fees to Thai Hot for any financial advisory services to the Company.

Management Agreements

The Company had direct ownership in two unconsolidated investees at December 31, 2015 and three unconsolidated investees at December 31, 2014. As discussed in Note 3 of the Notes to the Condensed Consolidated Financial Statements, the Company obtained an additional 15.5% interest in one of its unconsolidated investees, AHNI, on August 1, 2015, thereby increasing its ownership position in AHNI to 65.5% and giving it a controlling interest.

Revenues from management agreements with unconsolidated equity investees were \$6,099, \$9,134 and \$9,564 during the years ended December 31, 2015, 2014 and 2013, respectively. The Company provides services as part of its ongoing operations for and on behalf of the unconsolidated equity investees, which are included in the management agreement revenue, who reimburse the Company for the actual amount of the expenses incurred. The Company records the expenses as cost of revenues and the reimbursement as revenue in its Consolidated Statements of Operations and Comprehensive Income (Loss). For the years ended December 31, 2015, 2014 and 2013, the amounts of the revenues and expenses were \$4,879, \$7,320 and \$7,781, respectively.

16. Investments in Unconsolidated Investees

The Company has direct ownership in two unconsolidated investees at December 31, 2015. The Company owns 15% and 50% of these investees respectively, and provides management services under agreements with these investees, expiring at various dates through 2025. Both of these investees are accounted for under the equity method because the Company does not exercise control over the operations of these investees.

On August 1, 2015, the Company obtained an additional 15.5% interest in a previously unconsolidated investee, AHNI, thereby increasing its ownership position to 65.5% and giving it a controlling interest. Prior to August 1, 2015, the Company’s interest in AHNI was deemed a noncontrolling interest and, as such, the Company accounted for the investment using the equity method.

During 2014, in accordance with ASC 323, “Investments—Equity Method and Joint Ventures,” the Company wrote off its remaining investment in one of its unconsolidated investees that was originally acquired in 2011. The impairment charge totaled \$236 and is related to the closure of one cancer center in the second quarter of 2014 due to the expiration of one of its non-compete agreements with the affiliated oncology physician. Impairment charges related to this event were taken in 2013 for a physician referral network, trademarks, and professional services agreement, which were all written down to zero value.

Set forth below are certain operating results for the aggregate of the Company’s unconsolidated investees, including the operating results for AHNI from January 1, 2015 through its acquisition on August 1, 2015, for the year ended December 31, 2014:

	December 31, 2015	December 31, 2014
Balance Sheet Data:		
Current assets	\$ 2,644	\$ 8,687
Noncurrent assets	273	10,108
Current liabilities	676	3,760
Noncurrent liabilities	35	3,395

	Year Ended December 31,		
	2015	2014	2013
Combined Operating Results:			
Revenues	\$20,796	\$27,735	\$27,614
Expenses	9,038	13,597	12,721
Net income	11,758	14,138	14,893
Earnings from unconsolidated investees	3,391	4,654	5,630

17. Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. In accordance with ASC 280, “Segment Reporting,” and based on the nature of the financial information that is received by the CODM, the Company operates in three operating segments (Radiology Division, Oncology Division, and Interventional Healthcare Services Division). Two of the three operating segments, which are the Radiology and Oncology Divisions, qualify as reportable segments under the definition of ASC 280. Each of these reportable segments, on a stand-alone basis, provides and makes available their respective medical services in similar settings, and operates within a singular regulatory environment. Further, management assesses the segment operations and each segment’s degree of efficiency and performance based on this structure of financial reporting, and primarily makes operating decisions from these reportable segment results.

The radiology segment is comprised of diagnostic imaging services including MRI, PET/CT and other imaging services. The oncology segment is comprised of radiation oncology services. The interventional healthcare services operating segment does not constitute a separate reporting segment under ASC 280 and is included within the Corporate/Other results. All intercompany revenues, expenses, payables and receivables are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment’s performance is evaluated based on Revenue, Segment Income and Net Income. The accounting policies of the segments are the same as those described in Note 2 – Summary of Significant Accounting Policies.

The following table summarizes the Company’s revenue by segment:

	Year Ended December 31,		
	2015	2014	2013
Revenue			
Radiology	\$339,627	\$343,463	\$370,968
Oncology	99,957	92,924	77,863
Corporate/Other	33,470	—	—
Total	\$473,054	\$436,387	\$448,831

The following are components of revenue:

	Year Ended December 31,		
	2015	2014	2013
Revenue			
MRI revenue	\$183,893	\$180,815	\$187,207
PET/CT revenue	128,356	133,224	145,027
Oncology	99,957	92,924	77,863
Other radiology	27,378	29,425	38,734
Corporate/Other	33,470	—	—
Total	\$473,054	\$436,387	\$448,831

Segment income represents net income (loss) before income taxes; interest expense and other, net; amortization expense; depreciation expense; share-based payment; severance and related costs; noncontrolling interest in subsidiaries; restructuring charges; transaction costs; impairment charges and other non-cash charges. Segment income is the most frequently used measure of each segment's performance and is commonly used in setting performance goals. The following table summarizes the Company's segment income:

	Year Ended December 31,		
	2015	2014	2013
Segment income			
Radiology	\$94,475	\$104,681	\$128,247
Oncology	43,112	41,846	34,752
Corporate / Other	(6,327)	(10,772)	(15,578)
Total	\$131,260	\$135,755	\$147,421

The reconciliation of Net income (loss) to total segment income is shown below:

	Year Ended December 31,		
	2015	2014	2013
Net income (loss) attributable to Alliance HealthCare Services, Inc.	\$6,742	\$10,618	\$(21,483)
Income tax expense (benefit)	6,536	7,327	(12,398)
Interest expense and other, net	26,241	24,693	39,170
Amortization expense	9,100	7,880	10,973
Depreciation expense	48,595	54,971	66,319
Share-based payment (included in selling, general and administrative expenses)	1,701	1,515	1,487
Severance and related costs	1,320	2,517	—
Noncontrolling interest in subsidiaries	20,373	14,883	13,041
Restructuring charges (Note 3)	1,327	2,602	7,182
Transaction costs	3,296	2,344	465
Shareholder transaction costs	1,853	—	—
Impairment charges	6,817	308	13,031
Loss on extinguishment of debt	—	—	26,018
Legal matters expense	6,915	5,587	3,067
Non-cash gain on step acquisition (included in other income and expense, net)	(10,672)	—	—
Other non-cash charges (included in other income and expense, net)	1,116	510	549
Total segment income	\$131,260	\$135,755	\$147,421

Net income (loss) for the radiology and oncology segments does not include charges for interest expense, net of interest income, income taxes or certain selling, general and administrative expenses. These costs are charged against the Corporate / Other segment. The following table summarizes the Company's net income (loss) by segment:

	Year Ended December 31,		
	2015	2014	2013
Net income (loss)			
Radiology	\$52,173	\$55,903	\$56,881
Oncology	4,912	16,242	6,048
Corporate / Other	(50,343)	(61,527)	(84,412)
Total	\$6,742	\$10,618	\$(21,483)

The following table summarizes the Company's identifiable assets by segment:

	As of December 31,		
	2015	2014	2013
Identifiable assets			
Radiology	\$280,497	\$211,004	\$222,180
Oncology	213,698	182,880	158,216
Corporate / Other	122,555	88,864	91,314
Total	\$616,750	\$482,748	\$471,710

The following table summarizes the Company's goodwill by segment:

	Corporate			
	Radiology	Oncology	/ Other	Total
Balance at January 1, 2014	\$42,166	\$14,809	\$—	\$56,975
Goodwill acquired during the period	—	6,889	—	6,889
Impairment charges	—	—	—	—
Adjustments to goodwill during the period	—	—	—	—
Balance at December 31, 2014	\$42,166	\$21,698	\$—	\$63,864
Goodwill acquired during the period	2,656	5,891	30,371	38,918
Impairment charges	—	—	—	—
Adjustments to goodwill during the period	—	—	—	—
Balance at December 31, 2015	\$44,822	\$27,589	\$30,371	\$102,782
Gross goodwill	\$199,164	\$47,491	\$30,371	\$277,026
Accumulated impairment charges	(154,342)	(19,902)	—	(174,244)
Balance at December 31, 2015	\$44,822	\$27,589	\$30,371	\$102,782

Capital expenditures in the radiology, oncology and corporate/other segments were \$27,478, \$21,694 and \$6,339 respectively for the year ended December 31, 2015, \$18,311, \$3,994, and \$10,081 respectively, for the year ended December 31, 2014, and \$21,288, \$762, and \$4,998 respectively, for the year ended December 31, 2013.

18. Quarterly Financial Data (Unaudited)

The following table sets forth selected unaudited quarterly information for the Company's last eight fiscal quarters derived from the Company's interim financial statements. Such financial statements have been prepared on the same basis as the Consolidated Financial Statements and all necessary adjustments (which consisted only of normal recurring adjustments) have been included to present fairly the results of such periods when read in conjunction with the Consolidated Financial Statements and related notes included elsewhere herein.

	Quarter Ended			
	Mar. 31, 2015	Jun. 30, 2015	Sep. 30, 2015	Dec. 31, 2015
Revenues	\$109,429	\$118,504	\$120,784	\$124,337
Cost of revenues, excluding depreciation and amortization	61,886	67,485	67,057	72,676
Income before income taxes, earnings from unconsolidated				
investees and noncontrolling interest	6,507	284	17,571	5,898
Net income	6,098	2,942	13,065	5,010
Net income (loss) attributable to Alliance HealthCare Services, Inc.	1,751	(1,961)	7,204	(252)
Income (loss) per common share attributable to Alliance				
HealthCare Services, Inc.:				
Basic	\$0.16	\$(0.18)	\$0.67	\$(0.02)
Diluted	\$0.16	\$(0.18)	\$0.67	\$(0.02)
	Quarter Ended			
	Mar. 31, 2014	Jun. 30, 2014	Sep. 30, 2014	Dec. 31, 2014
Revenues	\$105,365	\$111,238	\$110,137	\$109,647
Cost of revenues, excluding depreciation and amortization	56,940	59,627	59,401	61,452
Income before income taxes, earnings from unconsolidated				
investees and noncontrolling interest	5,489	7,380	9,583	5,722
Net income	4,980	6,820	7,854	5,847
Net income attributable to Alliance HealthCare Services, Inc.	1,931	2,784	4,011	1,892
Income per common share attributable to Alliance HealthCare				
Services, Inc.:				
Basic	\$0.18	\$0.26	\$0.37	\$0.19
Diluted	\$0.18	\$0.26	\$0.37	\$0.17

The Company experiences seasonality in the revenues and margins generated for its services. First and fourth quarter revenues are typically lower than those from the second and third quarters. First quarter revenue is affected primarily by fewer calendar days and inclement weather, typically resulting in fewer patients being scanned or treated during the period. Fourth quarter revenues are affected by holiday and client and patient vacation schedules, resulting in fewer scans or treatments during the period. The variability in margins is higher than the variability in revenues due to the fixed nature of our costs. The Company also experiences fluctuations in the revenues and margins generated due to

acquisition activity and general economic conditions, including recession or economic slowdown. For information regarding acquisitions, transactions and impairment charges recorded in 2015 and 2014, see Note 3 – Acquisitions and Transactions and Note 6 – Impairment Charges of the Notes to the Consolidated Financial Statements.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are more limited than those we maintain with respect to our consolidated subsidiaries. These unconsolidated entities are not considered material to our consolidated financial position or results of operations.

We carried out an evaluation under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2015, the end of the period covered by this report. Previously, based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015. However, due to the material weakness in internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure procedures were not effective, and were not operating at the reasonable assurance level as of December 31, 2015.

We are in the process of developing and implementing remediation plans to address the defect in our disclosure controls and procedures described below.

Management's Report on Internal Control Over Financial Reporting (Revised)

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our management and other personnel, with oversight from our board of directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of managements and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management had used the framework set forth in the report entitled Internal Control—Integrated Framework (2013) published by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting.

During the year ended December 31, 2015, we expanded into the interventional healthcare services business line with the acquisitions of The Pain Center of Arizona on February 17, 2015 and AHIP-Florida, LLC on October 14, 2015. As permitted for recently acquired businesses, management has excluded the interventional healthcare services business line from our assessment of internal control over financial reporting. Total tangible assets, total revenues and total earnings before income taxes and noncontrolling interest of the interventional healthcare services business line represent 4%, 7%, and 9%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2015.

Management had previously concluded that the Company's internal control over financial reporting was effective as of December 31, 2015; however, in April 2016, management identified and brought to the attention of the Audit Committee a historical fixed asset impairment issue. Management promptly commenced an investigation into the scope and cause of this fixed asset impairment issue and reported the results to the Audit Committee.

Based on the results of the investigation, management has concluded a deficiency exists in the operating effectiveness of certain of our internal controls, and we have determined that a material weakness existed in our internal control over financial reporting as of December 31, 2015. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Management has identified this deficiency in operating effectiveness that represents a material weakness

in internal control over financial reporting as follows:

Equipment impairment accounting records in historical periods prior to 2011 were not consistently maintained in the Company's ERP system in accordance with established procedures. As a result, accumulated depreciation was overstated in the calculation of gain (loss) on disposals, resulting in overstated equipment, net and understated depreciation expense and net losses on disposals in prior periods. The Company's internal control related the review of reconciliations of the ERP system subledger information to the general ledger did not timely and accurately resolve reconciling items for many years back to 2003. This deficiency represented a material weakness in the Company's internal control over financial reporting.

Because of the material weakness identified, management has concluded that its internal control over financial reporting was not effective as of December 31, 2015. Notwithstanding the material weakness in our internal control over financial reporting, we have concluded that the consolidated financial statements and other financial information included in the Form 10-K, fairly present in all material respects, our financial condition, results of operations and cash flows as of, and for the periods presented.

The foregoing has been approved by our management, including our Chief Executive Officer and Chief Financial Officer, who have been involved with the reassessment and analysis of our internal control over financial reporting.

Our internal control over financial reporting as of December 31, 2015, has been audited by Deloitte & Touche LLP, an independent registered accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

Management has determined that, as of December 31, 2015, there has been no change in our internal control over financial reporting, except for the identification of the material weakness described above, during the last fiscal quarter then ended that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

However, as noted above, we will be implementing changes to our internal control over financial reporting to address the material weakness described above.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Alliance HealthCare Services, Inc.

Newport Beach, California

We have audited the internal control over financial reporting of Alliance HealthCare Services, Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting (Revised), management excluded from its assessment the internal control over financial reporting at The Pain Center of Arizona and AHIP-Florida, LLC, which were acquired on February 17, 2015 and October 14, 2015, respectively, (collectively, "the interventional healthcare services business line"), and whose financial statements constitute 4% of total tangible assets, 7% of total revenues, and 9% of total income before income taxes, earnings from unconsolidated investees, and noncontrolling interest of the consolidated financial statement amounts as of and for the year ended December 31, 2015. Accordingly, our audit did not include the internal control over financial reporting at the interventional healthcare services business line. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting (Revised). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated March 10, 2015, we expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. As described in the following paragraph, the Company subsequently identified a material weakness in its internal control over financial reporting. Accordingly, management has revised its assessment about the effectiveness of the Company's internal control over financial reporting, and our present opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment:

Management has identified this deficiency in operating effectiveness that represents a material weakness in internal control over financial reporting as follows:

Equipment impairment accounting records in historical periods prior to 2011 were not consistently maintained in the Company's ERP system in accordance with established procedures. As a result, accumulated depreciation was overstated in the calculation of gain (loss) on disposals, resulting in overstated equipment, net and understated depreciation expense and net losses on disposals in prior periods. The Company's internal control related the review of reconciliations of the ERP system subledger information to the general ledger did not timely and accurately resolve reconciling items for many years back to 2003. This deficiency represented a material weakness in the Company's internal control over financial reporting.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and consolidated financial statement schedule as of and for the year ended December 31, 2015, of the Company and this report does not affect our report on such financial statements.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and the consolidated financial statement schedule as of and for the year ended December 31, 2015 of the Company, and our report dated March 10, 2016 (April 29, 2016 as to the effects of the restatement discussed in Note 1), expressed an unqualified opinion on those consolidated financial statements and the consolidated financial statement schedule.

/s/ Deloitte & Touche LLP

Costa Mesa, California

March 10, 2016 (April 29, 2016 as to the effects of the material weakness described in Management's Report on Internal Control Over Financial Reporting (Revised))

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

1 Financial Statements:

A listing of the Consolidated Financial Statements of Alliance HealthCare Services, Inc., related notes and Report of Independent Registered Public Accounting Firm is set forth in Item 8 of this report on Form 10-K/A.

2 Financial Statement Schedules:

The following Financial Statement Schedule for the years ended December 31, 2015, 2014 and 2013 is set forth in this report on Form 10-K/A:

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 years ended December 31, 2015, 2014 and 2013.

3 Index to Exhibits:

Exhibit

No.	Description
3.1	Amended and Restated Certificate of Incorporation of Alliance. (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on August 14, 2001)
3.1.1	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Alliance. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on February 17, 2009)
3.1.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Alliance HealthCare Services, Inc. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on December 12, 2012)
3.2	Amended and Restated By-laws of Alliance. (Filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on August 14, 2001)
3.2.1	Certain Amended and Restated Provisions of the By-laws of Alliance. (Filed as Exhibit 3.1 to the Company's Current Report on Form 10-Q (File No. 001-16609) with the SEC on December 20, 2007)
4.1	Specimen certificate for shares of common stock, \$.01 par value, of Alliance. (Filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on August 14, 2001)
10.1*	The 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated. (Filed as Appendix A to the Company's Proxy Statement on Form DEF 14A (File No. 001-16609) with the SEC on April 17, 2009)
10.2*	Form of non-qualified stock option agreement under the 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated. (Filed as Exhibit 10.25 to Amendment No. 1 to the Company's Registration Statement on Form S-4/A (File No. 333-60682) with the SEC on June 14, 2001)
10.3*	Alliance Directors' Deferred Compensation Plan, as amended and restated. (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on December 20, 2007)
10.4	Form of Stockholder's Agreement. (Filed as Exhibit 10.21 to the Company's Registration Statement on Form S-4 (File No. 333-60682) with the SEC on May 10, 2001)
10.5*	Form of Indemnification Agreement. (Filed as Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-64322) with the SEC on July 2, 2001)
10.6*	Employment Agreement dated as of December 1, 2005 between Alliance and Howard K. Aihara. (Filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 16, 2006)
10.7*	

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Agreement Not to Compete dated as of December 1, 2005 between Alliance and Howard K. Aihara. (Filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 16, 2006)

- 10.8* Form of Restricted Stock Award Agreement under the 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated. (Filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 16, 2007)
- 10.9* Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement (Directors) under the 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on December 20, 2007)
- 10.10* Form of Stock Bonus Award Agreement under the 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated. (Filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 16, 2007)
- 10.11 Governance and Standstill Agreement, dated as of March 16, 2007, among Alliance Imaging, Inc., OCM Principal Opportunities Fund IV, LP., and MTS Health Investors II, L.P. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on March 22, 2007)
- 10.12* Form of Executive Severance Agreement. (Filed as Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on May 8, 2014)
- 10.13* Amendment of Employment Agreement, dated as of April 16, 2007, between Howard K. Aihara and Alliance Imaging, Inc. (Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on April 20, 2007)

Exhibit

No. Description

- 10.14* New form of non-qualified stock option agreement under the 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated. (Filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 12, 2008)
- 10.15* Form of Restricted Stock Award Agreement under the 1999 Equity Plan for Employees of Alliance and Subsidiaries, as amended and restated (For Director Awards Only). (Filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 10, 2009)
- 10.16* Amendment to the Alliance Imaging, Inc. Directors' Deferred Compensation Plan, as amended and restated. (Filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 10, 2009)
- 10.17* Second Amendment of Employment Agreement, dated as of December 9, 2008, between Howard K. Aihara and Alliance Imaging, Inc. (Filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 10, 2009)
- 10.18 Credit Agreement, dated as of June 3, 2013, among Alliance HealthCare Services, Inc., Credit Suisse AG, Cayman Islands Branch, as administrative agent and the lenders party thereto. (Filed as Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on August 7, 2013)
- 10.19 Amendment No. 1 to Credit Agreement, dated as of October 11, 2013, among Alliance HealthCare Services, Inc., Credit Suisse AG, Cayman Islands Branch, as administrative agent and the lenders party thereto. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on October 16, 2013)
- 10.20 Incremental Term Loan Commitment Agreement, dated October 11, 2013, by and among the Company, Credit Suisse AG, Cayman Islands Branch, as administrative agent and other lenders party thereto. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on October 16, 2013)
- 10.21* Form of Letter Agreement Evidencing Retention Bonus Arrangements with Executive Officers, dated as of January 31, 2012, with schedule of individual bonus amounts. (Filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 15, 2012)
- 10.22* Offer Letter, dated as of May 31, 2012, between Larry C. Buckelew and Alliance HealthCare Services Inc. (Filed as Exhibit 10.30 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on August 7, 2012)
- 10.23* Offer Letter, dated as of May 31, 2012, between Michael J. Shea and Alliance HealthCare Services Inc. (Filed as Exhibit 10.31 to the Company's Quarterly Report on Form 10-Q (File No. 001-16609) with the SEC on August 7, 2012)
- 10.24* Offer Letter, dated as of July 29, 2013, between Percy C. Tomlinson and Alliance HealthCare Services Inc. (Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on August 2, 2013)

- 10.25* Executive Severance Agreement, dated October 1, 2013, between Percy C. Tomlinson and Alliance HealthCare Services, Inc. (Filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on August 2, 2013)
- 10.26* Form of Restricted Stock Unit Award Agreement under the 1999 Equity Plan for Employees of Alliance and Subsidiaries (Filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 13, 2014)
- 10.27 Amendment No. 2 to Credit Agreement, dated as of June 19, 2015, among the Company, Credit Suisse AG, Cayman Islands Branch, as administrative agent and the lenders party thereto. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on June 23, 2015)
- 10.28 Incremental Term Loan Commitment Agreement, dated June 19, 2015, by and among the Company, Credit Suisse AG, Cayman Islands Branch, as administrative agent and other lenders party thereto. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-16609) with the SEC on June 23, 2015)
- 21.2 Subsidiaries of the Registrant. (Filed as Exhibit 21.2 to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 10, 2016)
- 23.1 Consent of Independent Registered Public Accounting Firm.(1)
- 31.1 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed as Exhibits 31.1 and 31.1A to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 10, 2016)

Exhibit

No.	Description
31.2	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 902 of the Sarbanes-Oxley Act of 2002. (Filed as Exhibits 32.1 and 32.1A to the Company's Annual Report on Form 10-K (File No. 001-16609) with the SEC on March 10, 2016)
32.2	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in eXtensible Business Reporting Language (XBRL): (a) Consolidated Balance Sheets at December 31, 2015 and December 31, 2014; (b) Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013; (c) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013; (d) Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the years ended December 31, 2015, 2014 and 2013; and (e) Notes to Consolidated Financial Statements.(1)

(1)Filed herewith.

*Management contract or compensatory plan or arrangement.

†This information is furnished herewith and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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 HEALTHCARE
SERVICES, INC.

April 29, 2016 By: /s/ PERCY C. TOMLINSON
Percy C. Tomlinson
Chief Executive Officer
(Principal Executive Officer)

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 April 29, 2016.

POWER OF ATTORNEY

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 and on the dates indicated.

Signature	Title
/s/ PERCY C. TOMLINSON Percy C. Tomlinson	Chief Executive Officer (Principal Executive Officer)
/S/ RHONDA LONGMORE-GRUND Rhonda Longmore-Grund	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/S/ LARRY C. BUCKELEW Larry C. Buckelew	Vice Chairman of the Board of Directors
/S/ SCOTT A. BARTOS* Scott A. Bartos	Director
/S/ NEIL F. DIMICK* Neil F. Dimick	Director
/S/ EDWARD L. SAMEK* Edward L. Samek	Director
/S/ PAUL S. VIVIANO* Paul S. Viviano	Director

*By /S/ RICHARD W. JOHNS
Richard W. Johns

Attorney-in-fact

April 29, 2016

ALLIANCE HEALTHCARE SERVICES, INC. AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

	Balance at Beginning of Period	Additions	Deductions (Bad Debt Write- offs, net of Recoveries)	Balance at End of Period
Year ended December 31, 2015				
Allowance for Doubtful Accounts	\$ 4,055	\$ 4,107	\$ (2,701)) \$ 5,461
Year ended December 31, 2014				
Allowance for Doubtful Accounts	\$ 5,158	\$ 2,634	\$ (3,737)) \$ 4,055
Year ended December 31, 2013				
Allowance for Doubtful Accounts	\$ 5,317	\$ 3,415	\$ (3,574)) \$ 5,158