

Name of Offeree

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

MEDEVELOP, LLC

a California limited liability company
4240 Hallmark Parkway, Suite B
San Bernardino, California 92407
(909) 877-8788

20 Limited Company Units

\$50,000 Per Unit

Minimum Subscription Per Investor: One Unit (\$50,000)

This Confidential Private Placement Memorandum (the "Memorandum") has been prepared in connection with the solicitation of subscriptions for a maximum of 20 limited liability company units (the "Units") in Medevelop, LLC, a California limited liability company (the "Company"), from qualified investors at an offering price of \$50,000 per Unit. The Units will be offered by the Company through its Manager, Ambulatory Services Corporation, Inc., a California corporation ("ASC") on a "best efforts" basis. Throughout this offering, the Manager will have the right in its sole discretion, to accept or reject subscriptions and to withdraw, cancel or modify this offering. The Manager will not be paid a commission for its sales efforts. Subscriptions for fractional Units will not be accepted. (See "TERMS OF THE OFFERING.")

The Company is developing and plans to lease, operate and maintain a magnetic resonance imaging center at 79-440 Corporate Center Drive, Suite 117 in La Quinta, California (the "Imaging Center"). The Company was formed in 2003 for the purpose of developing and operating the Imaging Center.

THIS MEMORANDUM IS NOT TO BE GIVEN TO ANY PERSON OTHER THAN THE PERSON WHOSE NAME APPEARS ABOVE AND IS NOT TO BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FURTHER DISTRIBUTION OR REPRODUCTION OF THIS MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS BY A RECIPIENT, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE CAN RESULT IN A VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT").

IF THE NAME AND NUMBER ABOVE DO NOT APPEAR IN RED, THERE IS A PRESUMPTION THAT THIS MEMORANDUM HAS BEEN IMPROPERLY REPRODUCED AND CIRCULATED, IN WHICH CASE THE COMPANY DISCLAIMS ANY RESPONSIBILITY FOR ITS CONTENTS AND USE.

NEITHER THE COMPANY NOR MANAGER IS MAKING ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, TO ANY OFFEREE OR PURCHASER OF THE LLC UNITS OFFERED HEREBY REGARDING THE LEGALITY OF ANY INVESTMENT THEREIN BY SUCH OFFEREE OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THE UNITS OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK, AND SIGNIFICANT RESTRICTIONS ON TRANSFERABILITY APPLY. (See "Risk Factors.") EACH INVESTOR SHOULD CONSULT HIS OR HER OWN ADVISORS CONCERNING AN INVESTMENT IN THE COMPANY. THESE UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAVE ANY OF SUCH AUTHORITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNITS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE UNITS MAY NOT BE TRANSFERRED OR

RESOLD EXCEPT AS PERMITTED UNDER SAID ACT OR SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM AND ARE ALSO SUBJECT TO SUBSTANTIAL CONTRACTUAL RESTRICTIONS ON TRANSFER AND RESALE.

<u>Offering of Units</u> ¹	<u>Price to Investors</u> ²	<u>Discounts and Commissions</u>	<u>Proceeds to Company</u> ³
Total Maximum (20 Units)	\$ 1,000,000	\$0	\$ 1,000,000

See notes on next page

January 1, 2005

(This space is intentionally left blank.)

SUMMARY

Because this is a summary, it does not contain all the information that may be important to you. Before you invest, you should read this entire memorandum carefully, including the section entitled "Risk Factors," beginning at page 21.

- Medevelop, LLC** Medevelop, LLC was organized in November, 2003 as a California limited liability company. In this memorandum we refer to Medevelop, LLC as "the Company", "we," "us", or "our." Our offices are at 4240 Hallmark Parkway, Suite B, San Bernardino, California 92407, and our telephone number is (909) 877-8788.
- Our Manager** Our Manager is Ambulatory Services Corporation, Inc., a California corporation ("ASC"). Its executive offices are at 4240 Hallmark Parkway, Suite B, San Bernardino, California 92407, and its telephone number is (909) 877-8788.
- Summary Risk Factors** The following are some of the significant risks concerning your investment:
- There is no public trading market for the Shares, and we do not expect one to ever develop. Further, the transfer of your Shares is restricted. Consequently, you may have a difficult time trying to obtain cash for your Shares.
 - Any borrowing by us will increase the risk of your investment and reduce the amount we have available to distribute to you.
 - Investments in health care facilities are subject to various state and federal regulations which may adversely affect our business.
 - We were formed in November, 2003 and have a limited operating history.
 - Before you invest in the Company, you should carefully review the complete discussion of "Risk Factors" beginning on page 21 of this memorandum.
- Conflicts of Interest** ASC will face various conflicts of interest resulting from its activities, including, but not limited to, the following: ASC and its officers must allocate their time between our activities and their other activities. In addition, ASC owns interest in, operates and/or manages other businesses that either compete with, directly or indirectly, or do business with the Company and ASC expects to continue doing so in the future.
- Capital Contributions** Interest at the rate of 10% per annum shall accrue on each Member's Capital Contribution from the date of the contribution and such interest only payments on the Capital Contributions of a Member shall be paid on the first banking day of each month thereafter until such time as both of the following events (the "Triggering Events") have occurred: (i) the

Company's Cash Available for Distribution before payment of such interest exceeds Fifty Thousand Dollars (\$50,000.00) and (ii) the Company's cash reserves exceed Two Hundred Thousand Dollars (\$200,000.00). Commencing as of the date immediately occurring after both Triggering Events have occurred, interest will no longer accrue or be paid and each Member's Capital Contribution may be returned to him or her in sixty equal monthly payments with the first payment commencing 30 days after the last interest payment. A Member's Interest shall also entitle the Member to participate in the Company's Profits, Losses and Cash Available for Distribution as provided for in the 2005 Amended and Restated Operating Agreement of the Company (the "Operating Agreement"). A Member's Interest in the Company shall not be reduced by the return of his or her Capital Contribution.

Compensation to Ambulatory Services Corporation...

ASC has received and will receive the following compensation:

Type of Compensation

Form of Compensation

Development Fee

\$350,000

Management Contract

5% of the Gross Income of the Company as defined in the Operating Agreement.

Participation in Distributions ...

ASC owns 40% of the Shares of the Company. Thus, after interest payment to the investors on their Capital Contributions, and after the return of investors' Capital Contributions, if any, distributions will be paid to all Members in proportion to their share ownership. The Development Fee and Management Fee payable to ASC are separate and apart from ASC's allocable share, as a Member in the Company's Profits, Losses and Cash Available for Distribution.

Operating Agreement

Your relationship with the Company will be governed by an Operating Agreement. Some of the significant features of the Operating Agreement are as follows:

- Our business operations will be managed by ASC. You will have voting rights only with respect to certain fundamental matters.
- The Operating Agreement is discussed in more detail in "Summary of Significant Documents" beginning on page 32 of this prospectus.

The Offering

We are offering for sale a maximum of 20 Units at \$50,000 per Unit. Investors will be issued 10 shares (or a 1% interest in the Company) for each Unit purchased. One Unit equals 10 shares.

Tax Considerations

Our tax advisor has advised us that we will be treated for federal income tax purposes as a partnership. You should consult your own tax advisor regarding personal tax consequences that might be associated with your investment in the Units. See "Federal Tax Considerations" beginning at page 34 of this prospectus.

To Purchase Units

To purchase Units you must complete and sign the Subscription Agreement, which is included as an Exhibit to this Prospectus, and deliver it to the Manager, together with payment for the number of Units specified in the subscription agreement.

BUSINESS

We are developing the Imaging Center. We will own and operate the Imaging Center and directly bill and collect from patients and third party payors. We will be dependent upon physicians for patient referrals.

Diagnostic imaging services at the Imaging Center will be performed on an outpatient basis by experienced radiological technicians. After the diagnostic procedures are completed, the images will be reviewed by radiologists who have contracted with the Company. The radiologists will then prepare reports of the tests and their findings, which will be delivered to the referring physician. Additionally, upon request, a report of any critical abnormality, or "stat report" is provided by phone as soon as the test is completed and evaluated.

The Imaging Center will have agreements with radiologists as independent contractors to provide all radiology services to the Imaging Center. The interpreting physicians shall be board-certified or board-eligible specialists in radiology, orthopedics, cardiology or neurology, as appropriate. The Company has leased space within which it will construct and operate its Imaging Center.

Our imaging revenues will depend to a large extent upon the acceptance of outpatient diagnostic imaging procedures as covered benefits under various third-party payor programs. In order to receive reimbursement for these services, payment must be approved by private insurers or the Medicare and Medicaid reimbursement programs.

INDUSTRY OVERVIEW

Diagnostic imaging services are noninvasive procedures that generate representations of the internal anatomy and convert them to film or digital media. Diagnostic imaging systems facilitate the early diagnosis of diseases and disorders, often minimizing the cost and amount of care required and reducing the need for costly and invasive diagnostic procedures.

Payment for services comes primarily from third-party payors, such as private insurers (traditional indemnity and Blue Cross/Blue Shield plans), managed health plans (HMOs and PPOs), government payors (Medicare and Medicaid), and state-run workers' compensation programs. Some centers have significant relationships with attorneys specializing in personal injury litigation. Typically, large third-party payors, especially managed care programs, Medicare and Medicaid, demand significant discounts from the list prices paid under direct-bill circumstances.

The number of non-hospital-affiliated imaging centers has grown due to a number of factors. First, when Congress reformed Medicare in 1983 by putting strict controls on inpatient reimbursement, this led to the expansion of all types of freestanding outpatient services, including outpatient surgery and imaging centers. Second, the use of MRI, CT and other equipment became more prevalent due to the quality and quantity of diagnostic information, technological improvements and increased government and third-party reimbursement. Although MRI was developed in the late 1970s, it was not approved for Medicare reimbursement until 1984. Ultrasound and low-dose mammography technology improved in the late 1980s. New technologies and procedures continue to be developed, although some, such as Positron Emission Tomography scanners ("PET") are relatively expensive. Third, the number of hospital and physician joint ventures increased in the 1980s as hospitals were eager to minimize their financial exposure for expensive equipment and physicians were seeking investments at a time when traditional tax-sheltered investments were being eliminated or were less economic. Thus, between 1984 and 1991, the number of outpatient imaging centers in operation in the United States increased from roughly 700 to over 2,000.

Other Diagnostic Imaging Services

- **POSITRON EMISSION TOMOGRAPHY, OR PET.** PET is a nuclear medicine procedure that produces pictures of the body's metabolic and biologic functions. PET can provide earlier detection of certain cancers, coronary diseases or neurologic problems than other diagnostic imaging systems. It is also useful for the monitoring of these conditions.
- **COMPUTED TOMOGRAPHY, OR CT.** In CT imaging, a computer analyzes the information received from an x-ray beam to produce multiple cross-sectional images of a particular organ or area of the body. CT imaging is used to detect tumors and other conditions affecting bones and internal organs.
- **OTHER SERVICES.** Other diagnostic imaging technologies include x-ray, single photon emission computed tomography, and ultrasound.

Imaging Settings

MRI and other imaging services are typically provided in one of the following settings:

- **HOSPITALS AND CLINICS.** Imaging systems are located in and owned and operated by a hospital or clinic. These systems are primarily used by patients of the hospital or clinic, and the hospital or clinic bills third-party payors, such as health insurers, Medicare or Medicaid.
- **INDEPENDENT IMAGING CENTERS.** Imaging systems are located in permanent facilities not generally owned by hospitals or clinics. These centers depend upon physician referrals for their patients and generally do not maintain dedicated, contractual relationships with hospitals or clinics. In fact, these centers may compete with hospitals or clinics that have their own systems to provide imaging services to these patients. Like hospitals and clinics, these centers bill third-party payors for their services.
- **OUTSOURCED.** Imaging systems, largely located in mobile trailers but also provided in fixed facilities, provide services to a hospital or clinic on a shared-service or full-time basis. Generally, the hospital or clinic contracts with the imaging service provider to perform scans of its patients, and the imaging service provider is paid directly by that hospital or clinic instead of by a third-party payor.

OUR IMAGING CENTER

Our Imaging Equipment

Our diagnostic imaging equipment is the Fonar Upright™ MRI. This equipment is unique in the industry as it is the only MRI with multiple positions, weight bearing testing. In general, each patient will receive three (3) scans, as opposed to the traditional "one patient – one scan" scenario.

This diagnostic imaging equipment is among the newest and most advanced in the industry. This diagnostic imaging equipment will be located in a fixed-site facility. This equipment is technologically sophisticated and complex, requires regular maintenance and is subject to unpredictable malfunctions and breakdowns.

MRI imaging has been characterized as one of the more significant medical breakthroughs in the 20th century; but standard technology has faced some limitations with motion studies, Claustrophobic, Anxious or Obese patients. In addition, the standard technology does not allow patients to be scanned in an up-right or "weight bearing" position. Currently, there is an installed base of 6,100 MRI's nationally, with approximately 75 capable of scanning standing up.

The most important clinical advantage of Stand-Up™ MRI technology to the physician, as compared to conventional MRI, is the ability to see abnormalities and injuries in a “weight-bearing” or “position of pain.” With Conventional MRI patients can only be scanned in the recumbent position thereby increasing the risk of missed pathology.

Open MRI's have enjoyed a great deal of success in the patient community as both the claustrophobic and obese patients have been able to receive scans. However, the limitation of these systems has been the magnet strength. Magnet strength is the deciding factor in the clarity of the images acquired by the MRI device; the higher the magnet strength, the clearer the image. The Fonar Standing Ovation™ has field strength of 0.6 Tesla, one of the highest for the Open MRI's. Additionally, the patient care opening is one of the largest in the field.

Tremendous potential exists for the majority of MRI scans to be Stand-Up™ MRI scans in the near future. The Fonar Standing Ovation™ MRI system uses a custom-built adjustable bed that allows patients to sit, lie on their backs, side or stomach at any angle to be scanned. Dynamic full ranges of motion studies of the joints in virtually any direction are now possible.

In order to combat the unique positions of the Fonar system, General Electric is developing an attachment to their standard MRI's that will “compress” a patient. This innovation will allow a patient to be mechanically compressed to simulate the effects of standing; however, the studies which can benefit most from the compression, will be limited, and will still not compensate for the anatomical correctness of standing, e.g. the soft tissue will still be in a lying position, as opposed to standing with the Fonar system.

The Manager – Ambulatory Services Corporation

The Manager has ultimate authority over Company affairs and the Imaging Center's operations. The Manager, except as specifically limited by the Operating Agreement, will have full, exclusive, and complete discretion in the management and control of the affairs of the Company, including, but not limited to, the power to cause the Company to incur indebtedness and to grant security interests in the Company property on such terms as the Manager, in its sole discretion, deems to be in the best interests of the Company. In addition, the Manager will arrange for the maintenance of records and accounts for the Company and the preparation and filing of its tax returns, and will supply tax information to the Members as soon as reasonably possible after the end of each fiscal year. The Manager of the Company is Ambulatory Services Corporation, Inc., a California corporation (“ASC”). ASC is a company established for the purpose of developing, marketing and managing medical facilities.

Ambulatory Services Corporation's Management Team

Peter Solodko serves as ASC's President and CEO. He is responsible for recruiting the management team and directing the affairs of the company. He has been working for the past three years in the Inland Empire building physician and medical community relationships. Despite the complexity of the healthcare market in the Inland Empire, Peter was able to conceive, develop, fund and construct the Hallmark Medical Plaza. Additionally, he was successful in syndicating the Hallmark Surgery Center with 17 physician partners. Peter has over nine years experience in developing residential and commercial real estate. His experience allows the Company to identify desirable locations for future projects and to build or renovate existing facilities in an effective and cost efficient manner.

Nikolay Feitser serves as Executive Vice President. He has over fourteen years experience in real estate development and construction. He has been successful in both commercial and residential real estate development. He will be in charge of the site selection and development for future projects.

Stephen H. Mansker, Jr. serves as Senior Vice President. He is a graduate of University of California at Davis and possesses a Bachelors Degree in Political Science. Mr. Mansker has over 16 years of Senior Management

Experience of which 10 years have been in Healthcare Management. Prior to joining the ASC management team, Mr. Mansker served as the CEO for Multi-Specialty Medical Groups. Mr. Mansker was responsible for the growth, management and development of these Medical Groups. Since joining the management team, Mr. Mansker has created and implemented the marketing and operational strategies for the corporation. In addition Mr. Mansker is responsible for the daily operations of the Diagnostic Imaging Division. Mr. Mansker hires and directs the sales team for each of the medical entities under our ASC umbrella. Mr. Mansker is also responsible for Strategic Planning and Market Research in order to expand the Diagnostic Imaging division into other geographical locations within the United States.

Marilyn Radakovic, RN is Senior Vice President of ASC. She operates and manages our Surgery Center division. She has six years of experience as Operating Room Manager and has eleven years experience as a Surgery Center Administrator. She once grew a Surgery Center from eighty patients to five-hundred patients and is very excited about growing and expanding the business in her Surgery Center Division here at ASC.

Charlie Wong is the Executive Director of Business Development. He joined ASC in 2003. He has over 25 years of Management and Business Development experience. Mr. Wong serves as an integral part of key strategic projects including strategy and marketing development. Other specific responsibilities include development and analysis of new business opportunities plus the expansion or improvement of existing services, product lines, or markets.

Dianne Moon serves as ASC's Chief Financial Officer. She has more than fifteen years experience in Health Care Finance. Her responsibilities include budgeting, financial reporting, financial analysis, contracting and regulatory reporting.

Jim M. Powell is ASC's General Counsel and head of ASC's legal department. He graduated cum laud from California Western School of Law and has been a member of the State Bar of California since 1993. Jim has ten years of experience in the personal injury field.

Ken Anderson is ASC's Director of Pacific Northwest Operations recently joined the staff of ASC. He previously worked for Washington Imaging Services in Issaquah, WA. He obtained his Radiology training from Loma Linda University.

La Quitta Lewis, Administrator. Ms. Lewis, is responsible for the daily operation of Hallmark Stand-Up MRI, San Bernardino, California. Ms. Lewis is Nationally Certified and has seventeen years experience in the imaging field. Ms. Lewis has extensive imaging experience in Mammography, CT, X-ray, and DEXA.

Jim Moulis, Administrator. Mr. Moulis, is responsible for the daily operation of Desert Stand-Up MRI, La Quinta, California. Mr. Moulis has his national certification. Jim was trained and certified through Loma Linda University Medical Center where he worked for ten years. There he performed advanced level MRI procedures such as, Contrast Enhanced MRA, MR Spectroscopy, Stereotactic Pallidotomy localization for Parkinson's disease and Cardiac MRI procedures.

Our Sales and Marketing Strategy

Our Imaging Center intends to employ a full-time marketing and managed care executive and a full-time sales representative. These personnel will identify and contact healthcare providers, managed care organizations and corporate subscribers which may require the Company's diagnostic imaging services.

ASC has chosen to concentrate on a segment of the healthcare market that includes those chronic and acute patients with musculo-skeletal injuries or diagnoses. These patients often require a great deal of services including physician visits, radiological testing, surgical intervention, and physical or occupational therapy.