NightHawk Radiology Holdings Inc
Form PRER14A
November 05, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 1)

Filed by the Registrant x Filed by a Party other than the Registrant ¨
Check the appropriate box:

x Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-2

NIGHTHAWK RADIOLOGY HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION

NIGHTHAWK RADIOLOGY HOLDINGS, INC.

4900 N. Scottsdale Road, 6th Floor

Scottsdale, AZ 85251

(480) 822-4000

[ ], 2010

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of NightHawk Radiology Holdings, Inc., which we refer to as NightHawk, to be held on [ ], [ ], 2010, at [ ] (Arizona Time), at our headquarters, located at 4900 N. Scottsdale Road, 6th Floor, Scottsdale, AZ 85251.

At the special meeting, you will be asked to consider and vote upon the adoption of the Agreement and Plan of Merger, dated September 26, 2010, by and among Virtual Radiologic Corporation, which we refer to as vRad, Eagle Merger Sub Corporation, which we refer to as Merger Sub, and NightHawk. Pursuant to the merger agreement, Merger Sub will be merged with and into NightHawk, with NightHawk surviving as a wholly-owned subsidiary of vRad.

Assuming the holders of a majority of our issued and outstanding shares of common stock adopt the merger agreement and the merger is completed, upon completion of the merger, you will be entitled to receive $6.50 in cash, without interest, for each share of NightHawk common stock that you own, unless you have sought and properly perfected your appraisal rights under Delaware law. The $6.50 in cash per share to be paid pursuant to the merger agreement constitutes a premium of approximately 122% and 132% over the average closing price of our common stock for the 30 and 90 calendar days, respectively, prior to the announcement of the merger. After the merger, you will no longer have an equity interest in NightHawk and will not participate in any potential future earnings and growth of NightHawk.

Our Board of Directors has adopted a resolution unanimously approving the merger agreement. **Our Board of Directors has unanimously determined that the merger agreement and the merger are advisable, fair to and in the best interest of NightHawk and our stockholders. Our Board of Directors unanimously recommends that you vote FOR the adoption of the merger agreement.** In arriving at its recommendation, our Board of Directors carefully considered a number of factors described in the accompanying proxy statement. The merger agreement and the merger are described in the accompanying proxy statement. A copy of the merger agreement is attached as Appendix A to the accompanying proxy statement. We urge you to read carefully the accompanying proxy statement, including the appendices.

Your vote is very important, regardless of the number of shares of our common stock you own. Under Delaware law, the merger cannot be completed unless the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting vote for the adoption of the merger agreement. **If you do not vote, it will have the same effect as a vote against the adoption of the merger agreement.**

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Whether or not you plan to attend the special meeting in person, please complete, sign, date and return promptly the enclosed proxy card. If you hold shares through a bank or brokerage firm or other nominee, you should follow the procedures provided by your bank or brokerage firm or nominee. Voting in advance will not limit your right to vote in person if you wish to attend the special meeting and vote in person. The proxy statement will be mailed to our stockholders on or about [ ], 2010.

Sincerely,

David M. Engert

President and Chief Executive Officer

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE PROPOSED MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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PRELIMINARY COPY SUBJECT TO COMPLETION

NIGHTHAWK RADIOLOGY HOLDINGS, INC.

4900 N. Scottsdale Road, 6th Floor

Scottsdale, AZ 85251

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD [ ], 2010

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of NightHawk Radiology Holdings, Inc., which we refer to as NightHawk, will be held on [ ],[ ], 2010, at [ ] (Arizona Time), at our headquarters, located at 4900 N. Scottsdale Road, 6th Floor, Scottsdale, AZ 85251, for the following purposes:

1. *Adoption of the Merger Agreement*. To consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of September 26, 2010, by and among Virtual Radiologic Corporation, Eagle Merger Sub Corporation and NightHawk (the Proposal). Pursuant to the merger agreement, NightHawk will become a wholly-owned subsidiary of vRad, and the holders of NightHawk common stock will be entitled to receive $6.50 in cash, without interest, per share of NightHawk common stock held by them at the effective time of the merger; and

2. *Adjournment and Postponement of the Special Meeting*. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in support of the Proposal if there are insufficient votes at the time of the meeting to adopt the merger agreement.

Your vote is very important, regardless of the number of shares of our common stock you own. Under Delaware law, the merger cannot be completed unless the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting vote for the adoption of the merger agreement. Even if you plan to attend the meeting in person, we request that you complete, sign, date and return the enclosed proxy card in the envelope provided and thereby ensure that your shares will be represented at the meeting if you are unable to attend. If you are a stockholder of record and wish to vote in person at the special meeting, you may withdraw your proxy and vote in person. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote FOR the adoption of the merger agreement and FOR the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

If you fail to return your proxy or vote in person or abstain from voting, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, will have the same effect as a vote against the adoption of the merger agreement.

Stockholders of NightHawk who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they exercise their appraisal rights prior to the vote on the merger agreement and comply with all procedural requirements of Delaware law, which are summarized in the accompanying proxy statement under the caption The Merger Appraisal Rights beginning on page 35.

The merger agreement and the merger are described in the accompanying proxy statement and a copy of the merger agreement is included as Appendix A to the proxy statement.

By order of the Board of Directors,

David M. Engert

President and Chief Executive Officer

[ ], 2010

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PRELIMINARY COPY SUBJECT TO COMPLETION

NIGHTHAWK RADIOLOGY HOLDINGS, INC.

4900 N. Scottsdale Road, 6th Floor

Scottsdale, AZ 85251

PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2010

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of NightHawk Radiology Holdings, Inc. for a special meeting of stockholders to be held on [ ], 2010 and for any adjournment or postponement thereof. This proxy statement provides information that you should read before you vote on the proposals that will be presented to you at the special meeting. The special meeting will be held on [ ],[ ], 2010, at [ ] (Arizona Time), at our headquarters, located at 4900 N. Scottsdale Road, 6th Floor, Scottsdale, AZ 85251.

In this proxy statement, we refer to NightHawk Radiology Holdings, Inc. as **NightHawk**, **the Company**, **we** or **us**. We refer to Virtual Radiologic Corporation as **vRad**, and Eagle Merger Sub Corporation as **Merger Sub**.

This proxy statement and a proxy card are first being mailed on or about [ ], 2010 to holders of NightHawk common stock as of the close of business on [ ], 2010.

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SUMMARY TERM SHEET

This summary term sheet presents selected information in this proxy statement relating to the merger and may not contain all of the information that is important to you. To understand the merger and the transactions contemplated by the merger agreement fully, you should carefully read this entire document as well as the Agreement and Plan of Merger attached hereto as Appendix A, which we refer to as the merger agreement. For instructions on obtaining more information, see Where You Can Find More Information on page [ ]. We have included page references to direct you to a more complete description of the topics presented in this summary.

The Special Meeting (see page 14)

Date, Time and Place. The special meeting of NightHawk stockholders will be held on [ ],[ ], 2010, at [ ] (Arizona Time), at our headquarters, located at 4900 N. Scottsdale Road, 6th Floor, Scottsdale, AZ 85251.

Matters to be Considered. At the special meeting, you will be asked to consider and vote on a proposal to adopt the merger agreement. You may also be asked to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in support of the proposal to adopt the merger agreement.

Record Date and Quorum. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on [ ], 2010, which we have set as the record date for the special meeting. The presence, in person or by proxy, of holders of record of a majority of the outstanding shares of our stock entitled to vote on the matters to be presented at the special meeting will constitute a quorum.

Required Votes. Adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares entitled to vote on the merger.

Voting. Even if you plan to attend the meeting in person, we request that you complete, sign, date and return the enclosed proxy card and thereby ensure that your shares will be represented at the meeting if you are unable to attend. If your shares are held in street name by a bank or brokerage firm, your bank or brokerage firm forwarded these proxy materials, as well as a voting instruction card, to you. Please follow the instructions on the voting instruction card to vote your shares.

Parties to the Merger (see page 16)

NightHawk Radiology Holdings, Inc., or NightHawk, is a Delaware corporation leading the transformation of the practice of radiology by providing high-quality, cost-effective solutions in the United States. NightHawk provides a complete suite of solutions, designed to increase efficiencies and improve the quality of patient care and the lives of radiologists. NightHawk s team of U.S. board-certified, state-licensed, and hospital-privileged physicians are located in the United States, Australia, and Switzerland. They provide services 24 hours a day, 7 days a week, to nearly 1,500 sites.

NightHawk s principal executive offices are located at 4900 N. Scottsdale Road, 6 Floor, Scottsdale, AZ 85251, and its telephone number is (480) 822-4000.

Virtual Radiologic Corporation, or vRad, is a Delaware corporation that combines a management and technology organization with affiliated medical practices to function as a national radiology practice working in partnership with local radiologists and hospitals to optimize radiology s pivotal role in patient care. Delivering access to extensive subspecialty coverage, vRad contributes to improved quality of patient care. And with its

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next-generation technology, vRad enhances productivity, helping to lower the overall cost of care while expediting time to diagnosis and treatment. Upon completion of the merger, NightHawk will be a direct wholly-owned subsidiary of vRad.

vRad s principal executive offices are located at 11995 Singletree Lane, Suite 500, Eden Prairie, Minnesota 55344, and its telephone number is (952) 595-1100.

Eagle Merger Sub Corporation, or Merger Sub, was formed by vRad solely for the purpose of acquiring NightHawk. Upon completion of the merger, Merger Sub will cease to exist.

Merger Sub s principal executive offices are located at 11995 Singletree Lane, Suite 500, Eden Prairie, Minnesota 55344, and its telephone number is (952) 595-1100.

The Merger (see page 17)

If the merger is completed, Merger Sub will be merged with and into NightHawk, with NightHawk continuing as the surviving corporation.

If the merger is completed, the following will occur:

- your shares of NightHawk common stock will be converted into the right to receive $6.50 in cash per share, without interest;
- all of the equity interests in NightHawk will be owned directly by vRad;
- you will no longer have any interest in our future earnings or growth;
- we will no longer be a public company and our common stock will no longer be traded on the Nasdaq Global Market; and
- we will no longer be required to file periodic and other reports with the Securities and Exchange Commission.

Recommendation of our Board of Directors; Reasons for the Merger (see page 24)

Our Board of Directors determined that the merger is substantively and procedurally fair to our stockholders. In reaching this conclusion, our Board of Directors considered, among other factors, the following:

- the Board of Directors review of historical information concerning NightHawk s business, financial performance and condition, results of operations, technological and competitive position, as well as our business and strategic objectives;
- current financial market conditions and historical market prices, volatility and trading information with respect to NightHawk s common stock, as well as views of equity analysts regarding NightHawk;
- the fact that the $6.50 per share to be paid pursuant to the merger agreement constitutes a significant premium over the market price of our common stock, including:

a premium of approximately 122% over the average closing price of our common stock for the 30 calendar days prior to announcement of the merger;

a premium of approximately 132% over the average closing price of our common stock for the 90 calendar days prior to announcement of the merger; and

a premium of 100% over the closing price of our common stock on the trading day immediately prior to the announcement of the merger;

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the Board of Directors belief that the merger will result in greater value to our stockholders than the value that could be generated from other strategic alternatives available to us, including the option of remaining independent and pursuing our current strategic plan or making strategic acquisitions, taking into account the potential risks and uncertainties associated with each of such alternatives as compared to the liquidity and certainty of value provided by the $6.50 per share in cash to be paid to our stockholders pursuant to the merger agreement;

the terms of the merger agreement, which were the product of arms-length negotiations between the Board of Directors and our advisors, on the one hand, and vRad and its advisors, on the other hand, including, without limitation:

- the representations and warranties of us, vRad and Merger Sub;
- that the merger is not subject to a financing condition and that vRad obtained debt commitment letters for the full amount of the aggregate merger consideration;
- that the merger agreement permits us to seek specific performance by vRad and Merger Sub of their obligations under the merger agreement; and
- that the merger agreement (i) provides for a post-signing go-shop period, during which we may, subject to certain requirements, solicit alternative proposals, (ii) allows NightHawk to respond to solicitations from third parties, subject to certain requirements, after the go-shop period, and (iii) at any time prior to the adoption of the merger agreement by the NightHawk stockholders, allows NightHawk to terminate the merger agreement to accept a superior proposal upon payment of a termination fee, all of which our Board of Directors believed were important in ensuring the merger would be substantively fair to our stockholders; see The Merger Agreement Acquisition Proposals by Third Parties beginning on page 46;

the Board of Directors belief that the termination fees and expense reimbursement provisions in the merger agreement (described below under the section The Merger Agreement Acquisition Proposals by Third Parties beginning on page 46) (i) are reasonable in light of the overall terms of the merger agreement and the benefits of the merger, (ii) are within the range of similar precedent transactions and (iii) would not prevent a competing proposal;

the fact that the merger is subject to the adoption of the merger agreement by the holders of a majority of the outstanding shares of our common stock;

the fact that our stockholders who do not support the merger may seek appraisal of the fair value of their shares under Delaware law; and

the oral opinion of Morgan Stanley rendered to the Board of Directors on September 26, 2010, subsequently confirmed in writing, to the effect that, as of that date, based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the $6.50 per share to be received by holders of shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The summary of Morgan Stanley s opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Appendix B to this proxy statement and sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion.

Our Board of Directors unanimously approved the merger agreement and determined that it is advisable, fair to and in the best interest of NightHawk and our stockholders. **Our Board of Directors unanimously recommends that you vote FOR the adoption of the merger agreement.**

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Opinion of the Financial Advisor to NightHawk (see page 26)

Morgan Stanley & Co. Incorporated, or Morgan Stanley, was engaged by the Company to provide it with financial advisory services in connection with the potential sale of the Company. At the meeting of the Board of Directors on September 26, 2010, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that, as of that date, based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the $6.50 per share to be received by holders of shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Morgan Stanley, dated September 26, 2010, which sets forth among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix B. Stockholders are urged to, and should, read the opinion carefully and in its entirety. Morgan Stanley s opinion is directed to the Board of Directors and addresses only the fairness, from a financial point of view, of the consideration to be received by the holders of shares of Company common stock pursuant to the merger agreement, as of the date of the opinion. Morgan Stanley s opinion does not address any other aspect of the transactions contemplated by the merger agreement and does not constitute a recommendation as to how any such holder should vote at the special meeting of stockholders or whether any such holder should take any other action with respect to the merger. The summary of the opinion of Morgan Stanley set forth below under The Merger Opinion of the Financial Advisor to NightHawk is qualified in its entirety by reference to the full text of the opinion.

We encourage you to read the opinion of Morgan Stanley described above carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken in connection with such opinion.

Interests of our Directors and Officers in the Merger (see page 33)

Our directors and officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. These interests include the acceleration and cash-out of options and restricted stock units, the right to continued indemnification and insurance coverage by the surviving corporation after the merger and a six-month advisory agreement with David M. Engert, our director, President and Chief Executive Officer.

Appraisal Rights (see page 35)

Pursuant to Section 262 of the General Corporation Law of the State of Delaware, if you do not vote in favor of the adoption of the merger agreement and you instead follow the appropriate procedures for demanding and perfecting appraisal rights as described on pages 35 through 39 and in Appendix C, you will receive a cash payment for the fair value of your shares of NightHawk common stock, as determined by a Delaware Court of Chancery, instead of the $6.50 per share merger consideration to be received by our stockholders pursuant to the merger agreement. The fair value of NightHawk common stock may be more than, less than or equal to the $6.50 merger consideration you would have received for each of your shares pursuant to the merger agreement if you had not exercised your appraisal rights.

Generally, in order to exercise appraisal rights, among other things, you must:

- not vote in favor of adoption of the merger agreement; and
- make a written demand for appraisal in compliance with Delaware law prior to the vote of our stockholders to adopt the merger agreement.

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Abstaining or voting against the adoption of the merger agreement will not perfect your appraisal rights under Delaware law. Appendix C to this proxy statement contains the Delaware statute relating to your appraisal rights. **If you want to exercise your appraisal rights, please read and carefully follow the procedures described on pages 35 through 39 and in Appendix C. The Delaware statute governing appraisal rights is very complex and we urge you to consult with your own legal counsel in the event you decide to exercise your appraisal rights. Failure to take all of the steps required under Delaware law will result in the loss of your appraisal rights.**

Certain Material U.S. Federal Income Tax Consequences of the Merger (see page 39)

The receipt of $6.50 in cash by our stockholders for each outstanding share of our common stock will generally be a taxable transaction for U.S. federal income tax purposes. Each of our stockholders generally will recognize taxable gain or loss, measured by the difference, if any, between the stockholder s amount realized in the merger of $6.50 per share, and the tax basis of each share of our common stock owned by such stockholder. Stockholders should consult their own tax advisors to determine the particular tax consequences to them (including application of any U.S. federal non-income, foreign, state, local or other tax laws) of the merger.

Litigation Related to the Merger (see page 41)

Beginning on September 28, 2010, several purported class action lawsuits were filed on behalf of the Company s stockholders in the Superior Court of Maricopa County, Arizona, docketed as *Israni v. NightHawk Radiology Holdings, Inc., et al.*, Case No. CV2010-025059, *LaLone v. NightHawk Radiology Holdings, Inc., et al*., Case No. CV2010-028112, *La Torre v. NightHawk Radiology Holdings, Inc., et al.*, Case No. CV2010-028176, *Watts v. Engert, et al.*, Case No. CV2010-028127, *Newman v. Engert, et al*., Case No. CV2010-028262, and *Yu v. Engert, et al.*, Case No. CV2010-028403. On October 8, 2010, another purported class action lawsuit on behalf of the Company s stockholders was filed in Delaware Chancery Court, docketed as *Scully v. NightHawk Radiology Holdings, Inc., et al*., Case No. 5890-VCL (the Delaware Action), and plaintiff Scully amended his complaint on October 29, 2010. On October 22, 2010, an additional purported class action lawsuit on behalf of the Company s stockholders was filed in the United States District Court for the District of Arizona, docketed as *Clayton v. Engert, et al.,* Case No. 2:10-CV-02274-NVW (the Arizona Federal Action). The complaints name the Company, each of the members of our Board of Directors, certain of our officers, and vRad as defendants.

The lawsuits allege, among other things, that our Board of Directors breached fiduciary duties owed to our stockholders by failing to take steps to maximize stockholder value or to engage in a fair sale process when approving the proposed merger with vRad. The complaints also allege that the Company and vRad aided and abetted the members of our Board of Directors in the alleged breach of their fiduciary duties. We believe the lawsuits are without merit and intend to defend against them vigorously. There can be no assurance, however, with regard to the outcome of these lawsuits. We believe the lawsuits to be without merit and intend to defend against them vigorously. There can be no assurance, however, with regard to the outcome of the lawsuits.

Treatment of Common Stock, Stock Options and Restricted Stock (see page 42)

Common Stock. At the effective time of the merger, each share of our common stock outstanding immediately prior to the effective time of the merger (other than shares held by vRad, Merger Sub and their affiliates and stockholders who have perfected and not withdrawn a demand for appraisal rights under Delaware law) will be automatically cancelled and converted into the right to receive $6.50 in cash, without interest.

Stock Options. Prior to the effective time of the merger, each outstanding stock option to purchase our common stock will vest in full. Each stock option to purchase our common stock outstanding at the effective time of the merger will be cancelled and converted into the right to receive, as soon as reasonably practicably after the effective time of the merger, an amount in cash equal to (i) the number of shares subject to such option

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multiplied by (ii) the excess (if any) of $6.50 over the exercise price per share of such option, without interest and less applicable withholding taxes. If the exercise price per share of an option to acquire our common stock equals or exceeds the $6.50 per share merger consideration, such option will be cancelled without payment.

Restricted Stock Units. As of the effective time of the merger, each outstanding restricted stock unit will be cancelled and converted into the right to receive, as soon as reasonably practicable following the effective time of the merger, $6.50 per underlying share, without interest and less any applicable withholding taxes.

Acquisition Proposals by Third Parties (see page 46)

The merger agreement provides that until 12:01 a.m., New York time, on October 26, 2010, which we refer to as the go-shop period, we are permitted to solicit, initiate and encourage other acquisition proposals and provide non-public information to third parties pursuant to a confidentiality agreement no less favorable to us than our confidentiality agreement with vRad. After 12:01 a.m., New York time, on October 26, 2010, which we refer to as the no-shop period start date, and until the effective time of the merger or, if earlier, the termination of the merger agreement, we are prohibited from soliciting, initiating or encouraging other acquisition proposals or providing non-public information to third parties with respect to any acquisition proposal. Notwithstanding these restrictions, and subject to certain requirements set forth in the merger agreement, after the go-shop period, we may provide confidential information: (i) until 12:01 a.m., New York time, on November 20, 2010, to a party, which we refer to as an excluded party, who has made a written acquisition proposal prior to the no-shop period start date (and such proposal has not yet been withdrawn, terminated or expired) that our Board of Directors determines in good faith, after consultation with its independent financial advisor and outside legal counsel, constitutes a superior proposal, and who we have identified to vRad within two business days after the no-shop period start date to be an excluded party, and (ii) to a third party in response to an unsolicited acquisition proposal and we are permitted to engage in discussions and negotiations with such third party if (A) our Board of Directors determines in good faith that the failure to take such action would be inconsistent with its fiduciary duties, (B) our Board of Directors determines that the acquisition proposal is, or would reasonably be expected to lead to, a superior proposal and (C) prior to taking such action, we execute a confidentiality agreement with such third party with terms no less favorable than those contained in our confidentiality agreement with vRad. In addition, if we receive an unsolicited acquisition proposal, we must promptly notify vRad of the proposal s material terms. The go-shop period has expired and no party was identified as an excluded party.

Conditions to the Merger (see page 51)

Completion of the merger depends upon the parties meeting or waiving a number of conditions, including:

- the adoption of the merger agreement by holders of a majority of the outstanding shares of NightHawk common stock entitled to vote on the adoption;
- the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, which we refer to as the Hart-Scott Rodino Act or the HSR Act, and the obtainment of all regulatory clearances in any relevant jurisdiction;
- the absence of any law or governmental injunction prohibiting the consummation of the merger;
- the accuracy of the parties representations and warranties to the extent such inaccuracy results in or would reasonably be likely to result in a material adverse effect on such party, as that term is defined in the merger agreement, and the parties compliance with the covenants and agreements set forth in the merger agreement;
- the absence of a material adverse effect on NightHawk since December 31, 2009, except as otherwise specifically disclosed to vRad prior to the date of the merger agreement; and

our payment obligations under our existing credit agreement, other than indemnification obligations and other contingent liabilities that survive repayment of the loans under the credit agreement shall have been paid in full.

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Termination (see page 52)

Under certain circumstances, the merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, whether before or after adoption of the merger agreement by our stockholders. If the merger agreement is terminated, there will be no liability, other than for intentional and material breaches of the merger agreement, on the part of NightHawk, Merger Sub or vRad, except for the payment of the termination fee and expenses as described below and in the section entitled The Merger Agreement Termination Fee and Expenses beginning on page 53.

Termination Fee; Expenses (see page 53)

Termination Fee Payable by NightHawk. We are obligated to pay vRad a termination fee of $6.6 million if we terminate the merger agreement in order to accept a superior acquisition proposal ($3.7 million termination fee in the case of a termination by us under certain circumstances within the go-shop period or after the go-shop period for up to 25 additional days with a party identified by us as an excluded party) or if vRad terminates the merger agreement because (i) our Board of Directors has changed its favorable recommendation of the merger agreement or recommended or approved a third party acquisition proposal, (ii) we solicit, initiate or encourage a third party acquisition proposal in violation of the merger agreement or (iii) we breach our agreement to hold a stockholders meeting. We also are obligated to pay vRad a termination fee of $6.6 million if any of the following occur and within one year after termination of the merger agreement a third party acquisition proposal is consummated or an agreement is entered into with respect to an acquisition proposal with a third party:

- the merger agreement is terminated by us or vRad because our stockholders fail to adopt the merger agreement at the special meeting;
- the merger agreement is terminated by us or vRad because the merger has not been consummated prior to January 26, 2011, subject to extension at the election of either party to March 25, 2011, if the waiting period under the HSR Act shall not have expired or been terminated or other regulatory clearances have not been obtained; or
- the merger agreement is terminated by vRad because there has been any breach of any representation or warranty, or any such representation or warranty of NightHawk shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of NightHawk, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after our receipt of written notice from vRad.

Expense Reimbursement. We are obligated to reimburse vRad for up to $2.4 million of its documented, reasonable out-of-pocket expenses in the event that the merger agreement is terminated because our stockholders fail to adopt the merger agreement or because the merger agreement is terminated by vRad because we have breached any representation or warranty, or any such representation or warranty of ours shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of ours, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after our receipt of written notice from vRad. In the event that the $6.6 million termination fee becomes due and payable by us, such termination fee will be offset by the amount of expenses previously reimbursed by us.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting and the merger, and other matters to be considered by NightHawk s stockholders at the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement and the documents referred to in this proxy statement.

Q: When and where is the special meeting?

A: The special meeting of NightHawk stockholders will be held on [ ], [ ], 2010, at [ ] (Arizona Time), at our headquarters, located at 4900 N. Scottsdale Road, 6th Floor, Scottsdale, AZ 85251.

Q: What is the purpose of the special meeting?

A: At the special meeting, our stockholders will be asked to vote on a proposal to adopt the Agreement and Plan of Merger, dated as of September 26, 2010, by and among NightHawk, vRad and Merger Sub.

Our stockholders may also be asked to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in support of the proposal to adopt the merger agreement, if there are not sufficient votes at the special meeting to adopt the merger agreement.

Q: Why am I receiving this proxy statement and proxy card?

A: You are receiving this proxy statement and proxy card because you own shares of NightHawk common stock. This proxy statement describes matters on which we urge you to vote at the special meeting and is intended to assist you in deciding how to vote your shares. If your shares are held by a bank or brokerage firm, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, your bank or brokerage firm (the record holder of your shares) forwarded these proxy materials, along with a voting instruction card, to you.

Q: What is a proxy?

A: A proxy is your legal designation of another person to vote your shares of stock. The written document describing the matters to be considered and voted on at the meeting is called a proxy statement. The document used to designate a proxy to vote your shares of stock is called a proxy card. Our Board of Directors has designated two of our officers, David Sankaran and Paul Cartee, as proxies for the special meeting.

Q: How many shares must be present to hold the meeting?

A: A quorum must be present at the special meeting for any business to be conducted. The presence, in person or by proxy, of holders of record of a majority of the outstanding shares of NightHawk common stock entitled to vote at the special meeting will constitute a quorum. Proxy cards received by us but marked ABSTAIN will be included in the calculation of the number of shares considered to be present at the meeting. If you hold your shares in street name and do not give instructions to your bank or brokerage firm on how to vote your shares, it will not be permitted to vote your shares at the special meeting and your shares will not be counted for purposes of establishing a quorum. If a quorum is not present, a vote cannot occur, and a majority in interest of the stockholders entitled to vote at the meeting, present in person or by proxy, may adjourn the meeting until a quorum is present or represented. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

Q: What vote is required to adopt the merger agreement and approve the adjournment, if necessary?

A: Adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote on the merger. Adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies, requires the approval of a majority of the votes cast.

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Q: Why is the Board of Directors recommending that I vote in favor of the merger agreement?

A: Our Board of Directors has unanimously determined that the merger is advisable and that the terms of the merger agreement and the merger are fair to and in the best interests of our stockholders. **Accordingly, our Board of Directors unanimously approved the merger agreement and recommends that you vote FOR the adoption of the merger agreement.** For more information, we refer you to The Merger Background of the Merger and Recommendation of the Board of Directors; Reasons for the Merger.

Q: Who is entitled to attend the special meeting?

A: You are entitled to attend the special meeting if you owned shares of our common stock at the close of business on [ ], 2010, which we have set as the record date for the special meeting. Stockholders must present a form of photo identification to be admitted to the special meeting. If you hold shares in street name (that is, through a bank or brokerage firm) and would like to attend the special meeting, you will need to bring an account statement or other acceptable evidence of ownership of the NightHawk common stock as of the close of business on [ ], [ ], the record date.

Q: Who is entitled to vote?

A: You are entitled to vote on the proposals to be considered at the special meeting if you owned shares of our common stock at the close of business on [ ], 2010, the record date for the special meeting. For each share of our common stock you owned at the close of business on the record date, you will have one vote on each proposal presented at the special meeting. On the record date, there were [ ] shares of our common stock issued and outstanding and entitled to vote at the special meeting.

Q: What happens if I sell my shares before the special meeting?

A: The record date for the special meeting, [ ], 2010, is earlier than the date of the special meeting. If you held your shares on the record date but transfer them prior to the effective time of the merger, you will retain your right to vote at the special meeting, but you will lose the right to receive the merger consideration for your shares. The right to receive such merger consideration will pass to the person who owns your shares when the merger becomes effective.

Q: How do I vote?

A: If you are a stockholder of record, then you can ensure that your shares are voted at the special meeting by completing, signing and dating the enclosed proxy card and returning it in the envelope provided. If you hold your shares in street name, you can ensure that your shares are voted at the special meeting by instructing your bank or brokerage firm on how to vote, as discussed above. If your shares of NightHawk common stock are held in street name by a bank or brokerage firm, you must obtain a legal proxy from such bank or brokerage firm in order to vote in person at the special meeting. Unless you give other instructions on your proxy, the persons named as proxy holders on the proxy card will vote FOR the adoption of the merger agreement and FOR adjournment or postponement, if necessary or appropriate, to solicit additional proxies in favor of the adoption of the merger agreement in accordance with the recommendation of our Board of Directors. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by our Board of Directors or, if no recommendation is given, in their own discretion.

Q: What if I do not specify how my shares are to be voted?

A: If you are a registered stockholder, and you submit a proxy card but do not provide voting instructions, your shares will be voted:

FOR the adoption of the merger agreement, and

FOR the approval of the adjournment of the special meeting to solicit additional proxies.

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If you hold your shares in street name and do not give instructions to your bank or brokerage firm, it will not be permitted to vote your shares and your shares will not be considered present at the special meeting. As a result, it will have the same effect as a vote AGAINST the adoption of the merger agreement, but it will have no effect on any vote with respect to the adjournment of the meeting to solicit additional proxies in support of the proposal to adopt the merger agreement.

Q: How do I change my vote after I submit my proxy?

A: You can change your vote before your proxy is voted at the special meeting. If you are a registered stockholder, you may change or revoke your proxy by notifying our Corporate Secretary in writing at 4900 N. Scottsdale Road, Scottsdale, AZ 85251, by submitting by mail to such address a new proxy dated after the date of the proxy being revoked. In addition, your proxy may be changed by attending the special meeting and voting in person (you must vote in person, as simply attending the special meeting will not cause your proxy to be revoked).

Please note that if you hold your shares in street name and you have instructed your bank or brokerage firm to vote your shares, the above-described options for changing your vote do not apply, and instead you must follow the directions received from your bank or brokerage firm to change your vote.

Q: Who will solicit and pay the cost of soliciting proxies?

A: NightHawk is paying the cost of soliciting these proxies. Upon request, we will reimburse brokers and other nominees for their reasonable out-of-pocket expenses for forwarding these proxy materials to the beneficial owners of NightHawk shares. Our directors, officers and employees may solicit proxies in person or by telephone, mail, facsimile, email or otherwise, but they will not receive additional compensation for their services. We agreed to pay Georgeson a fee of $7,500 for proxy solicitation services and to reimburse Georgeson for reasonable out of pocket expenses.

Q: What will be the effect of the merger?

A: After the effective time of the merger, you will no longer own any shares of our common stock. All of the capital stock of NightHawk following completion of the merger will be wholly owned by vRad.

Q: If the merger is completed, what will I receive for the shares of NightHawk common stock I hold?

A: If the merger is completed, each share of NightHawk common stock, including restricted shares, that you own at the effective time of the merger will be automatically cancelled and converted into the right to receive $6.50 in cash, without interest. However, if you perfect your appraisal rights, you will not receive the $6.50 per share merger consideration and instead your shares will be subject to appraisal in accordance with Delaware law.

Q: If the merger is completed, what will happen to outstanding options to acquire NightHawk common stock and NightHawk restricted stock units?

A: Prior to the effective time of the merger, each outstanding NightHawk stock option and restricted stock unit will vest in full. Each stock option to purchase our common stock outstanding at the effective time of the merger will be cancelled and converted into the right to receive an amount in cash equal to (i) the number of shares subject to such option multiplied by (ii) the excess (if any) of $6.50 over the exercise price per share of such option, without interest and less applicable withholding tax. If the exercise price per share of an option to acquire our common stock equals or exceeds the $6.50 per share merger consideration, such option will be cancelled without payment. Each restricted stock unit outstanding at the effective time of the merger will be cancelled and converted into the right to receive $6.50 in cash, without interest and less applicable withholding tax.

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Q: What should I do now?

A: We urge you to read this proxy statement carefully in its entirety, including its appendices, and to consider how the merger affects you. If you are a stockholder of record, then you can ensure that your shares are voted at the special meeting by completing, signing and dating the enclosed proxy card and returning it in the envelope provided. If you hold your shares in street name, you can ensure that your shares are voted at the special meeting by instructing your bank or brokerage firm on how to vote, as discussed above. Unless you give other instructions on your proxy, the persons named as proxy holders on the proxy card will vote FOR the adoption of the merger agreement and FOR adjournment or postponement, if necessary or appropriate, to solicit additional proxies in favor of adoption of the merger agreement in accordance with the recommendation of our Board of Directors. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by our Board of Directors or, if no recommendation is given, in their own discretion.

Q: Should I send in my stock certificates now?

A: No. If the merger agreement is approved and adopted and other conditions to the merger are satisfied, shortly after the merger is completed you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to Wells Fargo Shareowner Services, the paying agent appointed by vRad. **YOU SHOULD NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY CARD.**

Q: When do you expect the merger to be completed?

A: We are working towards completing the merger as soon as possible. Assuming timely satisfaction of necessary closing conditions, we expect the merger to be completed in either the fourth quarter of 2010 or the first quarter of 2011.

Q: When will I receive the cash payment for my shares?

A: Assuming that you do not elect to exercise your appraisal rights, shortly after the effective time of the merger, Wells Fargo Shareowner Services will send to you a letter of transmittal with instructions regarding the surrender of your share certificates in exchange for the merger consideration. Once you have delivered an executed copy of the letter of transmittal together with your share certificates to Wells Fargo Shareowner Services, it will promptly pay the merger consideration owing to you, without interest and less any applicable withholding taxes.

Q: Where can I find more information about NightHawk?

A: We file reports, proxy statements and other information with the Securities and Exchange Commission, referred to as the SEC, under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. You may read and copy this information at the SEC s public reference facilities. You may call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at *www.sec.gov*. You can also request copies of these documents from us. See Where You Can Find More Information on page 57.

Q: Who can help answer my other questions?

A: If you have more questions about the merger, you should contact NightHawk s Investor Relations Department by (i) writing NightHawk, 4900 N. Scottsdale Road, Scottsdale, AZ 85251, Attention: Investor Relations, (ii) calling (480) 822-4000, or (iii) visiting our website at *www.nighthawkrad.net*. You also may contact Georgeson, our proxy solicitor, at (800) 509-0983. If your bank or brokerage firm holds your shares, you may call your bank or brokerage firm for additional information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain not only historical information, but also forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our expectations or beliefs concerning future events, including the timing of the merger and other information relating to the merger. Without limiting the foregoing, the words believes, anticipates, plans, expects, intends, forecasts, sho estimates and similar expressions are intended to identify forward-looking statements. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information and may involve known and unknown risks over which we have no control. Those risks include, without limitation:

- the satisfaction of the conditions to consummation of the merger, including the adoption of the merger agreement by our stockholders and the receipt of certain governmental approvals;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement, including a termination under circumstances that could require us to pay a termination fee of up to $6.6 million to vRad or to reimburse vRad s transaction expenses in an amount of up to $2.4 million if the merger agreement is terminated under certain circumstances;
- the effect of the announcement or pendency of the merger on our business relationships, operating results and business generally, including our ability to retain key employees;
- the risk that the merger may not be completed in a timely manner or at all, which may adversely affect our business and the price of our common stock;
- the potential adverse effect on our business, properties and operations because of certain covenants we agreed to in the merger agreement;
- the outcome of any legal proceedings that may be instituted against NightHawk and others relating to the merger agreement;
- risks related to diverting management s attention from our ongoing business operations; and
- other risks detailed in our filings with the SEC, including the risks described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009 and in our subsequent periodic filings on Form 10-Q. See Where You Can Find More Information on page 57.

We believe that the assumptions on which the forward-looking statements in this proxy statement are based are reasonable. However, we cannot assure you that the actual results or developments we anticipate will be realized or, if realized, that they will have the expected effects on our business or operations. In light of significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on such statements. We undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements in this proxy statement to reflect events or circumstances after the date of this proxy statement or to update reasons why actual results could differ from those anticipated in forward-looking statements in this proxy statement. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Forward-looking statements speak only as of the date of this proxy statement or the date of any document incorporated by reference into this document.

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THE SPECIAL MEETING

Date, Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders in connection with the solicitation of proxies by our Board of Directors for use at the special meeting of our stockholders to be held on [ ], [ ], 2010, at [ ] (Arizona Time), at our headquarters, located at 4900 N. Scottsdale Road, 6th Floor, Scottsdale, AZ 85251, or at any postponement or adjournment thereof. The purpose of the special meeting is for our stockholders to consider and vote upon the adoption of the merger agreement, and to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Our stockholders must adopt the merger agreement for the merger to occur. If our stockholders do not adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Appendix A. This proxy statement and the enclosed form of proxy are first being mailed to our stockholders on or about [ ], 2010.

Record Date and Quorum

The holders of record of our common stock as of the close of business on [ ], 2010, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. On the record date, there were [ ] shares of our common stock outstanding. Each share of our common stock is entitled to one vote on each matter to be voted on at the special meeting.

A quorum is necessary to hold the special meeting. The holders of a majority of the outstanding shares of our common stock at the close of business on the record date represented in person or by proxy will constitute a quorum for purposes of the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining whether a quorum is present at the special meeting and any postponement or adjournment of the special meeting. However, if a new record date is set for the adjourned or postponed special meeting, then a new quorum must be established.

Required Vote

Under Delaware law, the merger cannot be completed unless the holders of a majority of the outstanding shares of our common stock entitled to vote at the close of business on the record date for the special meeting vote for the adoption of the merger agreement. Each outstanding share of our common stock is entitled to one vote.

Approval of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of holders representing a majority of the shares present in person or by proxy at the special meeting.

Proxies; Revocation

If you are a stockholder of record and submit a proxy by returning a signed proxy card by mail, your shares will be voted at the special meeting as you indicate on your proxy card. If no instructions are indicated on your signed proxy card, your shares of our common stock will be voted FOR the adoption of the merger agreement and FOR any adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

The persons named as proxies may propose and vote for one or more postponements or adjournments of the special meeting to solicit additional proxies.

If your shares are held in street name by your bank or brokerage firm, you should instruct your bank or brokerage firm how to vote your shares using the instructions provided by your bank or brokerage firm. If you

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have not received such voting instructions or require further information regarding such voting instructions, contact your bank or brokerage firm and they can give you directions on how to vote your shares. Banks or brokerage firms who hold shares in street name for customers may not exercise their voting discretion with respect to the approval of non-routine matters such as the adoption of the merger agreement. Therefore, absent specific instructions from the beneficial owner of the shares, banks or brokerage firms are not empowered to vote the shares with respect to the adoption of the merger agreement (i.e., broker non-votes). If your shares of NightHawk common stock are held in street name by a bank or brokerage firm, you must obtain a legal proxy from such bank or brokerage firm in order to vote in person at the special meeting. Shares of our common stock held by persons attending the special meeting but not voting, or shares for which we have received proxies with respect to which holders have abstained from voting, will be considered abstentions. Abstentions and properly executed broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists but will have the same effect as a vote AGAINST the adoption of the merger agreement. Abstentions also will have the same effect as a vote AGAINST any adjournment or postponement of the special meeting, but broker non-votes will have no effect with respect to the adjournment or postponement proposal.

You may revoke your proxy before the vote is taken at the special meeting. To revoke your proxy, you must (i) advise our Corporate Secretary of the revocation in writing, which must be received by our Corporate Secretary before the time of the special meeting; (ii) submit by mail a new proxy card dated after the date of the proxy you wish to revoke, which we must receive before the time of the special meeting; or (iii) attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

Please note that if you hold your shares in street name and you have instructed your bank or brokerage firm to vote your shares, the options for revoking your proxy described in the paragraph above do not apply and instead you must follow the directions provided by your bank or brokerage firm to change your vote.

We do not expect that any matter other than the adoption of the merger agreement (and approval of the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies) will be brought before the special meeting. The persons appointed as proxies will have discretionary authority to vote upon other business unknown by us a reasonable time prior to the solicitation of proxies, if any, that properly comes before the special meeting and any adjournments or postponements of the special meeting.

Adjournments and Postponements

Although it is not expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than by an announcement made at the special meeting of the time, date and place of the adjourned meeting. Whether or not a quorum exists, the holders of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote at the meeting may adjourn the special meeting. If no instructions are indicated on your proxy card, your shares of our common stock will be voted FOR any adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Solicitation of Proxies

We will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, our directors, officers and employees may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. vRad, directly or through one or more affiliates or representatives, may, at its own cost, also make additional solicitations by mail, telephone, facsimile or other contact in connection with the merger.

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We made arrangements with Georgeson to assist in our solicitation of proxies for the special meeting and in communicating with stockholders regarding the merger agreement and the merger. We agreed to pay Georgeson a fee of $7,500 for proxy solicitation services and to reimburse Georgeson for reasonable out of pocket expenses.

We will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

PARTIES TO THE MERGER

NightHawk Radiology Ho ldings, Inc.

NightHawk Radiology Holdings, Inc. is a Delaware corporation leading the transformation of the practice of radiology by providing high-quality, cost-effective solutions in the United States. NightHawk provides a complete suite of solutions, designed to increase efficiencies and improve the quality of patient care and the lives of radiologists. NightHawk s team of U.S. board-certified, state-licensed, and hospital-privileged physicians are located in the United States, Australia, and Switzerland. They provide services 24 hours a day, 7 days a week, to nearly 1,500 sites.

NightHawk s principal executive offices are located at 4900 N. Scottsdale Road, 6 Floor, Scottsdale, AZ 85251, and its telephone number is (480) 822-4000.

Virtual Radiologic Corporation

Virtual Radiologic Corporation, or vRad, is a Delaware corporation that combines a management and technology organization with affiliated medical practices to function as a national radiology practice working in partnership with local radiologists and hospitals to optimize radiology s pivotal role in patient care. Delivering access to extensive subspecialty coverage, vRad contributes to improved quality of patient care. And with its next-generation technology, vRad enhances productivity, helping to lower the overall cost of care while expediting time to diagnosis and treatment. Upon completion of the merger, NightHawk will be a direct wholly owned subsidiary of vRad.

vRad s principal executive offices are located at 11995 Singletree Lane, Suite 500, Eden Prairie, Minnesota 55344, and its telephone number is (952) 595-1100.

Eagle Merger Sub Corporation

Eagle Merger Sub Corporation, or Merger Sub, is a Delaware corporation formed by vRad solely for purposes of entering into the merger agreement and consummating the transactions contemplated by the merger. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Merger Sub will merge with and into NightHawk, with NightHawk continuing as the surviving corporation. Merger Sub currently has *de minimis* assets and has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

Merger Sub s principal executive offices are located at 11995 Singletree Lane, Suite 500, Eden Prairie, Minnesota 55344, and its telephone number is (952) 595-1100.

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THE MERGER

General

If the merger is completed, all of the equity interests in NightHawk will be owned by vRad.

Background of the Merger

The following chronology summarizes the key meetings and events that led to the signing of the merger agreement. During this period, representatives of NightHawk held many conversations, both by telephone and in person, about possible strategic alternatives, including the sale of NightHawk. The following chronology covers only the key events that led to the signing of the merger agreement, and does not purport to catalogue every conversation among representatives of NightHawk or between representatives of NightHawk and other parties.

The Board of Directors, or the Board, and management of NightHawk have regularly engaged in a review of NightHawk s business plans and other strategic opportunities, including the evaluation of the markets in which NightHawk competes, the possibility of pursuing strategic alternatives, such as acquisitions, and the possible sale of NightHawk, each with the view toward enhancing stockholder value. In addition, NightHawk has held discussions from time to time with various companies and private equity firms that expressed preliminary interest in pursuing a potential acquisition of NightHawk.

For example, in April 2008 the Board engaged Morgan Stanley as its financial advisor to explore strategic alternatives. From April 2008 to December 2008, NightHawk worked with representatives of Morgan Stanley to develop initial offering materials, identified 10 potential buyers and contacted such potential buyers to explore a potential strategic transaction. vRad was not identified as a potential buyer. The process did not result in an offer that the Board deemed to be superior to NightHawk s prospects as a standalone company, and, in December 2008, NightHawk terminated the Morgan Stanley engagement letter.

From time to time beginning in May 2009, Mr. Engert, who became NightHawk s president and chief executive officer in November 2008, and Mr. Robert Kill, chief executive officer of vRad, had high-level conversations in which the possibility of a business combination was discussed. The discussions were originally initiated by a phone call from Mark Jennings, a member of the board of vRad, to Peter Chung, an outside director of NightHawk. These conversations were preliminary in nature and no transaction terms were discussed.

In December 2009, vRad initiated a process to explore a possible strategic transaction that ultimately led to its acquisition by affiliated investment funds of Providence Equity Partners, L.L.C., or Providence. During the auction process, vRad and its financial advisor initially contacted 53 potential buyers (of which 14 were strategic buyers and 39 were financial buyers). Thirteen parties submitted initial bids and, after multiple rounds of bidding, vRad agreed to by acquired by Providence.

In connection with such process on March 31, 2010 and again on April 6, 2010, Mr. Kill contacted Mr. Engert to determine if NightHawk would be interested in pursuing a potential business combination with vRad, either as a participant in the vRad auction process, or, alternatively, involving an acquisition of NightHawk by vRad. These conversations were also preliminary in nature and no transaction terms were discussed.

On April 9, 2010, NightHawk and vRad entered into a non-disclosure agreement to facilitate discussions regarding a potential business combination.

From April 9, 2010 through May 14, 2010, Mr. Engert and Mr. Kill had a number of conversations during which a potential business combination was discussed and during which Mr. Kill expressed vRad s interest in entering into a business combination. Such conversations were preliminary in nature and no transaction terms were discussed.

On May 12, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and a representative of Wilson

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Sonsini Goodrich & Rosati, Professional Corporation, or WSGR, outside counsel to NightHawk. Mr. Engert relayed to the Board the substance of his telephone conversations with Mr. Kill. Following discussion, the Board authorized Mr. Engert to continue his conversations with Mr. Kill and directed Mr. Engert to report any developments to the Board.

On or about May 14, 2010, Mr. Engert and Mr. Kill had another telephone conversation during which Mr. Engert asked if vRad intended to make a formal proposal with respect to a business combination between NightHawk and vRad. However, no formal proposal was ultimately made.

On May 17, 2010, vRad announced its agreement to be acquired by Providence.

Following vRad s announcement, on May 17, 2010, the Board held a special telephonic board meeting at which all directors and NightHawk s general counsel were in attendance. The Board discussed the announcement of the agreement between vRad and Providence and, following discussion, authorized Mr. Engert to communicate to Mr. Kill, and Mr. Engert did so communicate, that it was in the best interest of both parties to cease further discussions regarding a potential business combination at such time.

On May 27, 2010, Eran Broshy, a representative of Providence, sent an email to Mr. Engert requesting a conversation to discuss the possibility of a possible acquisition of NightHawk by Providence.

On June 2, 2010, Mr. Engert and Mr. Broshy had an initial discussion regarding a possible acquisition of NightHawk by Providence. During that conversation, Mr. Engert informed Mr. Broshy that if Providence was interested in making a proposal, it should provide a formal indication of interest that he could present to the NightHawk Board.

On June 3, 2010, Mr. Broshy sent Mr. Engert an email in which he indicated that Providence was interested in pursuing discussions regarding an acquisition of NightHawk. Mr. Engert responded with an email that the attorneys for Providence should contact NightHawk s general counsel to negotiate a non-disclosure agreement to facilitate discussions regarding a potential business combination.

On June 7, 2010, NightHawk and Providence entered into a non-disclosure agreement to facilitate discussions regarding a potential acquisition of NightHawk by Providence.

On June 18, 2010, NightHawk s chief financial officer met with representatives of Providence to discuss high-level financial due diligence.

On June 28, 2010, Mr. Engert met with representatives of Providence during which the possibility of an acquisition of NightHawk by Providence was discussed. Mr. Engert again informed Providence that, if Providence was interested in moving forward, it should submit a written offer letter with a specific price and terms that Mr. Engert could take to the NightHawk Board.

On June 29, 2010, Providence delivered a non-binding letter to NightHawk expressing an interest in acquiring NightHawk for a price equal to $7.00 per share in cash, either directly or through vRad, and outlining a potential timeline of due diligence that would enable Providence to submit a formal proposal.

On June 30, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR. Mr. Engert discussed the substance of Providence s non-binding indication of interest and management relayed conversations with representatives of Providence. Representatives of WSGR reviewed with the Board its fiduciary duties with respect to the indication of interest. Following extensive discussion, the Board instructed management to negotiate proposals for retention of a financial advisor in connection with the indication of interest to be presented to the Board for consideration from Morgan Stanley and another investment banking firm.

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On July 2, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and a representative of WSGR. Mr. Engert led a discussion of the proposals submitted by Morgan Stanley and the other investment banking firm to serve as NightHawk s financial advisor. After discussion, the Board directed Mr. Engert to negotiate an engagement letter with Morgan Stanley and present such letter to the Board for approval.

On July 2, 2010, a representative of Providence called a representative of Morgan Stanley regarding the non-binding proposal by Providence to acquire NightHawk and indicated that Providence s proposal was predicated on NightHawk s agreement to enter into exclusive negotiations with Providence.

On July 5, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR. Mr. Engert and NightHawk s general counsel, along with the representatives of WSGR, led a discussion of the terms of the proposed agreement pursuant to which Morgan Stanley would be engaged as NightHawk s financial advisor; the Board approved such agreement. Representatives of Morgan Stanley then joined the meeting and, among other things, discussed with the Board its July 2 conversation with a representative of Providence.

On July 6, 2010, NightHawk received an unsolicited, non-binding investment proposal from an investment vehicle formed by individuals to acquire NightHawk, which we refer to as Party A. Party A proposed that it acquire between 51% and 100% of NightHawk s shares at a price range from $3.50 to $4.50 per share. It was anticipated that a portion of the consideration would include equity of the surviving entity. Such proposal was contingent on Party A obtaining equity and debt financing for such transaction.

Also on July 6, 2010, representatives of Providence and Morgan Stanley had a conversation in which Providence again indicated that its non-binding proposal to acquire NightHawk was predicated on NightHawk s agreement to enter into exclusive negotiations with it, and that if NightHawk initiated a process to solicit interest from other parties, Providence would withdraw its initial offer. The representatives of Providence also indicated that any Providence offer might make in connection with a sales process initiated by NightHawk would be at a valuation lower than that reflected in its June 29 proposal.

On July 8, 2010, NightHawk and Morgan Stanley executed the engagement letter.

On July 9, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Representatives of Morgan Stanley discussed Providence s proposal. Morgan Stanley also reviewed the 2008 process in which NightHawk considered a sale (which was one of several factors that the Board considered in connection with its analysis of the likelihood that a superior offer would be made if NightHawk initiated a process to solicit interest from other parties) and discussed various alternatives available to NightHawk, including with respect to responding to Providence s offer and other potential acquirers for NightHawk. Further, representatives of Morgan Stanley relayed to the Board Providence s position with respect to a binding agreement to enter into exclusive negotiations. Extensive discussion ensued during which, among other things, representatives of WSGR reviewed with the Board its fiduciary duties with respect to Party A s indication of interest and the Providence proposal. In light of the relatively low purchase price and the financing contingency in Party A s indication of interest, the Board determined that it was unlikely that Party A would present a compelling offer. The outside directors then met with representatives of WSGR and Morgan Stanley outside of the presence of management. After such discussion, management rejoined the meeting, the Board directed representatives of Morgan Stanley to seek an increase in the proposed purchase price, and instructed Morgan Stanley to report Providence s response to the Board.

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On July 10, 2010, NightHawk s Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Representatives of Morgan Stanley reported to the Board that Providence s response was that (i) its offer price would not be increased, (ii) as previously indicated, if NightHawk were to seek alternative proposals from other parties, it would withdraw its offer and if it submitted an offer in connection with a sales process initiated by NightHawk, it would be at a valuation lower than that reflected in its June 29 proposal and (iii) if NightHawk agreed to enter into exclusive negotiations with Providence, it would attempt to complete its due diligence process and negotiate a definitive agreement within 30 days. Extensive discussion ensued during which, among other things, representatives of WSGR reviewed with the Board its fiduciary duties and representatives of Morgan Stanley led a discussion regarding NightHawk s alternatives. After discussion, the Board instructed Morgan Stanley to inform Providence that (i) NightHawk would allow Providence to move forward with its initial due diligence process to allow it to affirm its offer price, analyze potential regulatory risks associated with a business combination and provide additional detail regarding financing and a definitive agreement and (ii) once it had completed its initial due diligence process, it should affirm, clarify and potentially enhance its offer. In addition, the Board authorized management and Morgan Stanley to provide materials responsive to Providence s due diligence request. The Board did not authorize NightHawk to enter into exclusive negotiations, pending Providence s response.

Subsequent to such board meeting, on July 10, 2010, representatives of Morgan Stanley communicated to representatives of Providence that it should complete its initial due diligence process and, at the end of such process, submit an updated proposal confirming its offer price and providing additional detail regarding its proposal, including financing of the proposed transaction, provision for a post signing go-shop period during which NightHawk could solicit alternative proposals and its view with respect to regulatory risks with respect to the proposed transaction.

On July 12, 2010, Providence s acquisition of vRad was consummated.

On July 15, 2010, in light of Providence s acquisition of vRad, NightHawk and vRad entered into a non-disclosure agreement that replaced the separate agreements previously entered into with vRad and Providence. In addition, NightHawk received vRad s initial due diligence materials request list.

On July 19, 2010 members of NightHawk s executive management, including Mr. Engert and NightHawk s chief financial officer and general counsel, met with representatives of Providence and vRad in Denver, Colorado to allow them to conduct in-person due diligence.

On July 23, 2010, NightHawk received a non-binding letter of interest to enter into a business combination with vRad. The non-binding letter of interest (i) reaffirmed a $7.00 per share offer price, (ii) provided for a 30-day go-shop period after the signing of a definitive acquisition agreement, (iii) provided that such transaction would not be subject to any financing contingency, (iv) included a more extensive request for information about NightHawk and (v) provided for an exclusive negotiation period with vRad.

On July 25, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Extensive discussion ensued during which, among other things, representatives of WSGR reviewed with the Board its fiduciary duties and representatives of Morgan Stanley reviewed a preliminary financial analysis of NightHawk and the Providence offer. Following discussion, the Board directed Morgan Stanley to seek changes to vRad s non-binding letter of interest to increase the certainty of closing related to a potential transaction and covenants enhancing the Board s ability to satisfy its fiduciary obligations.

On July 26, 2010, representatives of Morgan Stanley and vRad discussed proposed changes to the non-binding letter of interest.

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On July 28, 2010, representatives of each of WSGR and Weil, Gotshal & Manges, LLP, counsel for vRad, or Weil, had further discussions regarding the letter of interest, the proposed exclusivity period and regulatory matters associated with the proposed transaction.

On July 29, 2010, the Board held a regularly scheduled meeting in San Francisco, California at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Extensive discussion ensued during which, among other things, representatives of WSGR reviewed with the Board its fiduciary duties and representatives of Morgan Stanley presented a preliminary financial analysis regarding NightHawk and the vRad offer.

On July 30, 2010, NightHawk received a revised non-binding letter of interest from vRad which (i) reaffirmed a $7.00 per share offer price, (ii) changed the post-signing 30-day go-shop period to include an additional 15-day period to continue discussions with parties with which NightHawk conducted discussions during the go-shop period and if the merger agreement was terminated by NightHawk to enter into a superior acquisition proposal during such additional period, then a lower termination fee would be payable, (iii) included changes that increased the certainty of closing a potential transaction, (iv) included provisions enhancing the Board s ability to satisfy its fiduciary obligations and (v) provided that NightHawk would enter into exclusive negotiations with vRad for a period ending on August 25, 2010, which period would be automatically extended in one week increments (not more than twice) so long as vRad was working diligently and in good faith to complete its due diligence process and negotiate a definitive agreement.

On August 1, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Extensive discussion ensued during which, among other things, representatives of WSGR reviewed with the Board its fiduciary duties and representatives of Morgan Stanley presented a preliminary financial analysis with respect to the vRad offer. In light of (i) the results of NightHawk s previous pursuit of strategic alternatives during the 2008 sale process; (ii) an analysis of the recently-completed acquisition of vRad, which resulted from an extensive auction process; (iii) a financial analysis of vRad s offer using methodologies similar to those described in the section of this proxy statement captioned Opinion of the Financial Advisor to NightHawk ; (iv) vRad s repeated insistence on exclusivity as a condition to proceed; and (v) the go-shop and other fiduciary provisions of the vRad offer, among other factors, the Board determined that the potential benefits associated with pursuit of alternatives (including the possibility of seeking alternative offers) would be outweighed by the effect that such a process may have on vRad s offer. After such discussion, the Board authorized management to enter into the non-binding letter of interest, including the binding exclusivity period.

On August 2, 2010, NightHawk and vRad executed the non-binding letter of interest, including the binding exclusivity period, which began as of July 30, 2010.

On August 2, 2010, NightHawk began to make written materials available in response to vRad s due diligence request.

During the week of August 9, 2010, representatives of NightHawk, Morgan Stanley, vRad and Providence had a series of telephone conversations regarding vRad s and Providence s due diligence requests.

On August 16, 2010, an in-person due diligence session was conducted in Scottsdale, Arizona in which members of management and representatives of vRad, Providence, KPMG LLP (advisors to vRad) and Morgan Stanley participated.

In addition, on August 16, 2010, NightHawk received an unsolicited initial inquiry from a private equity fund, which we refer to as Party B, regarding a possible strategic transaction. In light of NightHawk s exclusivity agreement with vRad, it did not respond to Party B.

On August 18, 2010, NightHawk received an initial draft of the merger agreement from Weil, which agreement was substantiality similar to the agreement between vRad and Providence. Between August 18, 2010 and August 20, 2010, members of management and representatives of WSGR and Morgan Stanley had extensive

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discussions regarding the draft merger agreement and, on August 20, 2010, WSGR returned a revised merger agreement to Weil. The material changes reflected in such revised merger agreement related to: (i) enhancing the certainty that the merger be consummated, including (a) provisions that any material adverse effect on NightHawk s relationships with third parties be presumptively attributed to the announcement of the proposed merger and providing that vRad have the burden to prove otherwise, (b) covenants with respect to vRad s financing of the proposed merger and (c) imposition of higher standards of post announcement conduct to facilitate consummation of the proposed merger and consequences for failing to meet such standards; (ii) enhancing the Board s ability to satisfy its fiduciary duties in the go-shop and certain other provisions of the merger agreement; (iii) providing additional flexibility in the conduct of business and related covenants; (v) the capitalization adjustment; (vi) what constitutes a superior proposal; and (vii) termination fees and expenses.

On August 24, 2010, Mr. Engert sent an email to the members of the Board updating them as to the status of the diligence process and negotiation of the merger agreement. Subsequent to that email, Weil delivered to NightHawk a revised draft of the merger agreement in response to NightHawk s comments. The material changes reflected in such revised merger agreement related to: (i) the capitalization adjustment; (ii) the material adverse effect provision; (iii) actions vRad may be required to take in connection with HSR approval; (iv) the go-shop provisions and what constitutes a superior proposal; and (v) termination fees and expenses.

On August 25, 2010, representatives of WSGR and Weil held a teleconference during which the merger agreement was discussed. In addition, in response to a request from vRad and at the direction of Mr. Engert, representatives of Morgan Stanley informed representatives of vRad that NightHawk agreed that the conditions for a one-week extension of the exclusivity period had been satisfied.

On August 26, 2010, NightHawk conducted a teleconference with representatives of Providence to discuss outstanding diligence matters so that they could finalize their presentation to Providence s investment committee.

On August 29, 2010, WSGR, after extensive discussions with management, sent a revised merger agreement to Weil. The material changes reflected in such revised merger agreement related to: (i) enhancing the certainty that the merger be consummated, including provisions that any material adverse effect on NightHawk s relationships with third parties be presumptively attributed to the announcement of the proposed merger and providing that vRad have the burden to prove otherwise and provisions related to the standards of post announcement conduct to facilitate consummation of the proposed merger; (ii) enhancing the Board s ability to satisfy its fiduciary duties; (iii) providing additional flexibility in the conduct of business and related covenants; and (iv) the capitalization adjustment.

On August 30 and 31, 2010, Weil delivered to NightHawk revised drafts of the merger agreement and representatives of WSGR and Weil conducted a series of telephone conversations regarding the merger agreement, during which the material open terms of the merger agreement were discussed. Such terms related to (i) provisions related to the standards of post announcement conduct to facilitate consummation of the proposed merger and (ii) NightHawk s conduct of business and related covenants.

On August 31, 2010, representatives of Providence conveyed to Mr. Engert that its investment committee had met and had approved the acquisition by vRad of NightHawk, but at an offer price of $6.00 per share. Subsequent to such telephone conversation, a representative of vRad conveyed vRad s position to representatives of Morgan Stanley. In response to questions from representatives of Morgan Stanley, the representative of vRad indicated that it would not increase such offer.

On September 1, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Extensive discussion ensued during which, among other things, representatives of Morgan Stanley provided a preliminary financial analysis of the revised vRad offer and WSGR reviewed with the Board its fiduciary duties and the status of the negotiation of the merger agreement. After such discussion, the Board

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directed Morgan Stanley to communicate to vRad that (i) the proposal was not complete since, among other things, it had not provided debt commitment letters for review and (ii) the Board would not respond to the revised proposal until it was complete but that work should continue so that a complete offer could be presented to and evaluated by the Board.

On September 2, 2010, representatives of Morgan Stanley conveyed the Board s response to vRad. A representative of Providence responded that Providence s investment committee had authorized the transaction to proceed if NightHawk agreed to a price of $6.00 per share and an extension of the exclusivity period through September 10, 2010 during which time the merger agreement and debt commitment letters would be finalized. After consultation with management and representatives of WSGR, in a subsequent teleconference, representatives of Morgan Stanley reiterated that the exclusivity period would not be extended but encouraged Providence and vRad to complete the proposal.

Between September 2, 2010 and September 15, 2010, NightHawk delivered additional information in response to vRad s and Providence s requests and the parties worked toward completion of the merger agreement. The principal open terms in the merger agreement related to (i) provisions related to the standards of post announcement conduct to facilitate consummation of the proposed merger and (ii) NightHawk s conduct of business and related covenants.

On September 9, 2010, NightHawk received drafts of vRad s debt commitment letters. Between September 9, 2010 and September 15, 2010, representatives of WSGR, after discussion with members of NightHawk s management and representatives of Morgan Stanley, provided comments to such debt commitment letters to enhance certainty that the proposed transaction would close as contemplated.

On September 10, 2010, a NightHawk director received an email from the financial advisor to Party B regarding its August 16, 2010 inquiry.

On September 15, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Mr. Engert updated the Board regarding the continued discussions with vRad and Providence and advised them that, other than price, all of the open issues related to the transaction had been finalized. Then Mr. Engert, NightHawk s general counsel and a representative of WSGR discussed the terms of the proposed merger agreement and the process and risks associated therewith. Next, Mr. Engert, NightHawk s chief financial officer and representatives of Morgan Stanley led a discussion of (i) the revised offer price of $6.00 per share; (ii) the financial condition, results of operations, business and NightHawk s strategic objectives; (iii) a financial analysis of vRad s offer using methodologies similar to those described in the section of this proxy statement captioned Opinion of the Financial Advisor to NightHawk ; and (iv) possible alternatives to the proposed business combination, including NightHawk s prospects if NightHawk remained an independent company. Following extensive discussion, representatives of WSGR reviewed with the Board its fiduciary duties. After continued discussion of the proposed offer, various potential negotiation strategies and the risks associated with such strategies, the Board directed a representative of Morgan Stanley to inform representatives of vRad that it would not accept the proposal unless the offer price of $6.00 per share was increased.

On September 16, 2010, representatives of Morgan Stanley conveyed the Board s position to representatives of vRad. vRad responded by indicating that it would not continue discussions.

On September 20, 2010, a representative of vRad contacted representatives of Morgan Stanley to request a meeting.

Also on September 20, 2010, NightHawk received a preliminary, non-binding indication of interest from Party B to acquire 100% of NightHawk s shares at a price range from $3.50 to $4.50 per share in cash, subject to due diligence.

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On September 21, 2010, representatives of vRad and Morgan Stanley met and vRad indicated its desire to continue to pursue the proposed transaction. Following the meeting, representatives of vRad contacted Mr. Engert and indicated its desire to continue to pursue the proposed transaction. Mr. Engert relayed to the representatives of vRad that the then-current offer of $6.00 per share was not acceptable to NightHawk.

On September 21, in a discussion with Mr. Engert, a representative of vRad increased vRad s offer price to $6.50 per share, and Mr. Engert agreed to discuss the revised offer with the Board.

On September 22, 2010, the Board held a special telephonic board meeting at which all directors were in attendance, along with NightHawk s chief financial officer and general counsel and representatives of WSGR and Morgan Stanley. Mr. Engert, NightHawk s chief financial officer and representatives of Morgan Stanley led a discussion of (i) the revised offer price; (ii) the financial condition, results of operations, business of NightHawk and NightHawk s strategic objectives; (iii) a financial analysis of vRad s offer using methodologies similar to those described in section of this proxy statement captioned Opinion of the Financial Advisor to NightHawk ; and (iv) possible alternatives to the proposed business combination, including NightHawk s prospects if NightHawk remained an independent company, and the non-binding indication of interest from Party B. Following extensive discussion, representatives of WSGR reviewed with the Board its fiduciary duties. Given that (a) the offer price by Party B was substantially inferior to that proposed by vRad, (b) Party B had not begun any due diligence review and (c) Party B would have the opportunity to participate in the go-shop period, and in light of (x) the revised price proposal from vRad, (y) the fact that the other terms of the vRad proposal were substantively complete and satisfactory to the Board and (z) the Board s review of NightHawk s other alternatives, the Board authorized management to continue discussions to complete the transaction with vRad.

On September 25, 2010, Mr. Kill and Mr. Engert discussed the terms of a proposed advisory arrangement for Mr. Engert, to take effect subsequent to the closing of the merger to help vRad ensure continuity during the post-closing integration process (which advisory agreement is described in greater detail in the section captioned Interests of Certain Persons in the Merger).

Between September 21 and 26, 2010, the parties finalized the definitive merger agreement and vRad finalized the definitive debt commitment letters with its lenders.

On September 26, 2010, NightHawk s Board held a special telephonic board meeting at which all directors were in attendance to consider the definitive merger agreement and the transactions contemplated by the merger agreement. At this meeting, representatives of WSGR summarized the terms of the merger agreement, the regulatory approval process, the vRad proposal for Mr. Engert s advisory arrangement and the directors fiduciary duties and responsibilities in connection with the proposed merger. Representatives of Morgan Stanley discussed the financial aspects of the proposed merger and the procedures that it had undertaken to evaluate the merger from a financial point of view, and responded to questions from NightHawk s board members. At the conclusion of its presentation, Morgan Stanley orally rendered its opinion to the Board, subsequently confirmed in writing, that as of September 26, 2010 and based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the $6.50 per share in cash to be received by holders of the shares of NightHawk s common stock pursuant to the merger agreement was fair from a financial point of view to such holders; see Opinion of the Financial Advisor to NightHawk. Following a discussion of a number of issues related to the merger agreement, the process that management, with the assistance of Morgan Stanley, would undertake during the go-shop period and the positive and negative factors bearing on whether the merger should be approved, the Board unanimously (i) determined that the merger was advisable and that the terms of the merger and the merger agreement were fair to, and in the best interests of, NightHawk s stockholders, (ii) recommended that NightHawk s stockholders vote in favor of the adoption of the merger agreement, and (iii) authorized management to execute the merger agreement and related agreements.

On the evening of September 26, 2010, NightHawk, vRad and Merger Sub signed the merger agreement.

On the morning of September 27, 2010, NightHawk and vRad publicly announced the merger through the issuance of a joint press release.

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Recommendation of our Board of Directors; Reasons for the Merger

Our Board of Directors unanimously approved the merger agreement, declared the merger agreement and the merger to be fair to, advisable and in the best interests of our stockholders, and resolved to recommend to NightHawk s stockholders that the stockholders adopt the merger agreement.

Our Board of Directors considered a number of factors in determining to recommend that our stockholders adopt the merger agreement, as more fully described below. **Our Board of Directors unanimously recommends that you vote FOR the adoption of the merger agreement.**

In reaching its conclusion regarding the fairness of the merger agreement to our stockholders, our Board of Directors considered the following factors, each of which our Board of Directors believes supported its conclusion, but which are not listed in any relative order of importance:

- the Board of Directors review of historical information concerning NightHawk s business, financial performance and condition, results of operations, technological and competitive position, as well as our business and strategic objectives;

- current financial market conditions and historical market prices, volatility and trading information with respect to NightHawk s common stock, as well as views of equity analysts regarding NightHawk;

- the fact that the $6.50 per share to be paid pursuant to the merger agreement constitutes a significant premium over the market price of our common stock, including:

  - a premium of approximately 122% over the average closing price of our common stock for the 30 calendar days prior to announcement of the merger;

  - a premium of approximately 132% over the average closing price of our common stock for the 90 calendar days prior to announcement of the merger; and

  - a premium of 100% over the closing price of our common stock on the trading day immediately prior to the announcement of the merger;

- the Board of Directors belief that the merger will result in greater value to our stockholders than the value that could be generated from other strategic alternatives available to us, including the option of remaining independent and pursuing our current strategic plan or making a strategic acquisition, taking into account the potential risks and uncertainties associated with each of such alternatives as compared to the liquidity and certainty of value provided by the $6.50 per share in cash to be paid to our stockholders pursuant to the merger agreement;

- the terms of the merger agreement, which were the product of arms-length negotiations between the Board of Directors and our advisors, on the one hand, and vRad and its advisors, on the other hand, including, without limitation:

  - the representations and warranties of us, vRad and Merger Sub;

that the merger is not subject to a financing condition and that vRad obtained debt commitment letters for the full amount of the aggregate merger consideration;

that the merger agreement permits us to seek specific performance by vRad and Merger Sub of their obligations under the merger agreement; and

that the merger agreement (i) provides for a post-signing go-shop period, during which we may, subject to certain requirements, solicit alternative proposals, (ii) allows NightHawk to respond to solicitations from third parties, subject to certain requirements, after the go-shop period, and (iii) at any time prior to the adoption of the merger agreement by the NightHawk stockholders, allows NightHawk to terminate the merger agreement to accept a superior proposal upon payment of a termination fee, all of which our Board of Directors believed were important in ensuring the merger would be substantively fair to our stockholders; see The Merger Agreement Acquisition Proposals by Third Parties beginning on page 46;

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the Board of Directors belief that the termination fees and expense reimbursement provisions in the merger agreement (described below under the section The Merger Agreement Acquisition Proposals by Third Parties beginning on page 46) (i) are reasonable in light of the overall terms of the merger agreement and the benefits of the merger, (ii) are within the range of similar precedent transactions and (iii) would not prevent a competing proposal;

the fact that the merger is subject to the adoption of the merger agreement by the holders of a majority of the outstanding shares of our common stock;

the fact that our stockholders who do not support the merger may seek appraisal of the fair value of their shares under Delaware law;

the oral opinion of Morgan Stanley rendered to the Board of Directors on September 26, 2010, subsequently confirmed in writing, to the effect that, as of that date, based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the $6.50 per share to be received by holders of shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The summary of Morgan Stanley s opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Appendix B to this proxy statement and sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion.

Our Board of Directors also considered a variety of potentially negative factors concerning the merger agreement and the merger, including the following factors, which are not listed in any relative order of importance:

the fact that the merger agreement contains a number of provisions that may discourage a third-party from making a superior proposal to acquire our company, including:

restrictions on our ability to solicit third party acquisition proposals after the go-shop period; and

the requirement that we pay a termination fee of $3.7 million or $6.6 million if the merger agreement is terminated under specified circumstances;

the fact that the merger agreement requires that we pay $2.4 million in documented out-of-pocket expenses to vRad, in the event that NightHawk stockholders fail to adopt the merger agreement or because the merger agreement is terminated by vRad because we have breached any representation or warranty, or any such representation or warranty of ours shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of ours, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after our receipt of written notice from vRad (which amount may be deducted from, and in the event we are required to pay, the termination fee);

the fact that the merger consideration will generally be taxable to our stockholders for U.S. federal income tax purposes;

the time and effort involved in seeking to consummate the merger, including the risk of diverting management s attention from other strategic priorities;

potential attrition of customers, employees and radiologists following announcement of the merger agreement;

the fact that, following the merger, our stockholders will not participate in any future growth or increase in the value of our company;

the fact that, while we expect the merger will be consummated, there can be no assurances that all conditions to the parties obligations to complete the merger agreement will be satisfied, including receipt of regulatory approvals, and, as a result, the merger may not be consummated;

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the restrictions on the conduct of our business contained in the merger agreement, which may limit our ability expand our business while the merger is pending; and

the substantial costs to be incurred in seeking to consummate the merger.

The foregoing discussion addresses the material factors considered by our Board of Directors in their consideration of the merger agreement and the merger, but is not exhaustive and does not present all of the factors considered by our Board of Directors. In light of the number and variety of factors and the amount of information considered, our Board of Directors did not find it practicable to quantify, rank, or otherwise assign relative weights to the specific factors considered in reaching their determination. Individual members of our Board of Directors may have given different weights to different factors. The determination to approve the merger agreement was made after consideration of all of the relevant factors as a whole, and our Board of Directors based their ultimate decision to approve the merger agreement and the merger on their business judgment that the potential risks and other negative aspects of the merger did not outweigh the benefits of the merger to our stockholders.

Opinion of the Financial Advisor to NightHawk

Morgan Stanley was engaged by the Company to provide it with financial advisory services in connection with the potential sale of the Company. At the meeting of the Board of Directors on September 26, 2010, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that, as of that date, based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the consideration of $6.50 per share to be received by holders of shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Morgan Stanley, dated September 26, 2010, which sets forth among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix B. Stockholders are urged to, and should, read the opinion carefully and in its entirety. Morgan Stanley s opinion is directed to the Board of Directors and addresses only the fairness, from a financial point of view, of the consideration to be received by the holders of shares of Company common stock pursuant to the merger agreement, as of the date of the opinion. Morgan Stanley s opinion does not address any other aspect of the transactions contemplated by the merger agreement and does not constitute a recommendation as to how any such holder should vote at the special meeting of stockholders or whether any such holder should take any other action with respect to the merger. The summary of the opinion of Morgan Stanley set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of the Company;

reviewed certain internal financial statements and other financial and operating data concerning the Company;

reviewed certain financial projections prepared by the management of the Company;

discussed the past and current operations and financial condition and the prospects of the Company with senior executives of the Company;

reviewed the reported prices and trading activity for the Company common stock;

compared the financial performance of the Company and the prices and trading activity of the Company common stock with that of certain other comparable publicly-traded companies and their securities;

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reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in discussions and negotiations among representatives of the Company and vRad and their financial and legal advisors;

reviewed the merger agreement, drafts of senior and subordinated debt commitment letters dated September 27, 2010, from certain lenders (together, the Commitment Letters), and certain related documents; and

performed such other analyses and considered such other factors as it deemed appropriate.

In rendering its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by the Company, which formed a substantial basis for its opinion. With respect to the financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company with respect to the future financial performance of the Company. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement, without any waiver, amendment or delay of any terms or conditions, and that vRad will obtain financing in accordance with the terms set forth in the Commitment Letters. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions would be imposed that would have a material adverse effect on the contemplated benefits expected to be derived by the Company s stockholders in the proposed merger. Morgan Stanley is not a legal, tax, regulatory or actuarial advisor. Morgan Stanley is a financial advisor only and relied upon, without independent verification, the assessment of the Company and its legal, tax, regulatory or actuarial advisors with respect to such matters. Morgan Stanley did not express an opinion with respect to the fairness of the amount or nature of the compensation to any of the Company s officers, directors or employees, or any class of such persons, relative to the consideration to be received by the holders of shares of Company common stock in the transaction. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of the Company, nor was it furnished with any such appraisals.

Morgan Stanley s opinion did not address the relative merits of the merger as compared to alternative transactions or strategies that might be available to the Company, or the underlying business decision of the Company to enter into the merger agreement. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it, as of September 26, 2010. Events occurring after September 26, 2010 may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving the Company, nor did Morgan Stanley negotiate with any parties, other than vRad, in connection with the possible acquisition of the Company.

Morgan Stanley s opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

The following is a brief summary of the material analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion letter dated September 26, 2010. Some of these summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

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Historical Share Price Performance. Morgan Stanley performed a trading range analysis with respect to the historical share prices of Company common stock. Morgan Stanley reviewed the range of closing and average prices of Company common stock for various periods ending on September 24, 2010. Morgan Stanley observed the following:

Period Ending September 24, 2010	Range of Closing Prices		
	Low	High	Average
Current			$ 3.25
Last 30 Trading Days	$ 2.71	$ 3.25	$ 2.93
Last 90 Trading Days	$ 2.25	$ 3.25	$ 2.80
Since January 1, 2010	$ 2.25	$ 4.60	$ 3.26

Morgan Stanley observed that the Company common stock closed at $3.25 on September 24, 2010 (the last full trading day prior to the announcement of the execution of the merger agreement) and compared that to the consideration of $6.50 per share to be received by holders of shares of Company common stock pursuant to the merger agreement. Morgan Stanley noted that the implied premium of such consideration was 100% when compared with the closing share price on September 24, 2010, 122% when compared to the 30-day trading average and 132% when compared to the 90-day trading average.

Securities Research Analysts Future Price Targets. Morgan Stanley reviewed the public market trading price targets for the Company common stock prepared and published by securities research analysts prior to September 26, 2010. These targets reflected each analyst s estimate of the future public market trading price of the shares. The range of equity analyst price targets for the Company was $3.50 per share to $4.00 per share. Morgan Stanley discounted the analysts price targets using a 12.5% cost of equity to derive a range of present values of these price targets. This range of present values resulted in a range of securities research analysts future price targets for the Company of approximately $3.11 per share to $3.56 per share.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for the shares and these estimates are subject to uncertainties, including the future financial performance of the Company and future financial market conditions.

Comparable Company Analysis. Morgan Stanley compared certain financial information of the Company with publicly-available information for certain companies in the radiology, healthcare department outsourcing and healthcare staffing industries, which companies share similar business characteristics with the Company. The peer group included:

Radiology

Virtual Radiologic Corporation, or vRad (prior to the announcement of its acquisition by Providence on May 14, 2010)

Department Outsourcing

MEDNAX, Inc.

Emergency Medical Services L.P.

Team Health, Inc.

IPC The Hospitalist Company, Inc.

Healthcare Staffing

AMN Healthcare Services, Inc.

Cross Country Healthcare, Inc.

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For this analysis, Morgan Stanley analyzed the following statistics for each of these companies, as of September 24, 2010 and based on estimates for the peer group companies provided by I/B/E/S and public filings:

- the ratio of aggregate value, defined as market capitalization plus total debt plus minority interests plus preferred capital less cash and cash equivalents (AV), to estimated calendar year 2011 earnings before interest, taxes, depreciation and amortization (EBITDA); and
- the ratio of price to estimated adjusted earnings per share for calendar year 2011.

Based on the analysis of the relevant metrics for each of the peer group companies, Morgan Stanley selected a representative range of multiples for the peer group companies and applied this range of multiples to the relevant Company financial statistics. For purposes of the Company s estimated calendar year 2011 EBITDA and adjusted earnings per share, Morgan Stanley utilized estimates provided by Company management (which, with respect to the Company s estimated calendar year 2011 EBITDA and earnings per share, excluded stock based compensation, amortization, certain non-recurring items and incurred but not reserved accruals). To estimate the implied value per share using estimated 2011 EBITDA, Morgan Stanley multiplied the Company s estimated 2011 EBITDA of $17.6 million by a range of comparable company multiples which resulted in a range of implied aggregate values. Morgan Stanley then deducted the Company s net debt position from this range of implied aggregate values to calculate a range of implied equity values. These estimated equity values were then divided by the Company s diluted share count to calculate a range of implied value per share (shown in table below). To estimate the implied value per share using estimated 2011 adjusted earnings per share, Morgan Stanley multiplied the Company s estimated 2011 adjusted earnings per share of $0.32 by a range of comparable company multiples which resulted in a range of implied values per share (shown in table below). Based on this analysis, the implied value per share of Company common stock as of September 24, 2010 is as follows:

	Comparable Company Multiple Range	Implied Value Per Share
Aggregate Value to 2011E EBITDA		
Virtual Radiologic (on May 14, 2010)	4.9x	$ 3.23
Department Outsourcing	6.9-8.3x	$ 4.61-5.57
Healthcare Staffing	5.8-9.4x	$ 3.85-6.33
Price to 2011 Adjusted Earnings Per Share		
Virtual Radiologic (on May 14, 2010)	15.5x	$ 4.90
Department Outsourcing	11.5-15.7x	$ 3.63-4.96
Healthcare Staffing	17.9-26.1x	$ 5.65-8.24

No company in the peer group comparison analysis is identical to the Company. In evaluating the peer group, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company, such as the impact of competition on the business of the Company or the industry generally, industry growth and the absence of any material adverse change in the financial condition and prospects of the Company or the industry or in the financial markets in general. Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using peer group data.

Present Value of Future Stock Price Analysis. Morgan Stanley performed an illustrative analysis of the present value of the Company s theoretical implied future price per share of Company common stock. In performing the present value of future stock price analysis, Morgan Stanley multiplied the EBITDA estimate for calendar year 2015, based on Company management forecasts, to AV to next-twelve-month (NTM) EBITDA multiples of 5.2x (current Company AV to NTM EBITDA multiple) and 7.6x (current median Department Outsourcing AV to NTM EBITDA multiple) in order to estimate the future aggregate value. The future equity share price is estimated by taking this future aggregate value and deducting net debt and dividing by the projected share count. The estimated future price per share was then discounted to June 30, 2010 using an 11% and a 14% cost of equity. Morgan Stanley used an illustrative cost of equity rate ranging from 11.0% to 14.0%,

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reflecting estimates of the Company s cost of equity using the Capital Asset Pricing Model (CAPM), which is based on certain financial metrics, including betas, for the Company and the comparable companies (described above). Using the mid-point of this cost of equity range of 12.5%, and the range of multiples described above, the implied value per share of Company common stock as of September 24, 2010 ranged from $2.83 to $3.79.

Analysis of Selected Precedent Transactions. Using publicly available information, Morgan Stanley reviewed the terms of the acquisition of Virtual Radiologic by Providence. Morgan Stanley reviewed the price paid and calculated the ratio of AV implied by the price paid to estimated EBITDA for the acquisition of Virtual Radiologic by Providence as of December 31, 2011. Based on this analysis, Morgan Stanley determined that Providence acquired Virtual Radiologic for 7.2x estimated 2011 EBITDA. Applying the same multiple to the Company would result in an implied equity value per share of Company common stock of $4.81.

Morgan Stanley also reviewed the premiums paid or proposed to be paid in all cash acquisitions of U.S. public companies with market capitalizations of less than $1 billion during the prior 20 year period. Morgan Stanley observed that the premiums paid or proposed to be paid in these transactions was between 30% to 50% of the target s pre-announcement trading price. This implied a range of $4.23 per share to $4.88 per share based on the closing price of the Company common stock on September 24, 2010. Morgan Stanley also observed that Virtual Radiologic was acquired by Providence for a 33% premium to the pre-announcement trading price of Virtual Radiologic, which, when applied to the Company, would result in an implied price of $4.32 per share.

No company utilized in the selected precedent transactions analysis is identical to the Company, nor is any transaction listed identical to the transactions contemplated by the merger agreement. In connection with this analysis, and in light of the relative scarcity of transactions that Morgan Stanley considered to be precedents for the purposes of the analysis, in addition to the acquisition of vRad by Providence, Morgan Stanley analyzed a broad set of transactions to provide additional context. In evaluating these transactions, Morgan Stanley made judgments and assumptions with regard to general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company, such as the absence of any adverse material change in the financial condition and prospects of the Company or its industry or in the financial markets in general.

Discounted Cash Flow Analysis. Morgan Stanley calculated a range of equity values per share of Company common stock based on a discounted cash flow analysis to value the Company as a standalone entity. Morgan Stanley analyzed the Company s business using information provided by Company management, including certain financial forecasts prepared by Company management for the fiscal years 2011 through 2015, discounted back to December 31, 2010. Morgan Stanley used discount rates ranging from 9.00% to 10.50%, reflecting estimates of the Company s weighted-average cost of capital. Morgan Stanley used an illustrative discount rate ranging from 9.00% to 10.50%, reflecting estimates of the Company s weighted-average cost of capital (WACC). The Company s WACC was calculated by estimating the Company s cost of equity using CAPM and estimating the Company s after-tax cost of debt using borrowing rates of comparable companies. Estimated terminal values for the Company were calculated using the perpetuity growth method by growing the 2015 unlevered free cash flow by a perpetuity growth rate range of 2.00% to 3.00%. This analysis resulted in a range of illustrative per share value indications of $4.03 per share to $5.45 per share.

Leveraged Buyout Analysis. Morgan Stanley performed an illustrative leveraged buyout analysis to estimate the theoretical purchase price that a financial buyer could pay in an acquisition of the Company. For purposes of this analysis, Morgan Stanley assumed illustrative leverage ratios of 4.0x to 5.0x and an assumed weighted-average interest rate on the buyer s debt of 9%, derived by Morgan Stanley utilizing its professional judgment and expertise. Estimated exit values for the Company were calculated by applying an exit value multiple of 6.0x to 7.0x 2015 EBITDA, as estimated by Company management. Morgan Stanley then derived a range of theoretical purchase prices based on an assumed required internal rate of return for a financial buyer of between 15.0% and 25.0%. This analysis implied a value range of $3.12 per share to $4.10 per share using Company management forecasts.

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In connection with the review by the Board of Directors of the transaction contemplated by the merger agreement, Morgan Stanley performed a variety of financial and comparative analyses for purposes of its opinion given in connection therewith. The preparation of a financial opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it to the exclusion of other analyses or factors. Furthermore, Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley s view of the actual value of the Company.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Company. Any estimates contained in Morgan Stanley s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of Morgan Stanley s analysis of the fairness from a financial point of view of the consideration of $6.50 to be received by the holders of shares of Company common stock pursuant to the merger agreement, and were conducted in connection with the delivery of Morgan Stanley s opinion to the Board of Directors. These analyses do not purport to be appraisals or to reflect the prices at which the Company common stock might actually trade. The consideration to be received by the holders of Company common stock and other terms of the merger agreement were determined through arm s-length negotiations between the Company and vRad and were approved by the Board of Directors. Morgan Stanley provided advice to the Company during such negotiations; however, Morgan Stanley did not recommend any specific consideration to the Company or that any specific consideration constituted the only appropriate consideration for the proposed transaction. In addition, as described above under the heading The Merger Recommendation of our Board of Directors; Reasons for the Merger, Morgan Stanley s opinion and presentation to the Board of Directors was one of many factors taken into consideration by the Board of Directors in making their decision to approve the merger agreement. Consequently, the Morgan Stanley analyses as described above should not be viewed as determinative of the opinion of the Board of Directors with respect to the consideration or the value of the Company, or of whether the Board of Directors would have been willing to agree to a different consideration.

The Board of Directors retained Morgan Stanley based upon Morgan Stanley s qualifications, experience and expertise and its knowledge of the business affairs of the Company. Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Its securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of vRad, the Company, or any other company, or any currency or commodity, that may be involved in the merger, or any related derivative instrument. In the two years prior to the date of its opinion, Morgan Stanley has provided financing services to the Company (including in connection with debt and equity financing transactions) for which Morgan Stanley received customary fees. In the two years prior to the date of its opinion, Morgan Stanley provided financial advisory and financing services to affiliates of Providence (including in connection with the acquisition and divestiture of such affiliates, and debt and equity financing transactions effected by such affiliates) and has received customary fees in connection with such services. Morgan Stanley did not provide any such services to Providence in connection with its acquisition of vRad. Further, in the two years prior to the date of its opinion, Morgan Stanley did not provide any financial advisory and financing services to vRad or its affiliates (other than to Providence and its other affiliates as described above).

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Under the terms of its engagement letter, Morgan Stanley provided the Company financial advisory services and a financial opinion in connection with the merger, and the Company has agreed to pay Morgan Stanley fees of $3 million for its services, all of which is contingent upon consummation of the merger. The Company has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, the Company has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley s engagement. Morgan Stanley s expense reimbursement and indemnification are not contingent upon the consummation of the merger.

Certain Financial Projections and Other Information

Other than the quarterly guidance that we make publicly available, we do not as a matter of course make public projections as to our future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, we provided to vRad and intend to provide to other interested parties during the go-shop period certain non-public financial projections in connection with their due diligence review of NightHawk. We also provided these internal financial projections to our Board of Directors and our financial and legal advisors. We have included below a summary of these projections to give our stockholders access to certain non-public information that was furnished to third parties and was considered by Morgan Stanley and by our Board of Directors for purposes of evaluating the merger. These projections reflect certain assumptions regarding our future operations and were prepared on a basis consistent with the accounting principles used in our historical financial statements.

	Financial Projections for the Years Ending December 31,					
($ millions)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Revenue	$ 127	$ 124	$ 125	$ 133	$ 145	$ 157
Adjusted gross profit	$ 62	$ 61	$ 63	$ 63	$ 66	$ 69
Adjusted EBITDA	$ 16	$ 18	$ 19	$ 18	$ 18	$ 19
Adjusted EPS	$ 0.20	$ 0.32	$ 0.35	$ 0.30	$ 0.30	$ 0.30

The projections set forth above were prepared for internal use and not prepared with a view to public disclosure and are being included in this proxy statement only because the projections were provided to and relied upon by Morgan Stanley in performing its financial analysis for our Board of Directors, and because the projections were provided to vRad and will be provided to other potential buyers contacted or to be contacted by Morgan Stanley, acting at the instruction of our Board of Directors, during the course of our discussions and negotiations regarding potential transactions. The adjusted gross profit, adjusted EBITDA and adjusted EPS projections summarized above do not include projections for stock compensation expenses, incurred but not reported, or IBNR, medical malpractice loss reserves, or other infrequent, non-recurring or unusual expenses that have historically impacted our results of operations. It is impracticable to project such metrics and we are not able to provide a quantitative reconciliation to their nearest equivalent financial metric calculated in accordance with generally accepted accounting principles in the United States without unreasonable efforts. The projections were not prepared with a view to compliance with the published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The projections do not purport to present operations in accordance with U.S. generally accepted accounting principles, and our registered public accounting firm has not examined, compiled or otherwise applied procedures to the projections and accordingly assumes no responsibility for them. The projections have been prepared by, and are solely the responsibility of, our management. The inclusion of the projections in this proxy statement should not be regarded as an indication that these projections will be predictive of actual future results, and the projections should not be relied upon as such. Neither we nor any other person makes any representation to any of our stockholders regarding our ultimate performance compared to the information contained in the projections set forth above. Although presented with numerical specificity, the projections are not fact and reflect numerous assumptions and estimates as to future events made by our

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management that our management believed were reasonable at the time the projections were prepared and other factors such as industry performance and general business, economic, regulatory, market and financial conditions, as well as factors specific to our business, all of which are difficult to predict and many of which are beyond the control of our management. In addition, the projections do not take into account any circumstances or events occurring after the date that they were prepared and, accordingly, do not give effect to the merger or any changes to our operations or strategy that may be implemented after the consummation of the merger. Further, the projections do not take into account the effect of any failure of the merger to occur and should not be viewed as accurate or continuing in that context. Accordingly, there can be no assurance that the projections will be realized, and actual results may be materially greater or less than those reflected in the projections. We do not intend to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events even if any or all of the assumptions underlying the projections are shown to be in error. The projections are forward-looking statements. These statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

Interests of Our Directors and Officers in the Merger

In considering the recommendations of the Board of Directors, you should be aware that certain of our directors and executive officers have interests in the transaction that are different from, or in addition to, the interests of our stockholders generally. These interests may present them with actual or potential conflicts of interest, and these interests are described below. Our Board of Directors was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the merger agreement and the merger and in recommending that our stockholders vote in favor of approving and adopting the merger agreement.

Advisory Arrangement with David M. Engert

In connection with the consummation of the merger, our President and Chief Executive Officer will enter into a six month Board advisory arrangement, pursuant to which Mr. Engert will provide advice and input as requested from time to time with respect to post-acquisition integration matters and the ongoing strategy, business and operations of the combined entity. In exchange for such advisory services, Mr. Engert will receive $60,000.

Severance Payments

Pursuant to their employment contracts with us, upon termination of their employment without cause or by the executive officer for good reason, each executive officer will receive six months (12 months in the case of Messrs. Engert and Sankaran) of severance pay and reimbursement of health insurance premiums for six months (12 months in the case of Messrs. Engert and Sankaran). As such, upon consummation of the merger and following their termination of employment, the following individuals will receive the following cash payments, less any applicable withholding taxes:

Name	Salary	Health Benefits	Total
David M. Engert	$ 450,000	$ 16,000	$ 466,000
David M. Sankaran	$ 350,000	$ 3,000	$ 353,000
Timothy Myers	$ 200,000	$ 8,000	$ 208,000
Paul Cartee	$ 142,500	$ 8,000	$ 150,500

Ownership of NightHawk Stock, Stock Options and Other Equity Awards

Our directors and executive officers own NightHawk common stock and, like our other stockholders, will be entitled to receive the merger consideration for their shares. See below under the caption Security Ownership of Certain Beneficial Owners and Management.

In addition, our directors and executive officers hold options to purchase shares of NightHawk common stock and restricted stock units for NightHawk common stock. Like the other holders of NightHawk stock

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options, our directors and executive officers will be entitled to receive cash in exchange for the cancellation of their vested and currently unvested stock options pursuant to the terms of the merger agreement, less applicable withholding taxes. Like the other holders of NightHawk restricted stock units, all restrictions on restricted stock units held by our directors and officers will lapse immediately prior to the effective time of the merger and will entitle the holder to receive the merger consideration less any applicable withholding taxes.

Our directors and executive officers would receive the following amounts less any applicable withholding taxes in connection with their vested and currently unvested stock options and the lapse of restrictions on restricted stock units they hold upon consummation of the merger:

Name	Restricted Stock Units	Payment for Restricted Stock Units[1]	Number of Options	Payment for Options[2]
David M. Engert	110,000	$ 715,000	814,318	$ 2,134,500
David M. Sankaran	92,000	598,000	190,000	144,000
Timothy V. Myers	60,000	390,000	40,000	116,000
Paul E. Cartee	67,886	441,259	77,779	225,326
Charles R. Bland	62,101	403,657	69,938	0
Peter Y. Chung	62,101	403,657	97,802	177,840
David J. Brophy, Ph.D.	62,101	403,657	97,802	177,840
Jeff Terrill	56,021	364,137	0	0

(1) The value of the restricted stock units is based on: (i) the number of restricted stock units held by such director or officer multiplied by (ii) the per share merger consideration of $6.50.

(2) The value of the stock options is based on the difference between: (i) the per share merger consideration of $6.50 and (ii) the per share exercise price of the options.

Indemnification

The merger agreement provides that all rights to indemnification, expense advancement, and exculpation from personal liability existing in favor of our and our subsidiaries current directors, officers, and employees contained in our and our subsidiaries current charter or other organizational documents or indemnification agreements with respect to matters occurring at or before the effective time of the merger will continue. In addition, under the merger agreement vRad has agreed to cause NightHawk to prepay for directors and officers liability insurance covering a period of six years following the effective time of the merger and providing coverage that is no less favorable than NightHawk s current directors and officers liability insurance.

Appraisal Rights

Holders of record of our common stock who do not vote in favor of the adoption of the merger agreement, and who otherwise comply with the applicable provisions of Section 262 of the Delaware General Corporation Law, or DGCL, will be entitled to exercise appraisal rights under Section 262 of the DGCL in connection with the merger. A person having a beneficial interest in shares of our common stock held of record in the name of another person, such as a broker, bank or other nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights.

The following discussion is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL, which is reprinted in its entirety as Appendix C and incorporated into this proxy statement by reference. All references in Section 262 of the DGCL and in this summary to a stockholder or holder are to the record holder of the shares of our common stock as to which appraisal rights are asserted.

Holders of shares of our common stock who follow the procedures set forth in Section 262 of the DGCL will be entitled to have their shares of our common stock appraised by the Delaware Court of Chancery and to receive, in lieu of the merger consideration, payment in cash of the fair value of the shares of our common

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stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by that court. **You should be aware that the fair value of your shares as determined under Section 262 of the DGCL could be less than, the same as, or more than the merger consideration that you are entitled to receive under the terms of the merger agreement.**

Under Section 262 of the DGCL, when a proposed merger of a Delaware corporation is to be submitted for adoption at a meeting of its stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders who was a stockholder on the record date for this meeting with respect to shares for which appraisal rights are available, that appraisal rights are so available, and must include in that required notice a copy of Section 262 of the DGCL.

This proxy statement constitutes the required notice to the holders of the shares of our common stock in respect of the merger, and Section 262 of the DGCL is attached to this proxy statement as Appendix C. Any NightHawk stockholder who wishes to exercise appraisal rights in connection with the merger or who wishes to preserve the right to do so should review the following discussion and Appendix C carefully, because failure to timely and properly comply with the procedures specified in Appendix C will result in the loss of appraisal rights under the DGCL.

A holder of our common stock wishing to exercise appraisal rights must not vote in favor of the adoption of the merger agreement, and must deliver to us, before the taking of the vote on the adoption of the merger agreement at the special meeting, a written demand for appraisal of the stockholder s NightHawk common stock. This written demand for appraisal must be separate from any proxy or ballot abstaining from the vote on the adoption of the merger agreement or instructing or effecting a vote against the adoption of the merger agreement. This demand must reasonably inform us of the identity of the stockholder and of the stockholder s intent thereby to demand appraisal of the stockholder s shares in connection with the merger. A holder of our common stock wishing to exercise appraisal rights must be the record holder of the shares of our common stock on the date the written demand for appraisal is made and must continue to hold the shares of our common stock through the effective date of the merger. Accordingly, a holder of our common stock who is the record holder of our common stock on the date the written demand for appraisal is made, but who thereafter transfers the shares of our common stock prior to consummation of the merger, will lose any right to appraisal in respect of the shares of our common stock.

A proxy that is signed and does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement, and it will constitute a waiver of the stockholder s right of appraisal and will nullify any previously delivered written demand for appraisal. **Therefore, a stockholder who votes by proxy and who wishes to exercise appraisal rights must either vote AGAINST adoption of the merger agreement or abstain from voting on the adoption of the merger agreement.**

Only a holder of record of our common stock on the date of the making of a demand for appraisal will be entitled to assert appraisal rights for the shares of our common stock registered in that holder s name. A demand for appraisal should be executed by or on behalf of the holder of record, fully and correctly, as the holder s name appears on the holder s stock certificates, and must state that the person intends to demand appraisal of the holder s shares. If the shares of our common stock are held of record by a person other than the beneficial owner, including a broker, fiduciary (such as a trustee, guardian or custodian), depository or other nominee, execution of the demand should be made in that capacity, and if our common stock is held of record by more than one holder as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint holders. An authorized agent, including an agent for one or more joint holders, may execute a demand for appraisal on behalf of a holder of record. The agent, however, must identify the record holder or holders and expressly disclose the fact that, in executing the demand, the agent is acting as agent for the record holder or holders. A record holder such as a broker who holds our common stock as nominee for several beneficial owners may exercise appraisal rights with respect to the shares of our common stock held for one or more beneficial owners while not exercising appraisal rights with respect to our common stock held for other beneficial owners. In this case, the written demand should set forth the number of shares of our common stock as to which appraisal

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is sought. When no number of shares of our common stock is expressly mentioned, the demand will be presumed to cover all of our common stock in brokerage accounts or other nominee forms held by such record holder. If you hold shares in brokerage accounts or other nominee form and wish to exercise appraisal rights under Section 262 of the DGCL, we urge you to consult with your broker to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

All written demands for appraisal should be sent or delivered to NightHawk Radiology Holdings, Inc., 4900 N. Scottsdale Road, Scottsdale, AZ 85251, Attention: Corporate Secretary. Failure of a stockholder to make the written demand for appraisal prior to the taking of the vote on the adoption of the merger agreement at the stockholders meeting will constitute a waiver of his, her or its appraisal rights.

Within 10 days after the effective date of the merger, NightHawk, or its successor, which we refer to generally as the surviving corporation, will notify each former NightHawk stockholder who has properly asserted appraisal rights under Section 262 of the DGCL, and has not voted in favor of the adoption of the merger agreement, of the date the merger became effective.

Within 120 days after the effective date of the merger, but not thereafter, the surviving corporation or any former NightHawk stockholder who has complied with the statutory requirements summarized above may file a petition in the Delaware Court of Chancery, with a copy served on the surviving corporation in the case of a petition filed by the stockholder, demanding a determination of the fair value of the shares of our common stock that are entitled to appraisal rights. None of vRad, Merger Sub, the surviving corporation or NightHawk is under any obligation to and none of them has any present intention to file a petition with respect to the appraisal of the fair value of the shares of our common stock, and stockholders seeking to exercise appraisal rights should not assume that the surviving corporation, NightHawk, vRad or Merger Sub will initiate any negotiations with respect to the fair value of such shares. Accordingly, it is the obligation of our stockholders wishing to assert appraisal rights to take all necessary action to perfect and maintain their appraisal rights within the time period prescribed in Section 262 of the DGCL. A person who is the beneficial owner of shares of our common stock held in a voting trust or by a nominee on behalf of such person may, in such person s own name, file the petition described in this paragraph. We plan to issue a press release when the merger has become effective.

Within 120 days after the effective date of the merger, any former NightHawk stockholder who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of shares of our common stock not voted in favor of approving and adopting the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of former holders of these shares of our common stock. These statements must be mailed within 10 days after a written request therefor has been received by the surviving corporation or within 10 days after expiration of the period for delivery of demands for appraisal under Section 262 of the DGCL, whichever is later. A person who is the beneficial owner of shares of our common stock held in a voting trust or by a nominee on behalf of such person may, in such person s own name, request from the surviving corporation the statement described in this paragraph.

If a petition for an appraisal is filed timely with the Delaware Court of Chancery and a copy thereof is served upon the surviving corporation, the surviving corporation will then be obligated within 20 days of service to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all former NightHawk stockholders who have demanded appraisal of their shares of NightHawk common stock and with whom agreements as to value have not been reached. After notice to such former NightHawk stockholders as required by the Delaware Court of Chancery, the Delaware Court of Chancery will conduct a hearing on such petition to determine those former NightHawk stockholders who have complied with Section 262 of the DGCL and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the former NightHawk stockholders who demanded appraisal of their shares of our common stock to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding. If any former stockholder fails to comply with such direction, the Delaware Court of Chancery may dismiss the proceedings as to that former stockholder.

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After determining which, if any, former NightHawk stockholders are entitled to appraisal, the Delaware Court of Chancery will appraise their shares of our common stock, determining their fair value, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest, if any, to be paid upon the amount determined to be the fair value. Our stockholders considering seeking appraisal should be aware that the fair value of their shares of our common stock as determined under Section 262 of the DGCL could be less than, the same as, or more than the value of the consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their shares of our common stock and that Morgan Stanley s written opinion, which is attached to this proxy statement as Appendix B, addressed to the Board of Directors and dated September 26, 2010, to the effect that, as of that date and based upon and subject to the limitations, qualifications and assumptions set forth in the written opinion, the $6.50 per share to be received by holders of the shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders, is not an opinion as to fair value under Section 262 of the DGCL. Unless the Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective time of the merger through the date of payment of the judgment will be compounded quarterly and will accrue at a rate of 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective time of the merger and the date of payment of the judgment.

In determining fair value, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the merger and that throw any light on future prospects of the merged corporation. Section 262 of the DGCL provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 of the DGCL to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

In addition, Delaware courts have decided that a stockholder s statutory appraisal remedy may or may not be a dissenter s exclusive remedy, depending on the factual circumstances.

The costs of the appraisal action may be determined by the Delaware Court of Chancery and levied upon the parties as the Delaware Court of Chancery deems equitable. Upon application of a former NightHawk stockholder, the Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any former NightHawk stockholder in connection with an appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts used in the appraisal proceeding, be charged pro rata against the value of all of the shares of our common stock entitled to appraisal.

Any holder of our common stock who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, after the consummation of the merger, be entitled to vote the shares of our common stock subject to this demand for any purpose or be entitled to the payment of dividends or other distributions on those shares of our common stock (except dividends or other distributions payable to holders of record of our common stock as of a record date prior to the effective date of the merger).

If any stockholder who properly demands appraisal of his, her or its common stock under Section 262 of the DGCL fails to perfect, or effectively withdraws or loses, his, her or its right to appraisal, as provided in Section 262 of the DGCL, that stockholder s shares of our common stock will be deemed to have been converted

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into the right to receive the merger consideration payable (without interest) in the merger. A stockholder will fail to perfect, or effectively lose or withdraw, his, her or its right to appraisal if, among other things, no petition for appraisal is filed within 120 days after the effective date of the merger, or if the stockholder delivers to us or the surviving corporation, as the case may be, a written withdrawal of the stockholder s demand for appraisal. Any attempt to withdraw an appraisal demand in this manner more than 60 days after the effective date of the merger will require the written approval of the surviving corporation and, once a petition for appraisal is filed, the appraisal proceeding may not be dismissed as to any holder absent court approval.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of these rights, in which event the shares held by the NightHawk stockholder will be deemed to have been converted into the right to receive the merger consideration payable (without interest) in the merger.

Any stockholder wishing to exercise appraisal rights is urged to consult with legal counsel prior to attempting to exercise such rights.

Fees and Expenses

All fees and expenses incurred in connection with the consummation of the merger will be paid by the party incurring those fees and expenses.

If the merger agreement is terminated, we will, in specified circumstances, be required to reimburse vRad for its expenses incurred in connection with the transactions contemplated by the merger agreement, up to a maximum of $2.4 million, and may also be required under certain circumstances to pay vRad a termination fee of up to $6.6 million (less any amount previously paid to vRad in reimbursement of vRad s transaction expenses). See The Merger Agreement Termination Fee and Expenses beginning on page 53.

Certain Material U.S. Federal Income Tax Consequences of the Merger

The following discussion is a summary of certain material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) whose shares of our common stock are converted into the right to receive cash in the merger. This discussion is for general information only and is not tax advice. The discussion is based upon the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, Treasury Regulations, Internal Revenue Service published rulings and judicial and administrative decisions in effect as of the date of this proxy statement, all of which are subject to change (possibly with retroactive effect) and to differing interpretations. Any such change could affect the accuracy of the statements and conclusions set forth in this proxy statement. The following discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to our stockholders. This discussion applies only to stockholders who, on the date on which the merger is completed, hold shares of our common stock as capital assets within the meaning of section 1221 of the Internal Revenue Code. The following discussion does not address taxpayers subject to special treatment under U.S. federal income tax laws, such as insurance companies, financial institutions, dealers in securities or currencies, traders of securities that elect or are required to use the mark-to-market method of accounting for their securities, persons that have a functional currency other than the U.S. dollar, tax-exempt organizations, mutual funds, real estate investment trusts, S corporations or other pass-through entities (or investors in an S corporation or other pass-through entity), taxpayers subject to the alternative minimum tax and taxpayers who will have a direct or indirect interest in vRad after the merger. In addition, the following discussion may not apply to stockholders who acquired their shares of our common stock upon the exercise of employee stock options or otherwise as compensation for services or through a tax-qualified retirement plan or who hold their shares as part of a hedge, straddle, conversion transaction or other integrated transaction. If our common stock is held through a partnership (or other entity treated as a partnership for U.S. federal income tax purposes), the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. It is recommended that partnerships that are holders of our common stock and partners in those partnerships consult their own tax advisors regarding the tax consequences to them of the merger.

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The following discussion also does not address tax consequences to holders of NightHawk stock options or potential U.S. federal estate or alternative minimum tax, or foreign, state, local or other tax consequences of the merger. All stockholders should consult their own tax advisors regarding the U.S. federal income tax consequences, as well as the U.S. federal non-income, foreign, state, local and other tax consequences of the disposition of their shares in the merger.

For purposes of this summary, a U.S. holder is a beneficial owner of shares of our common stock, who or that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a U.S. court is able to exercise primary supervision over the trust s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust; or (ii) it has a valid election in place to be treated as a domestic trust for U.S. federal income tax purposes.

This discussion is confined to the tax consequences to a stockholder who or that, for U.S. federal income tax purposes, is a U.S. holder.

For U.S. federal income tax purposes, the disposition of our common stock pursuant to the merger generally will be treated as a sale of our common stock for cash by each of our stockholders. Accordingly, in general, the U.S. federal income tax consequences to a stockholder receiving cash in the merger will be as follows:

- The stockholder will generally recognize a capital gain or loss for U.S. federal income tax purposes upon the disposition of the stockholder s shares of our common stock pursuant to the merger.
- The amount of capital gain or loss recognized by the stockholder will be measured by the difference, if any, between the amount of cash received by the stockholder in the merger (other than, in the case of a dissenting stockholder, amounts, if any, which are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and the stockholder s adjusted tax basis in the shares of our common stock surrendered in the merger. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered for cash in the merger.
- The capital gain or loss, if any, will be long-term with respect to shares of our common stock that have a holding period for tax purposes in excess of one year at the effective time of the merger. Long-term capital gains of individuals are eligible for reduced rates of taxation. There are limitations on the deductibility of capital losses. A dissenting stockholder may be required to recognize any gain in the year the merger closes, irrespective of whether the dissenting stockholder actually receives payment in that year.

Cash payments made pursuant to the merger will be reported to our stockholders and the Internal Revenue Service to the extent required by the Internal Revenue Code and applicable Treasury Regulations. Non-corporate stockholders may be subject to back-up withholding at a rate of 28% (but scheduled to increase to 31% for payments made after December 31, 2010) on any cash payments they receive. Stockholders who are U.S. holders generally will not be subject to backup withholding if they: (1) furnish a correct taxpayer identification number and certify that they are not subject to backup withholding on the substitute Form W-9 included in the election form/letter of transmittal they are to receive or (2) are otherwise exempt from backup withholding and comply with other applicable rules and certification requirements. Certain of our stockholders

will be asked to provide additional tax information in the letter of transmittal for the shares of our common stock.

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Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

The foregoing is a general discussion of certain material U.S. federal income tax consequences of the merger. We recommend that you consult your own tax advisor to determine the particular tax consequences to you (including the application and effect of any U.S. federal non-income, foreign, state, local or other tax laws) of the receipt of cash in exchange for shares of our common stock pursuant to the merger.

Regulatory Approvals

The following discussion summarizes the material regulatory requirements that we believe relate to the merger, although we may determine that additional consents from, or notifications to, governmental agencies are necessary or appropriate.

Under the Hart-Scott-Rodino Act we cannot complete the merger until we have submitted certain information to the Antitrust Division of the Department of Justice and the Federal Trade Commission and satisfied the statutory waiting period requirements. The Company and vRad have filed Notification and Report Forms for Certain Mergers and Acquisitions under the HSR Act (referred to as the HSR Notification) in connection with the merger with the Antitrust Division of the Department of Justice and the Federal Trade Commission, and the waiting period under the HSR Act has not yet expired. Clearance under the HSR Act, however, does not preclude the Department of Justice or the Federal Trade Commission from later challenging the merger on antitrust grounds.

In the merger agreement, the parties have agreed to use commercially reasonable efforts to make all filings with governmental authorities and obtain all governmental approvals and consents necessary to consummate the merger, subject to certain exceptions and limitations. Except as noted above with respect to the required filings under the HSR Act and the filing of a certificate of merger in Delaware at or before the effective date of the merger, we are not aware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Accounting Treatment of the Merger

We expect the merger to be accounted for as a business combination for financial accounting purposes, whereby the purchase price would be allocated to our assets and liabilities based on their relative fair values as of the date of the merger in accordance with Accounting Standards Codification 805, Business Combinations.

Litigation Related to the Merger

Beginning on September 28, 2010, several purported class action lawsuits were filed on behalf of the Company s stockholders in the Superior Court of Maricopa County, Arizona, docketed as *Israni v. NightHawk Radiology Holdings, Inc., et al.*, Case No. CV2010-025059, *LaLone v. NightHawk Radiology Holdings, Inc., et al*., Case No. CV2010-028112, *La Torre v. NightHawk Radiology Holdings, Inc., et al.*, Case No. CV2010-028176, *Watts v. Engert, et al.*, Case No. CV2010-028127, *Newman v. Engert, et al*., Case No. CV2010-028262, and *Yu v. Engert, et al.*, Case No. CV2010-028403. On October 8, 2010, another purported class action lawsuit on behalf of the Company s stockholders was filed in Delaware Chancery Court, docketed as *Scully v. NightHawk Radiology Holdings, Inc., et al*., Case No. 5890-VCL. On October 22, 2010, an additional purported class action lawsuit on behalf of the Company s stockholders was filed in the United States District Court for the District of Arizona, docketed as *Clayton v. Engert, et al.,* Case No. 2:10-CV-02274-NVW. The complaints name the Company, each of the members of our Board of Directors, certain of our officers, and vRad as defendants.

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The lawsuits allege, among other things, that our Board of Directors breached fiduciary duties owed to our stockholders by failing to take steps to maximize stockholder value or to engage in a fair sale process when approving the proposed merger with vRad. The complaints also allege that the Company and vRad aided and abetted the members of our Board of Directors in the alleged breach of their fiduciary duties. In the Delaware and Arizona District Court lawsuits, the plaintiffs also allege that the preliminary proxy filed by the Company on October 7, 2010, contained certain material omissions, rendering some statements therein misleading. The plaintiffs in these various actions seek relief that includes, among other things, an injunction prohibiting the consummation of the proposed merger, a court order declaring that the Board of Directors breached their fiduciary duties in entering into the merger agreement, rescission to the extent the merger terms have already been implemented, and the payment of plaintiffs attorneys fees and costs. As of the date of this filing, a motion to expedite proceedings in the Delaware action has been denied (with an amended complaint filed on October 29, 2010), and a motion to consolidate the Maricopa County lawsuits into a single action is currently pending. We believe the lawsuits to be without merit and intend to defend against them vigorously. There can be no assurance, however, with regard to the outcome of these lawsuits.

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THE MERGER AGREEMENT

This section of the proxy statement describes the material provisions of the merger agreement but it may not contain all of the information about the merger agreement that is important to you. The merger agreement is attached as Appendix A to this proxy statement and is incorporated into this proxy statement by reference. We encourage you to read the merger agreement in its entirety. The merger agreement is a document that establishes and governs the legal relations among us, vRad, and Merger Sub with respect to the transactions described in this proxy statement.

Effective Ti me

The effective time of the merger will occur at the time that we file the certificate of merger with the Delaware Secretary of State on the closing date of the merger or on such later date as may be mutually agreed to by vRad, Merger Sub and us (or such later time as is provided in the certificate of merger). The closing date will occur on the second business day after all of the conditions to the consummation of the merger set forth in the merger agreement have been satisfied or waived (other than those conditions that by their nature are to be satisfied on the closing date), or on such other date as we, Merger Sub and vRad may agree.

Structure of the Merger

Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Merger Sub, a wholly-owned subsidiary of vRad will merge with and into NightHawk. The separate corporate existence of Merger Sub will cease, and NightHawk will continue as the surviving corporation and a wholly-owned subsidiary of vRad. The surviving corporation will be a privately held corporation and our current stockholders will cease to have any ownership interest in the surviving corporation or rights as our stockholders. As a result of the merger, our current stockholders will not participate in the opportunity for future earnings or growth of the surviving corporation and will not benefit from any appreciation in value of the surviving corporation.

Treatment of Common Stock, Stock Options and Restricted Stock

Common Stock

At the effective time of the merger, each share of our common stock outstanding immediately prior to the effective time of the merger will automatically be cancelled and will cease to exist and will be converted into the right to receive $6.50 in cash, without interest and less applicable withholding taxes, other than:

- shares of our common stock held in our treasury immediately prior to the effective time of the merger, which shares will be cancelled without conversion or consideration;
- shares of our common stock owned by vRad, Merger Sub, or any other equity holder of vRad immediately prior to the effective time of the merger, which shares will be cancelled without conversion or consideration; and
- shares of our common stock held by stockholders who have properly perfected and not withdrawn their appraisal rights in accordance with Delaware law, which stockholders will be entitled to obtain payment of the fair value of their shares as determined in accordance with Delaware law.

After the effective time of the merger, each stock certificate representing shares of our common stock will be cancelled and each holder of record of uncertificated shares of our common stock will cease to have any rights with respect to those shares, and the holder of such certificate or uncertificated shares will have only the right to receive the merger consideration of $6.50 in cash per share, without any interest and less applicable withholding taxes.

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Stock Options

Each outstanding unvested NightHawk stock option will vest in full immediately prior to the effective time of the merger. At the effective time of the merger, each outstanding NightHawk stock option not exercised prior to the merger will be cancelled and converted into the right to receive, as soon as reasonably practicable following the effective time of the merger, an amount in cash (less any applicable withholding taxes) equal to (i) the number of shares subject to such option multiplied by (ii) the excess (if any) of $6.50 over the exercise price per share of such option. Each outstanding option with an exercise price that equals or exceeds the $6.50 per share merger consideration will be cancelled without payment.

Restricted Stock Units

All restricted stock units will, as of the effective time of the merger, be cancelled and converted into the right to receive, as soon as reasonably practicable following the effective time of the merger, $6.50 per restricted stock unit, without interest and less any applicable withholding taxes, and will cease to exist.

Capitalization Adjustment

If, as of the effective time of the merger, the total number of outstanding shares of Company common stock (after giving effect to the acceleration of vesting of outstanding Company stock options and restricted stock units as described above), such amount referred to as the effective time capitalization, exceeds the total number of shares represented by the Company as either outstanding or subject to outstanding equity awards in the representation in the merger agreement regarding capitalization, by an aggregate of one percent or more the merger consideration will be equitably adjusted. Specifically, if, as of the effective time of the merger (after giving effect to the acceleration of vesting of outstanding Company stock options and restricted stock units as described above), the total number of outstanding shares of Company common stock exceeds 101% of 28,058,042 shares of Company common stock, then vRad may reduce the merger consideration by an amount not to exceed (i) the product of (x) the effective time capitalization *minus* 28,058,042 *multiplied by* (y) $6.50, *divided* by (ii) the effective time capitalization.

Exchange and Payment Procedures

Wells Fargo Shareowner Services, or the paying agent, will act as the agent for payment of the merger consideration to the holders of our common stock. At or before the effective time of the merger, vRad will cause to be deposited with the paying agent for the benefit of our stockholders an amount in cash equal to the aggregate merger consideration.

Instructions with regard to the surrender of certificates formerly representing shares of our common stock or uncertificated shares of our common stock, together with the letter of transmittal to be used for that purpose, will be mailed to our stockholders by the paying agent promptly after the effective time of the merger. As soon as practicable following receipt from the stockholder of a duly executed letter of transmittal, together with (i) in the case of shares of our common stock represented by a certificate, receipt of any such certificate and (ii) in the case of shares of our common stock held in book-entry form, the receipt of an agent s message, and any other items specified by the letter of transmittal, the paying agent will pay in cash to such stockholder an amount equal to the product of the number of shares of our common stock represented by such certificates remitted by the stockholder or agent s message and the $6.50 per share merger consideration, without interest and less any applicable withholding tax.

No transfer of shares of our common stock will be made on the stock transfer books of the surviving corporation after the effective time of the merger. After the effective time of the merger, previous stockholders will have no rights with respect to shares of our common stock except to receive the merger consideration or statutory appraisal rights if they have properly demanded and not withdrawn or lost such rights.

After one year following the effective time of the merger, any amount remaining in the payment fund may be refunded to the surviving corporation of the merger, and any previous holders of our common stock who have not complied with the applicable provisions for payment summarized above will be entitled to payment of the merger consideration only from the surviving corporation, without interest.

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You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

Representations and Warranties

We make various representations and warranties in the merger agreement with respect to NightHawk and our subsidiaries. These include representations and warranties regarding:

- organization, good standing and qualification to do business;
- capitalization, including in particular the number of shares of our common stock, stock options and other equity-based interests;
- corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of violations of or conflicts with governing documents, applicable laws or certain agreements as a result of entering into the merger agreement and consummating the merger;
- the required consents and approvals of governmental entities and third parties in connection with the transactions contemplated by the merger agreement;
- our SEC filings since January 1, 2008, including the financial statements contained therein, and compliance of such reports and documents with applicable requirements of federal securities laws and regulations;
- financial statements and internal control over financial reporting;
- the absence of undisclosed broker s fees;
- the conduct of our business, and absence of certain changes or events, since January 1, 2010;
- litigation, investigations and administrative proceedings and absence of orders, judgments or regulatory restrictions from governmental entities;
- tax matters;
- matters relating to employee benefit plans, and enforceability, performance and lack of defaults with respect thereto;

compliance will certain laws and permits;

matters relating to material contracts;

the absence of undisclosed liabilities;

the inapplicability of anti-takeover statutes to the merger and the other transactions contemplated by the merger agreement;

the accuracy and completeness of this proxy statement and its compliance with applicable laws;

real property and personal property;

insurance;

environmental laws and regulations;

intellectual property;

employment and labor matters;

the business practices of NightHawk and our subsidiaries; and

the receipt by NightHawk of a fairness opinion from Morgan Stanley.

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Many of our representations and warranties are qualified by the absence of a material adverse effect on NightHawk, which means, for purposes of the merger agreement, any change, effect, event, circumstance, condition, occurrence or development that, individually or in the aggregate, has had or would be reasonably likely to have a material adverse effect on (i) the business, results of operations or financial condition of NightHawk and our subsidiaries taken as a whole or (ii) our ability to consummate the transactions contemplated by the merger agreement on a timely basis, subject to a number of exceptions.

vRad and Merger Sub make various representations and warranties in the merger agreement with respect to vRad and Merger Sub. These include representations and warranties regarding:

- organization, good standing and qualification to do business;
- corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of third party consents and any violation of or conflict with their governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;
- the absence of litigation and administrative proceedings and absence of orders, judgments or regulatory restrictions from governmental entities;
- the absence of broker s fees;
- the accuracy and completeness of information supplied for inclusion or incorporation by reference in this proxy statement;
- the lack of operations of Merger Sub;
- financing relating to their consummation of the merger;
- lack of ownership of our common stock and the absence of vRad or Merger Sub s status as an interested stockholder under the Delaware anti-takeover statute;
- that no approval of the stockholders of vRad is required to approve the merger agreement or the merger; and
- based upon certain assumptions, the solvency of NightHawk as of the effective time of the merger.

The representations and warranties of each of the parties to the merger agreement will expire upon the effective time of the merger. The assertions embodied in the representations and warranties may not accurately characterize the current actual state of facts with respect to vRad, Merger Sub and us because they were made as of specific dates and are subject to important exceptions, limitations, and qualifications, including qualification by information contained in the confidential disclosure schedule that the we provided to vRad and Merger Sub in connection with signing the merger agreement. Moreover, certain representations and warranties may not be complete or accurate as of a particular date because

they are subject to a contractual standard of materiality that is different from those generally applicable to disclosures to stockholders under securities laws and/or were used for the purpose of allocating risk among the parties rather than establishing certain matters as facts.

Conduct of Our Business Pending the Merger

We have undertaken certain customary covenants that place restrictions on us and our subsidiaries until the effective time of the merger. From the date of the merger agreement until the effective time of the merger, we have agreed to (and to cause our subsidiaries to) conduct our business in the ordinary course of business consistent with past practices and to use commercially reasonable efforts to preserve our business organization and goodwill, keep available the services of our employees, consultants, independent contractors and officers, and maintain our existing relations with vendors, suppliers, dealers, distributors, customers, and other third parties having business dealings with us.

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In addition, we have agreed, with certain limited exceptions, not to do (and not to permit our subsidiaries to do) any of the following, except as expressly contemplated by the merger agreement or agreed to in writing by vRad, which consent shall not be unreasonably withheld, delayed or conditioned:

- take any action to amend our certificate of incorporation or bylaws or other governing instruments;
- issue, sell or otherwise dispose of any of our authorized but unissued capital stock other than in connection with the exercise of a stock option or upon vesting of a restricted stock unit, or issue any option to acquire our capital stock, or any securities convertible into or exchangeable for our capital stock or split, combine or reclassify any shares of our capital stock, or create any phantom stock, stock appreciation rights plan or similar plan;
- declare or pay any dividend or make any other distribution in cash or property on any capital stock;
- merge or consolidate with or into any third party;
- sell or otherwise dispose of or encumber any of our properties or assets other than in the ordinary course of business;
- create any subsidiary, acquire any capital stock or other equity securities of any third party or acquire any equity or ownership interest in any business or entity;
- create, incur or assume any indebtedness for borrowed money or secured by real or personal property, except for trade payables incurred in the ordinary course of business or grant or incur any liens on any real or personal property except in the ordinary course of business;
- write-off any guaranteed checks, notes or accounts receivable other than in the ordinary course of business, or write-down the value of any asset or investment on our books or records except for depreciation and amortization in the ordinary course of business;
- make any commitment for any capital expenditure in excess of $100,000 in the case of any single expenditure or $150,000 in the case of all capital expenditures except with respect to any capitalized internal software development;
- enter into any contract or agreement, except those that are entered into in the ordinary course of business and involve an expenditure of less than $100,000 for any such contract or agreement or that are cancelable without premium or penalty on not more than 30 days notice;
- increase in any manner the compensation of or change the metrics for determining the compensation of (including bonus), or fringe benefits of, or enter into any new, or terminate or modify any existing, bonus, severance or incentive agreement or arrangement with, any of our current or former officers, directors, management-level employees or affiliated radiologists, or hire or fire any officers or management level employees;

establish, adopt, enter into, materially amend, or terminate any employee benefit plan or any plan or similar arrangement;

fail to perform our material obligations under, or default or suffer to exist any event or condition which with notice or lapse of time or both would constitute a material default under, certain contracts or enter into, assume or amend certain contracts;

fail to maintain in full force and effect policies of insurance comparable in amount and scope to those we currently maintain;

make or change any material tax election, settle or compromise any material tax claim or assessment, change an annual tax accounting period, adopt or change any material tax accounting method, file any material amended tax return, waive or extend the limitation period applicable to any material tax liability or assessment (other than pursuant to extensions or time to file tax returns obtained in the ordinary course of business), enter into any closing agreement with respect to a material amount of taxes or surrender any right to claim a refund of a material amount of taxes; or

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enter into any contract, agreement or commitment with respect to, or propose or authorize, any of the actions described above.

Acquisition Proposals by Third Parties

During the go-shop period starting on September 26, 2010 and ending at 12:01 a.m., New York time on October 26, 2010, we may:

solicit, initiate and encourage acquisition proposals;

provide access to non-public information pursuant to a confidentiality agreement no less favorable to us than our confidentiality agreement with vRad; and

enter into, engage and maintain discussions with respect to an acquisition proposal or otherwise cooperate with, assist or participate in or facilitate any such inquiries, proposals, discussions or negotiations.

After 12:01 a.m., on October 26, 2010 until the earlier of the effective time of the merger or the termination of the merger agreement, we have agreed that neither we nor any of our subsidiaries, officers, directors, financial advisors, representatives or agents will, directly or indirectly:

solicit, initiate or knowingly facilitate or encourage any acquisition proposals;

participate or engage in discussions with any third party with respect to an acquisition proposal; or

enter into any agreement (whether or not binding) or agreement in principle with respect to an acquisition proposal.

However, notwithstanding the foregoing, (1) the restrictions set forth above will not apply during the 25-day period ending on 12:01 a.m. New York time on November 20, 2010 to a party we have identified as an excluded party and (2) before the adoption of the merger agreement at the special meeting, we may, in response to a bona fide written acquisition proposal that was not solicited by us or any of our representatives in violation of the restrictions described above, furnish non-public information (pursuant to a confidentiality agreement no less favorable to us than our confidentiality agreement with vRad) and enter into discussions and negotiations with, a third party in connection with an acquisition proposal and approve or recommend such proposal if:

our Board of Directors determines in good faith (after consultation with its financial and legal advisors) that the acquisition proposal constitutes, or is reasonably likely to result in, a superior proposal ; and

failure to take such action is inconsistent with our directors fiduciary duties under applicable law.

The merger agreement defines an acquisition proposal as any inquiry, proposal or offer relating to (i) the acquisition, in any single transaction or series of related transactions, of more than 20% of the outstanding shares of capital stock or any other voting securities of NightHawk, (ii) a merger, consolidation, business combination, reorganization, share exchange, sale of assets, recapitalization, liquidation, dissolution or similar transaction which would result in any third party acquiring 20% or more of the fair market value of the assets of NightHawk and our subsidiaries, taken as a whole, or (iii) any other transaction which would result in a third party 20% or more of the fair market value of the assets of NightHawk and our subsidiaries, taken as a whole, immediately prior to such transaction (whether by purchase of assets, acquisition of stock of a subsidiary or otherwise). We are required to keep vRad reasonably informed of any material developments, discussions or negotiations regarding any acquisition proposal within 24 hours and notify vRad of the status of such acquisition proposal.

The merger agreement defines a superior proposal as an all cash acquisition proposal (with all of the percentages included in the definition of acquisition proposal increased to 50%) on terms which our Board of Directors determines in good faith (after consultation with its financial advisors and outside legal counsel and consideration of all terms and conditions of such acquisition proposal, including the conditionality and the timing

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and likelihood of consummation of such acquisition proposal) to be more favorable to our stockholders, including from a financial point of view, than those set forth in the merger agreement or the terms of any other proposal or revised proposal made by vRad in response to such an acquisition proposal.

The merger agreement defines an excluded party as any person or group from whom our Board of Directors has received an acquisition proposal prior to 12:01 a.m. New York time, on October 26, 2010, and our Board of Directors has determined in good faith (after consultation with its financial and legal advisors) that the acquisition proposal constitutes, or is reasonably likely to lead to a superior proposal and which has not been rejected or withdrawn prior to 12:01 a.m., New York time, on October 26, 2010. An excluded party ceases to be an excluded party under the merger agreement immediately at such time as such excluded party s acquisition proposal is withdrawn, terminated, expired or no longer constitutes, or would reasonably be expected to lead to, a superior proposal. The go-shop period has expired and no party has been identified as an excluded party.

Our Board of Directors may (i) make a company recommendation change, (ii) approve or recommend, or propose to approve or recommend, any acquisition proposal, (iii) enter into any agreement with respect to an acquisition proposal, or (iv) take any other action or make any recommendation or public statement in connection with a tender offer or exchange offer other than a recommendation against such offer or otherwise take any action inconsistent with the company recommendation, only if:

- our Board of Directors determines in good faith (after consultation with its financial and legal advisors) that the acquisition proposal constitutes a superior proposal;
- such action is required by our directors fiduciary duties under applicable law; and
- neither we nor any of our subsidiaries, directors, officers, financial advisors, representatives, or agents has violated the restrictions in the merger agreement regarding third party acquisition proposals.

A company recommendation change, as defined in the merger agreement, occurs if our Board of Directors withdraws, modifies or changes, in a manner adverse to vRad, the company recommendation that our stockholders adopt the merger agreement. If such company recommendation change is not in response to a superior proposal, it may only be made if directly related to an event, fact, circumstance, development or occurrence that affects the assets or operations of NightHawk that was unknown to our Board of Directors as of the date of the merger agreement and becomes known to it prior to obtaining stockholder approval of the merger agreement.

The merger agreement also requires that we provide written vRad notice to vRad at least four business days before our board takes any of the actions described in the foregoing paragraph, and that we discuss such change of recommendation with vRad. The notice must describe the basis for the Board of Directors action and the material terms of the proposal. In addition, during the four-business-day period after delivery of the notice we must provide vRad with an opportunity to submit an amended acquisition proposal to our Board of Directors and must discuss with vRad, to the extent vRad wishes to discuss, any proposed changes to the merger agreement. If any material revisions are made to the third party acquisition proposal, we are required to provide vRad with a new notice and opportunity to amend the merger agreement. Moreover, if we terminate the merger agreement to enter into an agreement with respect to a superior proposal, we must pay the termination fee described below under the caption The Merger Agreement Termination Fee and Expenses.

Stockholders Meeting

The merger agreement requires us to duly call, give notice of and hold a meeting of our stockholders for the purpose of voting upon the adoption of the merger agreement promptly following the first mailing of this proxy statement. Subject to certain fiduciary obligations of our directors, our Board of Directors is required to recommend that our stockholders vote in favor of the adoption of the merger agreement at the stockholders meeting. Until our Board of Directors withdraws or modifies its recommendation in favor of the adoption of the merger agreement, we are required to use commercially reasonable efforts to solicit the number of votes needed

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for adoption of the merger agreement. Under the merger agreement, we are required to submit the merger agreement to our stockholders even if our Board of Directors withdraws or modifies its recommendation in favor of the merger, unless the merger agreement is validly terminated pursuant to its terms.

Indemnification of Directors and Officers; Insurance

The merger agreement provides that vRad will indemnify and hold harmless to the fullest extent permitted under Delaware law all who served as directors, officers of ours and our subsidiaries prior to the effective time of the merger in connection with any threatened or pending claim and all judgments, fines, penalties, or amounts paid in settlement resulting from such claim. In addition, vRad will advance expenses incurred in connection with the defense of such claim. The merger agreement further provides that vRad will keep in full force and effect, and comply with the terms and conditions of, any agreement in effect as of the date of the agreement all rights to indemnification and exculpation from personal liability existing in favor of any of our or our subsidiaries present or former directors or officers as provided in the applicable charter or organizational documents or any other agreement as in effect on the date of the merger agreement.

The merger agreement also requires vRad to cause, at vRad s option, us or the surviving corporation to purchase tail insurance coverage that provides coverage for a period of six years after the consummation of the merger and that is no less favorable in amount and terms and conditions of coverage than our existing directors and officers liability insurance programs.

Financing

We have agreed to cooperate with vRad in obtaining one or more debt or equity financings to finance its obligations under the merger agreement. This includes using commercially reasonable efforts reasonably requested by vRad, including:

- participating in marketing efforts, drafting sessions, presentations, road shows, due diligence sessions and rating agency presentations;
- assisting vRad in its preparation of rating agency presentations, bank books, confidential offering memoranda or similar documents;
- delivering to vRad information reasonably requested by vRad, including financial information;
- facilitating the pledge and perfections of liens and providing guarantees to support the financing;
- obtaining accountant consent letters, legal opinions, surveys, title insurance and landlord estoppel letters;
- arranging for customary payoff letters, lien terminations and other instruments to discharge debt;
- permitting any cash and marketable securities that can be made available to pay a portion of the purchase price to be made so available; and
- assisting in the preparation of and entering into one or more credit agreements, currency or interest hedging agreements.

vRad s obligation to consummate the merger is not conditioned on the receipt of any financing.

Specific Performance

NightHawk, vRad and Merger Sub are each entitled to seek an injunction to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement, in addition to any other legal or equitable remedy to which they are entitled, subject to the limitations and requirements set forth in the merger agreement.

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Additional Agreements

Mutual Agreements

In addition to the other agreements described elsewhere in this section of the proxy statement, NightHawk, vRad and Merger Sub have agreed to take the following actions:

- to consult with the other parties to the merger agreement in the preparation and dissemination of any public announcements relating to the merger; and
- to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable under applicable laws to consummate and make effective the transactions contemplated by the merger agreement.

Agreements Regarding Regulatory Compliance

In addition to the other mutual agreements set forth above, NightHawk, vRad and Merger Sub have agreed to take or refrain from taking certain actions in order to obtain, and to cooperate with the other party to obtain, any consent, authorization, order or approval of, or any exemption by, any governmental entity or other third party which is required to be obtained in order to consummate the transactions contemplated by the merger agreement. In particular, the parties have agreed that:

- no later than October 8, 2010, each party will file all necessary documentation required to obtain requisite approvals or termination of applicable waiting periods for the transactions contemplated by the merger agreement under the HSR Act;
- each party will use commercially reasonable efforts to substantially comply as promptly as practicable with any request received for additional information under the HSR Act;
- vRad will not enter into any agreement with any governmental entity that extends or tolls the waiting period under the HSR Act without our written consent;
- vRad will, if and to the extent necessary to obtain all requisite approval under the HSR Act, use its commercially reasonable efforts to promptly agree, subject to the consummation of the merger, to any sale, divestiture, or other disposition of any business line or asset of ours, other than:
  - businesses, product lines or assets that accounted for more $2,000,000 of the EBITDA of us and vRad, on a combined basis, for the most recently completed four consecutive fiscal quarters;
  - businesses, product lines or assets that accounted for more than $2,000,000 of the projected EBITDA of us and vRad, on a combined basis;

businesses, product lines or assets that would reasonably be expected to materially impair vRad s ability to achieve the overall benefits expected to be realized from the consummation of the merger; or

licenses of any inventions, know-how, patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, domain names, trade secrets and other similar rights of ours or our subsidiaries or vRad or its subsidiaries.

NightHawk Agreements

In addition to the other agreements described elsewhere in this section of the proxy statement, we have agreed to take the following actions:

to file a preliminary proxy statement within ten days of signing the merger agreement;

to provide vRad and it agents and representatives access to certain information and personnel; and

to use commercially reasonable efforts to obtain all necessary consents, waivers and approvals under any of our or our subsidiaries agreements, contracts, licenses or leases in connection with the merger.

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vRad and Merger Sub Agreements

In addition to the other agreements described elsewhere in this section of the proxy statement, vRad and Merger Sub have agreed to take, or refrain from taking, the following actions:

- to provide our employees who continue as employees following the merger and who become eligible to participate in welfare plans and other employee benefit plans with credit for prior service, a waiver of exclusions for pre-existing conditions, a waiver of any waiting period, and credit for any prior co-payments, deductibles and out-of-pocket expenses for the remainder of the coverage period during which any transfer of coverage occurs; and

- not to acquire, directly or indirectly, any beneficial interest in shares of our common stock, except as contemplated in connection with the merger.

Conditions to the Merger

Conditions of NightHawk, vRad and Merger Sub

The obligations of each party to effect the merger are subject to the fulfillment or waiver, to the extent permitted by law, at or before the effective time of the merger of the following conditions:

- adoption of the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of our common stock;

- expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Act and other regulatory clearances in other relevant jurisdictions shall have been obtained; and

- absence of any law rendering the merger illegal in the United States or in any state or an injunction by a governmental entity in the United State prohibiting the merger.

Conditions of NightHawk

The obligations of NightHawk to effect the merger are subject to the fulfillment or waiver, to the extent permitted by law, at or before the effective time of the merger of the following conditions:

- the representations and warranties of vRad and Merger Sub set forth in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date of the merger subject to the material adverse effect standard contained in the merger agreement and we shall have received a certificate from vRad to this effect;

- vRad and Merger Sub must have performed in all material respects all of their obligations required to be performed by them under the merger agreement at or prior to the closing date of the merger and we shall have received a certificate from vRad to this effect; and

our payment obligations under our existing credit agreement, other than indemnification obligations and other contingent liabilities that survive repayment of the loans under the credit agreement, shall have been paid in full.

Conditions of vRad and Merger Sub

The obligations of vRad and Merger Sub to effect the merger are subject to the fulfillment or waiver, to the extent permitted by law, at or before the effective time of the merger of the following conditions:

our representations and warranties set forth in the merger agreement regarding corporate organization, authority to consummate the transactions contemplated by the merger agreement and absence of undisclosed broker s fees being true and correct as of the date of the merger agreement and as of the closing date of the merger, and our other representations and warranties set forth in the merger agreement being true and correct (other than a failure of our capitalization representation and warranty

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to be true and correct by a such amount which would not result in a greater than $0.19 adjustment to the aggregate merger consideration) as of the date of the merger agreement and as of the closing date of the merger subject to the material adverse effect standard contained in the merger agreement and we shall have provided a certificate to vRad to this effect; and

we must have performed in all material respects all of our obligations required to be performed by us under the merger agreement at or prior to the closing date of the merger and we shall have provided a certificate to vRad to this effect; and

since December 31, 2009 and except as otherwise specifically disclosed to vRad prior to the date of the merger agreement, there must be no change, effect, event, condition, circumstance, development or occurrence that has had or would be reasonably likely to have a material adverse effect (as set forth in the merger agreement) on us.

Termination

Termination by Mutual Consent

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after adoption of the merger agreement by our stockholders, by the mutual written consent of NightHawk and vRad.

Termination by NightHawk or vRad

NightHawk or vRad may terminate the merger agreement, without the consent of the other, in the event of any of the following:

any governmental entity shall have enacted a law making the merger illegal in the United States or in any state or formally issued a permanent, final and non-appealable injunction, ruling or decree that prohibits the merger in the United States or in any state, as long as the terminating party has not initiated any proceeding or taken any action in support of such proceeding;

our stockholders fail to adopt the merger agreement by the required vote at the stockholders meeting; or

the merger has not been consummated prior to January 26, 2011, provided that (1) this right to terminate is not available to a party whose material breach of the merger agreement is the cause of, or resulted in, the failure of the merger to have been consummated on or before that date and (2) such date may be extended to March 25, 2011 by either party if the waiting period under the HSR Act shall not have expired or been terminated or all regulatory clearances in any relevant jurisdictions shall have been obtained by January 26, 2011 and the other conditions to the merger have been satisfied.

Termination by vRad

vRad may terminate the merger agreement, without our consent, in the event of any of the following:

our Board of Directors or any committee of our board makes an adverse recommendation change regarding the merger agreement or the merger;

we intentionally and materially breach our non-solicitation covenants with respect to alternative acquisition proposals or covenants related to the stockholders vote; or

if there shall have been any breach of any representation or warranty, or any such representation or warranty of NightHawk shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of NightHawk, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after receipt by NightHawk of written notice from vRad.

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Termination by NightHawk

We may terminate the merger agreement if there shall have been any breach of any representation or warranty of vRad or Merger Sub, or any such representation or warranty of vRad or Merger Sub shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of vRad or the Merger Sub, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after receipt by vRad of written notice from us. In addition, we may terminate the merger agreement to accept a superior proposal so long as we have complied with the requirements in the merger agreement relating to third party acquisition proposals, as described above under the caption The Merger Agreement Acquisition Proposals by Third Parties, and have paid the termination fee described below.

Effect of Termination

If the merger agreement is terminated as described above, no party to the merger agreement will have any liability or further obligation under the agreement except with respect to:

- any intentional and material breach of the merger agreement;
- the requirement to comply with the separate confidentiality agreement between NightHawk and vRad and certain other provisions of the merger agreement; and
- the obligation, if applicable, to pay the termination fee and expense reimbursement described below.

Termination Fee and Expenses

If we terminate the merger agreement to enter into a definitive agreement to consummate a superior proposal prior to October 27, 2010, or enter into a definitive agreement constituting a superior proposal with a party we have identified as an excluded party prior to November 20, 2010, and we have complied in all material respects with the covenant regarding non-solicitation with respect to that proposal, we must pay a termination fee of $3.7 million to vRad.

Except as set forth above, we are otherwise obligated to pay vRad a termination fee of $6.6 million if we terminate the merger agreement in order to accept a superior proposal. We also are obligated to pay vRad a termination fee of $6.6 million if any of the following occur and within one year after termination of the merger agreement we consummate a third party acquisition or enter into an agreement with respect to an acquisition by a third party:

- the merger agreement is terminated because our stockholders fail to adopt the merger agreement;
- the merger agreement is terminated by vRad because (i) our Board of Directors makes a recommendation change or (ii) we solicit, initiate or encourage a third party acquisition proposal in violation of the merger agreement;