(Agency Use Only)		
Fee Received	Y X	N ____
Exemption #	E-003-13	

RECEIVED

MAR 25 2013

HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES PLANNING BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center
Address 530 N. Cass Avenue
City Westmont Zip Code 60559 County DuPage
Name of current licensed entity for the facility Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center
Does the current licensee: own this facility____ OR lease this facility X (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
X Limited Liability Company ____ Other, specify ____
Illinois State Senator for the district where the facility is located: Sen. Kirk Dillard
State Senate District Number 24 Mailing address of the State Senator
1 South Cass Avenue, Suite 201, Westmont, Illinois 60559
Illinois State Representative for the district where the facility is located: Rep. Patricia R. Bellock
State Representative District Number 47 Mailing address of the State Representative
1 South Cass Avenue, Suite 205, Westmont, Illinois 60559

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No ☒. If yes, refer to Section 1130.520(f), and indicate the projects by Project #

3. **FACILITY'S BED OR DIALYSIS STATION CAPACITY BY CATEGORY OF SERVICE** (Complete "APPENDIX A" attached to this application)

4. **FACILITY'S OTHER CATEGORIES OF SERVICE AS DEFINED IN 77 IAC 1100** (Complete "APPENDIX A" attached to this application)

5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Advocate-SCA Holdings, LLC
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, Alabama 35244
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
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Address 4115 Fairview Avenue
City, State & Zip Code Downers Grove, IL 60515
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5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Surgical Care Affiliates, LLC
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, Alabama 35244
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
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5. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant National Surgery Centers, LLC
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, Alabama 35244
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Exact Legal Name of Applicant Endoscopy Center Affiliates, Inc.
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, Alabama 35244
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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Exact Legal Name of Applicant Evangelical Services Corporation d/b/a Advocate Network Services
Address 2025 Windsor Drive
City, State & Zip Code Oak Brook, Illinois 60523
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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8. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - □ Purchase resulting in the issuance of a license to an entity different from current licensee;
   - □ Lease resulting in the issuance of a license to an entity different from current licensee;
   - □ Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - ☒ Stock transfer resulting in no change from current licensee;
   - □ Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - □ Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - □ Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - □ Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   - □ Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   - □ Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - □ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

9. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

10. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

11. **ANTICIPATED ACQUISITION PRICE: $** 7,000,000

12. **FAIR MARKET VALUE OF THE FACILITY: $** 13,725,500
    (to determine fair market value, refer to 77 IAC 1130.140)

13. **DATE OF PROPOSED TRANSACTION:** May 31, 2013

14. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3.**

15. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Partnerships must provide the name and address of each partner and specify whether each is a general or limited partner. Append this information to the application as **ATTACHMENT #4.**

16. **TRANSACTION DOCUMENTS.** Provide a copy of the document(s) which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities Planning Board. Append this document(s) to the application as **ATTACHMENT #5.**

17. **FINANCIAL INFORMATION** (co-applicants must also provide this information). Per 77 IAC 1130.520(b)(3), an applicant must demonstrate it has sufficient funds to finance the acquisition **and** to operate the facility for 36 months by providing evidence of a bond rating of "A" or better (that must be less than two years old) from Fitch, Moody or Standard and Poor's rating agencies or evidence of compliance with the financial viability review criteria (as applicable) to the type of facility being acquired (as specified at 77 IAC 1120). Append as **ATTACHMENT #6.**

18. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Walker P. Badham
Address: 3000 Riverchase Galleria, Suite 500
City, State & Zip Code: Birmingham, Alabama 35244
Telephone (205) 253-8135 Ext.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Joe Ourth, Anrstein & Lehr LLP
Address: 120 S. Riverside Plaza, Suite 1200
City, State & Zip Code: Chicago, IL 60606
Telephone (312) 876-7815 Ext.

20. CERTIFICATION: **Advocate - SCA Holdings, LLC**

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer RLS
Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.
Title of Authorized Officer: Authorized Representative
Address: 3000 Riverchase Galleria, Suite 500
City, State & Zip Code: Birmingham, AL 35244
Telephone (205) 545-2764 Date: 3.20.13

NOTE: complete a separate signature page for each co-applicant and insert following this page.

19. **ADDITIONAL CONTACT PERSON.** Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Joe Ourth, Arnstein & Lerh LLP
Address: 120 S. Riverside Plaza, Suite 1200
City, State & Zip Code: Chicago, IL 60606
Telephone (312) 876-7815 Ext. ______

20. **CERTIFICATION:** Surgical Care Affiliates, LLC

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

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Telephone (312) 876-7815 Ext.

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Telephone (205) 545-2764 Date: 3.20.13

NOTE: complete a separate signature page for each co-applicant and insert following this page.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Joe Ourth, Arnstein & Lehr LLP
Address: 120 S. Riverside Plaza, Suite 1200
City, State & Zip Code: Chicago, IL 60606
Telephone (312) 876-7815 Ext.

20. CERTIFICATION: Endoscopy Center Affiliates, Inc.

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer RLSJr
Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.
Title of Authorized Officer: Authorized Representative
Address: 3000 Riverchase Galleria, Suite 500
City, State & Zip Code: Birmingham, Al 35244
Telephone (205) 545-2764 Date: 3.20.13

NOTE: complete a separate signature page for each co-applicant and insert following this page.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Joe Ourth, Arnstein & Lehr LLP

Address: 120 S. Riverside Plaza, Suite 1200

City, State & Zip Code: Chicago, IL 60606

Telephone (312) 876-7815 Ext.

20. CERTIFICATION: Evangelical Services Corporation d/b/a Advocate Network Services

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer

Typed or Printed Name of Authorized Officer James R. Dan, M.D., F.A.C.P.

Title of Authorized Officer: Chairperson and President

Address: 2025 Windsor Drive

City, State & Zip Code: Oak Brook, IL 60523

Telephone (630) 990-5073 Date: 3.19.13

NOTE: complete a separate signature page for each co-applicant and insert following this page.

19. ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this application and act on behalf of the applicant.

Name: Joe Ourth, Arnstein & Lehr LLP

Address: 120 S. Riverside Plaza, Suite 1200

City, State & Zip Code: Chicago, IL 60606

Telephone (312) 876-7815 Ext.

20. CERTIFICATION: Advocate Health Care Network

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the categories of service, number of beds and/or dialysis stations within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer

Typed or Printed Name of Authorized Officer James R. Dan, M.D., F.A.C.P.

Title of Authorized Officer: President of Physician and Ambulatory Services

Address: 2025 Windsor Drive

City, State & Zip Code: Oak Brook, IL 60523

Telephone (630) 990-5073 Date: 3.20.2013

NOTE: complete a separate signature page for each co-applicant and insert following this page.

APPENDIX A
FACILITY BED AND DIALYSIS STATION CAPACITY AND CATEGORIES OF SERVICE

Complete the following for the facility for which the change of ownership is requested. The facility's bed and dialysis station capacity must be consistent with the State Board's Inventory of Health Care Facilities.

FACILITY NAME Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center CITY: Westmont

1. Indicate (by placing an "X") the type of facility for which the change of ownership is requested:

☐ Hospital; ☐ Long-term Care Facility; ☐ Dialysis Facility; ☒ Ambulatory Surgical Treatment Center.

2. Provide the bed capacity by category of service:

SERVICE	# of Beds	SERVICE	# of Beds
Medical/Surgical		Nursing Care	
Obstetrics		Shelter Care	
Pediatrics		DD Adults*	
Intensive Care		DD Children**	
Acute Mental Illness		Chronic Mental Illness	
Rehabilitation		Children's Medical Care	
Neonatal Intensive Care		Children's Respite Care	

*Includes ICF/DD 16 and fewer bed facilities; **Includes skilled pediatric 22 years and under

3. Chronic Renal Dialysis: Enter the number of ESRD stations: ______

4. Indicate (by placing an "X") those categories of service for which the facility is approved.

_____ Cardiac Catheterization
_____ Subacute Care Hospital Model
_____ Selected Organ Transplantation
_____ Open Heart Surgery
_____ Kidney Transplantation
_____ Postsurgical Recovery Care Center Model

5. Non-Hospital Based Ambulatory Surgery and Ambulatory Surgical Treatment Centers

Indicate (by placing an "X") if the facility is a ☐ limited or ☒ multi-specialty facility and indicate the surgical specialties provided.

_____ Cardiovascular
__X__ Dermatology
_____ Gastroenterology
_____ General/Other (includes any procedure that is not included in the other specialties)
__X__ Neurological
_____ Obstetrics/Gynecology
_____ Ophthalmology
_____ Oral/Maxillofacial
__X__ Orthopedic
_____ Otolaryngology
_____ Plastic Surgery
__X__ Podiatry
_____ Thoracic
_____ Urology

APPLICATION FEE

ATTACHMENT #1

Attached is a check in the amount of $2,500 payable to the Illinois Department of Public Health for the required application fee.

SOURCE OF FUNDING

ATTACHMENT #2

The acquisition of a 51% ownership interest will be funded from internal capital resources from the co-applicant Advocate-SCA Holdings, LLC. Advocate-SCA Holdings, LLC will obtain the capital required for this transaction from its owners, Surgical Care Affiliates, LLC ("SCA") and Evangelical Services Corporation d/b/a Advocate Network Services, Inc. ("Advocate"). Both SCA and Advocate have sufficient resources to fund the transaction. Financing mechanisms and allocations between co-applicants are detailed in the transaction documents.

The most recent Annual Financial Report for SCA verifying the ability to fund the acquisition is included in Attachment #6. Page 4 of this Annual Financial Report shows Cash and Cash Equivalents in the amount of $71,179,000. Also included in Attachment #6 is an excerpt of Advocate's consolidated balance sheets showing Advocate has the cash and cash equivalents available to finance the Project from cash. Advocate's full audited financial statements and proof of its AA bond ratings from the major rating agencies were previously submitted to the Review Board on December 27, 2012 as Project Number 12-104 and are incorporated by reference.

NARRATIVE OF TRANSACTION

ATTACHMENT #3

Westmont Surgery Center, LLC, d/b/a Salt Creek Surgery Center, located in Westmont, Illinois, is a multi-specialty ambulatory surgical center. Salt Creek Surgery Center is presently owned by the following 32 physicians:

Dr. Matthew Bueche	Dr. Mark Lornez
Dr. Dale Buranosky	Dr. Steven Louis
Dr. Giri Burra	Dr. Steven Mash
Dr. Michael Collins	Dr. Steven Mather
Dr. Steven Chudik	Dr. Brian Murphy
Dr. Robert Daley	Dr. Dalip Pelinkovic
Dr. Benjamin Domb	Dr. John Reilly
Dr. Michael Durkin	Dr. Victor Romano
Dr. Bradley Dworsky	Dr. Kenneth Schiffman
Dr. William Gilligan	Dr. Paul Trksak
Dr. Rahul Gokhale	Dr. David Tulipan
Dr. Kamal Ibrahim	Dr. Leah Urbanosky
Dr. Troy Karlsson	Dr. Robyn Vargo
Dr. Andrew Kim	Dr. Samuel Vinci
Dr. Lawrence Lieber	Dr. Robert Welch
Dr. Brian Lindell	Dr. Michael Zindrick

In the proposed transaction these physicians would retain 49% of Salt Creek Surgery Center and sell the remaining 51% to Advocate-SCA Holdings, LLC, which is owned 51% by SCA and 49% by Advocate. Advocate-SCA Holdings, LLC will acquire its ownership interest using capital from internally available financial resources provided by its owners, SCA and Advocate. For various corporate governance and structuring purposes, there are two intermediary corporate entities between SCA and Advocate-SCA Holdings, LLC, namely National Surgery Centers, LLC and Endoscopy Center Affiliates, Inc. SCA, through its intermediary corporate entities, will be responsible for providing Advocate-SCA Holdings, LLC with SCA's share of the funding for the Project. Similarly, Advocate will be responsible for providing Advocate-SCA Holdings, LLC with Advocate's share of the funding for the Project.

The Estimated Purchase Price for Advocate-SCA Holdings, LLC's 51% ownership interest is approximately $7,000,000, subject, however, to upward or downward adjustment upon Advocate-SCA Holdings, LLC's satisfactory completion of the normal due diligence process and confirmation of Salt Creek Surgery Center's projected operating costs. For purposes of this Application the Fair Market Value of the facility was calculated as by using 51% extrapolated to 100% of the facility.

SCA will provide the management services for the facility and the current physicians will continue to provide the medical director. SCA has considerable experience and expertise in surgical center management.

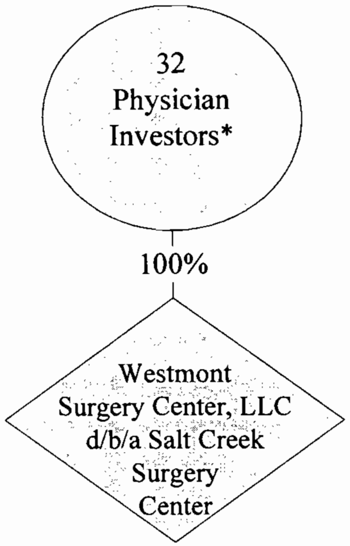
The physical plant for the facility is owned by GM Property LLC and GM Property LLC will continue to lease the facility to Salt Creek Surgery Center upon completion of the transaction.

After the transaction, Westmont Surgery Center, LLC, d/b/a Salt Creek Surgery Center will not otherwise change its name and will continue to use the d/b/a "Salt Creek Surgery Center". The licensee will continue to be Westmont Surgery Center, LLC, d/b/a Salt Creek Surgery Center.

Included in Attachment #3 is an organizational chart showing the current ownership of Salt Creek Surgery Center and the resultant ownership structure immediately upon the closing of the transaction. Further details of the transaction are outlined in the signed Letter of Intent included in Attachment #5. The revised closing date for the transaction is May 31, 2013.

Westmont Surgery Center, LLC
d/b/a Salt Creek Surgery Center
530 North Cass Avenue
Westmont, IL 60559

CURRENT STRUCTURE

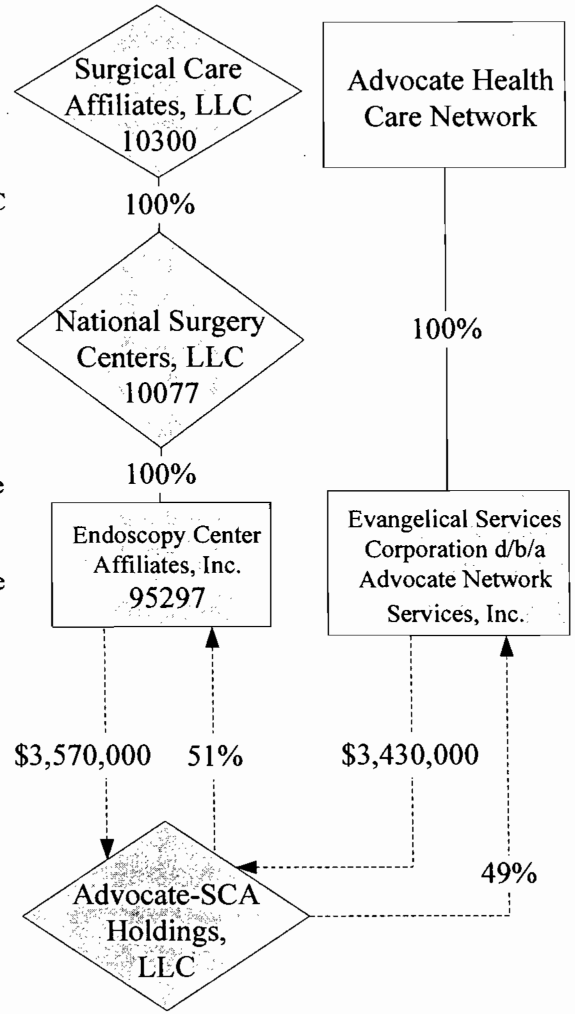


Disclaimer: This information is provided as a summary only and does not contain all transaction details. For complete details, please review the FINAL transaction documents.

*16 investors own 3.1250%
15 investors own 3.2609%
1 investor owns 1.087%

Evangelical Services Corporation d/b/a Advocate Network Services, Inc. ("Advocate Sub") and Endoscopy Center Affiliates, Inc. ("SCA Sub"), through a joint venture entity, will purchase 51% of Westmont Surgery Center, LLC d/b/a Salt Creek Surgery Center ("SCSC").

- SCA Sub and Advocate Sub will form a joint venture entity, Advocate-SCA Holdings, LLC ("JV")
- SCA Sub will contribute $3,570,000 to JV in exchange for 51% interest in JV
- Advocate Sub will contribute $3,430,000 to JV in exchange for 49% interest in JV

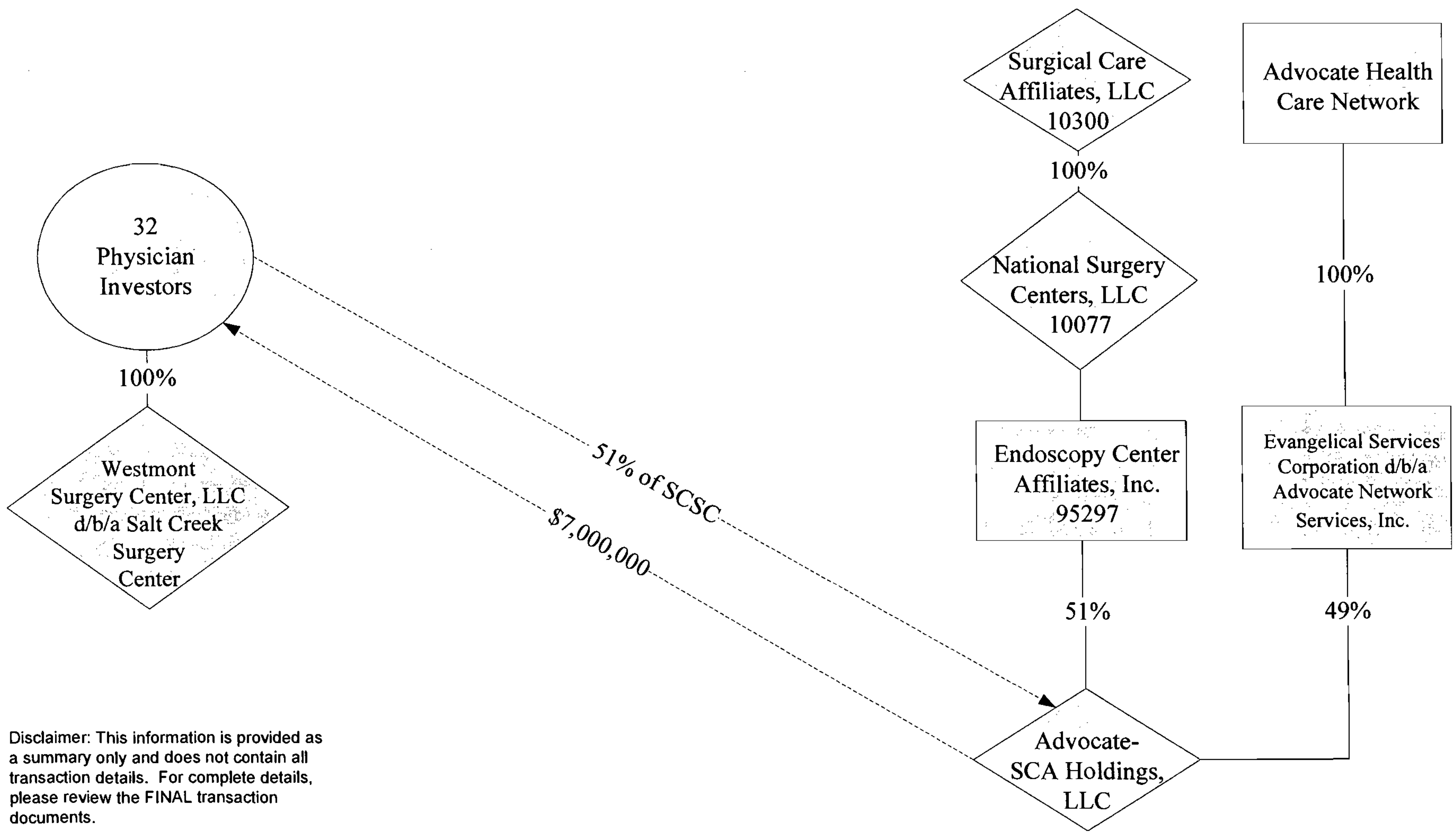


DRAFT

ATTACHMENT 3

Westmont Surgery Center, LLC
d/b/a Salt Creek Surgery Center
530 North Cass Avenue
Westmont, IL 60559

- 32 Physician investors sell 51% membership interest in SCSC to JV in exchange for $7,000,000

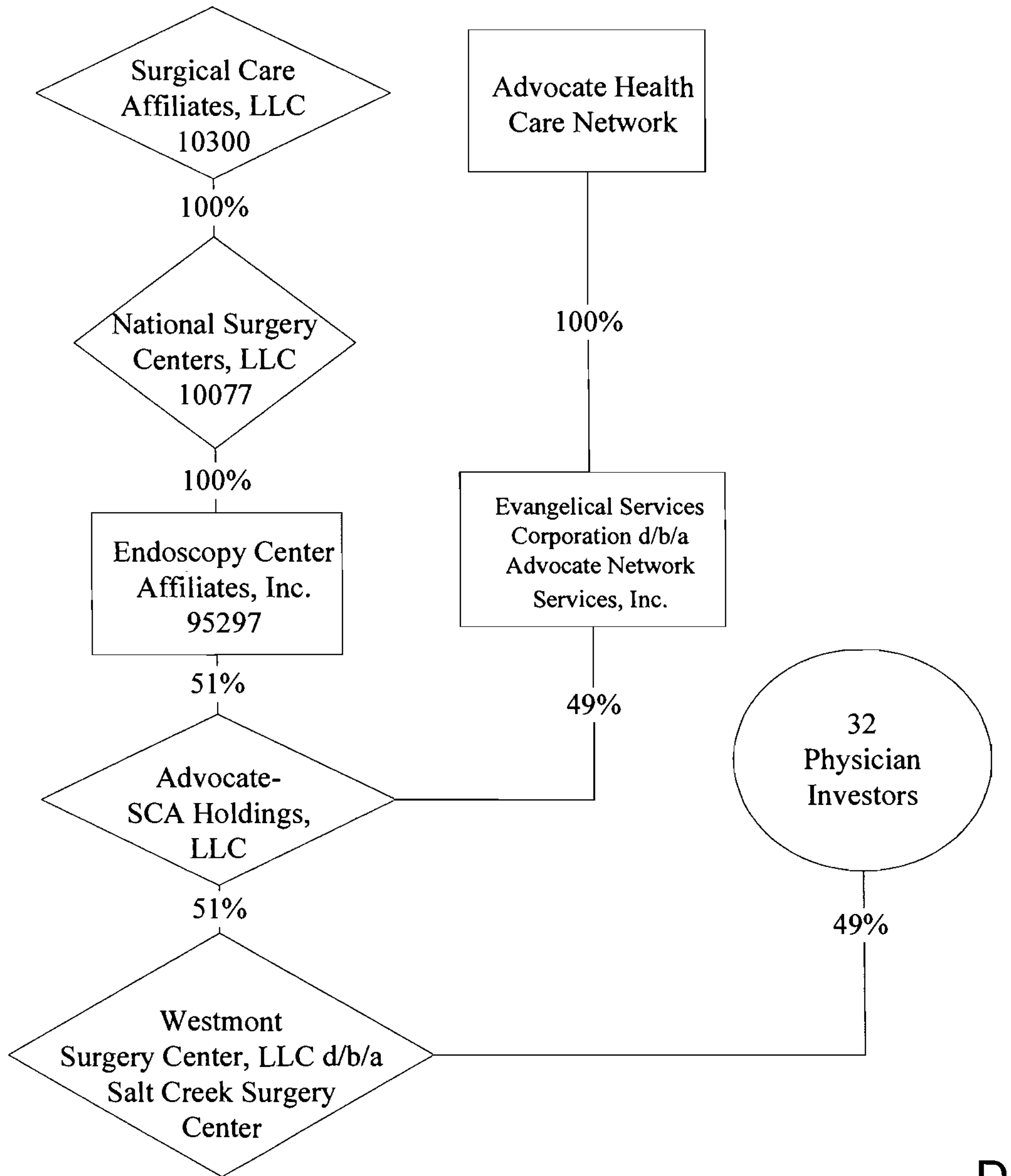


Disclaimer: This information is provided as a summary only and does not contain all transaction details. For complete details, please review the FINAL transaction documents.

DRAFT

Westmont Surgery Center, LLC
d/b/a Salt Creek Surgery Center
530 North Cass Avenue
Westmont, IL 60559

POST-CLOSING STRUCTURE



Disclaimer: This information is provided as a summary only and does not contain all transaction details. For complete details, please review the FINAL transaction documents.

DRAFT

BACKGROUND OF APPLICANT

ATTACHMENT #4

Attached are copies of Certificates of Good Standing from the Illinois Secretary of State for Advocate-SCA Holdings, LLC, Surgical Care Affiliates, LLC, Evangelical Services Corporation and Advocate Health Care Network.

Endoscopy Center Affiliates, Inc. and National Surgery Centers, LLC are Delaware corporate entities with no business operations in Illinois. Consequently, Endoscopy Center Affiliates, Inc. and National Surgery Centers, LLC are not required to obtain admission to transact business in Illinois.

File Number 0428235-3

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ADVOCATE-SCA HOLDINGS, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON MARCH 21, 2013, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 22ND *day of* MARCH *A.D.* 2013 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Jesse White

SECRETARY OF STATE

Authentication #: 1308101407

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 4

File Number 0226541-9

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

SURGICAL CARE AFFILIATES, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JULY 09, 2007, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 20TH *day of* MARCH *A.D.* 2013 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1307902910

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 4

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "NATIONAL SURGERY CENTERS, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SECOND DAY OF MARCH, A.D. 2013.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.

Jeffrey W. Bullock, Secretary of State

2528527 8300

130350056

AUTHENTICATION: 0306579

DATE: 03-22-13

You may verify this certificate online at corp.delaware.gov/authver.shtml

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ENDOSCOPY CENTER AFFILIATES, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SECOND DAY OF MARCH, A.D. 2013.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL REPORTS HAVE BEEN FILED TO DATE.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

SECRETARY OF STATE · 1776 · DELAWARE · 1976

Jeffrey W. Bullock, Secretary of State

2300108 8300

AUTHENTICATION: 0305602

130348214

DATE: 03-22-13

You may verify this certificate online at corp.delaware.gov/authver.shtml

File Number 5291-138-9

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

EVANGELICAL SERVICES CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 24, 1982, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE RELATING TO THE PAYMENT OF FRANCHISE TAXES, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 15TH *day of* MARCH *A.D.* 2013 .

Authentication #: 1307401226

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

File Number 1707-692-2

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

ADVOCATE HEALTH CARE NETWORK, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 14, 1923, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 15TH *day of* MARCH *A.D.* 2013 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1307401310

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

TRANSACTIONAL DOCUMENTS

ATTACHMENT #5

Attached is a copy of the signed Letter of Intent among the co-Applicants and the physician owners of Westmont Surgery Center, LLC, d/b/a Salt Creek Surgery Center. We note that Dr. Steven Mash is both the President of the Board of Directors of Westmont Surgery Center, LLC and the Physician Sellers Representative. Final definitive documents are being finalized and will be provided to the Board prior to the Board's consideration of the Project.

SCA
Surgical Care Affiliates

Strictly Confidential

December 18, 2012

Dr. Steven Mash

RE: Westmont Surgery Center LLC

Dear Steve:

On behalf of Surgical Care Affiliates, LLC ("**SCA**") and Advocate Health Care (the "**Hospital**"), I would like to thank you for the opportunity to engage in negotiations with Westmont Surgery Center LLC ("**WSC**") and its physician members (the "**Physician Sellers**") regarding the purchase of a 51% ownership interest in WSC (the "**Subject Interest**") upon the terms and conditions contained in this letter (the "**Letter of Intent**"). The proposed terms contained in this Letter of Intent are based upon information previously provided to SCA and Hospital by you without independent verification.

Except for Sections 8 through 14 (the "**Binding Provisions**") this Letter of Intent does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of any party hereto. No such obligation shall be created except upon the closing of the transactions contemplated hereby (the "**Closing**") which shall be upon such terms and conditions as shall be agreed upon by the parties and then only in accordance with the terms and conditions of the Transaction Documents (as defined below in Section 6). Moreover, except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the transactions contemplated hereunder, or relating to the negotiation of the terms of the Transaction Documents, will give rise to or serve as a basis for any obligation or other liability on the part of any party.

1. Current Structure.

    a. WSC currently operates an ambulatory surgery center located at 530 North Cass Avenue, Westmont, IL 60559 (the "**Center**").

    b. WSC is owned by those Physician Sellers in such percentages as is listed on **Exhibit A**, attached hereto.

2. Purchase Price and Related Matters.

a. SCA and Hospital, through a newly-formed entity jointly owned by the two, ("**NEWCO**"), will acquire the Subject Interest from the Physician Sellers. The aggregate purchase price for the Subject Interest shall be equal to $7,000,000 (the "**Estimated Purchase Price**"). The Estimated Purchase Price less Escrowed Funds, with the Escrowed Funds ranging between 5-10% of the final purchase price, depending on SCA's findings during its due diligence review, and to be released within 12 months following Closing, as defined hereinafter, will be paid at the time of the Closing by wire transfer of immediately available funds to an account designated by Physician Sellers.

b. Working Capital. The parties will agree upon the amount of required working capital of WSC to be on hand at Closing, and the Purchase Price shall be adjusted if the working capital is more or less than the agreed upon amount. "**Working Capital**" shall mean an amount equal to (a) the sum of the current assets, including, without limitation, the following items: (i) cash, (ii) accounts receivable, (iii) inventories and supplies, and (iv) prepaid expenses, minus (b) the sum of the current liabilities, including, without limitation, the following items: (i) accrued employee benefits (PTO, etc.), (ii) accounts payable and (iii) accrued expenses.

c. Indebtedness. WSC will have no indebtedness as of the date of the Closing.

d. Due Diligence. SCA and Hospital developed the preliminary valuation based on the information you provided to us, and it is subject to satisfactory completion of due diligence. With the assistance of advisors and access to and cooperation from WSC, we expect to complete our business, accounting, tax and legal due diligence in a focused and expeditious manner. Our due diligence will focus on: (i) historical operating results, (ii) historical accounting practices, (iii) management's budgets and projections, (iv) payer relationships, including changes in workers' compensation reimbursement, and management's projections of selective assignment of certain contracts, and (v) customary legal, tax, environmental and regulatory reviews. We are prepared to immediately proceed with due diligence. In the event that projected operating results are unable to be confirmed in the due diligence process, SCA and Hospital reserve the right to adjust the Estimated Purchase Price or withdraw altogether.

3. Management. Upon Closing, SCA would become the manager of the Center and provide day-to-day management services under the terms of management agreement with Center (the "**Management Agreement**"). The Management Agreement will provide that SCA shall be paid a

management fee equal to 5% of the Center's net revenues annually, plus reimbursement of direct expenses incurred by SCA on behalf of the Center, including accounts payable, insurance premiums, the cost of employing the Center's employees, tax return preparation, and such other terms agreed upon by the parties. The Management Agreement will have an initial five (5) year term and, so long as SCA or an affiliate of SCA has an equity ownership in WSC, the Management Agreement will automatically renew for successive terms of five (5) years each. Additionally, at Closing, SCA and the Center's current management company will enter into a buyout of the current management services agreement, on such terms and conditions to be negotiated by the parties.

4. Operating Agreement. Subject to review of the existing operating agreement of WSC, NEWCO may require WSC to approve an amended operating agreement (the "**Amended Operating Agreements**") that will contain governance rights and covenants acceptable to NEWCO, including but not limited to the following:

   a. restrictive covenants (non-compete) that will prohibit each of the Physician Sellers from participating in any business competitive with the Center within a 10-mile radius of the Center, during their term as an owner of WSC and ending two years after the Physician Seller no longer owns an interest in WSC;

   b. the addition of rights to repurchase ownership units upon certain "buy/sell" events, including, without limitation, disability, death, incompetence, retirement, failure to utilize the Center as an extension of any Physician Seller's practice, relocation, failure to remain a qualified physician investor with active medical staff privileges at the Center, transfers in violation of the Amended Operating Agreement, material breach of the Amended Operating Agreement, failure to maintain malpractice insurance, loss of medical license or controlled substances registration, gross misconduct or conviction of a felony or crime or moral turpitude; a change in law that makes the ownership in WSC by and/or referrals by the Physician Sellers to WSC illegal; and

   c. any other changes mutually agreed to by the parties.

5. Employees. It is anticipated that, subject to due diligence, substantially all of the Center's staff will be needed to continue operations after the closing of the transaction. Upon closing of the transaction, continuing employees will be terminated by their current employer and become employees of SCA. It is anticipated that the current employee benefits plan will be replaced with the SCA benefits plan that is utilized by other SCA affiliated centers.

6. Transaction Documents. Upon the execution of this Letter of Intent, SCA will direct its counsel to begin preparation of the transaction documents

(the "**Transaction Documents**") for review by WSC and its counsel. The Transaction Documents shall contain provisions in accordance with the foregoing together with such further appropriate terms and conditions as are customary in such transactions and mutually acceptable to the parties.

7. Conditions to Execution of Transaction Documents. The obligations of the parties to proceed under the Transaction Documents will be contingent upon the final satisfaction or waiver by each party of the following conditions (as applicable):

   a. Due Diligence. Satisfaction by SCA and Hospital of the results of its due diligence review of WSC.

   b. No Conflict. No court or governmental or regulatory authority shall have enacted or issued any statute, rule, regulation, judgment, injunction or other order which prohibits the consummation of, or materially adversely affects the anticipated benefits from, the transactions contemplated by the Transaction Documents.

   c. Consents. Obtaining any consents to the transactions contemplated by the Transaction Documents which are required by law, all approvals required under all leases, loan documents and other contracts pertaining to the business of WSC and satisfying any and all governmental and regulatory approval or permit or licensing requirements for consummation of the transactions contemplated by the Transaction Documents.

   d. Lease. WSC shall deliver any necessary consents or approvals with regard to WSC's real estate lease and any sub-lease.

   e. Senior Management Approval of SCA and Hospital. The Transaction Documents shall have been duly authorized and approved by the senior management of SCA and Hospital.

   f. Certificate of Need, Licensing and Medicare Certification. WSC and NEWCO successfully obtaining a certificate of need ("CON") from the Illinois Department of Public Health and Illinois Health Facilities Review Board for the Center, along with any other surgical clinic licensure and Medicare certification necessary for the operation of the Center.

BINDING PROVISIONS. The following paragraphs of this Letter of Intent are legally binding and enforceable agreements of each of the parties hereto.

8. Exclusivity.

   a. SCA and Hospital contemplate the expenditure of substantial sums of time and money in connection with legal, accounting, financial and due diligence work to be performed in connection with transactions contemplated by this Letter of Intent. WSC, the Physician Sellers, and their respective affiliates will negotiate exclusively and in good faith with SCA and Hospital with respect to the transactions contemplated by this Letter of Intent, subject to the provisions set forth in subsection b. below.

b. For purposes of inducing SCA and Hospital to execute this Letter of Intent, neither WSC, Physician Sellers, nor any of their respective affiliates shall, directly or indirectly, without SCA's and Hospital's prior written consent, initiate or hold discussions with any person or entity concerning the sale of the Center or any interest in WSC during the period following the date that this Letter of Intent is executed until 120 days thereafter (the **"Exclusivity Period"**). Should WSC, Physician Sellers, or any of their affiliates or representatives be approached by a third-party during the Exclusivity Period, such parties agree to fully and promptly disclose to SCA and Hospital such communication.

c. The Parties consider the provisions herein, including without limitation the provisions of this Section, to be fair, reasonable and integral to the protection of each party. Each party agrees that the breach or threatened breach of this Agreement by any party would cause serious and irreparable injury to the non-breaching party, and therefore each party agrees that the other party may not have an adequate remedy at law in connection with any violation of this agreement, and, in addition to all other remedies available at law or in equity, each party shall be entitled to injunctive or similar relief for any breach of this agreement.

9. Expenses and Legal Fees. Each party hereto agrees that it shall pay its own expenses and those of its respective agents, advisors, attorneys and accountants with respect to carrying out of the due diligence, negotiation of this Letter of Intent, the Transaction Documents and the Closing.

10. Access. From the date of this Letter of Intent until such time as any party shall terminate negotiations, WSC shall provide SCA and Hospital reasonable access to such books, records, other financial information and/or personnel as may reasonably be necessary to evaluate the Companies and their prospects, provided that any access to such information shall not disrupt the conduct of the disclosing party's business or require the disclosure of any information, the disclosure of which would violate any law (including antitrust laws) or obligations of confidentiality in accordance with this Letter of Intent.

11. Governing Law. The Letter of Intent shall be governed by the laws of the State of Illinois without regard to its choice of law provisions.

12. Prior Agreements. This Letter of Intent supersedes any prior agreement regarding the subject matter of this Letter of Intent. Any such prior agreement shall not be effective for any purpose.

13. Termination of Letter of Intent. In the event that the Definitive Agreements have not been executed by March 31, 2013, this Letter of Intent will expire; provided, however, that at any time prior to such date, this Letter of Intent may be terminated by either party without cause and without further obligation by either party to the other upon written notice given by either party to the other. Termination of this Letter of Intent shall not terminate the obligations of WSC, the Physician Sellers, or their respective affiliates under Section 8 hereof.

14. Non-Binding Obligations. Sections 8 through 14 are Binding Provisions. Except for the Binding Provisions, this Letter of Intent does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of any party hereto. No such obligation shall be created except upon the Closing of the transactions contemplated hereby which shall be upon such terms and conditions as shall be agreed upon by the parties and then only in accordance with the terms and conditions of the transaction documents. Moreover, except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the transactions contemplated hereunder, or relating to the negotiation of the terms of the Transaction Documents, will give rise to or serve as a basis for any obligation or other liability on the part of any party.

[Remainder of Page Intentionally Left Blank]

If you would like to pursue further discussion with regard to the purchase of the Subject Interest upon the terms and conditions outlined above, please execute and return a signed copy of this Letter of Intent. This Letter of Intent shall expire unless there has been delivered to the SCA no later than **5:00 p.m. central time on January 11, 2013**. Please direct all communications regarding this proposal to Ben Jacobs at (615) 783-1636 or at ben.jacobs@scasurgery.com. We appreciate the opportunity to discuss this matter and look forward to working with you.

Sincerely,

Ben Jacobs

Ben Jacobs
VP, Development

Accepted and agreed to this 26th day of December, 2012, by:

Westmont Surgery Center LLC

By: ______________________

Printed Name: Sean Mash

Its: President Board of Managers

Physician Sellers Representative

By: ______________________

Printed Name: ______________________

Its: ______________________

ATTACHMENT 5

EXHIBIT A

Westmont Surgery Center and GM Property
Owenrship schedule
As of 12/21/12

Bueche	3.2609%
Buranosky	3.2609%
Ibrahim	3.2609%
Karlsson	3.2609%
Kim	3.2609%
Lieber	3.2609%
Lindell	3.2609%
Mash	3.2609%
Mather	3.2609%
Reilly	3.2609%
Tulipan	3.2609%
Vinci	3.2609%
Welch	3.2609%
Murphy	3.2609%
Gokhale	3.2609%
Pelinkovic	1.0870%

Collins	3.1250%
Daley	3.1250%
Durkin	3.1250%
Gilligan	3.1250%
Lorenz	3.1250%
Louis	3.1250%
Schiffman	3.1250%
Trksak	3.1250%
Vargo	3.1250%
Zindrick	3.1250%
Dworsky	3.1250%
Chudik	3.1250%
Burra	3.1250%
Urbanosky	3.1250%
Romano	3.1250%
Domb	3.1250%

Total'	100.0000%

FINANCIAL INFORMATION

ATTACHMENT #6

Advocate-SCA Holdings, LLC will finance the Project from internal capital resources and understands that financial viability ratios are not required pursuant to §1120.130(a). SCA's audited financial reports for the three most recently available fiscal years are attached. An excerpt of Advocate's consolidated balance sheets showing Advocate has the cash and cash equivalents available to finance the Project from cash. Advocate's full audited financial statements and proof of its AA bond ratings from the major rating agencies were previously submitted to the Review Board on December 27, 2012 as Project Number 12-104 and are incorporated by reference to this Application.

As a new company, Advocate-SCA Holdings, LLC does not have audited financial statements. The audited financial statements for the owners of Advocate-SCA Holdings, LLC, however, show the cash availability to finance the acquisition of and to operate the facility.

Advocate Health Care Network and Subsidiaries

Consolidated Balance Sheets
(Dollars in Thousands)

	December 31 2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 302,796	$ 542,002
Short-term investments	20,372	25,464
Assets limited as to use	75,710	69,604
Patient accounts receivable, less allowances for uncollectible accounts of $132,507 in 2011 and $129,209 in 2010	511,302	400,855
Amounts due from primary third-party payors	6,357	4,056
Prepaid expenses, inventories, and other current assets	258,971	220,093
Collateral proceeds received under securities lending program	19,135	218,777
Total current assets	1,194,643	1,480,851
Assets limited as to use:		
Internally and externally designated investments limited as to use	3,636,696	2,998,858
Investments under securities lending program	19,067	213,830
	3,655,763	3,212,688
Other noncurrent assets	110,445	109,766
Interest in health care and related entities	129,955	132,324
Reinsurance receivable	177,207	164,074
Deferred costs and intangible assets, less allowances for amortization	36,708	22,175
	4,110,078	3,641,027
Property and equipment – at cost:		
Land and land improvements	180,834	170,705
Buildings	2,098,612	1,971,568
Movable equipment	1,204,236	1,111,226
Construction-in-progress	112,855	132,544
	3,596,537	3,386,043
Less allowances for depreciation	1,922,395	1,786,886
	1,674,142	1,599,157
	$ 6,978,863	$ 6,721,035

SCA

Surgical Care Affiliates

Surgical Care Affiliates, LLC

Annual Financial Report

For the Year Ended December 31, 2011

P. O. Box 360688
Birmingham, AL 35244

(800) 768-0094

Surgical Care Affiliates, LLC

Annual Financial Report
December 31, 2011

INDEX

pwc

Report of Independent Auditors

To the Board of Directors and Members of
Surgical Care Affiliates, LLC:

In our opinion, the accompanying consolidated balance sheets as of December 31, 2011 and 2010 and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows present fairly, in all material respects, the financial position of Surgical Care Affiliates, LLC (a wholly owned subsidiary of ASC Acquisition, LLC) at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 23, 2012

SURGICAL CARE AFFILIATES, LLC
Consolidated Balance Sheets
(In thousands of U. S. dollars)

	December 31 2011	December 31 2010
Assets		
Current assets		
Cash and cash equivalents	$ 71,179	$ 30,577
Restricted cash	24,050	33,092
Accounts receivable, net of allowance for doubtful accounts (2011 - $10,106; 2010 - $7,676)	88,796	82,050
Prepaids and other current assets	30,585	21,200
Current assets related to discontinued operations	234	1,951
Total current assets	214,844	168,870
Property and equipment, net of accumulated depreciation (2011 - $74,595; 2010 - $49,981)	183,775	183,085
Goodwill	679,463	681,308
Intangible assets, net of accumulated amortization (2011 - $22,051; 2010 - $17,493)	47,299	53,467
Deferred debt issue costs	14,104	10,749
Investment in and advances to nonconsolidated affiliates	212,608	81,838
Other long-term assets	4,141	3,952
Assets related to discontinued operations	19	3,384
Total assets	$ 1,356,253	$ 1,186,653
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 16,503	$ 7,509
Checks issued in excess of bank balance	-	6,342
Accounts payable	23,956	24,029
Accrued payroll	20,661	20,882
Accrued interest	13,778	13,737
Accrued distributions	23,612	22,547
Payable to nonconsolidated affiliates	34,708	16,483
Deferred income tax liability	7,028	4,749
Other current liabilities	15,088	16,749
Current liabilities related to discontinued operations	158	612
Total current liabilities	155,492	133,639
Long-term debt, net of current portion	770,912	674,979
Deferred income tax liability	86,875	66,916
Other long-term liabilities	20,373	21,874
Liabilities related to discontinued operations	-	114
Total liabilities	1,033,652	897,522
Commitments and contingent liabilities (Note 16)		
Noncontrolling interests – redeemable (Note 9)	23,866	23,631
Equity		
SCA's equity		
Contributed capital	313,581	282,258
Accumulated other comprehensive loss	(9,313)	(13,310)
Accumulated deficit	(137,299)	(127,622)
Total SCA equity	166,969	141,326
Noncontrolling interests – non-redeemable (Note 9)	131,766	124,174
Total equity	298,735	265,500
Total liabilities and equity	$ 1,356,253	$ 1,186,653

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, LLC
Consolidated Statements of Operations
(In thousands of U. S. dollars)

	Year Ended December 31 2011	Year Ended December 31 2010	Year Ended December 31 2009
Net operating revenues	$ 740,951	$ 740,144	$ 715,266
Operating expenses:			
Salaries and benefits	230,562	225,875	226,565
Supplies	165,484	178,604	166,803
Other operating expenses	119,927	118,739	118,913
Depreciation and amortization	42,544	39,388	38,171
Occupancy costs	28,385	29,445	29,452
Provision for doubtful accounts	18,912	18,283	18,269
Impairment of intangible and long-lived assets	49	-	952
(Gain) loss on disposal of assets	(776)	310	(148)
Total operating expenses	605,087	610,644	598,977
Interest expense	56,322	52,835	53,646
Interest income	(434)	(1,555)	(1,326)
(Gain) loss on sale of investments	(4,363)	(1,361)	631
Equity in net income of nonconsolidated affiliates	(22,236)	(15,297)	(10,500)
Income from continuing operations before income tax expense	106,575	94,878	73,838
Provision for income tax expense	21,140	15,308	13,469
Income from continuing operations	85,435	79,570	60,369
Loss from discontinued operations, net of income tax expense	(2,424)	(10,357)	(2,864)
Net income	83,011	69,213	57,505
Less: Net income attributable to noncontrolling interests	(92,688)	(84,122)	(83,261)
Net loss attributable to SCA	$ (9,677)	$ (14,909)	$ (25,756)

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, LLC
Consolidated Statements of Comprehensive Income (Loss)
(In thousands of U. S. dollars)

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Net income	$ 83,011	$ 69,213	$ 57,505
Other comprehensive income (loss):			
Unrealized gain (loss) on interest rate swaps	3,997	(1,895)	2,667
Total other comprehensive income (loss)	3,997	(1,895)	2,667
Comprehensive income	87,008	67,318	60,172
Comprehensive income attributable to noncontrolling interests	(92,688)	(84,122)	(83,261)
Comprehensive income (loss) attributable to SCA	$ (5,680)	$ (16,804)	$ (23,089)

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, LLC
Consolidated Statements of Changes in Equity
(In thousands of U. S. dollars)

	Contributed Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total SCA Equity	Noncontrolling Interests-- non-redeemable	Total Equity
Balance at December 31, 2008	$ 288,215	$ (14,082)	$ (86,957)	$ 187,176	$ 108,433	$ 295,609
Net (loss) income	-	-	(25,756)	(25,756)	56,264	30,508
Other comprehensive income	-	2,667	-	2,667	-	2,667
Stock compensation	1,076	-	-	1,076	-	1,076
Net change in equity related to purchase/ (sale) of ownership interests	(2,249)	-	-	(2,249)	11,585	9,336
Contributions from noncontrolling interests	-	-	-	-	3,737	3,737
Change in distribution accrual	-	-	-	-	(5,342)	(5,342)
Distributions to noncontrolling interests	-	-	-	-	(56,584)	(56,584)
Balance at December 31, 2009	$ 287,042	$ (11,415)	$ (112,713)	$ 162,914	$ 118,093	$ 281,007
Net (loss) income	-	-	(14,909)	(14,909)	59,679	44,770
Other comprehensive loss	-	(1,895)	-	(1,895)	-	(1,895)
Stock compensation	1,282	-	-	1,282	-	1,282
Net change in equity related to purchase/ (sale) of ownership interests	(6,066)	-	-	(6,066)	2,679	(3,387)
Contributions from noncontrolling interests	-	-	-	-	1,621	1,621
Change in distribution accrual	-	-	-	-	463	463
Distributions to noncontrolling interests	-	-	-	-	(58,361)	(58,361)
Balance at December 31, 2010	$ 282,258	$ (13,310)	$ (127,622)	$ 141,326	$ 124,174	$ 265,500
Member contributions	25,000	-	-	25,000	-	25,000
Net (loss) income	-	-	(9,677)	(9,677)	67,061	57,384
Other comprehensive income	-	3,997	-	3,997	-	3,997
Stock compensation	1,680	-	-	1,680	-	1,680
Net change in equity related to purchase/(sale) of ownership interests	4,643	-	-	4,643	2,862	7,505
Contributions from noncontrolling interests	-	-	-	-	272	272
Change in distribution accrual	-	-	-	-	(1,524)	(1,524)
Distributions to noncontrolling interests	-	-	-	-	(61,079)	(61,079)
Balance at December 31, 2011	$ 313,581	$ (9,313)	$ (137,299)	$ 166,969	$ 131,766	$ 298,735

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, LLC
Consolidated Statements of Cash Flows
(In thousands of U. S. dollars)

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Cash flows from operating activities			
Net income	$ 83,011	$ 69,213	$ 57,505
Loss from discontinued operations	2,424	10,357	2,864
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for doubtful accounts	18,912	18,283	18,269
Depreciation and amortization	42,544	39,388	38,171
Amortization of deferred issuance costs	2,762	2,544	2,544
Impairment of long-lived assets	49	-	952
Impairment of investment in nonconsolidated affiliate	-	-	3,100
Realized (gain) loss on sale of investments	(4,363)	(1,361)	631
(Gain) loss on disposal of assets	(776)	310	(148)
Equity in net income of nonconsolidated affiliates	(22,236)	(15,297)	(10,500)
Distributions from nonconsolidated affiliates	27,067	16,419	15,649
Deferred income tax	22,238	20,600	14,230
Stock compensation	1,680	1,282	1,076
(Increase) decrease in assets, net of business combinations			
Accounts receivable	(28,487)	(24,648)	(19,224)
Other assets	(671)	(12,880)	7,396
Increase (decrease) in liabilities, net of business combinations			
Accounts payable	(483)	746	(3,928)
Accrued payroll	115	1,303	(4,757)
Accrued interest	112	6,775	992
Other liabilities	23,590	15,962	13,089
Other, net	(1,258)	(32)	824
Net cash (used in) provided by operating activities of discontinued operations	(902)	(5,190)	3,701
Net cash provided by operating activities	165,328	143,774	142,436
Cash flows from investing activities			
Capital expenditures	(32,936)	(28,702)	(32,399)
Proceeds from disposal of assets	2,921	2,805	761
Proceeds from sale of equity interests of nonconsolidated affiliates	-	3,301	1,800
Proceeds from sale of equity interests of consolidated affiliates in deconsolidation transactions	3,216	8,277	-
Decrease in cash related to conversion of consolidated affiliates to equity interests	(706)	(278)	-
Net change in restricted cash	9,042	(4,032)	(8,689)
Net settlements on interest rate swap	(8,533)	(10,230)	(9,206)
Business acquisitions, net of cash acquired	(873)	(17,044)	(7,485)
Purchase of equity interests in nonconsolidated affiliates	(130,506)	-	-
Net cash provided by (used in) provided by investing activities of discontinued operations	521	-	(597)
Net cash used in investing activities	$ (157,854)	$ (45,903)	$ (55,815)

SURGICAL CARE AFFILIATES, LLC
Consolidated Statements of Cash Flows
(Continued)
(In thousands of U. S. dollars)

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Cash flows from financing activities			
Checks issued in excess of bank balance	$ (6,342)	$ (766)	$ (2,718)
Member contributions	25,000	-	-
Borrowings under line of credit arrangements and long term debt, net of Issuance costs	101,141	-	1,835
Principal payments on line of credit arrangements and long term debt	(6,354)	(6,233)	(47,781)
Principal payments under capital lease obligations	(4,672)	(2,780)	(2,195)
Distributions to noncontrolling interests of consolidated affiliates	(84,700)	(82,594)	(81,942)
Contributions from noncontrolling interests of consolidated affiliates	37	1,621	3,759
Proceeds from sale of equity interests of consolidated affiliates	15,197	3,290	11,207
Repurchase of equity interests of consolidated affiliates	(6,186)	(13,683)	(9,562)
Net cash provided by (used in) financing activities	33,121	(101,145)	(127,397)
Change in cash and cash equivalents	40,595	(3,274)	(40,776)
Cash and cash equivalents at beginning of period	30,577	33,655	74,276
Cash and cash equivalents of discontinued operations at beginning of period	9	205	360
Less: Cash and cash equivalents of discontinued operations at end of period	(2)	(9)	(205)
Cash and cash equivalents at end of period	$ 71,179	$ 30,577	$ 33,655
Supplemental cash flow information:			
Cash paid during the year for interest	$52,728	$42,308	$42,098
Supplemental schedule of noncash investing and financing activities			
Property and equipment acquired through capital leases and installment purchases	10,046	$ 2,571	$ 2,156
Goodwill attributable to sale of surgery centers	-	693	-
Net investment in consolidated affiliates that became equity method facilities	10,337	14,254	-
Noncontrolling interest associated with conversion of consolidated affiliates to equity method affiliates	3,466	9,664	-
Contributions (non-cash) from noncontrolling interests of consolidated affiliates	272	-	-

See Notes to Consolidated Financial Statements.

(Dollar amounts in tables are in thousands of U. S. dollars unless otherwise indicated)

Unless the context otherwise indicates or requires, the terms "SCA," "we," "us," "our," and "Company" refer to Surgical Care Affiliates, LLC and its subsidiaries.

1. DESCRIPTION OF BUSINESS

Nature of Operations and Ownership of the Company

Surgical Care Affiliates, LLC, a Delaware limited liability company, was formed on June 29, 2007, primarily to own and operate a network of multi-specialty ambulatory surgery centers ("ASCs") and surgical hospitals in the United States of America. Pursuant to a stock purchase agreement dated March 25, 2007 (the "Purchase Agreement"), on June 29, 2007, the Company, which previously comprised the Surgery Centers Division of HealthSouth Corporation ("HealthSouth"), was purchased by and became a wholly-owned subsidiary of ASC Acquisition LLC ("ASC Acquisition" or the "Parent"), a Delaware limited liability company which is owned by an investor group that includes TPG Partners V, L.P. ("TPG"), members of our management and other investors (the "Transaction"). As of December 31, 2011, the Company, which is headquartered in Birmingham, Alabama, had an interest in and/or operated 138 ASCs and four surgical hospitals in 32 states, with a concentration of facilities in California and Indiana. Our ASCs and surgical hospitals primarily provide the facilities, equipment and medical support staff necessary for physicians to perform non-emergency surgical and other procedures in various specialties, including orthopedics, ophthalmology, gastroenterology, pain management, otolaryngology (ear, nose and throat, or "ENT"), urology and gynecology, as well as other general surgery procedures. At our ASCs, physicians perform same-day surgical procedures. At our surgical hospitals, physicians perform a broader range of surgical procedures and patients may stay in the hospital for several days.

Business Structure

We operate our facilities through strategic relationships with physicians and, in some cases, with healthcare systems that have strong local market positions and reputations for clinical excellence. The facilities in which we hold an ownership interest are owned by general partnerships, limited partnerships or limited liability companies in which the Company serves as the general partner, limited partner, managing member or member. We account for our 142 facilities as follows:

	As of December 31, 2011
Consolidated facilities	94
Equity method facilities	44
Managed only facilities	4
Total facilities	142

Basis of Presentation

The Company maintains its books and records on the accrual basis of accounting, and the accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Such financial statements include the assets, liabilities, revenues, and expenses of all wholly-owned subsidiaries and majority-owned subsidiaries over which we exercise control and, when applicable, entities in which we have a controlling financial interest.

2. PURCHASE TRANSACTIONS AND DECONSOLIDATIONS

Acquisitions

On January 1, 2011, we acquired a non-controlling interest in Sacramento Surgery Center Associates, L.P., d/b/a Capitol City Surgery Center. Capitol City Surgical Center is an equity method investment for accounting purposes. On July 1, 2011, entities in which we own a minority interest and account for under the equity method purchased interests in five ASCs in the San Francisco Bay area. Our portion of the investment in these surgery centers is accounted for using the equity method of accounting. On the same day, we also purchased membership interests in four additional ASCs in the San Francisco Bay area and one ASC in Corpus Christi, Texas. We control three of these surgery centers, and consolidate those centers for accounting purposes. We recorded $1.1 million of goodwill in connection with the acquisition of these consolidated centers. We do not control the remaining two centers, and account for those centers using the equity method of accounting. These transactions align with our growth strategy. The investments and acquisitions, other than with IUH Surgery described below, are not considered, either individually or in the aggregate, to be material to SCA on a consolidated basis.

Also on July 1, 2011, SCA purchased 49% of the membership interests of IUH Surgery Centers, LLC ("IUH Surgery") from Indiana University Health, Inc. ("IUH") for $123.1 million (the "IUH Transaction"). IUH continues to own the other 51% of the membership interests of IUH Surgery. IUH Surgery owns a majority interest in six limited liability companies which own and operate a total of nine ambulatory surgery centers located in or around Indianapolis, Indiana. The IUH Transaction aligns with our strategy to develop relationships with health system partners.

At July 1, 2011, SCA recorded an investment in IUH Surgery of $123.1 million. This investment is included in *Investment in and advances to nonconsolidated affiliates* in the accompanying consolidated balance sheet as of December 31, 2011. Loss attributable to SCA's investment in IUH Surgery for the twelve months ended December 31, 2011, was approximately $0.1 million (net of $10.1 million of intangible amortization) which is included in *Equity in net income of nonconsolidated affiliates* in the accompanying consolidated statement of operations for the twelve months ended December 31, 2011.

The consolidated financial statements include the results of operations of acquired companies from their respective dates of acquisition only. The following unaudited summary information presents the consolidated results of operations of SCA as if IUH Surgery had been acquired on January 1, 2010, the earliest period presented. The pro forma information does not necessarily reflect the results of operations that would have occurred if the acquisition had occurred at the beginning of the periods presented, or of results which may occur in the future.

	Year ended December 31, 2011				Year ended December 31, 2010			
	As Reported	Unaudited Pro Forma Adjustments		Pro Forma Combined	As Reported	Unaudited Pro Forma Adjustments		Pro Forma Combined
Equity Income	$22,236	$ 7,988	(A)	$ 30,224	$ 15,297	$ 15,605	(A)	$ 30,902
Net Income	83,011	2,711	(B)	85,722	69,213	5,051	(B)	74,264
Net loss attributable to SCA	$ (9,677)	$ 2,711	(B)	$ (6,966)	$(14,909)	$ 5,051	(B)	$ (9,858)

(A) The adjustment to equity in net income of nonconsolidated affiliates reflects the additional equity income that would have been recorded had the acquisition of IUH Surgery occurred at the beginning of the earliest period presented. The effective date of the acquisition was July 1, 2011; therefore, equity income relating to IUH

Surgery is included in the "As Reported" figures for the year ended December 31, 2011. For the year ended December 31, 2011, the adjustment relates to the equity income that would have been recorded in the first and second quarters of 2011.

(B) The adjustment to net income includes the adjustment to equity income described in (A) above, as well as an interest expense adjustment to reflect the additional interest expense, including amortization of debt issue costs, that would have been recorded had the Amended and Restated Credit Agreement described in Note 8 been effective at the beginning of the earliest period presented. For purposes of estimating interest expense for prior periods, we have assumed the three-month LIBOR rate of 0.24575% effective June 30, 2011 for all periods presented.

Deconsolidations

During the year ended December 31, 2011, we completed four separate deconsolidation transactions. In each of these transactions, we sold a controlling equity interest, and transferred certain control rights, to a health system. We retained a noncontrolling interest in these entities. In the aggregate, we received proceeds of approximately $3.2 million and recorded a pre-tax gain of approximately $3.9 million, which was primarily related to the revaluation of our remaining investment in these entities to fair value. The gain on these transactions is recorded in *Gain on sale of investments* in the accompanying condensed consolidated statements of operations.

During the year ended December 31, 2010, we completed five deconsolidation transactions similar to those described above. We received proceeds of approximately $8.3 million and recorded a pre-tax gain of approximately $1.5 million, which was primarily related to the revaluation of our remaining investment in the entities to fair value. The gain on these transactions is recorded in *Gain on sale of investments* in the accompanying condensed consolidated statements of operations.

Fair values for the retained noncontrolling interests are primarily estimated based on the best available evidence, including third party valuations we have obtained in connection with such transactions and/or the amount of proceeds received for the controlling equity interest sold. Our continuing involvement as an equity method investor and manager of the facilities precludes classification of these transactions as discontinued operations.

Option Agreement

In connection with the Transaction, ASC Acquisition and HealthSouth entered into an Option Agreement whereby ASC Acquisition granted HealthSouth an option to purchase limited liability company interests ("Units") of ASC Acquisition constituting 5% of the Units issued and outstanding as of the closing of the Transaction on a fully diluted basis, at a price equal to the original issuance price of the units subscribed for by TPG in connection with the Transaction plus a 15% annual premium, compounded annually. The option is exercisable upon certain customary liquidity events and includes customary tag-along, drag-along and piggyback registration rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated. We evaluate partially owned subsidiaries and joint ventures held in partnership form in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("authoritative guidance") to determine whether the rights held by other investors constitute evidence of control as defined therein.

Except for entities which were formed prior to June 30, 2005 and have not had their partnership or operating agreement modified since that date, we evaluate partially owned subsidiaries and joint ventures held in partnership form using authoritative guidance, which includes a framework for evaluating whether a general partner(s) or managing member(s) controls an entity and therefore should consolidate it. The framework includes the presumption that general partner or managing member control would be overcome only when the limited partners or members have certain rights. Such rights include the right to dissolve or liquidate the limited partnership ("LP") or limited liability company ("LLC") or otherwise remove the general partner or managing member "without cause," or the right to effectively participate in significant decisions made in the ordinary course of the LP's or LLC's business. To the extent that any minority investor has rights that inhibit our ability to control the entity, including substantive veto rights, we generally will not consolidate the entity.

We also consider the authoritative guidance that addresses consolidation by business enterprises that have controlling financial interests of variable interest entities. As of

December 31, 2011, we have no arrangements or relationships where consolidation was required due to controlling financial interests of variable interest entities.

We use the equity method to account for our investments in entities with respect to which we do not have control rights but have the ability to exercise significant influence over operating and financial policies. Assets, liabilities, revenues and expenses are reported in the respective detailed line items on the consolidated financial statements for our consolidated entities. On the other hand, for our equity method entities, assets and liabilities are reported on a net basis in *Investment in and advances to nonconsolidated affiliates* on the consolidated balance sheets, and revenues and expenses are reported on a net basis in *Equity in net income of nonconsolidated affiliates* on the consolidated statements of operations. This difference in accounting treatment of consolidated and equity method entities impacts certain financial ratios of the Company.

Reclassifications

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform to the current period presentation. Such reclassifications primarily relate to facilities we closed or sold, which qualify for reporting as discontinued operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include, but are not limited to: (1) allowance for contractual revenue adjustments; (2) allowance for doubtful accounts; (3) asset impairments, including goodwill; (4) depreciable lives of assets; (5) useful lives of intangible assets; (6) economic lives and fair value of leased assets; (7) provision for income taxes, including valuation allowances; (8) reserves for contingent liabilities; and (9) reserves for losses in connection with unresolved legal matters. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluation, as considered necessary. Actual results could differ from those estimates.

Risks and Uncertainties

SCA operates in a highly regulated industry and is required to comply with extensive and complex laws and regulations at the federal, state and local government levels. These laws and regulations relate to, among other things:

- licensure, certification and accreditation,
- coding and billing for services,
- relationships with physicians and other referral sources, including physician self-referral and anti-kickback laws,
- quality of medical care,
- use and maintenance of medical supplies and equipment,
- maintenance and security of medical records,
- acquisition and dispensing of pharmaceuticals and controlled substances, and
- disposal of medical and hazardous waste.

Many of these laws and regulations are expansive, and we do not have the benefit of significant regulatory or judicial interpretation of them. In the future, different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our investment structure, facilities, equipment, personnel, services, capital expenditure programs, operating procedures and contractual arrangements.

If we fail to comply with applicable laws and regulations, we could be subjected to liabilities, including (1) criminal penalties, (2) civil penalties, including monetary penalties and the loss of our licenses to operate one or more of our ASCs and hospitals and (3) exclusion or suspension of one or more of our ASCs and hospitals from participation in the Medicare, Medicaid and other federal and state healthcare programs.

Historically, the United States Congress and some state legislatures have periodically proposed significant changes in regulations governing the healthcare system. Many of these changes have resulted in limitations on and, in some cases, significant reductions in the levels of payments to healthcare providers for services under many government reimbursement programs. Because we receive a significant percentage of our revenues from Medicare, such proposed changes in legislation might have a material adverse effect on our financial position, results of operations, and cash flows, if any such changes were to occur.

As discussed in Note 16, *Commitments and Contingent Liabilities*, we are a party to a number of lawsuits. We cannot predict the outcome of litigation filed against us. Substantial damages or other monetary remedies assessed against us could have a material adverse effect on our business, financial position, results of operations, and cash flows.

Revenue Recognition

Revenues consist primarily of net patient service revenues that are recorded based upon established billing rates less allowances for contractual adjustments. Revenues are recorded during the period the healthcare services are provided, based upon the estimated amounts due from patients and third-party payors, including federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Estimates of contractual allowances under third-party payor arrangements are based upon the payment terms specified in the related contractual agreements. Third-party payor contractual payment terms are generally based upon predetermined rates per procedure or discounted fee-for-service rates.

During the years ended December 31, 2011, 2010 and 2009, approximately 61%, 62% and 62%, respectively, of our net patient revenues related to patients participating in managed care and other discount plans. The managed care industry is highly competitive and healthcare services providers are under increasing pressure to accept reduced reimbursement for services on these contracts. Continued reductions could have a material adverse impact on our financial position, results of operations, and cash flows.

During each of the years ended December 31, 2011, 2010 and 2009, approximately 24%, 24% and 23%, respectively, of our net patient revenues related to patients participating in the Medicare and Medicaid programs. Laws and regulations governing the Medicare and Medicaid programs are complex, subject to interpretation and are routinely modified for provider reimbursement. The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possesses reliable information that an overpayment, fraud or willful misrepresentation exists. If CMS suspects that payments are being made as the result of fraud or misrepresentation, CMS may suspend payment at any time without providing us with prior notice. The initial suspension period is limited to 180 days. However, the payment suspension period can be extended almost indefinitely if the matter is under investigation by the United States Department of Health & Human Services Office of Inspector General (the "OIG") or the Department of Justice (the "DOJ"). Therefore, we are unable to predict if or when we may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact our financial position, results of operations and cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include all demand deposits reduced by the amount of outstanding checks and drafts where the right of offset exists for these bank accounts. As a result of the Company's cash management system, checks issued but not presented to banks for payment may create negative book cash balances. Such negative balances are included in current liabilities as "checks issued in excess of bank balance." There were no such balances at December 31, 2011. The negative balances totaled $6.3 million at December 31, 2010. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has not experienced any losses on such deposits.

Restricted Cash

As of December 31, 2011 and 2010, we had approximately $24.1 million and $33.1 million, respectively, of restricted cash in affiliate cash accounts maintained by partnerships in which we participate where one or more external partners requested, and we agreed, that the partnership's cash not be commingled with other Company cash and be used only to fund the operations of those partnerships.

Accounts Receivable

We report accounts receivable at estimated net realizable amounts from services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, workers' compensation, employers, and patients. Our accounts receivable are geographically dispersed, but a significant portion of our accounts receivable are concentrated by type of payors. The concentration of net patient service accounts receivable by payor class, as a percentage of total net patient service accounts receivable, as of the end of each of the reporting periods, is as follows:

	As of December 31	
	2011	**2010**
Managed care and other discount plans	58%	62%
Medicare	19	19
Workers' compensation	8	7
Medicaid	6	6
Patients and other third-party payors	9	6
Total	100%	100%

We recognize that revenues and accounts receivable from government agencies are significant to our operations; however, we do not believe there are significant credit risks associated with these government agencies.

We also recognize that revenue and accounts receivable from managed care and other discount plans are significant to our operations. Because the category of managed care and other discount plans is composed of numerous individual payors which are geographically dispersed, our management does not believe there are any significant concentrations of revenues from any individual payor that would subject us to significant credit risks in the collection of our accounts receivable.

Additions to the allowance for doubtful accounts are made by means of the *Provision for doubtful accounts*. We write off uncollectible accounts against the allowance for doubtful accounts after exhausting collection efforts and adding subsequent recoveries. Net accounts receivable include only those amounts we estimate we will collect.

We performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for doubtful accounts. In performing our analysis, we considered the impact of any adverse changes in general economic conditions, business office operations, payor mix, or trends in federal or state governmental healthcare coverage.

Long-Lived Assets

We report land, buildings, improvements and equipment at cost, net of asset impairment. We report assets under capital lease obligations at the lower of fair value or the present value of the aggregate future minimum lease payments at the beginning of the lease term. We depreciate our assets using the straight-line method over the shorter of the estimated useful life of the assets or life of the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured. Useful lives are as follows:

	Years
Buildings	15 to 30
Leasehold improvements	5 to 20
Furniture, fixtures, and equipment	3 to 7
Assets under capital lease obligations:	
Real estate	15 to 30
Equipment	3 to 7

Maintenance and repairs of property and equipment are expensed as incurred. We capitalize replacements and improvements that increase the estimated useful life of an asset. We capitalize interest expense on major construction and development projects while in progress. No interest was capitalized during the years ended December 31, 2011, 2010 or 2009.

We retain fully depreciated assets in property and accumulated depreciation accounts until we remove them from service. In the case of sale, retirement or disposal, the asset cost and related accumulated depreciation balance is removed from the respective account, and the resulting net amount, less any proceeds, is included as a component of income from continuing operations in the consolidated statements of operations. However, if the sale, retirement, or disposal involves a discontinued operation, the resulting net amount, less any proceeds, is included in the results of discontinued operations.

For operating leases, we recognize escalated rents, including any rent holidays, on a straight-line basis over the term of the lease.

Goodwill

We test goodwill for impairment using a fair value approach at least annually, absent some triggering event that would require an impairment assessment. Absent any impairment indicators, we perform our goodwill impairment testing as of October 1st of each year.

Since a quoted market price for the Company's equity is not available, the Company applies judgment in determining the fair value of its equity for purposes of performing the goodwill impairment test. The Company relies on widely accepted valuation techniques, including discounted cash flow and, when available and appropriate, market multiple analyses approaches, which capture both the future income potential of the Company and the market behaviors and actions of market participants in the industry in which the Company operates. These types of analyses require the Company to make assumptions and estimates regarding future cash flows, industry-specific economic factors and the profitability of future business strategies. The discounted cash flow approach uses a projection of estimated operating results and cash flows that are discounted using a weighted average cost of capital. Under the discounted cash flow approach, the projection includes management's best estimates of economic and market conditions over the projected period, including growth rates in the number of cases, reimbursement rates, operating costs, rent expense and capital expenditures. Other significant estimates and assumptions include terminal value growth rates, changes in working capital requirements and weighted average cost of capital. The market multiple analysis estimates fair value by applying cash flow multiples to the reporting unit's operating results. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics to the Company. Finally, when we dispose of a hospital or an ASC, the relative fair value of goodwill is allocated to the gain or loss on disposition.

We recognize an impairment charge for any amount by which the carrying amount of goodwill exceeds its implied fair value. We present a goodwill impairment charge as a separate line item within income from continuing operations in the consolidated statements of operations, unless the goodwill impairment is associated with a discontinued operation. In that case, we include the goodwill impairment charge, on a net-of-tax basis, within the results of discontinued operations.

Impairment of Long-Lived Assets and Other Intangible Assets

We assess the recoverability of long-lived assets (excluding goodwill) and identifiable acquired intangible assets with definite useful lives whenever events or changes in circumstances indicate we may not be able to recover the asset's carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset to the expected net future cash flows to be generated by that asset, or, for identifiable intangibles with definite useful lives, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. The amount of impairment of identifiable intangible assets with definite useful lives, if any, to be recognized is measured based on projected discounted future cash flows. We measure the amount of impairment of other long-lived assets (excluding goodwill) as the amount by which the carrying value of the asset exceeds the fair market value of the asset, which is generally determined based on projected discounted future cash flows or appraised values. We present an impairment charge as a separate line item within income from continuing operations in our consolidated statements of operations, unless the impairment is associated with a discontinued operation. In that case, we include the impairment charge, on a net-of-tax basis, within the results of discontinued operations. We classify long-lived assets to be disposed of other than by sale as held and used until they are disposed. We report long-lived assets to be disposed of by sale as held for sale and recognize those assets in the balance sheet at the lower of carrying amount or fair value less cost to sell, and cease depreciation.

We amortize the cost of intangible assets with definite useful lives over their respective estimated useful lives to their estimated residual value. As of December 31, 2011, none of our definite useful lived intangible assets has an estimated residual value. As of December 31, 2011, we do not have any intangible assets with indefinite useful lives. The range of estimated useful lives of our other intangible assets is as follows:

	Years
Certificates of need	10 to 30
Favorable contracts	4
Favorable lease obligations	5
Licenses	15 to 20
Management agreements	3 to 15
Noncompete agreements	2 to 15

For the year ended December 31, 2011, we recorded on our Consolidated Statement of Operations within *Equity in net income of nonconsolidated affiliates* amortization expense of $10.1 million for definite lived intangible assets attributable to equity method investments. There was no such amortization expense for the years ended December 31, 2010 and 2009.

Investment in and Advances to Nonconsolidated Affiliates

Investments in entities we do not control, but in which we have the ability to exercise significant influence over the operating and financial policies of the investee, are accounted for under the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize our proportionate share of the investees' net income or losses after the date of investment, additional contributions made and distributions received, amortization of definite lived intangible assets attributable to equity method investments and impairment losses resulting from adjustments to the carrying value of the investment. We record equity method losses in excess of the carrying amount of an investment when we guarantee obligations or we are otherwise committed to provide further financial support to the affiliate.

Management periodically assesses the recoverability of our equity method investments for impairment. We consider all available information, including the recoverability of the investment, the earnings and near-term prospects of the affiliate, factors related to the industry, conditions of the affiliate and our ability, if any, to influence the management of the affiliate. We assess fair value based on valuation methodologies, as appropriate, including discounted cash flows, estimates of sales proceeds and external appraisals, as appropriate. If an equity method investment's decline in value is other than temporary, we record an impairment.

Financing Costs

We amortize financing costs using the effective interest method over the life of the related debt. The related expense is included in *Interest expense* in our consolidated statements of operations.

Fair Value of Financial Instruments

Our financial instruments consist mainly of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, letters of credit, long-term debt and interest rate swap agreements. The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value because of the short-term maturity of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third-party financial institutions. We determine the fair value of our long-term debt based on various factors, including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or discounted cash flows to determine fair values of long-term debt. The fair value of our interest rate swaps is determined using information provided by a third-party financial institution and discounted cash flows.

Derivative Instruments

All derivative instruments are recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or in other comprehensive income, depending on whether a derivative is designated as part of a hedging relationship and, if it is, depending on the type of hedging relationship.

As of December 31, 2011 and 2010, we held interest rate swaps to hedge the interest rate risk on a portion of our long-term debt. These swaps are designated as a cash flow hedge. Therefore, all changes in the fair value of these interest rate swaps are reported in other comprehensive income on the consolidated statement of changes in equity. Net cash settlements on our interest rate swaps are included in investing activities in our consolidated statements of cash flows. For additional information regarding these interest rate swaps, see Note 8, *Long-Term Debt.*

Noncontrolling Interest in Consolidated Affiliates

The consolidated financial statements include all assets, liabilities, revenues, and expenses of less-than-100%-owned affiliates that we control. Accordingly, we have recorded a noncontrolling interest in the earnings and equity of such affiliates. We record adjustments to noncontrolling interest for the allocable portion of income or loss to which the noncontrolling interest holders are entitled based upon the portion of the subsidiaries they own. Distributions to holders of noncontrolling interests reduce the respective noncontrolling interest holders' balance.

Also, certain of the Company's noncontrolling interests have industry-specific redemption features, such as a change in law that would prohibit the noncontrolling interests' current form of ownership in ASCs, which is not solely within the control of the Company. The Company is not aware of events that would make a redemption probable. According to authoritative guidance, classification of these noncontrolling interests outside of permanent equity is required due to the redemption features.

Equity-Based Compensation

SCA's parent, ASC Acquisition, has two equity-based compensation plans that provide for the granting of options to purchase membership units of ASC Acquisition to certain teammates, directors, service providers and consultants of the Company and its affiliates. The fair value of equity-based compensation is measured at the date of grant and recognized as expense over the option holder's requisite service period. ASC Acquisition also issues equity instruments to certain non-teammates as described more fully in Note 11, *Equity-Based Compensation.*

Income Taxes

We provide for income taxes using the asset and liability method. This approach recognizes the amount of federal, state and local taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the consolidated financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates.

A valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient future taxable income.

SCA is included in the consolidated federal income tax return of its parent, ASC Acquisition. State income tax returns are filed on a separate, combined, or consolidated basis in accordance with relevant state laws and regulations. Partnerships, limited liability partnerships, limited liability companies, and other pass-through entities that we consolidate or account for using the equity method of accounting file separate federal and state income tax returns. We include the allocable portion of each pass-through entity's income or loss in our federal income tax return. We allocate the remaining income or loss of each pass-through entity to the other partners or members who are responsible for their portion of the taxes.

Assets Held for Sale and Results of Discontinued Operations

Components of an entity that have been disposed of or are classified as held for sale and have operations and cash flows that can be clearly distinguished from the rest of the entity are reported as assets held for sale and discontinued operations. In the period a component of an entity has been disposed of or classified as held for sale, we reclassify the results of operations for current and prior periods into a single caption titled *Loss from discontinued operations, net of income tax expense*. In addition, assets and liabilities associated with facilities that qualify for reporting as discontinued operations are reflected in the consolidated balance sheets as *Current assets related to discontinued operations, Assets related to discontinued operations, Current liabilities related to discontinued operations,* and *Liabilities related to discontinued operations*. We also classify cash flows related to discontinued operations as one line item within each category of cash flows in our consolidated statements of cash flows.

Assessment of Loss Contingencies

We have legal and other contingencies that could result in significant losses upon the ultimate resolution of such contingencies. We record accruals for such contingencies to the extent we conclude it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. A significant amount of judgment is involved in determining whether a loss is probable and reasonably estimable due to the uncertainty involved in determining the likelihood of future events and estimating the financial statement impact of such events. If further developments or resolution of a contingent matter are not consistent with our assumptions and judgments, we may need to recognize a significant charge in a future period related to an existing contingent matter. See Note 16, *Commitments and Contingent Liabilities*, for more information regarding these matters.

Recent Revisions to Authoritative Guidance

Consolidation of Variable Interest Entities. In June 2009, the authoritative guidance for the consolidation of variable interest entities was revised, which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar) interests should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities that most significantly impact the other entity's economic performance. The guidance revisions also require a number of additional disclosures about an entity's involvement with variable interest entities and any significant changes in risk exposure due to that involvement. The authoritative guidance revisions applied to the Company beginning on January 1, 2010. The adoption of the revised authoritative guidance did not have a significant impact on the Company's consolidated financial statements and disclosures.

Presentation and Disclosure of Net Operating Revenue, the Provision for Doubtful Accounts and the Allowance for Doubtful Accounts. In July 2011, the FASB ratified the final consensus reached by the Emerging Issues Task Force related to the presentation and disclosure of net revenue, the provision for doubtful accounts and the allowance for doubtful accounts of healthcare entities. This standard retains the existing revenue recognition model for healthcare entities, pending further developments in the FASB's revenue recognition project. However, this standard requires the *Provision for doubtful accounts* associated with patient service revenue to be separately displayed on the face of the statement of operations as a component of net revenue. This standard also requires enhanced disclosures of significant changes in estimates related to patient bad debts. We are evaluating the potential impact of this guidance on the presentation of our financial statements.

Goodwill Impairment Testing. In September 2011, the FASB issued accounting guidance related to goodwill impairment testing. The guidance allows an entity to elect to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further impairment testing is required. The guidance refers to several factors to consider when performing the qualitative analysis, including macroeconomic factors, industry factors and entity-specific factors. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted provided that the entity has not yet performed its annual impairment test for goodwill. The Company performs its annual impairment test for goodwill as of October 1 of each year. The adoption of this new accounting guidance did not have a material impact on the Company's financial statements.

We do not believe any other recently issued, but not yet effective, revisions to authoritative guidance will have a material effect on our consolidated financial position, results of operations or cash flows.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	As of December 31	
	2011	2010
Accounts receivable	$ 98,902	$ 89,726
Less: Allowance for doubtful accounts	(10,106)	(7,676)
Accounts receivable, net	$ 88,796	$ 82,050

The following is the activity related to our allowance for doubtful accounts:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Balance at beginning of period	$ 7,676	$ 6,563	$ 6,870
Provision for doubtful accounts	18,912	18,283	18,269
Deductions and accounts written off	(16,482)	(17,170)	(18,576)
Balance at end of period	$ 10,106	$ 7,676	$ 6,563

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	As of December 31	
	2011	2010
Land	$ 23,794	$ 22,936
Buildings	46,023	42,377
Leasehold improvements	39,775	34,517
Furniture, fixtures, and equipment	141,990	123,375
	251,582	223,205
Less: Accumulated depreciation and amortization	(74,595)	(49,981)
	176,987	173,224
Construction in progress	6,788	9,861
Property and equipment, net	$ 183,775	$ 183,085

The amount of depreciation expense, amortization expense and accumulated amortization relating to assets under capital lease obligations, and rent expense under operating leases is as follows:

	Year Ended December 31 2011	Year Ended December 31 2010	Year Ended December 31 2010
Depreciation expense	$ 31,519	$ 30,566	$ 27,669
Assets under capital lease obligations:			
Buildings	$ 14,917	$ 14,808	$ 14,059
Equipment	13,511	5,027	2,318
	28,428	19,835	16,377
Accumulated amortization	(12,808)	(7,580)	(4,865)
Assets under capital lease obligations, net	$ 15,620	12,255	11,512
Amortization expense	$ 5,222	$ 2,809	$ 2,020
Rent Expense:			
Minimum rent payments	$ 23,076	$ 21,255	$ 24,962
Contingent and other rents	12,099	15,833	12,121
Total rent expense	$ 35,175	$ 37,088	$ 37,083

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2026. We also lease certain buildings and equipment under capital leases expiring at various dates through 2023. Operating leases generally have 5 to 22 year terms, with one or more renewal options, with terms to be negotiated at the time of renewal. Various facility leases include provisions for rent escalation to recognize increased operating costs or require us to pay certain maintenance and utility costs. Contingent rents are included in rent expense in the year incurred. Some facilities are subleased to other parties. Rental income from subleases approximated $1.0 million, $0.9 million and $0.9 million for the years ended December 31, 2011, 2010 and 2009, respectively. Certain leases contain annual escalation clauses based on changes in the Consumer Price Index while others have fixed escalation terms. The excess of cumulative rent expense (recognized on a straight-line basis) over cumulative rent payments made on leases with fixed escalation terms is recognized as straight-line rental accrual and is included in *Other long-term liabilities* in the accompanying consolidated balance sheets.

Our ASCs, as well as our four surgical hospitals, lease land, buildings and equipment, with most leases being for terms of 3 to 10 years. Additionally, the lease for our principal executive offices, which commenced on March 1, 2008, is for an initial term of five years.

Future minimum lease payments at December 31, 2011 for those leases of SCA and its subsidiaries having an initial or remaining non-cancelable lease term of one year or more are as follows:

Year ending December 31,	Operating Leases	Capital Lease Obligations	Total
2012	$ 21,604	$ 6,734	$ 28,338
2013	17,027	5,614	22,641
2014	14,451	3,965	18,416
2015	12,424	2,287	14,711
2016	8,377	1,112	9,489
2017 and thereafter	19,912	3,167	23,079
	$ 93,795	22,879	$ 116,674
Less: interest portion		(3,637)	
Obligations under capital leases		$ 19,242	

Obligations Under Lease Guarantees

In conjunction with the sale of certain surgery centers in prior years, the leases of certain properties were assigned to the purchasers and, as a condition of the lease, the Company is a guarantor on the lease. Should the purchaser fail to pay the rent due on these leases, the lessor would have contractual recourse against the Company.

The Company has not recorded a liability for these guarantees, as it does not believe it is probable it will have to perform under these agreements. If the Company is required to perform under these guarantees, it could potentially have recourse against the purchaser for recovery of any amounts paid. These guarantees are not secured by any assets under the leases. As of December 31, 2011, the Company has not been required to perform under any such lease guarantees.

Impairment of Long-Lived Assets

During 2011, 2010 and 2009, we examined our long-lived assets for impairment due to facility closings and facilities experiencing negative cash flow from operations. Based on this review, no material impairment charges were recorded for the years ended December 31, 2011 and December 31, 2010. Approximately $1.0 million of impairment charges were recorded for the year ended December 31, 2009. For all periods presented, the fair value of the impaired long-lived assets at our facilities was determined primarily based on the assets' estimated fair value using valuation techniques that included discounted future cash flows.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the unallocated excess of purchase price over the fair value of identifiable assets and liabilities acquired in business combinations. Goodwill also includes the unallocated excess of purchase price plus the fair value of any noncontrolling interest in the acquiree at the acquisition date over the fair value of identifiable assets and liabilities acquired in business combinations. Other definite-lived intangibles consist primarily of certificates of need, licenses, noncompete agreements and management agreements.

The following table shows changes in the carrying amount of goodwill for the years ended December 31, 2011 and December 31, 2010:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010
Balance at beginning of period	$ 681,308	$ 677,073
Acquisitions (Note 2)	1,131	23,474
Deconsolidations (Note 2)	(2,158)	(18,546)
Sold facilities	(818)	(693)
Balance at end of period	$ 679,463	$ 681,308

We performed impairment reviews as of October 1, 2011 and 2010, and concluded that no goodwill impairment existed.

The following table provides information regarding our other intangible assets:

	AS OF DECEMBER 31 2011	2010
Certificates of need		
Gross carrying amount	$ 19,996	$ 19,328
Accumulated amortization	6,024	3,203
Net	$ 13,972	$ 16,125
Management agreements		
Gross carrying amount	$ 36,193	$ 36,049
Accumulated amortization	10,497	7,934
Net	$ 25,696	$ 28,115
Licenses		
Gross carrying amount	$ 9,184	$ 10,885
Accumulated amortization	2,707	3,806
Net	$ 6,477	$ 7,079
Noncompete agreements		
Gross carrying amount	$ 2,691	$ 3,466
Accumulated amortization	1,646	1,664
Net	$ 1,045	$ 1,802
Favorable lease obligations		
Gross carrying amount	$ 1,286	$ 1,232
Accumulated amortization	1,177	886
Net	$ 109	$ 346
Total intangible assets		
Gross carrying amount	$ 69,350	$ 70,960
Accumulated amortization	22,051	17,493
Net	$ 47,299	$ 53,467

During 2011, 2010, and 2009, we examined our intangible assets for impairment due to facility closings and facilities experiencing negative cash flow from operations. In all periods presented, no impairment charge was deemed necessary for intangible assets.

For the year ended December 31, 2011, we recorded on our Consolidated Statement of Operations within *Equity in net income of nonconsolidated affiliates* amortization expense of $10.1 million for definite lived intangible assets attributable to equity method investments. There was no such amortization expense for the years ended December 31, 2010 and 2009.

Amortization expense for other intangible assets is as follows:

	Year Ended December 31 2011	Year Ended December 31 2010	Year Ended December 31 2009
Amortization expense	$5,803	$6,013	$8,482

Total estimated amortization expense for our other intangible assets for the next five years is as follows:

Year Ending December 31	Estimated Amortization Expense
2012	$ 5,293
2013	4,720
2014	4,454
2015	4,392
2016	4,339

7. RESULTS OF OPERATIONS OF NONCONSOLIDATED AFFILIATES

As of December 31, 2011, *Investment in and advances to nonconsolidated affiliates* represents SCA's investment in 44 partially owned entities, most of which are general or limited partnerships, limited liability companies or joint ventures in which SCA or one of our subsidiaries is a general or limited partner, managing member, member or venturer, as applicable. We do not control these affiliates, but have the ability to exercise significant influence over the operating and financial policies of certain of these affiliates. Our ownership percentage in these affiliates generally ranged from 20% to 51% as of December 31, 2011. Our investment in these affiliates is an integral part of our operations.

During 2011, we completed four separate deconsolidation transactions. In each of these transactions, we sold a controlling equity interest, and transferred certain control rights, to a health system. We retained a noncontrolling interest in these entities. In the aggregate, we received proceeds of approximately $3.2 million and recorded a pre-tax gain of approximately $3.9 million, which was primarily related to the revaluation of our remaining investment in these entities to fair value. The gain on these transactions is recorded in *Gain on sale of investments* in the accompanying consolidated statements of operations.

During 2010, we deconsolidated five separate ASCs (i.e., they became equity method investments rather than consolidated facilities). Therefore, the results of operations at those facilities were reported within the consolidated revenue and expense line items of SCA for 2009, but were reported net in *Equity in net income of nonconsolidated affiliates* for a portion of 2010 and all of 2011. In each of these transactions, we sold a controlling equity interest, as well as transferred certain control rights, to hospital partners. We retained a noncontrolling interest in these entities. We received proceeds of approximately $8.3 million and recorded a pre-tax gain of approximately $1.5 million, which was primarily related to the revaluation of our remaining investment in these entities to fair value. The gain on these transactions is recorded in *(Gain) loss on sale of investments*.

No such deconsolidation transactions occurred in 2009.

Fair values for the retained noncontrolling interests are primarily estimated based on third party valuations we have obtained in connection with such transactions. Our continuing involvement as an equity method investor and manager of the facilities precludes classification of these transactions as discontinued operations.

During 2010, we recorded a $3.0 million impairment to our investments in nonconsolidated affiliates in connection with the deconsolidation of an affiliate. The impairment was the result of the revaluation of our remaining investment in this entity to fair value. This impairment is included in *Equity in net income of nonconsolidated affiliate*.

During 2009, we recorded impairment charges related to our investment in certain of our nonconsolidated affiliates in conjunction with our quarterly impairment review, based upon operating performance trends, of $6.1 million. This impairment is included in *Equity in net income of nonconsolidated affiliate*.

During 2009, a $3.1 million impairment charge related to our investment in another of our nonconsolidated affiliates was recorded due to the settlement of a legal dispute with the physician partners, which resulted in SCA accepting a purchase price for our ownership units in that facility lower than our recorded investment. This impairment is included in *Interest income and other income*.

In determining whether an impairment charge is necessary on a particular investment, we consider all available information, including the recoverability of the investment, the earnings and near-term prospects of the affiliate, factors related to the industry, conditions of the affiliate and our ability, if any, to influence the management of the affiliate. We assess fair value based on valuation methodologies, including discounted cash flows, estimates of sales proceeds and external appraisals, as appropriate.

We account for investments in nonconsolidated affiliates primarily using the equity method of accounting. Our investments consist of the following:

	As of December 31	
Investment in and advances to nonconsolidated affiliates:	**2011**	**2010**
Beginning balance	$ 81,838	$ 65,219
Share of income	22,236	18,268
Share of distributions	(27,067)	(16,419)
Acquisitions	131,139	-
Conversion to/from investments in nonconsolidated affiliates	4,588	20,667
Impairment of investments in nonconsolidated affiliates	-	(2,971)
Sale/closure of investments in nonconsolidated affiliates	-	(3,301)
Other	(126)	375
Total investment in and advances to nonconsolidated affiliates	$ 212,608	$ 81,838

Included in the 2011 *Share of income* amount above is amortization expense of $10.1 million for definite lived intangible assets attributable to equity method investments. There was no such amortization expense during 2010.

The following summarizes the combined assets, liabilities and equity of our nonconsolidated affiliates (on a 100% basis):

	DECEMBER 31 2011	DECEMBER 31 2010
Assets		
Current	$ 134,483	$ 58,511
Noncurrent	189,570	141,927
Total assets	$ 324,053	$ 200,438
Liabilities		
Current	$ 37,452	$ 12,430
Noncurrent	26,411	16,955
Total liabilities	63,863	29,385
Partners' capital and shareholders' equity		
SCA	212,608	81,838
Outside parties	47,582	89,215
Total partners' capital and shareholders' equity	260,190	171,053
Total liabilities and partners' capital and shareholders' equity	$ 324,053	$ 200,438

The following summarizes the combined condensed results of operations of our equity method affiliates:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Net operating revenues	$ 335,640	$ 186,968	$ 163,649
Operating expenses:			
Salaries and benefits	80,538	49,129	43,148
Supplies	57,897	36,283	31,224
Other operating expenses	70,596	39,760	34,254
Depreciation and amortization	11,383	6,421	4,698
Total operating expenses	220,414	131,593	113,324
Interest expense, net of interest income	1,410	1,080	982
Income from continuing operations before income tax expense	$ 113,816	$ 54,295	$ 49,343
Net income	$ 113,760	$ 54,186	$ 49,294

8. LONG TERM DEBT

Our long-term debt outstanding consists of the following:

	As of December 31 2011	2010
Advances under $125.0 million Revolving Credit Facility	$ -	$ -
Advances under $153.8 million Revolving Credit Facility (Class A $21.5 million, Class B $132.3 million)	-	-
Term loan due 2014	-	342,575
Bonds payable		
Class A Term Loan due 2014	120,229	-
Class B Term Loan due 2017	218,839	-
Incremental Term Loan due 2018	99,500	-
Discount of Incremental Term Loan	(929)	-
9.625% Senior PIK-election Notes due 2015	164,785	164,785
10.0% Senior Subordinated Notes due 2017	150,000	150,000
Notes payable to banks and others	15,749	8,794
Capital lease obligations	19,242	16,334
	787,415	682,488
Less: Current portion	(16,503)	(7,509)
Long-term debt, net of current portion	$ 770,912	$ 674,979

The following chart shows scheduled principal payments due on long-term debt for the next five years and thereafter:

Year Ending December 31	
2012	$ 16,503
2013	13,869
2014	125,389
2015	170,960
2016	4,919
Thereafter	455,775
Total	$ 787,415

The following table provides information regarding our total *Interest expense* presented in our consolidated statements of operations for both continuing and discontinued operations:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Continuing operations:			
Interest expense	$ 53,560	$ 50,291	$ 51,102
Amortization of bond issue costs	2,762	2,544	2,544
Total interest expense and amortization of bond issue costs for continuing operations	56,322	52,835	53,646
Discontinued operations:			
Interest expense	49	44	211
Total interest expense for discontinued operations	49	44	211
Total interest expense and amortization of bond Issue costs	$ 56,371	$ 52,879	$ 53,857

Capital Lease Obligations

We engage in a significant number of leasing transactions, including real estate, medical equipment, computer equipment, and other equipment utilized in operations. Certain leases that meet the lease capitalization criteria have been recorded as an asset and liability at the net present value of the minimum lease payments at the inception of the lease. Interest rates used in computing the net present value of the lease payments generally range from 2.3% to 10.1% based on the incremental borrowing rate at the inception of the lease. Our leasing transactions include arrangements for equipment with major equipment finance companies and manufacturers who retain ownership of the equipment during the term of the lease, and with a variety of both small and large real estate owners.

As discussed in Note 1, ASC Acquisition acquired the Company on June 29, 2007. The acquisition was partially financed with new borrowings as described below.

Senior Secured Credit Facility ("Credit Facility")

With respect to the Credit Facility, as of December 31, 2011, we had $339.1 million outstanding under the senior secured term loan facility (the "Term Loan"), $99.5 million ($98.6 million, net of discount) outstanding under a senior secured incremental term loan (the "Incremental Term Loan") and no outstanding balance under the senior secured revolving credit facility (the "Revolver").

On June 30, 2011, we entered into an amended and restated credit agreement (the "Amended and Restated Credit Agreement") which amends and restates the Company's credit agreement dated as of June 29, 2007 ("Original Credit Agreement"). The Original Credit Agreement provided for a Revolver in the principal amount of $125.0 million and a Term Loan in the principal amount of $355.0 million. The Amended and Restated Credit Agreement provides for certain amendments to the Original Credit Agreement including, but not limited to, the following:

- The amount of the Revolver increased to $153.8 million.

- $21.5 million ("Class A Revolver") of the Revolver retains the maturity date of June 29, 2013. Borrowings under the Class A Revolver bear interest at a base rate or at LIBOR, as elected by the Company, plus a margin of between 0.75% and 1.25% per annum for base rate borrowings or between 1.75% and 2.25% per annum for LIBOR borrowings. The base rate is determined by reference to the higher of (i) the prime rate of JPMorgan Chase Bank, N.A. and (ii) the federal funds effective rate plus 0.50% ("base rate"). The LIBOR rate is determined by reference to the interest rate for dollar deposits in the London interbank market for the interest period relevant to such borrowings.

- $132.3 million ("Class B Revolver") of the Revolver has a maturity date of June 30, 2016. However, if the maturity date of the Company's outstanding PIK-election Notes due July 15, 2015 is not extended to a date that is at least 91 days after June 30, 2016, the maturity date of the Class B Revolver will be the date that is 91 days prior to the maturity date of the PIK-election Notes. The applicable margin for borrowings under the Class B Revolver is (i) 2.50% with respect to base rate borrowings and (ii) 3.50% with respect to LIBOR borrowings.

- Any utilization of the Revolver (other than issuances of up to an aggregate of $5.0 million of letters of credit) will be subject to compliance with a total leverage ratio test. At December 31, 2011, we had approximately $420,000 in such letters of credit outstanding.

- Borrowings under the unextended $120.2 million in aggregate principal amount outstanding portion ("Class A Term Loan") of the $339.1 million Term Loan bear interest at a base rate or at LIBOR, as elected by the Company, plus a margin of between 1.00% and 1.25% per annum for base rate loans or between 2.00% and 2.25% for LIBOR loans. The interest rate on this portion of the Class A Term Loan was 2.58% at December 31, 2011. The

Company must repay the Class A Term Loan in quarterly installments equal to 0.25% of the original principal amount of the Class A Term Loan, with the remaining amount due in full on December 29, 2014.

- The maturity date applicable to $218.9 million in aggregate principal amount outstanding portion ("Class B Term Loan") of the $339.1 million Term Loan was extended until December 30, 2017. However, if the maturity date of the Company's outstanding PIK-election Notes due July 15, 2015 is not extended to a date that is at least 91 days after December 30, 2017, the maturity date of the Class B Term Loan will be the date that is 91 days prior to the maturity date of the PIK-election Notes. The applicable margin for borrowings under the Class B Term Loan is (i) 3.00% with respect to base rate borrowings and (ii) 4.00% with respect to LIBOR borrowings. The interest rate on the Class B Term Loan was 4.58% at December 31, 2011. The Company must repay the Class B Term Loan in quarterly installments equal to 0.25% of the original principal amount of the Class B Term Loan, as of the date of the Amended and Restated Credit Agreement, with the remaining amount due in full at maturity.

We entered into the Incremental Term Loan in the amount of $100.0 million, which has a maturity date of June 30, 2018. However, if the maturity date of the Company's outstanding PIK-election Notes due July 15, 2015 is not extended to a date at least 91 days after June 30, 2018, the maturity date of the Incremental Term Loan will be the date that is 91 days prior to the maturity date of the PIK-election Notes. The applicable margin for borrowings under the Incremental Term Loan is (i) 3.00% with respect to base rate borrowings (with a base rate floor of 2.50%) and (ii) 4.00% with respect to LIBOR borrowings (with a LIBOR floor of 1.50%). This loan has an outstanding principal balance of $99.5 million ($98.6 million, net of discount) at December 31, 2011. The interest rate on the Incremental Term Loan was 5.50% at December 31, 2011. Until maturity, quarterly amortization payments will be made in an amount equal to 0.25% of the original principal amount of the Incremental Term Loan.

The Credit Facility is guaranteed by ASC Acquisition and certain of the Company's direct 100% owned domestic subsidiaries (the "guarantors"), subject to certain exceptions, and borrowings under the Credit Facility are secured by a first priority security interest in all equity interests of the Company and of each 100% owned domestic subsidiary directly held by the Company or a guarantor. Additionally, the Credit Facility contains various restrictive covenants that, subject to certain exceptions, prohibit us from prepaying certain subordinated indebtedness, including the senior subordinated notes described below. In addition, the Credit Facility generally restricts our and our restricted subsidiaries' ability to, among other things, incur indebtedness or liens, make investments or declare or pay dividends. The Company believes it was in compliance with these covenants as of December 31, 2011. Finally, our credit agreement governing our senior secured credit facilities contains a provision that could require prepayment of a portion of our indebtedness if the Company has excess cash flow, as defined by the agreement. No such prepayment was required at December 31, 2011.

Senior Subordinated Notes and Senior PIK-election Notes (together, the "Notes")

The Company issued $150.0 million in principal amount of 10.0% senior subordinated notes ("Subordinated Notes") due 2017 and $150.0 million in principal amount of 8.875% / 9.625% senior PIK-election notes due 2015 ("PIK-election Notes"). Interest on the Notes is payable on January 15 and July 15 of each year, commencing on January 15, 2008. All interest payments on the Subordinated Notes and the initial interest payment on the PIK-election notes are payable in cash. For any interest period after January 15, 2008 through July 15, 2012, the Company may pay interest on the PIK-election Notes (a) in cash, (b) by increasing the principal amount of the outstanding PIK-election notes or by issuing payment-in-kind notes ("PIK Interest"); or (c) by paying interest on half the principal amount of the PIK-election Notes in cash and half in PIK Interest. PIK Interest is paid at 9.625% and cash interest is paid at 8.875% per annum. The Notes are unsecured senior subordinated obligations of the Company; however, the Notes are guaranteed by certain of the Company's current and future direct 100% owned domestic subsidiaries. Additionally, the indentures pursuant to which the Notes were issued contain various restrictive covenants, including covenants that generally limit the Company's ability and the ability of its restricted subsidiaries to borrow money or guarantee other indebtedness, incur liens, make certain investments, sell assets or pay dividends. The Company believes it was in compliance with these covenants as of December 31, 2011.

SCA elected to pay PIK Interest with respect to the interest payment for the six-month period beginning January 16, 2009 and ending July 15, 2009 on the senior PIK-election notes as part of its cash management strategy in light of conditions in the credit markets at that time. With respect to the interest due on such notes on the July 15, 2009 interest payment date, SCA made such interest payment by paying in kind at the PIK interest rate of 9.625% instead of paying interest in cash at 8.875%. As a result, the aggregate principal amount of senior PIK-election notes increased from $150.0 million to $157.2 million effective July 15, 2009. SCA elected to continue to pay PIK interest (at the PIK interest rate of 9.625%) with respect to the interest payment on its senior PIK-election notes for the six-month interest period ending January 15, 2010 as part of its cash management strategy. As a result, the aggregate principal amount of senior PIK-election notes increased from $157.2 million to $164.8 million effective January 15, 2010. The accrual of PIK interest is recorded in the consolidated balance sheets as *Other long-term liabilities* until the applicable interest payment date, at which time the PIK interest payment amount is transferred to *Long-term debt, net of current portion*. SCA elected to pay cash interest at a rate of 8.875% with respect to the interest payments on its PIK-election Notes for the two six-month interest periods ended July 15, 2010 and January 15, 2011 as a part of its cash management strategy. The amount of cash interest included in *Accrued interest* at December 31, 2010 is $6.7 million. SCA elected to pay cash interest at a rate of 8.875% with respect to the interest payments on its PIK-election Notes for the two six-month interest periods ended July 15, 2011 and January 15, 2012. The amount of cash interest included in *Accrued interest* at December 31, 2011 is $6.7 million.

Interest Rate Swaps

The Company utilizes an interest rate risk management strategy that incorporates the use of derivative financial instruments to limit its exposure to interest rate risk. The swaps are "receive floating/pay fixed" instruments that define a fixed rate of interest on the hedged debt that the Company will pay. At December 31, 2011, interest rate swaps on $240.0 million of the $339.1 million Term Loan remained outstanding. At December 31, 2010, interest rate swaps on $270.0 million of the $342.6 million Term Loan remained outstanding. The notional amount of the swaps will continue to decrease annually on September 30 of each year through 2013.

During 2011, the Company entered into three forward starting interest rate swaps with an aggregate notional amount of $240.0 million. The forward starting swaps are "receive floating/pay fixed" instruments designed to extend the current Term Loan interest rate swaps described above that will terminate in the next two years. The forward starting swaps will continue to limit the Company's exposure to interest rate risk. Forward starting swaps with an aggregate notional amount of $100.0 million will be effective on September 30, 2012 and the remaining forward starting swap with a notional amount of $140.0 million will be effective on September 30, 2013. A forward starting swap with a notional amount of $50.0 million will terminate on September 30, 2014.

The remaining aggregate notional amount of $190.0 million in forward starting swaps will terminate on September 30, 2016.

All derivative instruments are recognized on the balance sheet at fair value. At inception, the fair values of the hedging instruments were zero based on the matching of the critical terms of the hedging instrument and the hedged item. In subsequent reporting periods, the fair value of these interest rate swaps is recorded in the Company's consolidated balance sheets, either in *Other current liabilities* and *Other long-term liabilities* or *Other current assets* and *Other long-term assets*, depending on the changes in the fair value of the swaps and the period remaining until the expiration of the swap, with an offsetting adjustment reported as a component of other comprehensive income. At December 31, 2011 and December 31, 2010, liabilities in the amounts of $2.9 million and $0.9 million were included in *Other current liabilities*, respectively, and $5.2 million and $11.5 million were included in *Other long-term liabilities*, respectively, in the consolidated balance sheets based on the fair value of the hedging instruments. During the year ended December 31, 2011, the fair value of the swaps increased, resulting in a $2.0 million increase in *Other current liabilities* and a $6.3 million decrease in *Other long-term liabilities*, with a corresponding increase of $4.3 million in *Other comprehensive income*. Included in *Other comprehensive income* at December 31, 2011 is $1.2 million, which represents the fair value of the interest rate swaps which have expired and will be amortized into *Interest expense* as additional principal payments on the hedged debt are made.

The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge related to foreign currency exposure. The Company has designated its interest rate swaps as a cash flow hedge, and the effectiveness of the Company's hedging relationship is assessed on a quarterly basis.

Credit risk occurs when a counterparty to a derivative instrument fails to perform according to the terms of the agreement. Derivative instruments expose the Company to credit risk and could result in material changes from period to period. The Company minimizes its credit risk by entering into transactions with highly rated counterparties. In addition, at least quarterly, the Company evaluates its exposure to counterparties who have experienced or may likely experience significant threats to their ability to perform according to the terms of the derivative agreements to which we are a party. We have completed this review of the financial strength of the counterparty to our interest rate swaps using publicly available information, as well as qualitative inputs, as of December 31, 2011. Based on this review, we do not believe there is a significant counterparty credit risk associated with these derivative instruments. However, no assurances can be provided regarding our potential exposure to counterparty credit risk in the future.

9. NONCONTROLLING INTERESTS

The following table shows the breakout of net loss attributable to SCA between continuing operations and discontinued operations:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Net loss from continuing operations, net of tax, attributable to SCA	$ (7,253)	$ (4,552)	$ (22,892)
Net loss from discontinued operations, net of tax, attributable to SCA	(2,424)	(10,357)	(2,864)
Net loss, net of tax, attributable to SCA	$ (9,677)	$ (14,909)	$ (25,756)

The following table shows the effects of changes to SCA's ownership interest in its subsidiaries on SCA's equity:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Net loss attributable to SCA	$ (9,677)	$ (14,909)	$ (25,756)
Increase (decrease) in equity due to sales to noncontrolling interests	4,573	(127)	(765)
Increase (decrease) in equity due to purchases from noncontrolling interests	320	(5,975)	(1,834)
Change from net loss attributable to SCA and transfers to/from noncontrolling interests	$ (4,784)	$ (21,011)	$ (28,355)

As further described in Note 3, *Summary of Significant Accounting Policies-Reclassifications*, certain of the Company's noncontrolling interests have industry specific redemption features whereby the Company could be obligated, under the terms of certain of its operating subsidiaries' partnership and operating agreements, to purchase some or all of the noncontrolling interests of the consolidated subsidiaries. As a result, these noncontrolling interests are not included as part of the Company's equity and are carried as *Noncontrolling interests-redeemable* on the Company's consolidated balance sheet.

The activity relating to the Company's noncontrolling interests—redeemable is summarized below:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Balance at beginning of period	$ 23,631	$ 25,894	$ 25,384
Net income attributable to noncontrolling interests-redeemable	25,627	24,443	26,997
Net change related to purchase/(sale) of ownership interests-redeemable	(2,268)	(2,449)	84
Contributions from noncontrolling interests	37	-	22
Change in distribution accrual	460	(24)	(1,235)
Distributions to noncontrolling interests-redeemable	(23,621)	(24,233)	(25,358)
Balance at end of period	$ 23,866	$ 23,631	$ 25,894

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques, as follows:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

On a recurring basis, we are required to measure our interest rate swaps at fair value. The fair value of our interest rate swaps is derived from models based upon well recognized financial principles. The models include reasonable estimates about relevant future market conditions and calculations of the present value of future cash flows, discounted using market rates of interest. Further, included in the fair value below is approximately $0.4 million and $0.9 million related to the non-performance risk associated with the interest rate swaps at December 31, 2011 and 2010, respectively.

The fair values of our financial liabilities that are measured on a recurring basis are as follows (in millions of U.S dollars):

		Fair Value Measurements at Reporting Date Using			
December 31, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique [1]
Other current liabilities	$ (2.9)	–	$ (2.9)	–	I
Other long-term liabilities	(5.2)	–	(5.2)	–	I
December 31, 2010					
Other current liabilities	$ (0.9)	–	$ (0.9)	–	I
Other long-term liabilities	(11.5)	–	(11.5)	–	I

[1] As discussed above, the authoritative guidance identifies three valuation techniques: market approach (M), cost approach (C), and income approach (I).

Where applicable, on a nonrecurring basis, we measure property and equipment, goodwill, other intangible assets, investments in nonconsolidated affiliates and assets and liabilities of discontinued operations at fair value. The fair values of our property and equipment and other intangible assets are determined using discounted cash flows and significant unobservable inputs. The fair value of our investments in nonconsolidated affiliates is determined using discounted cash flows or earnings, or market multiples derived from a set of comparables. The fair value of our assets and liabilities of discontinued operations is determined using discounted cash flows and significant unobservable inputs unless there is an offer to purchase such assets and liabilities, which would be the basis for determining fair value. The fair value of our goodwill is determined using discounted cash flows, and, when available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. Goodwill is tested for impairment as of October 1 of each year, absent any impairment indicators.

No material impairment charges were recorded during the years ended December 31, 2011 and December 31, 2010 for intangible and long-lived assets. An impairment charge of $1.0 million was recorded during the year ended December 31, 2009 for intangible and long-lived assets. Facilities experiencing declining trends of earnings from operations or triggering events, such as the loss of a physician partner or increased local competition, resulted in the impairment charge recorded in 2009. The fair value of the impaired long-lived assets was determined based on the assets' estimated fair value using valuation techniques that included discounted cash flows and third-party appraisals.

During 2010, we recorded a $3.0 million impairment to our investments in nonconsolidated affiliates in connection with the deconsolidation of an affiliate. The impairment was the result of the revaluation of our remaining investment in this entity to fair value. This impairment is included in *Equity in net income of nonconsolidated affiliate.*

During 2009, we recorded an impairment charge related to our investment in certain of our nonconsolidated affiliates in conjunction with our quarterly impairment review, based upon operating performance trends, of $6.1 million. This impairment is included in *Equity in net income of nonconsolidated affiliate.*

During 2009, a $3.1 million impairment charge related to our investment in another of our nonconsolidated affiliates was recorded due to the settlement of a legal dispute with the physician partners, which resulted in SCA accepting a purchase price for our ownership units in that facility lower than our recorded investment.

In determining whether an impairment charge is necessary on a particular investment, we consider all available information, including the recoverability of the investment, the earnings and near-term prospects of the affiliate, factors related to the industry, conditions of the affiliate, and our ability, if any, to influence the management of the affiliate. We assess fair value based on valuation methodologies, including discounted cash flows, estimates of sales proceeds and external appraisals, as appropriate.

Assets and liabilities measured at fair value on a nonrecurring basis are as follows (in millions of U.S. dollars):

	Net Carrying Value as of December 31, 2010	Fair Value Measurements at Reporting Date Using			Total Losses Year ended December 31, 2010
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investment in and advances to nonconsolidated affiliates	$ 81.8	–	–	$ 81.8	$ 3.0

The following table presents the carrying amounts and estimated fair values of our financial instruments that are classified as long-term liabilities in our consolidated balance sheets (in thousands). The carrying value equals fair value for our financial instruments that are classified as current in our consolidated balance sheets. The carrying amounts of a portion of our long-term debt approximate fair value due to various characteristics of those issues, including short-term maturities, call features, and rates that are reflective of current market rates. For our long-term debt without such characteristics, we determined the fair market value by using quoted market prices, when available, or discounted cash flows to calculate their fair values.

	As of December 31, 2011		**As of December 31, 2010**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Interest rate swap agreements (includes short-term component)	$ 8,101	$ 8,101	$ 12,380	$ 12,380
Long-term debt:				
Advances under $125.0 million Revolving Credit Facility	n/a	n/a	-	-
Advances under $153.8 million Revolving Credit Facility	-	-	n/a	n/a
Term Loan due 2014	n/a	n/a	342,575	326,731
Class A Term Loan due 2014	120,229	111,212	n/a	n/a
Class B Term Loan due 2017	218,839	190,937	n/a	n/a
Incremental Term Loan due 2018	99,500	88,058	n/a	n/a
8.875%/9.625% Senior PIK-Election Notes due 2015	164,785	164,236	164,785	166,845
10% Senior Subordinated Notes due 2017	150,000	144,000	150,000	153,330
Notes payable to banks and others	15,749	15,749	8,794	8,794
Financial commitments	-	-	-	-

11. EQUITY-BASED COMPENSATION

Management Equity Incentive Plan

On August 22, 2007, ASC Acquisition adopted a Management Equity Incentive Plan (the "Plan") to promote the interests of the Company and its members by providing key teammates (our term for "employees"), directors, service providers and consultants of the Company and its affiliates with an appropriate incentive to encourage them to continue employment with the Company or any of its affiliates and to improve the growth and profitability of the Company. The Plan allows for the grant of options to purchase up to 21,525,000 membership units of ASC Acquisition. Option awards are generally granted with an exercise price equal to the fair market value of the Membership Unit at the date of grant. Vesting in the option awards varies where 50% of each option vests in equal amounts on each of the first five anniversaries of the date of grant (the "Time-Based Option"). The remaining 50% of the option (the "Performance Based Option") vests only upon the occurrence of a Liquidity Event (as defined in the Plan) in which the Majority Unit Holder (collectively, TPG Partners V, LP, TPG FOF V-A, LP, TPG FOF V-B, LP and/or their respective affiliates) achieves a minimum cash return on its original investment. Under the terms of the Plan, the Performance Based Option vests 50% if the Majority Unit Holder receives at least 2.0 times its original investment and vests 100% if the Majority Unit Holder receives at least 3.0 times its original investment. Certain provisions of the Plan provide for accelerated vesting of the Time Based Option when a participant is subject to a qualifying termination, as defined within the Plan. Both the Time-Based Options and the Performance Based Options granted after 2010 expire 10 years from the date of grant.

Prior to 2010, with the exception of options granted to Andrew Hayek, the Company's Chief Executive Officer, all options granted to teammates expired 7 years from the date of grant. (Mr. Hayek's options granted prior to 2010 expire 10 years from the date of grant.) In 2011, the Company offered to cancel all of the outstanding options under the plan that had 7 year terms and replace those options with a larger number of options with similar terms, except the new options have an expiration date of 10 years from the original date of grant rather than 7 years. Additionally, the new options have an exercise price of $1.18 as compared to a weighted average exercise price of $1.01 for the options canceled. 4,603,500 options were tendered, cancelled and replaced with 5,025,248 new options. 2,015,000 options were not tendered and retain the original terms of the option awards.

In December 2010, the Company cancelled 5,164,000 existing 2010 option grants to 35 option holders and replaced them with the grant of 5,164,000 options to purchase Membership Units with terms substantially identical to the terms of the corresponding existing 2010 grants (the "Replacement Grants"), except that the Replacement Grants expire no later than the tenth anniversary of the date of grant of the corresponding existing 2010 grant. The additional compensation cost recognized during 2010 as a result of this cancellation and replacement of options was immaterial.

The fair value of each award is estimated on the date of grant utilizing two methodologies. For the Time Based Options, the Company estimates the fair value of the grant utilizing the Black-Scholes-Merton model that utilizes the assumptions shown in the table below. Expected volatilities are based on observed historical trends in the industry and other factors. The expected term of the options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate was based on the time horizon of the expected term and is based on the U.S. Treasury yield curve in effect at the time of the grant. Compensation expense of $0.7 million, $0.6 million and $0.3 million related to the Time Based Options was recognized during the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011, the remaining unrecognized compensation costs related to unvested Time Based Options is $1.0 million and will be recognized on a straight-line basis over the remaining weighted average vesting period of 1.4 years. During the year ended December 31, 2011, 1,896,086 of the Time Based Options vested, 323,000 of which have been forfeited. During the year ended December 31, 2010, 1,192,650 of the Time Based Options vested, 141,800 of which have been forfeited. During the year ended December 31, 2009, 1,210,000 of the Time Based Options vested, of which 80,000 were forfeited during 2009, 75,000 were forfeited during 2010 and 121,000 were forfeited in 2011.

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Expected volatility	38% - 39%	40% - 41%	44%
Risk-free interest rate	1.2% - 3.1%	1.3% - 2.8%	2.6%
Expected term (years)	6.5	4.9 - 6.5	4.9 - 5.0
Dividend yield	0.00%	0.00%	0.00%

The fair value of the Performance Based Option is based on the application of a Monte Carlo simulation model based on the assumptions shown below. Expected volatilities are based on observed historical trends in the industry and other factors. The expected term of the options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate was based on the time horizon of the expected term and is based on the U.S. Treasury yield curve in effect at the time of the grant. Compensation expense of $0.6 million, $0.5 million and $0.3 million related to the Performance Based Options was recognized during the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011, the remaining unrecognized compensation costs related to unvested Performance Based Options is $0.8 million and will be recognized on a straight-line basis over the remaining weighted average vesting period of 1.4 years. None of the Performance Based Options vested during the years ended December 31, 2011, 2010 or 2009.

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Expected volatility	39% - 40%	40% - 41%	38% - 44%
Risk-free interest rate	1.7% - 3.8%	1.9% - 3.5%	3.2% - 3.3%
Expected term (years)	3.2 - 4.9	3.5 - 4.2	3.7 - 4.2
Dividend yield	0.00%	0.00%	0.00%

A summary of option activity under the Plan as of December 31, 2011, and changes during the year ended December 31, 2011 are presented below:

	Units (in 000's)	Weighted-Average Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2010	17,116	$1.00	2.6 – 7.6	0
Granted	3,360	$1.09	9.1 – 10.0	0
Exercised	(315)	n/a		
Forfeitures	(2,463)	$1.01	2.6 – 8.8	0
Cancellations	(4,604)	$1.09	6.4 – 6.8	0
Replacements	5,025	$1.09	9.1 – 9.7	0
Expirations	-	n/a		
Outstanding, December 31, 2011	18,119	$1.03	2.6 – 10.0	0
Exercisable, December 31, 2011	4,032			0

A summary of option activity under the Plan as of December 31, 2010, and changes during the year ended December 31, 2010 are presented below:

	Units (in 000's)	Weighted-Average Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2009	12,578	$1.00	3.6 – 7.6	0
Granted	5,399	$1.09	6.4 – 10.0	0
Exercised	-	n/a		
Forfeitures	(861)	$1.01	3.6 – 6.4	0
Cancellations	(5,164)	$1.09	6.4 – 6.8	0
Replacements	5,164	$1.09	6.4 – 6.8	0
Expirations	-	n/a		
Outstanding, December 31, 2010	17,116	$1.03	3.6 – 10.0	0
Exercisable, December 31, 2010	2,835			0

The weighted average grant-date fair value per option of all options granted during the year ended December 31, 2011, was $0.330. The weighted average grant-date fair value per option of all options granted during the year ended December 31, 2010 was $0.243. The weighted average grant-date fair value per option of all options granted during the year ended December 31, 2009 was $0.251.

Directors and Consultants Equity Incentive Plan

On June 24, 2008, ASC Acquisition adopted a Directors and Consultants Equity Incentive Plan (the "Directors Plan") to promote the interests of ASC Acquisition and its members by providing the key directors and consultants of the Company and its affiliates with an appropriate incentive to encourage them to continue to provide services to the Company or any of its affiliates and to improve the growth and profitability of the Company. The Directors Plan allows for the grant of options to purchase up to 5,000,000 membership units of ASC Acquisition. Option awards are generally granted with an exercise price equal to the fair market value of the Membership Unit at the date of grant. Options granted to three directors on July 23, 2009, July 1, 2010 and July 1, 2011 as payment for service on the Company's Board vested on (or will vest on) June 29, 2010, June 29, 2011 and June 29, 2012 respectively. Options granted under the Directors Plan become exercisable only upon the occurrence of a Liquidity Event (as defined in the Directors Plan) in which the Majority Unit Holder (collectively, TPG Partners V, LP, TPG FOF V-A, LP, TPG FOF V-B, LP and/or their respective affiliates) achieves a minimum cash return on its original investment. Certain provisions of the Directors Plan provide for accelerated vesting when a participant is subject to a qualifying termination, as defined within the Directors Plan. Options granted prior to 2010 generally expire 7 years from the date of grant. Options granted in 2010 (as noted below) and thereafter expire 10 years from the date of grant.

In December 2010, the Company cancelled 330,276 existing 2010 option grants to three directors and replaced them with the grant of 330,276 options to purchase Membership Units with terms substantially identical to the terms of the corresponding existing 2010 grants (the "Replacement Directors Grants"), except that the Replacement Directors Grants shall expire no later than the tenth anniversary of the date of grant of the corresponding existing 2010 directors grants. The additional compensation cost recognized during 2010 as a result of this cancellation and replacement of options was immaterial.

In 2011, one of our Directors resigned from our Board. All of this former Director's unvested options were accelerated and vested as of the date of his resignation, and the expiration date of his options was extended from 90 days after the date of his resignation to 18 months after the date of his resignation. The additional expense related to the modification of the former Director's options was immaterial.

The fair values of the options granted under the Directors Plan were estimated on the date of grant utilizing a Monte Carlo simulation model based on the assumptions shown below.

Expected volatilities are based on observed historical trends in the industry and other factors. The expected term of the options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk free rate was based on the time horizon of the expected term and is based on the U.S. Treasury yield curve in effect at the time of the grant. Director and consultant fee expense of $0.2 million, $0.1 million and $0.3 million related to the options granted under the Directors Plan was recognized during 2011, 2010 and 2009 respectively. As of December 31, 2011, the remaining unrecognized expense related to unvested options under the Directors Plan is less than $0.1 million and will be recognized on a straight-line basis over the remaining weighted average vesting period.

	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010	YEAR ENDED DECEMBER 31, 2009
Expected volatility	39%	38% - 44%	38% - 44%
Risk-free interest rate	2.8% - 3.2%	3.2% - 3.3%	3.2% - 3.3%
Expected term (years)	3.3	3.6 - 3.7	3.6 - 3.7
Dividend yield	0.00%	0.00%	0.00%

A summary of option activity under the Directors Plan during 2011 is presented below:

	Units (in 000's)	Weighted-Average Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2010	4,287	$1.00	4.5 – 5.6	$ 0
Granted	407	$1.18	9.5	$ 0
Exercised	0	n/a		
Forfeitures	0	n/a		
Expirations	0	n/a		
Outstanding, December 31, 2011	4,694	$1.01	4.5 – 9.5	$ 0
Exercisable, December 31, 2011	567	$1.06		$ 0

A summary of option activity under the Directors Plan during 2010 is presented below:

	Units (in 000's)	Weighted-Average Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2009	3,956	$1.00	4.5 – 5.6	$ 0
Granted	331	$1.09	6.5	$ 0
Exercised	0	n/a		
Forfeitures	0	n/a		
Cancellations	(331)	n/a	6.5	$ 0
Replacements	331		9.5	$ 0
Expirations	0	n/a		
Outstanding, December 31, 2010	4,287	$1.01	4.5 – 9.5	$ 0
Exercisable, December 31, 2010	0			$ 0

The weighted average grant-date fair value per option of all options granted during the year ended December 31, 2011, 2010 and 2009 under the Directors Plan was $0.31, $0.240 and $0.275, respectively.

Restricted Equity Units

On July 24, 2008, ASC Acquisition entered into a Restricted Equity Unit Grant Agreement (the "Agreement") with the Chief Executive Officer of SCA (the "Grantee") to promote the interests of ASC Acquisition and its members by providing the Chief Executive Officer of the Company and its affiliates with an appropriate incentive to encourage him to continue to provide services to the

Company or any of its affiliates and to improve the growth and profitability of the Company. The Agreement grants to the Grantee the right to receive 700,000 membership units of ASC Acquisition ("Restricted Equity Units"). Each Restricted Equity Unit represents the right to receive one membership unit of ASC Acquisition. The date of grant of the Restricted Equity Units was July 24, 2008, and the Restricted Equity Units vest 20% on each of the first five anniversaries of the date of grant, subject to the Grantee continuing to be employed by the Company or any of its subsidiaries on each such Vesting Date. As of December 31, 2011, 420,000 Restricted Equity Units have vested. Vested Restricted Equity Units shall be settled for actual membership units on the earlier of the termination of the Grantee's employment by the Company or any of its affiliates or a change in ownership or effective control of the Company or ASC Acquisition. Any portion of the Restricted Equity Units that is unvested on the date that the Grantee's employment with the Company terminates for any reason shall be forfeited, and the Grantee will cease to have any rights with respect thereto. The Restricted Equity Units expire 10 years from the date of grant.

The grant-date fair value of each Restricted Equity Unit was $1.00. Compensation expense of $0.1 million per year related to the Restricted Equity Units was recognized during 2011, 2010 and 2009. As of December 31, 2011, the remaining unrecognized expense related to unvested Restricted Equity Units was $0.3 million and will be recognized on a straight-line basis over the remaining vesting period.

A summary of activity associated with the Restricted Equity Units during 2011 is presented below:

	Units (in 000's)	Grant Date Fair Value per Unit
Nonvested Restricted Equity Units at December 31, 2010	420	$1.00
Granted	0	n/a
Vested	140	$1.00
Forfeited	0	n/a
Nonvested Restricted Equity Units at December 31, 2011	280	$1.00

A summary of activity associated with the Restricted Equity Units during 2010 is presented below:

	Units (in 000's)	Grant Date Fair Value per Unit
Nonvested Restricted Equity Units at December 31, 2009	560	$1.00
Granted	0	n/a
Vested	140	$1.00
Forfeited	0	n/a
Nonvested Restricted Equity Units at December 31, 2010	420	$1.00

12. EMPLOYEE BENEFIT PLANS

SCA has certain employee benefit plans, including the following:

- Company sponsored healthcare plans, including coverage for medical and dental benefits;
- The SCA Retirement Investment Plan, which is a qualified 401(k) savings plan; and
- The Senior Management Bonus Program.

Substantially all SCA teammates are eligible to enroll in SCA sponsored healthcare plans, including coverage for medical and dental benefits. Our primary healthcare plans are national plans, administered by third-party administrators, for which we are self-insured. The cost associated with these plans, net of amounts paid by teammates, was approximately $19.0 million,

$17.7 million and $18.9 million for the years ended December 31, 2011, 2010, and 2009, respectively.

The SCA Retirement Investment Plan is a qualified 401(k) savings plan. The plan allows eligible teammates to contribute up to 100% of their pay on a pre-tax basis into their individual retirement account in the plan, subject to the maximum annual limits set by the IRS. SCA's employer matching contribution is 50% of the first 4% of each participant's elective deferrals. All contributions to the plan are in the form of cash. Substantially all teammates who are at least 21 years of age are eligible to participate in the plan. Employer contributions vest over a 6-year service period. Participants are immediately fully vested in their own contributions. Employer contributions made to the SCA Retirement Investment Plan approximated $3.5 million, $3.4 million and $3.3 million during the years ended December 31, 2011, 2010, and 2009, respectively.

SCA has a Senior Management Bonus Program designed to reward senior management for performance, based on a combination of corporate, regional and individual goals. The corporate goals are based upon SCA meeting a pre-determined financial goal. Similarly, regional goals are based upon a pre-determined set of financial goals for the applicable region. The individual goals are determined by each participant with the approval of his or her immediate supervisor. We recorded expense of approximately $5.2 million, $5.6 million and $5.0 million under the Senior Management Bonus Program for the years ended December 31, 2011, 2010, and 2009, respectively.

13. INCOME TAXES

The Company is subject to U.S. federal, state, and local income taxes. The *Income from continuing operations before income tax expense* is as follows:

	Year Ended December 31 2011	Year Ended December 31 2010	Year Ended December 31 2009
Income from continuing operations before income tax expense	$106,575	$94,878	$73,838

The significant components of the provision for income taxes related to continuing operations are as follows:

	Year Ended December 31 2011	Year Ended December 31 2010	Year Ended December 31 2009
Current:			
Federal	$ -	$ -	$ -
State and local	405	510	605
Total current expense	405	510	605
Deferred:			
Federal	16,805	11,998	10,622
State and local	3,930	2,800	2,242
Total deferred expense	20,735	14,798	12,864
Total income tax expense related to continuing operations	$ 21,140	$ 15,308	$ 13,469

A reconciliation of differences between the federal income tax at statutory rates and our actual income tax expense on income from continuing operations, which include federal, state, and other income taxes, is as follows:

	Year Ended December 31 2011	Year Ended December 31 2010	Year Ended December 31 2009
Tax expense at statutory rate	35.0%	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
Federal income tax assumed by noncontrolling interests	(30.7)	(31.0)	(39.5)
Increase in valuation allowance	14.4	11.3	22.7
State income taxes, net of federal tax benefit	0.9	0.6	(0.3)
Other, net	0.2	0.2	0.3
Income tax expense	19.8%	16.1%	18.2%

The income tax expense at the statutory rate is the expected income tax expense resulting from the income from continuing operations. Income tax expense, subsequent to the removal of tax expense related to noncontrolling interest income, is greater than the statutory rate for the year ended December 31, 2011, 2010 and 2009, due to a valuation allowance and goodwill amortization related to indefinite-lived intangible assets. After consideration of all evidence, both positive and negative, management concluded that it is more likely than not that the Company will not realize its net deferred tax assets. Therefore, a full valuation allowance has been established on our net deferred tax assets. The deferred tax liability resulting from goodwill amortization is considered an indefinite-lived intangible and cannot be looked upon as a source of future taxable income to support the realization of deferred tax assets for purposes of establishing a valuation allowance.

Deferred income taxes recognize the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes and the impact of available net operating loss ("NOL") carryforwards. The significant components of the Company's deferred tax assets and liabilities are as follows:

	As of December 31	
	2011	**2010**
CURRENT		
Deferred income tax assets:		
Allowance for doubtful accounts	$ 2,322	$ 1,754
Accrued liabilities	10,035	4,602
Valuation allowance	(11,758)	(6,118)
Deferred income tax liabilities:		
Prepaid expenses	(1,022)	(3,033)
Property, net	(6,605)	(1,954)
Net current deferred income tax liability	(7,028)	(4,749)
NON-CURRENT		
Deferred income tax assets:		
Net operating loss	90,222	87,609
Capital loss	29,128	21,809
Investment in nonconsolidated affiliates	8,777	5,390
Other comprehensive income	3,731	5,313
Intangible assets	531	3,117
Other	5,305	3,723
Valuation allowance	(130,666)	(122,212)
Deferred income tax liabilities:		
Goodwill and other indefinite-lived intangibles	(93,903)	(71,665)
Net non-current deferred income tax liability	(86,875)	(66,916)
Total deferred income tax liability	$ (93,903)	$ (71,665)

We reduce our deferred income tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. We assess the likelihood of realization of our deferred tax assets considering all available evidence, both positive and negative. Our most recent operating performance, the scheduled reversal of temporary differences and our forecast of taxable income in future periods are important considerations in our assessment. While we recognize our recent earnings history is an example of positive evidence to be considered in our assessment, at this time, management continues to believe it is more-likely-than-not we will not realize a portion of our deferred tax assets due to our consideration of all positive and negative evidence available. We have established a full valuation allowance against net deferred tax assets other than the deferred tax liability resulting from the goodwill amortization which is considered an indefinite-lived intangible. Based on these conclusions, a valuation allowance of $142.4 million, $128.3 million and $98.4 million is necessary as of December 31, 2011, 2010 and 2009, respectively. For the year ended December 31, 2011, the net increase in the valuation allowance was $14.1 million. Adjustments to the valuation allowance may be made in future periods if there is a change in management's assessment of the amount of deferred income tax assets that is realizable.

At December 31, 2011, we had federal NOL carryforwards of approximately $213.9 million. Such losses expire in various amounts at varying times beginning in 2027. These NOL carryforwards are subject to a valuation allowance. At December 31, 2010, we had federal NOL carryforwards of $189.1 million.

The Company has no tax liability for uncertain tax positions as of December 31, 2011 or December 31, 2010.

14. DISCONTINUED OPERATIONS

The Company has closed or sold certain facilities that qualify for reporting as discontinued operations. The assets and liabilities associated with these facilities are reflected in the accompanying consolidated balance sheets as of December 31, 2011 and December 31, 2010 as

Current assets related to discontinued operations, Assets related to discontinued operations, Current liabilities related to discontinued operations and *Liabilities related to discontinued operations.* Additionally, the accompanying consolidated statements of operations and cash flows reflect the loss, net of income tax expense, and the net cash (used in) provided by operating, investing and financing activities, respectively, associated with these facilities as discontinued operations.

The operating results of discontinued operations are as follows:

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	YEAR ENDED DECEMBER 31 2009
Net operating revenues	$ 1,292	$ 12,604	$ 29,249
Costs and expenses	(2,213)	(16,912)	(30,574)
Impairments	-	(259)	-
Loss from discontinued operations	(921)	(4,567)	(1,325)
Income tax expense	(1,503)	(5,790)	(1,539)
Net loss from discontinued operations	$ (2,424)	$ (10,357)	$ (2,864)

The assets and liabilities of discontinued operations consist of the following:

	DECEMBER 31 2011	DECEMBER 31 2010
Assets		
Current assets		
Accounts receivable, net	$ 199	$ 978
Other current assets	35	973
Total current assets	234	1,951
Property and equipment, net	-	3,348
Other long term assets	19	36
Total assets	$ 253	$ 5,335
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	$ 158	$ 612
Total current liabilities	158	612
Other long term liabilities	-	114
Total liabilities	$ 158	$ 726

15. RELATED PARTY TRANSACTIONS

The Company paid management fees to TPG Capital, L.P., an affiliate of TPG, ("TPG") the majority owner of our Parent, of $2.0 million during each of the years ended December 31, 2011, 2010 and 2009, respectively. In addition, the Company included $0.5 million in *Prepaids and Other Current Assets* relating to amounts paid to TPG in 2010 for 2011 management services.

In 2011, 2010 and 2009, certain directors of the Company received options to purchase membership units of ASC Acquisition under the Directors and Consultants Equity Incentive Plan as part of their compensation for service on the Company's Board and for consulting services provided to the Company. Total expense recognized by the Company related to these options was $0.2 million, $0.1 million and $0.3 million for the years ended December 31, 2011, 2010 and 2009, respectively. See Note 11, *Equity-Based Compensation*, for additional information related to this Plan.

The law firm of Bradley Arant Boult Cummings LLP provided certain legal services to us. We paid approximately $0.9 million, $0.9 million and $0.6 million to this law firm in 2011, 2010 and 2009, respectively, for such legal services. The spouse of one of our executive officers, Richard Sharff, is a partner of this law firm.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Legal Proceedings

We operate in a highly regulated and litigious industry. As a result, we expect that various lawsuits, claims and legal and regulatory proceedings may be instituted or asserted against us, including, without limitation, employment-related claims and medical negligence claims. Additionally, governmental agencies often possess a great deal of discretion to assess a wide range of monetary penalties and fines. We record accruals for contingencies to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. No estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made at this time regarding the matters specifically described below because the inherently unpredictable nature of legal proceedings may be exacerbated by various factors, including, but not limited to: (i) the damages sought in the proceedings are unsubstantiated or indeterminate; (ii) discovery is not complete; (iii) the proceeding is in its early stages; (iv) the matters present legal uncertainties; (v) there are significant facts in dispute; (vi) there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants); or (vii) there is a wide range of potential outcomes. The outcome of any current or future litigation or governmental or internal investigations, including the matters described below, cannot be accurately predicted, nor can we predict any resulting penalties, fines or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. Nevertheless, it is reasonably possible that any such penalties, fines or other sanctions could be substantial, and the outcome of these matters may have a material adverse effect on our results of operations, financial position, and cash flows and may affect our reputation.

The following legal matters were either filed after the Transaction or were matters for which we agreed to take at least some responsibility from HealthSouth under the terms of the Purchase Agreement.

On May 5, 2006, a lawsuit captioned *DeBartolo, et al. v. HealthSouth Corporation et al,* was filed in the United States District Court for the Northern District of Illinois, Eastern Division, by Dr. Hansel DeBartolo against Joliet Surgical Center Limited Partnership (the "Partnership"), the general partner of that Partnership, Surgicare of Joliet, Inc., and its then-parent, HealthSouth Corporation, for a declaratory judgment and an injunction relating to the forced repurchase of his partnership interest (the "Federal Court Action"). Dr. DeBartolo claimed that the partnership agreement's requirement that an investor in a surgical center perform one-third of his surgical procedures at the center violates the federal Anti-Kickback Statute and its underlying federal policy, and he sought an order prohibiting the repurchase of his partnership interest. After the trial court dismissed the case by holding that no private cause of action exists under the Anti-Kickback

Statute, Dr. DeBartolo appealed to the Seventh Circuit Court of Appeals, which directed the trial court to dismiss the case because the Federal courts did not have jurisdiction over the subject matter involved. On March 5, 2010, Dr. DeBartolo filed a lawsuit in Will County, Illinois (the "State Court Action") making the same claim and seeking the same relief as he sought in the Federal Court Action. The case is in its early stages, and at this time we cannot predict the outcome of, but intend to vigorously defend against Dr. DeBartolo's claims.

In connection with the Transaction, we agreed to take responsibility from HealthSouth for a lawsuit captioned *David D. Beal, et al. v. HealthSouth Corporation, et al.*, which was filed on April 14, 2003, in the Superior Court for the State of Alaska, Third Judicial District at Anchorage, by David D. Beal, Steven E. Nathanson, and others against HealthSouth, David A. McGuire, Alaska Surgery Center, Inc. ("ASCI"), Alaska Surgery Center, Ltd. (the "Partnership"), Louise Bjornstad and Lake Otis Professional Center, LLC. In 2006, HealthSouth agreed to indemnify and defend Dr. McGuire in this matter, except with respect to any punitive or treble damages that might be entered against him. We acquired ASCI and its interest in the Partnership, which owns our surgery center in Anchorage, Alaska, in the Transaction. The plaintiffs, each of whom are partners with SC Affiliates, LLC, an SCA subsidiary, and Dr. McGuire in a joint venture that owns certain real property in Anchorage, alleged that the defendants breached fiduciary duties to the joint venture by lobbying the Alaska State Legislature to alter the state's Certificate of Need law in a manner which allowed ASCI, the primary tenant in the joint venture's building, to relocate. This matter was settled for an immaterial amount and the litigation was dismissed with prejudice on January 7, 2011.

Risk Insurance

Risk insurance for SCA and our facilities is provided through SCA's risk insurance program. We insure a substantial portion of our professional liability, general liability and workers' compensation risks through fully insured programs, with low or no deductibles, through unrelated carriers.

Provisions for these risks are based upon market driven premiums and actuarially determined estimates for incurred but not reported exposure under claims made policies. Provisions for losses within the policy deductibles represent the estimated ultimate net cost of all reported and unreported losses incurred through the consolidated balance sheet dates. Those estimates are subject to the effects of trends in loss severity and frequency. While we believe the provisions for losses are adequate, we cannot be sure the ultimate costs will not exceed our estimates.

Reserves for incurred but not reported professional and general liability risks were approximately $5.2 million at December 31, 2011 and December 31, 2010, and are included in *Other long-term liabilities* in the consolidated balance sheets. Expenses related to professional and general liability risks were $5.1 million, $5.5 million and $5.2 million for the years ended December 31, 2011, 2010 and 2009, respectively, and are classified in *Other operating expenses* in our consolidated statements of operations. Expenses associated with workers' compensation were $1.8 million, $1.6 million and $2.0 million for the years ended December 31, 2011, 2010 and 2009, respectively, and are classified in *Salaries and benefits* in our consolidated statements of operations.

Guarantees

We guarantee certain debt owed by our consolidated and nonconsolidated affiliates. In many cases our guarantee is limited based on our percentage of ownership of the respective affiliate. At December 31, 2011, we guaranteed approximately $3.6 million of debt held by our affiliates that were in violation of the respective covenants. Currently, we do not expect to have to perform under these guarantees in the year ended December 31, 2012.

17. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through March 22, 2012, and concluded that there were no material subsequent events other than described below.

In January 2012, the Company sold its controlling interest in an affiliate that was consolidated as of December 31, 2011. Concurrently, the Company entered into an agreement to sell, on or before January 2015, its remaining noncontrolling interest in the affiliate.

18. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following condensed consolidated financial information is presented as required by the Company's senior and senior subordinated notes indentures dated as of June 29, 2007. The operating and investing activities of the separate legal entities included in the consolidated financial statements are fully interdependent and integrated. Accordingly, the operating results of the separate legal entities are not representative of what the operating results would be on a stand-alone basis. Revenues and operating expenses of the separate legal entities include intercompany charges for management and other services. Each of the subsidiary guarantors are 100% owned by SCA, and all guarantees are full and unconditional (subject to certain customary automatic release provisions) and joint and several. SCA's investments in its consolidated subsidiaries, as well as guarantor subsidiaries' investments in non-guarantor subsidiaries and non-guarantor subsidiaries' investments in guarantor subsidiaries, are presented under the equity method of accounting and are included within intercompany receivable and payable.. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries in a timely manner.

Our senior secured credit agreement contains various restrictive covenants that, subject to certain exceptions, prohibit us from prepaying certain subordinated indebtedness, including our senior subordinated notes. In addition, our senior secured credit agreement restricts our and our restricted subsidiaries' ability to, among other things, incur indebtedness or liens, make investments or declare or pay dividends. Additionally, the indentures pursuant to which the notes were issued contain various restrictive covenants, including covenants that generally limit the Company's ability and the ability of its restricted subsidiaries to borrow money or guarantee other indebtedness, incur liens, make certain investments, sell assets or pay dividends. However, the covenants in the senior secured credit agreement and the indentures are subject to significant exceptions. The covenants also require the majority owner of our Parent, TPG, to continue to own more than 50% of the membership interests of our Parent. As of December 31, 2011, we believe we were in compliance with the covenants under our senior secured credit agreement and the indentures.

The financial positions and results of operations (pages 114-120) of the respective guarantors are based upon the guarantor relationship at the end of the latest balance sheet period presented. Certain amounts in the condensed consolidated financial information for prior periods have been reclassified to conform to current year presentation. Such reclassifications primarily related to facilities we closed or sold, which qualify for reporting as discontinued operations.

Condensed Consolidated Balance Sheets:

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
As of December 31, 2011					
Assets					
Current assets					
Cash and cash equivalents	$ 68,712	$ -	$ 2,467	$ -	$ 71,179
Restricted cash	-	-	24,050	-	24,050
Accounts receivable, net of allowance for doubtful accounts	-	-	88,796	-	88,796
Prepaids and other current assets	9,093	947	20,545	-	30,585
Current assets related to discontinued operations	-	-	234	-	234
Total current assets	77,805	947	136,092	-	214,844
Property and equipment, net of accumulated depreciation	-	3,868	179,907	-	183,775
Goodwill	-	-	679,463	-	679,463
Intangible assets, net of accumulated amortization	-	1,804	45,495	-	47,299
Deferred debt issue costs	14,104	-	-	-	14,104
Investment in and advances to nonconsolidated affiliates	-	22,449	190,159	-	212,608
Intercompany receivable	868,099	1,184,604	168,033	(2,220,736)	-
Other long-term assets	405	3,288	448	-	4,141
Assets related to discontinued operations	-	-	19	-	19
Total assets	$ 960,413	$ 1,216,960	$ 1,399,616	$ (2,220,736)	$ 1,356,253
Liabilities and Equity					
Current liabilities					
Current portion of long-term debt	$ 4,577	$ -	$ 11,926	$ -	$ 16,503
Checks issued in excess of bank balance	-	-	-	-	-
Accounts payable	-	1,390	22,566	-	23,956
Accrued payroll	7,226	-	13,435	-	20,661
Accrued interest	13,778	-	-	-	13,778
Accrued distributions	-	-	23,612	-	23,612
Payable to nonconsolidated affiliates	-	-	34,708	-	34,708
Deferred income tax liability	-	7,028	-	-	7,028
Other current liabilities	11,148	31	3,909	-	15,088
Current liabilities related to discontinued operations	-	-	158	-	158
Total current liabilities	36,729	8,449	110,314	-	155,492
Long-term debt, net of current portion	747,899	-	23,013	-	770,912
Deferred income tax liability	-	86,875	-	-	86,875
Other long-term liabilities	8,816	-	11,557	-	20,373
Total liabilities	793,444	95,324	144,884	-	1,033,652
Commitments and contingent liabilities (Note 16)					
Noncontrolling interests—redeemable (Note 9)	-	-	23,866	-	23,866
SCA equity	166,969	1,121,636	1,099,100	(2,220,736)	166,969
Noncontrolling interests—non-redeemable (Note 9)	-	-	131,766	-	131,766
Total equity	166,969	1,121,636	1,230,866	(2,220,736)	298,735
Total liabilities and equity	$ 960,413	$ 1,216,960	$ 1,399,616	$ (2,220,736)	$ 1,356,253

Condensed Consolidated Balance Sheets (Continued):

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
As of December 31, 2010					
Assets					
Current assets					
Cash and cash equivalents	$ 22,425	$ -	$ 8,152	$ -	$ 30,577
Restricted cash	-	-	33,092	-	33,092
Accounts receivable, net of allowance for doubtful accounts	-	-	82,050	-	82,050
Prepaids and other current assets	5,617	729	14,854	-	21,200
Current assets related to discontinued operations	-	-	1,951	-	1,951
Total current assets	28,042	729	140,099	-	168,870
Property and equipment, net of accumulated depreciation	-	3,564	179,521	-	183,085
Goodwill	-	-	681,308	-	681,308
Intangible assets, net of accumulated amortization	-	1,948	51,519	-	53,467
Deferred debt issue costs	10,749	-	-	-	10,749
Investment in and advances to nonconsolidated affiliates	-	18,506	63,332	-	81,838
Intercompany receivable	806,423	950,445	66,848	(1,823,716)	-
Other long-term assets	336	2,865	751	-	3,952
Assets related to discontinued operations	-	-	3,384	-	3,384
Total assets	$ 845,550	$ 978,057	$ 1,186,762	$ (1,823,716)	$ 1,186,653
Liabilities and Equity					
Current liabilities					
Current portion of long-term debt	$ 3,550	$ -	$ 3,959	$ -	$ 7,509
Checks issued in excess of bank balance	-	-	6,342	-	6,342
Accounts payable	-	33	23,996	-	24,029
Accrued payroll	7,073	-	13,809	-	20,882
Accrued interest	13,683	-	54	-	13,737
Accrued distributions	-	-	22,547	-	22,547
Payable to nonconsolidated affiliates	-	-	16,483	-	16,483
Deferred income tax liability	-	4,749	-	-	4,749
Other current liabilities	13,947	26	2,776		16,749
Current liabilities related to discontinued operations	-	-	612	-	612
Total current liabilities	38,253	4,808	90,578	-	133,639
Long-term debt, net of current portion	654,310	-	20,669	-	674,979
Deferred income tax liability	-	66,916	-	-	66,916
Other long-term liabilities	11,661	-	10,213	-	21,874
Liabilities related to discontinued operations	-	-	114	-	114
Total liabilities	704,224	71,724	121,574	-	897,522
Commitments and contingent liabilities (Note 16)					
Noncontrolling interests—redeemable (Note 9)	-	-	23,631	-	23,631
SCA equity	141,326	906,333	917,383	(1,823,716)	141,326
Noncontrolling interests—non-redeemable (Note 9)	-	-	124,174	-	124,174
Total equity	141,326	906,333	1,041,557	(1,823,716)	265,500
Total liabilities and equity	$ 845,550	$ 978,057	$ 1,186,762	$ (1,823,716)	$ 1,186,653

Condensed Consolidated Statements of Operations:

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
Year Ended December 31, 2011					
Net operating revenues	$ -	$ -	$ 740,951	$ -	$ 740,951
Operating expenses:					
Salaries and benefits	35,317	-	195,245	-	230,562
Supplies	-	-	165,484	-	165,484
Other operating expenses	26,559	290	93,078	-	119,927
Depreciation and amortization	-	237	42,307	-	42,544
Occupancy costs	1,656	1	26,728	-	28,385
Provision for doubtful accounts	-	-	18,912	-	18,912
Impairment of intangible and long-lived assets	-	-	49	-	49
Gain on disposal of assets	-	-	(776)	-	(776)
Total operating expenses	63,532	528	541,027	-	605,087
Interest expense	54,417	-	1,905	-	56,322
Interest income and other income	(103)	(218)	(113)	-	(434)
Loss (gain) on sale of investments	95	(4,509)	51	-	(4,363)
Equity in net income of nonconsolidated affiliates	-	(9,474)	(12,762)	-	(22,236)
(Income) loss from operations of consolidated affiliates	(71,388)	(26,912)	-	98,300	-
Management fees	(36,876)	(387)	37,263	-	-
(Loss) income from continuing operations before income tax expense	(9,677)	40,972	173,580	(98,300)	106,575
Provision for income tax expense	-	20,771	369	-	21,140
(Loss) income from continuing operations	(9,677)	20,201	173,211	(98,300)	85,435
Loss from discontinued operations, net of income tax expense	-	-	(2,424)	-	(2,424)
Net income (loss)	(9,677)	20,201	170,787	(98,300)	83,011
Less: Net income attributable to noncontrolling interests	-	-	(92,688)	-	(92,688)
Net (loss) income attributable to SCA	$ (9,677)	$ 20,201	$ 78,099	$ (98,300)	$ (9,677)

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
Year Ended December 31, 2010					
Net operating revenues	$ -	$ -	$ 740,144	$ -	$ 740,144
Operating expenses:					
Salaries and benefits	29,517	-	196,358	-	225,875
Supplies	-	30	178,574	-	178,604
Other operating expenses	24,701	163	93,875	-	118,739
Depreciation and amortization	-	133	39,255	-	39,388
Occupancy costs	1,823	-	27,622		29,445
Provision for doubtful accounts	-	-	18,283	-	18,283
Loss on disposal of assets	-	-	310	-	310
Total operating expenses	56,041	326	554,277	-	610,644
Interest expense	50,362	4	2,469	-	52,835
Interest income	(56)	(79)	(1,420)	-	(1,555)
Loss (gain) on sale of investments	272	4,019	(5,652)	-	(1,361)
Equity in net income of nonconsolidated affiliates	-	(7,817)	(7,480)	-	(15,297)
(Income) loss from operations of consolidated affiliates	(52,517)	(21,653)	-	74,170	-
Management fees	(39,193)	(685)	39,878	-	-
Income from continuing operations before income tax expense	(14,909)	25,885	158,072	(74,170)	94,878
Provision for income tax expense	0	14,905	403	-	15,308
Income from continuing operations	(14,909)	10,980	157,669	(74,170)	79,570
Loss from discontinued operations, net of income tax expense	-	-	(10,357)	-	(10,357)
Net (loss) income	(14,909)	10,980	147,312	(74,170)	69,213
Less: Net income attributable to noncontrolling interests	-	-	(84,122)	-	(84,122)
Net (loss) income attributable to SCA	$ (14,909)	$ 10,980	$ 63,190	$ (74,170)	$ (14,909)

Condensed Consolidated Statements of Operations (Continued):

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
Year Ended December 31, 2009					
Net operating revenues	$ -	$ -	$ 715,266	$ -	$ 715,266
Operating expenses:					
Salaries and benefits	32,289	1	194,275	-	226,565
Supplies	819	4	165,980	-	166,803
Other operating expenses	28,413	434	90,066	-	118,913
Depreciation and amortization	-	391	37,780	-	38,171
Occupancy costs	1,882	-	27,570	-	29,452
Provision for doubtful accounts	-	-	18,269	-	18,269
Impairment of intangible and long-lived assets	-	-	952	-	952
Gain on disposal of assets	-	-	(148)	-	(148)
Total operating expenses	63,403	830	534,744	-	598,977
Interest expense	52,330	-	1,316	-	53,646
Interest income	(2,617)	-	1,291	-	(1,326)
(Gain) loss on sale of investments	(6,035)	7,644	(978)	-	631
Equity in net income of nonconsolidated affiliates	-	(7,533)	(2,967)	-	(10,500)
(Income) loss from operations of consolidated affiliates	(43,212)	(5,827)	0	49,039	-
Management fees	(38,113)	(1,097)	39,210	-	-
(Loss) income from continuing operations before income tax expense	(25,756)	5,983	142,650	(49,039)	73,838
Provision for income tax expense	-	12,905	564	-	13,469
(Loss) income from continuing operations	(25,756)	(6,922)	142,086	(49,039)	60,369
Loss from discontinued operations, net of income tax expense	-	-	(2,864)	-	(2,864)
Net (loss) income	(25,756)	(6,922)	139,222	(49,039)	57,505
Less: Net income attributable to noncontrolling interests	-	-	(83,261)	-	(83,261)
Net (loss) income attributable to SCA	$ (25,756)	$ (6,922)	$ 55,961	$ (49,039)	$ (25,756)

Condensed Consolidated Statements of Cash Flows:

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
Year Ended December 31, 2011					
Net cash (used in) provided by operating activities	$ (78,711)	$ 7,011	$ 237,028	$ -	$ 165,328
Cash flows from investing activities					
Capital expenditures	-	-	(32,936)	-	(32,936)
Proceeds from disposal of assets	-	-	2,921	-	2,921
Proceeds from sale of equity interests of consolidated affiliates in deconsolidation transactions	-	-	3,216	-	3,216
Decrease in cash related to conversion of consolidated affiliates to equity interests	-	-	(706)	-	(706)
Net change in restricted cash	-	-	9,042	-	9,042
Net settlements on interest rate swap	(8,533)	-	-	-	(8,533)
Business combinations, net of cash acquired	(873)	-	-	-	(873)
Purchase of equity interests in nonconsolidated affiliates	-	(126,933)	(3,573)	-	(130,506)
Net cash used in investing activities of discontinued operations	-	-	521	-	521
Net cash used in investing activities	(9,406)	(126,933)	(21,515)	-	(157,854)
Cash flows from financing activities					
Checks issued in excess of bank balance	-	-	(6,342)	-	(6,342)
Member contributions	25,000	-	-	-	25,000
Borrowings under line of credit arrangements and long-term debt, net of issuance costs	92,875	-	8,266	-	101,141
Principal payments on line of credit arrangements and long-term debt	(3,869)	-	(2,485)	-	(6,354)
Principal payments under capital lease obligations	(500)	-	(4,172)	-	(4,672)
Distributions to noncontrolling interests of consolidated affiliates	-	-	(84,700)	-	(84,700)
Contributions from noncontrolling interests of consolidated affiliates	-	-	37	-	37
Proceeds from sale of equity interests of consolidated affiliates	-	-	15,197	-	15,197
Repurchase of equity interests of consolidated affiliates	-	-	(6,186)	-	(6,186)
Change in intercompany advances	20,898	119,922	(140,820)	-	-
Net cash provided by (used in) financing activities	134,404	119,922	(221,205)	-	33,121
Change in cash and cash equivalents	46,287	-	(5,692)	-	40,595
Cash and cash equivalents at beginning of period	22,425	-	8,152	-	30,577
Cash and cash equivalents of discontinued operations at beginning of period	-	-	9	-	9
Less: Cash and cash equivalents of discontinued operations at end of period	-	-	(2)	-	(2)
Cash and cash equivalents at end of period	$ 68,712	$ -	$ 2,467	$ -	$ 71,179

Condensed Consolidated Statements of Cash Flows (Continued):

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
Year Ended December 31, 2010					
Net cash (used in) provided by operating activities	$ (53,062)	$ (779)	$ 197,615	$ -	$ 143,774
Cash flows from investing activities				-	
Capital expenditures	-	-	(28,702)	-	(28,702)
Proceeds from disposal of assets	-	-	2,805	-	2,805
Proceeds from sale of equity interests of nonconsolidated affiliates	-	-	3,301	-	3,301
Proceeds from sale of equity interests of consolidated affiliates in deconsolidation transactions	-	-	8,277	-	8,277
Decrease in cash related to conversion of consolidated affiliates to equity interests	-	-	(278)	-	(278)
Net change in restricted cash	-	-	(4,032)	-	(4,032)
Net settlements on interest rate swaps	(10,230)	-	-	-	(10,230)
Business acquisitions, net of cash acquired	-	-	(17,044)	-	(17,044)
Net cash used in investing activities	(10,230)	-	(35,673)	-	(45,903)
Cash flows from financing activities					
Checks issued in excess of bank balance	-	-	(766)	-	(766)
Principal payments on line of credit arrangements and long term debt	(2,664)	-	(3,569)	-	(6,233)
Principal payments under capital lease obligations	-	-	(2,780)	-	(2,780)
Distributions to noncontrolling interests of consolidated affiliates	-	-	(82,594)	-	(82,594)
Contributions from noncontrolling interests of consolidated affiliates	-	-	1,621	-	1,621
Proceeds from sale of equity interests of consolidated affiliates	-	-	3,290	-	3,290
Repurchase of equity interests of consolidated affiliates	-	-	(13,683)	-	(13,683)
Change in intercompany advances	65,036	779	(65,815)	-	-
Net cash provided by (used in) financing activities	62,372	779	(164,296)	-	(101,145)
Change in cash and cash equivalents	(920)	-	(2,354)	-	(3,274)
Cash and cash equivalents at beginning of period	23,345	-	10,310	-	33,655
Cash and cash equivalents of discontinued operations at beginning of period	-	-	205	-	205
Less: Cash and cash equivalents of discontinued operations at end of period	-	-	(9)	-	(9)
Cash and cash equivalents at end of period	$ 22,425	$ -	$ 8,152	$ -	$ 30,577

Condensed Consolidated Statements of Cash Flows (Continued):

	Surgical Care Affiliates, LLC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Elimination Adjustments	Consolidated Total
Year Ended December 31, 2009					
Net cash (used in) provided by operating activities	$ (63,805)	$ (5,558)	$ 211,799	$ -	$ 142,436
Cash flows from investing activities				-	
Capital expenditures	-	-	(32,399)	-	(32,399)
Proceeds from disposal of assets	-	-	761	-	761
Proceeds from sale of equity interests of nonconsolidated affiliates	-	-	1,800	-	1,800
Net change in restricted cash	-	-	(8,689)	-	(8,689)
Net settlements on interest rate swaps	(9,206)	-	-	-	(9,206)
Business acquisitions, net of cash acquired	-	-	(7,485)	-	(7,485)
Net cash used in investing activities of discontinued operations	-	-	(597)	-	(597)
Net cash used in investing activities	(9,206)	-	(46,609)	-	(55,815)
Cash flows from financing activities					
Checks issued in excess of bank balance	-	-	(2,718)	-	(2,718)
Proceeds under line of credit arrangements and long term debt	-	-	1,835	-	1,835
Principal payments on line of credit arrangements and long term debt	(47,554)	-	(227)	-	(47,781)
Principal payments under capital lease obligations	-	-	(2,195)	-	(2,195)
Distributions to noncontrolling interests of consolidated affiliates	-	-	(81,942)	-	(81,942)
Contributions from noncontrolling interests of consolidated affiliates	-	-	3,759	-	3,759
Proceeds from sale of equity interests of consolidated affiliates	-	-	11,207	-	11,207
Repurchase of equity interests of consolidated affiliates	-	-	(9,562)	-	(9,562)
Change in intercompany advances	83,959	5,558	(89,517)	-	-
Net cash provided by (used in) financing activities	36,405	5,558	(169,360)	-	(127,397)
Change in cash and cash equivalents	(36,606)	-	(4,170)	-	(40,776)
Cash and cash equivalents at beginning of period	59,951	-	14,325	-	74,276
Cash and cash equivalents of discontinued operations at beginning of period	-	-	360	-	360
Less: Cash and cash equivalents of discontinued operations at end of period	-	-	(205)	-	(205)
Cash and cash equivalents at end of period	$ 23,345	$ -	$ 10,310	$ -	$ 33,655

SCA

Surgical Care Affiliates

www.scasurgery.com

ATTACHMENT 6

SURGICAL CARE AFFILIATES
3000 Riverchase Galleria, Suite 500
Hoover, AL 35244

BANK OF AMERICA

64-1278/611 GA
Check No.3032686

Date: 03/18/2013

Pay Amount: $2,500.00***

Pay ****TWO THOUSAND FIVE HUNDRED AND XX / 100 DOLLAR****

Pay To ILLINOIS DEPARTMENT PUBLIC HEALTH
525 W JEFFERSON ST 2ND FL
Springfield, IL 62761

Peter J. Clemens IV
Authorized Signature

Salt Creek Surgery Center
-003-13

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