ORIGINAL

E-011-14

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

RECEIVED
JUN 06 2014
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Physicians' Surgical Center
Address 311 W. Lincoln, Suite 300
City Belleville Zip Code 62220 County St. Clair
Name of current licensed entity for the facility Physicians' Surgical Center LLC
Does the current licensee: own this facility ____ OR lease this facility X (if leased, check if sublease X)
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. James F. Clayborne, Jr.
State Senate District Number 57 Mailing address of the State Senator Kenneth Hall Regional Office Building, 10 Collinsville Avenue, Suite 210A, East St. Louis, IL 62201
Illinois State Representative for the district where the facility is located: Rep. Jay Hoffman
State Representative District Number 113 Mailing address of the State Representative 312 S. High Street, Belleville, IL 62220

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. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Belleville Surgical Center, Ltd.
Address 28 North 64th Street
City, State & Zip Code Belleville, IL 62220
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation X Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed Belleville Surgical Center, Ltd.
Address 28 North 64th Street
City, State & Zip Code Belleville, IL 62223
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation X Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND** MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis
Address 211 S. 3rd Street
City, State & Zip Code Belleville, IL 62220
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
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State Senate District Number ________ Mailing address of the State Senator ____________
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3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Meridian Surgical Partners - Illinois LLC
Address 5141 Virginia Way, Suite 420
City, State & Zip Code Brentwood, TN 37027
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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3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Belleville Surgical Center, Ltd.
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, AL 35244
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State Senate District Number ________ Mailing address of the State Senator ____________
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<u>Exact</u> Legal Name of Applicant Meridian Surgical Partners - Illinois LLC
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City, State & Zip Code Birmingham, AL 35244
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3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Meridian Surgical Partners, LLC
Address 3000 Riverchase Galleria, Suite 500
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Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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<u>Exact</u> Legal Name of Applicant Surgicare of Belleville, LLC
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, AL 35244
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
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1. INFORMATION FOR EXISTING FACILITY

Current Facility Name ______
Address ______
City ______ Zip Code ______ County ______
Name of current licensed entity for the facility ______
Does the current licensee: own this facility ______ OR lease this facility ______ (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
______ Limited Liability Company ______ Other, specify ______
Illinois State Senator for the district where the facility is located: Sen. ______
State Senate District Number ______ Mailing address of the State Senator ______

Illinois State Representative for the district where the facility is located: Rep. ______
State Representative District Number ______ Mailing address of the State Representative ______

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. 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
City, State & Zip Code Birmingham, AL 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
X Limited Liability Company ______ Other, specify ______

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed ______
Address ______
City, State & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site ______
Address ______
City, State & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE
CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name ______
Address ______
City ______ Zip Code ______ County ______
Name of current licensed entity for the facility ______
Does the current licensee: own this facility ______ OR lease this facility ______ (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
______ Limited Liability Company ______ Other, specify ______
Illinois State Senator for the district where the facility is located: Sen. ______
State Senate District Number ______ Mailing address of the State Senator ______
______
Illinois State Representative for the district where the facility is located: Rep. ______
State Representative District Number ______ Mailing address of the State Representative ______
______

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. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Surgicial Care Affiliates, Inc.
Address 3000 Riverchase Galleria, Suite 500
City, State & Zip Code Birmingham, AL 35244
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation X For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

4. NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.

Exact Legal Name of Entity to be Licensed ______
Address ______
City, State & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

5. BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site ______
Address ______
City, State & Zip Code ______
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

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

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

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

18. **CERTIFICATION** Belleville Surgical Center Ltd.

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 number of beds 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.

By: Surgicare of Belleville, LLC, its General Partner
Signature of Authorized Officer RLSR

Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.

Title of Authorized Officer: Vice President

Address: 3000 Riverchase Galleria, Suite 500

City, State & Zip Code: Birmingham, AL 35244

Telephone (205) 545-2572 Date: 5/29/14

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

16. **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: ______________________
Address: ______________________
City, State & Zip Code: ______________________
Telephone ( ) Ext. ______________________

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

Name: ______________________
Address: ______________________
City, State & Zip Code: ______________________
Telephone ( ) Ext. ______________________

18. **CERTIFICATION** Physicians' Surgical Center, 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 number of beds 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 John C. Wilson, Jr.

Title of Authorized Officer: Chief Financial Officer & Secretary

Address: 5141 Virginia Way, Suite 420

City, State & Zip Code: Brentwood, TN 370027

Telephone (615) 301-8144 Date: 5/28/14

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

16. **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: ______________________________

Address: ______________________________

City, State & Zip Code: ______________________________

Telephone ( ) Ext. ______________________________

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

Name: ______________________________

Address: ______________________________

City, State & Zip Code: ______________________________

Telephone ( ) Ext. ______________________________

18. **CERTIFICATION** Meridian Surgical Partners - Illinois 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 number of beds 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 John C. Wilson

Typed or Printed Name of Authorized Officer John C. Wilson, Jr.

Title of Authorized Officer: Chief Executive Officer

Address: 5141 Virginia Way, Suite 420

City, State & Zip Code: Brentwood, TN 37027

Telephone (615) 301-8144 Date: 5-28-14

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

16. **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: ______________________________
Address: ______________________________
City, State & Zip Code: ______________________________
Telephone ( ) Ext. ______________

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

Name: ______________________________
Address: ______________________________
City, State & Zip Code: ______________________________
Telephone ( ) Ext. ______________

18. **CERTIFICATION** Meridian Surgical Partners 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 number of beds 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 John C. Wilson, Jr.

Title of Authorized Officer: Chief Executive Officer

Address: 5141 Virginia Way, Suite 420

City, State & Zip Code: Brentwood, TN 37027

Telephone (615) 301-8144 Date: 5-28-14

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

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Name: ____________________
Address: ____________________
City, State & Zip Code: ____________________
Telephone ( ) Ext. ____________________

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

Name: ____________________
Address: ____________________
City, State & Zip Code: ____________________
Telephone ( ) Ext. ____________________

18. **CERTIFICATION** Surgicare of Belleville, 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 number of beds 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.

By: Surgery Center Holding, LLC, its sole Member
Signature of Authorized Officer RLS

Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.

Title of Authorized Officer: Vice President

Address: 3000 Riverchase Galleria, Suite 500

City, State & Zip Code: Birmingham, AL 35244

Telephone (205) 545-2572 Date: 5/29/14

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

16. **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: ______________________________
Address: ______________________________
City, State & Zip Code: ______________________________
Telephone ( ) Ext. ______________________________

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

Name: ______________________________
Address: ______________________________
City, State & Zip Code: ______________________________
Telephone ( ) Ext. ______________________________

18. **CERTIFICATION** Surgery Center Holding, 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 number of beds 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.

By: Surgical Care Affiliates, LLC, its sole Member
Signature of Authorized Officer ______________________________

Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.

Title of Authorized Officer: Vice President

Address: 3000 Riverchase Galleria, Suite 500

City, State & Zip Code: Birmingham, AL 35244

Telephone (205) 545-2572 Date: 5/29/14

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

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Name: __________
Address: __________
City, State & Zip Code: __________
Telephone ( ) Ext. __________

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

Name: __________
Address: __________
City, State & Zip Code: __________
Telephone ( ) Ext. __________

18. **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 number of beds 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.

By: Surgical Care Affiliates, Inc., its sole Member
Signature of Authorized Officer RLS

Typed or Printed Name of Authorized Officer Richard L. Sharff, Jr.

Title of Authorized Officer: Executive Vice President and Corporate Secretary

Address: 3000 Riverchase Galleria, Suite 500

City, State & Zip Code: Birmingham, AL 35244

Telephone (205) 545-2572 Date: 5/29/14

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

16. **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: ______
Address: ______
City, State & Zip Code: ______
Telephone ( ) Ext. ______

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

Name: ______
Address: ______
City, State & Zip Code: ______
Telephone ( ) Ext. ______

18. **CERTIFICATION** Surgical Care 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 number of beds 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: Executive Vice President and Corporate Secretary

Address: 3000 Riverchase Galleria, Suite 500

City, State & Zip Code: Birmingham, AL 35244

Telephone (205) 545-2572 Date: 5/29/14

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

Section 7, Application Fee

Attachment 1

<u>Application Fee</u>

Attached is a check in the amount of $2,500.00 payable to the Illinois Department of Public Health for the required application fee.

Section 8, Funding

Attachment 2

Funding

Belleville Surgical Center, Ltd. ("Belleville") proposes to acquire, upon the Review Board's approval, 100% of the ownership interests in Physicians Surgical Center ("PSC"). Belleville will use cash from internally available financial resources from its majority owner, Surgical Care Affiliates, LLC ("SCA") to purchase for, $1,305,080, 59% of the ownership interest in PSC and the physician investors in PSC will contribute their 41% ownership interest in PSC to Belleville in exchange for approximately 25.6% of the ownership interests in Belleville. The most recent audited financial statements of SCA are included in Attachment #6 and show Cash and Cash Equivalents in an amount sufficient to fund the purchase amount.

Section 12, Narrative Description

Attachment 3

Narrative Description

Physician's Surgical Center, LLC ("PSC"), is a single operating room multi-specialty surgical center in Belleville. PSC is owned by nine physicians and Meridian Surgical Partners which provides management services. The facility is located at 311 W. Lincoln Street, Belleville, IL 62220 in leased space that is part of a former hospital office building.

Belleville Surgical Center, Ltd. ("Belleville") is a four operating room multi-specialty surgical center also located in Belleville at 28 North 68th Street, Belleville, IL 62223. Belleville is owned by its participating physicians and by Surgical Care Affiliates, LLC ("SCA"). Pursuant to a Stock Purchase Agreement ("Agreement") to be executed between PSC and Belleville, subject to Review Board approval, Belleville proposes to acquire 100% of the ownership interests in PSC. Specifically, Belleville will use cash from internally available financial resources from its majority owner, SCA, to purchase for $1,305,080, 59% of the ownership interest in PSC. The physician investors in PSC will contribute their 41% ownership interest in PSC to Belleville in exchange for approximately 25.6% of the ownership interests in Belleville. A diagram of the current ownership structure of each of PSC and Belleville and the ownership structure of Belleville post-acquisition is attached.

Post-acquisition Belleville will continue operating the PSC facility; however, procedures at this facility will be devoted to gastrological surgical procedures and other types of surgical procedures will be performed at Belleville's nearby facility.

PSC had anticipated that it would need to discontinue operations because of the expiration of its lease. A new lease will be entered into for the existing space and improvements to the space will be made to facilitate using the space for primarily gastrological procedures. Belleville and PCS will be separately licensed but managed collaboratively.

Section 13, Background of Applicant

Attachment 4

<u>Background of Applicant</u>

An organizational chart showing the ownership structure is attached. Good standing certificates of the following entities are also attached as follows:

<u>Acquiring Entity</u>:

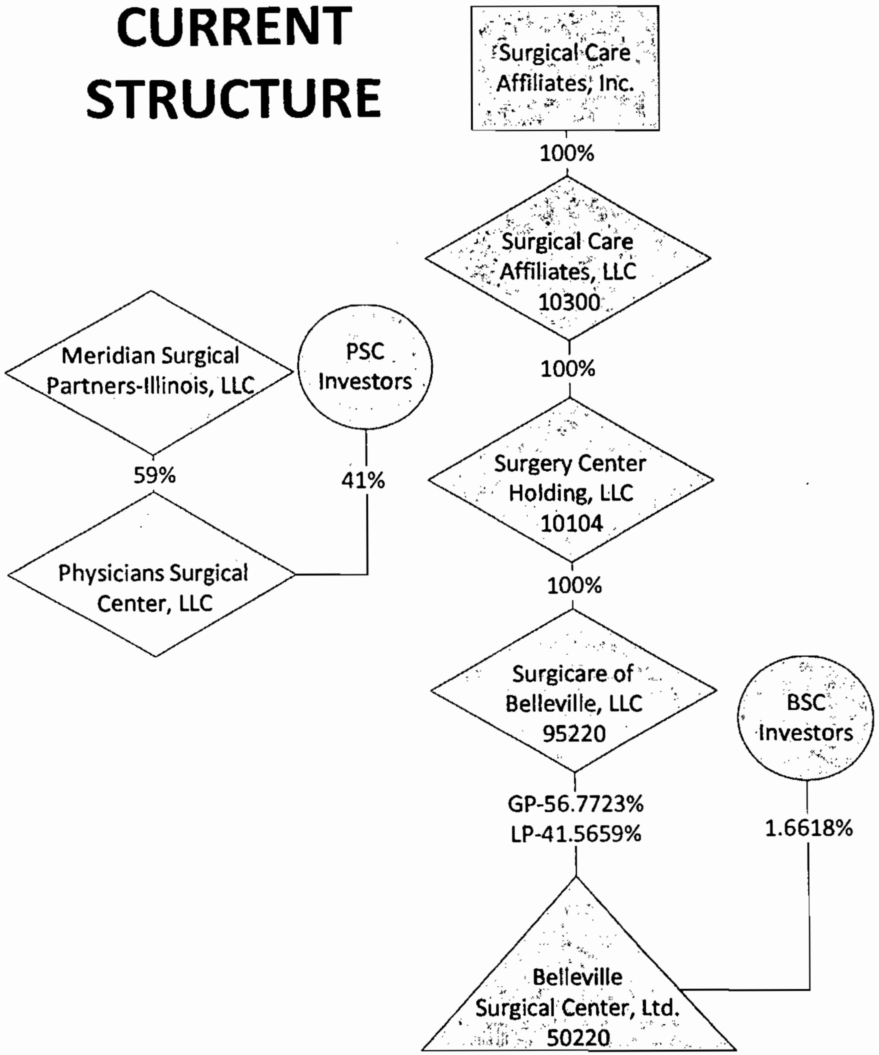
1. Belleville Surgical Center, Ltd., an Illinois limited partnership, whose general partners are: (i) Surgicare of Belleville, LLC (56.77%), and (ii) various physician investors (whose collective aggregate ownership equals 1.66%), and whose limited partner is Surgicare of Belleville, LLC (41.57%). Since Belleville Surgical Center, Ltd is a limited partnership, a copy of its Certificate of Existence is attached.
2. Surgicare of Belleville LLC, a Delaware limited liability company. A copy of its Illinois Good Standing Certificate for a foreign corporation is attached.
3. Surgery Center Holding LLC, a Delaware limited liability company. A copy of its Illinois Good Standing Certificate for a foreign corporation under the assumed name "Illinois Surgical Care Affiliates, Inc." is attached.
4. Surgical Care Affiliates LLC, a Delaware limited liability company. A copy of its Illinois Good Standing Certificate for a foreign corporation is attached.
5. Surgical Care Affiliates, Inc., a Delaware corporation. Surgicial Care Affiliates, Inc., does not operate in Illinois, except through its Illinois subsidiary Surgical Care Affiliates, LLC, and is not required to file in Illinois as a foreign corporation. A copy of its Delaware Good Standing Certificate is attached.

Current Owners:

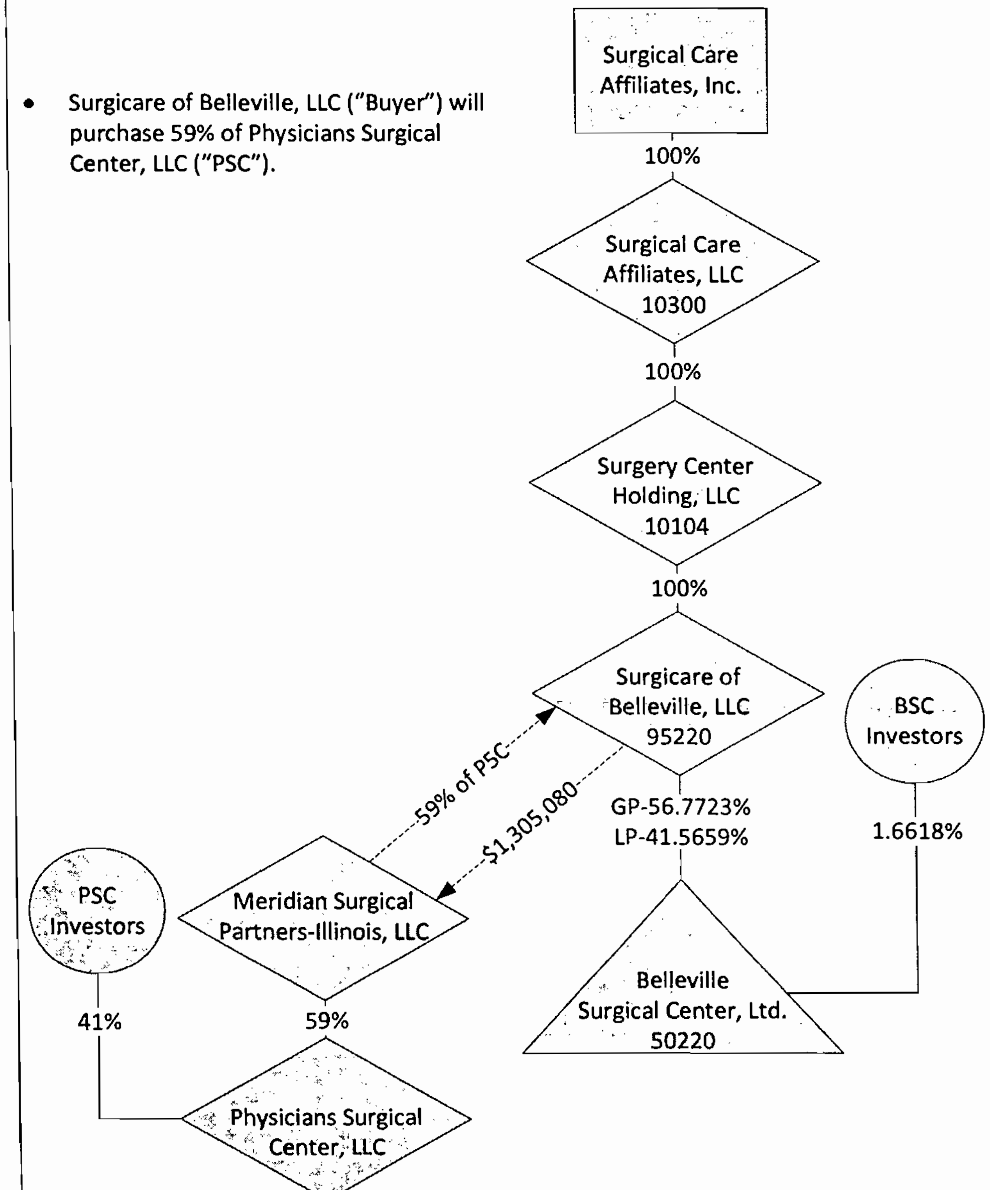
6. Physicians' Surgical Center LLC, an Illinois limited liability company. A copy of its Illinois Good Standing Certificate is attached.
7. Meridian Surgical Partners-Illinois, LLC, an Illinois limited liability company. A copy of its Illinois Good Standing Certificate is attached.
8. Meridian Surgical Partners LLC, a Delaware limited liability company. Meridian Surgical Partners LLC does not operate in Illinois, except through its Illinois subsidiary Meridian Surgical Partners-Illinois, LLC and is not required to file in Illinois as a foreign corporation. A copy of its Delaware Good Standing certificate is attached.

Physicians Surgical Center, LLC - 311 West Lincoln, Suite 300, Belleville, IL 62220 ("PSC Location")
Belleville Surgical Center, Ltd. - 28 North 64th Street, Belleville, IL 62223 ("BSC Location")

CURRENT STRUCTURE



- Surgicare of Belleville, LLC ("Buyer") will purchase 59% of Physicians Surgical Center, LLC ("PSC").

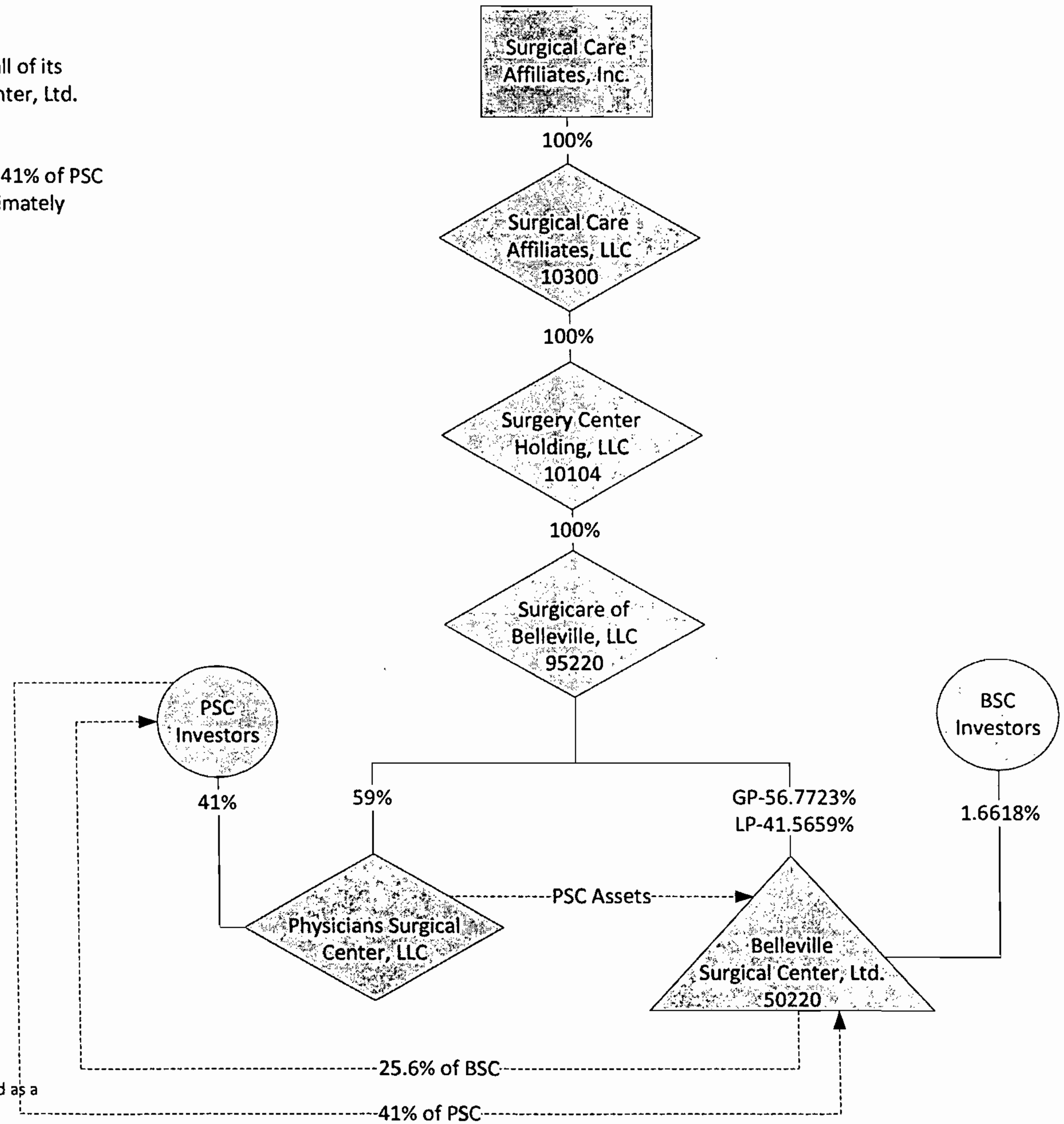


Disclaimer: This information is provided as a summary only and does not contain all transaction details. For complete details, please review the FINAL transaction documents.

Attachment-4

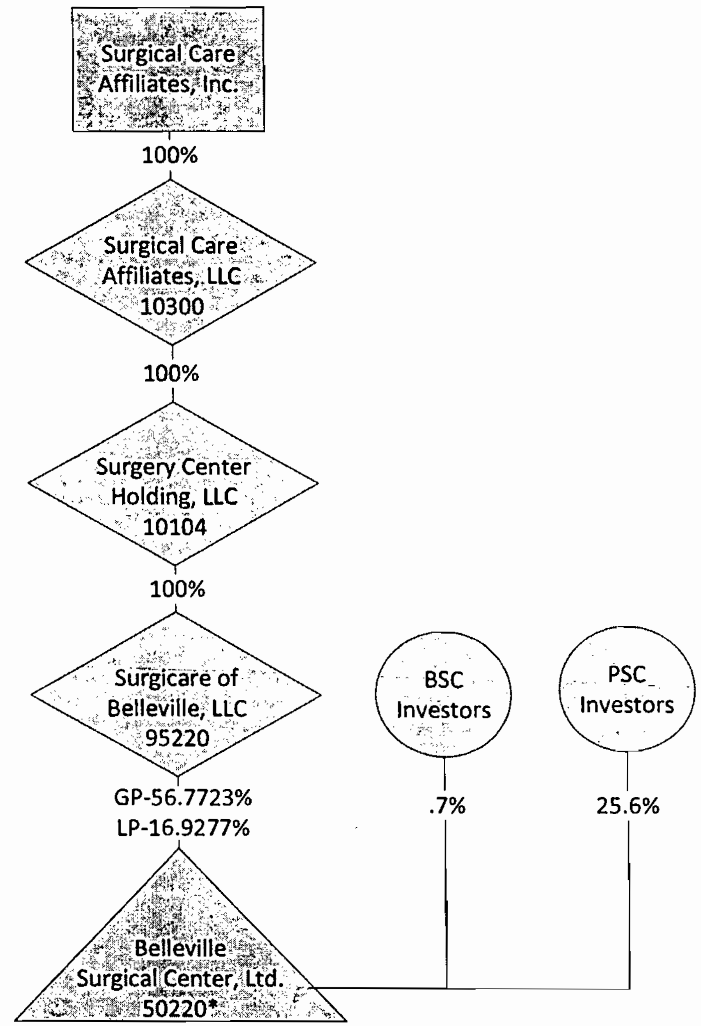
Physicians Surgical Center, LLC - 311 West Lincoln, Suite 300, Belleville, IL 62220 ("PSC Location")
Belleville Surgical Center, Ltd. - 28 North 64th Street, Belleville, IL 62223 ("BSC Location")

- PSC contributes substantially all of its assets to Belleville Surgical Center, Ltd. ("BSC")
- PSC Investors contribute their 41% of PSC to BSC in exchange for approximately 25.6% of BSC



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.

POST-CLOSING STRUCTURE



*The BSC partnership will operate the BSC Location and the PSC Location.

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.

Attachment-4

File Number S000773

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

BELLEVILLE SURGICAL CENTER, LTD., AN ILLINOIS LIMITED PARTNER- SHIP, HAVING REGISTERED IN THE STATE OF ILLINOIS ON FEBRUARY 16, 1988, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE UNIFORM LIMITED PARTNERSHIP ACT (2001) OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LP/LLLP IN THE STATE OF ILLINOIS, HAVING FULFILLED ALL REQUIREMENTS OF SAID ACT WITH REGARD TO PAYMENT OF FEES, THE FILING OF ANNUAL REPORTS (IF APPLICABLE) AND NEITHER HAVING BEEN ADMINISTRATIVELY DISSOLVED BY THE SECRETARY OF STATE NOR HAVING VOLUNTARILY FILED A STATEMENT OF TERMINATION.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 21ST *day of* MAY *A.D.* 2014 .

Jesse White

SECRETARY OF STATE

Authentication #: 1414101566

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

File Number 0227441-8

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

SURGICARE OF BELLEVILLE, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON JULY 16, 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* MAY *A.D.* 2014 .

Authentication #: 1414002742

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

Jesse White

SECRETARY OF STATE

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SURGERY CENTER HOLDING, 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-SEVENTH DAY OF MAY, A.D. 2014.

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

SECRETARY OF STATE · 1776 · 1970 · DELAWARE

Jeffrey W. Bullock, Secretary of State

2890462 8300

AUTHENTICATION: 1399939

140711902

DATE: 05-27-14

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

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* MAY *A.D.* 2014 .

Authentication #: 1414002950

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

Jesse White

SECRETARY OF STATE

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "SURGICAL CARE 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-FIRST DAY OF MAY, A.D. 2014.

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

DELAWARE

1776 1970

Jeffrey W. Bullock, Secretary of State

4322814 8300

AUTHENTICATION: 1388134

140674820

DATE: 05-21-14

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

File Number 0239732-3

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

PHYSICIANS' SURGICAL CENTER, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON NOVEMBER 27, 2007, UNDER THE ASSUMED NAME OF BELLEVILLE PHYSICIANS' SURGICAL CENTER LLC, 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* MAY *A.D.* 2014 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1414002978

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

Jesse White

SECRETARY OF STATE

File Number 0239705-6

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

MERIDIAN SURGICAL PARTNERS-ILLINOIS, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON NOVEMBER 27, 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* MAY *A.D.* 2014 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1414002996

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

Jesse White

SECRETARY OF STATE

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "MERIDIAN SURGICAL PARTNERS, 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-FIRST DAY OF MAY, A.D. 2014.

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

SECRETARY OF STATE
1776 DELAWARE 1970

Jeffrey W. Bullock, Secretary of State

4120039 8300

AUTHENTICATION: 1388129

140674805

DATE: 05-21-14

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

Section 14, Transaction Documents

Attachment 5

Transaction Documents

Belleville Surgical Center, Ltd. and Physicians' Surgical Center, LLC anticipate executing a Stock Purchase Agreement ("Agreement") on June 6, 2014 and copies of the executed Agreement will be submitted to the Review Board thereafter.

Section 15, Financial Statements

Attachment 6

Financial Statements

Attached are copies of the most recent audited financial statements for Surgical Care Affiliates, Inc., a Delaware limited liability company, which will provide the cash for the acquisition price, dated December 31, 2013 and 2012.

These financial statements were taken from SCA's most recent 10-K for Fiscal Year end December 31, 2013, however, for space consideration reasons, we have only included that portion of the 10-K which includes the financial statements and notes.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2013
Commission file number: 001-36154

SURGICAL CARE AFFILIATES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-8740447**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
520 Lake Cook Road, Suite 250 Deerfield, IL	**60015**
(Address of principal executive offices)	**(Zip Code)**

(847) 236-0921
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates of the registrant (without admitting that any person whose shares are not included in such calculation is an affiliate) computed by reference to the price at which the common stock was last sold on March 20, 2014 was $455,520,019. The registrant has provided this information as of March 20, 2014 because its common stock was not publicly traded as of the last business day of its most recently completed second fiscal quarter.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at March 20, 2014
Common stock, par value $0.01 per share	**38,261,138 shares**

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Auditors

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Surgical Care Affiliates, Inc.:

In our opinion, the accompanying consolidated balance sheets 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, Inc. and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

/s/ PricewaterhouseCoopers LLP

Birmingham, Alabama

March 24, 2014

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 85,816	$ 118,725
Restricted cash	25,031	27,630
Accounts receivable, net of allowance for doubtful accounts (2013 — $11,918; 2012 — $5,928)	91,783	82,192
Receivable from nonconsolidated affiliates	12,331	22,883
Prepaids and other current assets	19,609	14,402
Current assets related to discontinued operations	297	1,578
Total current assets	234,867	267,410
Property and equipment, net of accumulated depreciation (2013 — $84,768; 2012 — $77,316)	199,872	179,863
Goodwill	744,096	706,495
Intangible assets, net of accumulated amortization (2013 — $26,124; 2012 — $20,963)	61,936	48,091
Deferred debt issue costs	8,321	11,131
Investment in and advances to nonconsolidated affiliates	168,824	194,299
Other long-term assets	2,140	2,268
Assets related to discontinued operations	2,361	2,556
Total assets (a)	$1,422,417	$1,412,113
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	$ 23,166	$ 15,220
Accounts payable	27,915	23,374
Accrued payroll	26,322	18,972
Accrued interest	446	13,709
Accrued distributions	27,601	24,805
Payable to nonconsolidated affiliates	68,455	58,926
Deferred income tax liability	477	580
Other current liabilities	23,021	18,972
Current liabilities related to discontinued operations	167	596
Total current liabilities	197,570	175,154
Long-term debt, net of current portion	649,722	774,516
Deferred income tax liability	116,221	100,708
Other long-term liabilities	20,651	19,618
Liabilities related to discontinued operations	380	397
Total liabilities (a)	984,544	1,070,393
Commitments and contingent liabilities (Note 16)		
Noncontrolling interests — redeemable (Note 9)	21,902	21,709
Equity		
Surgical Care Affiliates' equity		
Common stock, $0.01 par value, 180,000 shares authorized, 38,166 shares outstanding at December 31, 2013	382	—
Additional paid in capital	413,419	—
Contributed capital	—	313,153
Accumulated other comprehensive loss	—	(8,327)
Accumulated deficit	(208,115)	(157,309)
Total Surgical Care Affiliates' equity	205,686	147,517
Noncontrolling interests — non-redeemable (Note 9)	210,285	172,494
Total equity	415,971	320,011
Total liabilities and equity	$1,422,417	$1,412,113

(a) Our consolidated assets as of December 31, 2013 and December 31, 2012 include total assets of a variable interest entity ("VIE") of $49.5 million and $28.2 million, respectively, which can only be used to settle the obligations of the VIE. Our consolidated total liabilities as of December 31, 2013 and December 31, 2012 include total liabilities of the VIE of $12.2 million and $1.4 million, respectively, for which the creditors of the VIE have no recourse to us, with the exception of $4.0 million of debt guaranteed by us at December 31, 2013. See further description in Note 3, *Summary of Significant Accounting Policies.*

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U. S. dollars)

	YEAR-ENDED DECEMBER 31, 2013	2012	2011
Net operating revenues:			
Net patient revenues	$ 746,625	$714,629	$692,908
Management fee revenues	40,469	17,804	11,291
Other revenues	14,941	12,427	10,010
Total net operating revenues	802,035	744,860	714,209
Equity in net income of nonconsolidated affiliates	23,364	16,767	22,236
Operating expenses:			
Salaries and benefits	277,695	241,814	221,799
Supplies	175,199	170,051	160,649
Other operating expenses	131,767	118,460	114,616
Depreciation and amortization	42,941	41,628	40,417
Occupancy costs	27,012	26,768	26,642
Provision for doubtful accounts	15,033	13,200	14,599
Impairment of intangible and long-lived assets	—	1,086	—
Loss (gain) on disposal of assets	121	(308)	(764)
Total operating expenses	669,768	612,699	577,958
Operating income	155,631	148,928	158,487
Interest expense	60,438	58,842	56,040
Loss from extinguishment of debt	10,333	—	—
Interest income	(215)	(315)	(432)
Loss (gain) on sale of investments	12,330	7,100	(3,878)
Income from continuing operations before income tax expense	72,745	83,301	106,757
Provision for income tax expense	12,645	8,864	20,269
Income from continuing operations	60,100	74,437	86,488
Loss from discontinued operations, net of income tax expense	(7,392)	(2,090)	(2,984)
Net income	52,708	72,347	83,504
Less: Net income attributable to noncontrolling interests	(104,052)	(92,357)	(93,181)
Net loss attributable to Surgical Care Affiliates	$ (51,344)	$ (20,010)	$ (9,677)
Basic and diluted net loss per share attributable to Surgical Care Affiliates:			
Continuing operations attributable to Surgical Care Affiliates	$ (1.39)	$ (0.59)	$ (0.23)
Discontinued operations attributable to Surgical Care Affiliates	$ (0.23)	$ (0.07)	$ (0.10)
Net loss per share attributable to Surgical Care Affiliates	$ (1.62)	$ (0.66)	$ (0.33)
Basic and diluted weighted average shares outstanding (in thousands)	31,688	30,340	29,347

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands of U.S. dollars)

	YEAR-ENDED DECEMBER 31, 2013	2012	2011
Net income	$ 52,708	$ 72,347	$ 83,504
Other comprehensive (loss) income:			
Unrealized income (loss) on interest rate swap	847	(5,177)	(4,594)
Amounts reclassified from accumulated other comprehensive loss	7,480	6,163	8,591
Total other comprehensive income (loss)	8,327	986	3,997
Comprehensive income	61,035	73,333	87,501
Comprehensive income attributable to noncontrolling interests	(104,052)	(92,357)	(93,181)
Comprehensive loss attributable to Surgical Care Affiliates	$ (43,017)	$(19,024)	$ (5,680)

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of U. S. dollars)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Contributed Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Surgical Care Affiliates Equity	Noncontrolling Interests-Non-redeemable	Total Equity
Balance at December 31, 2010 ..	—	$—	$ —	$ 285,387	$(13,310)	$(127,622)	$144,455	$127,211	$271,666
Member contributions	—	—	—	25,205	—	—	25,205	—	25,205
Net (loss) income	—	—	—	—	—	(9,677)	(9,677)	68,374	58,697
Other comprehensive income ...	—	—	—	—	3,997	—	3,997	—	3,997
Stock compensation	—	—	—	1,680	—	—	1,680	—	1,680
Net change in equity related to amendments in agreements with noncontrolling interests (Note 9)	—	—	—	—	—	—	—	491	491
Net change in equity related to purchase/(sale) of ownership interests	—	—	—	4,643	—	—	4,643	2,029	6,672
Contributions from noncontrolling interests	—	—	—	—	—	—	—	272	272
Change in distribution accrual ...	—	—	—	—	—	—	—	(1,633)	(1,633)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(61,327)	(61,327)
Balance at December 31, 2011 ..	—	$—	$ —	$ 316,915	$ (9,313)	$(137,299)	$170,303	$135,417	$305,720
Net (loss) income	—	—	—	—	—	(20,010)	(20,010)	67,741	47,731
Other comprehensive income ...	—	—	—	—	986	—	986	—	986
Stock compensation	—	—	—	1,719	—	—	1,719	—	1,719
Net change in equity related to purchase of ownership interests	—	—	—	(5,481)	—	—	(5,481)	39,748	34,267
Contributions from noncontrolling interests	—	—	—	—	—	—	—	22	22
Change in distribution accrual ...	—	—	—	—	—	—	—	(504)	(504)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(69,930)	(69,930)
Balance at December 31, 2012 ..	—	$—	$ —	$ 313,153	$ (8,327)	$(157,309)	$147,517	$172,494	$320,011
Member distributions	—	—	—	(74,900)	—	—	(74,900)	—	(74,900)
Net (loss) income	—	—	—	—	—	(51,344)	(51,344)	79,913	28,569
Other comprehensive income ...	—	—	—	—	8,327	—	8,327	—	8,327
Conversion from LLC to INC (Note 1)	30,286	303	240,447	(240,750)	—	—	—	—	—
Issuance of stock from the initial public offering, net of offering costs	7,857	79	171,798	—	—	—	171,877	—	171,877
Stock options exercised	23	—	285	—	—	—	285	—	285
Stock compensation	—	—	421	2,303	—	—	2,724	—	2,724
Net change in equity related to amendments in agreements with noncontrolling interests (Note 9)	—	—	—	—	—	—	—	1,050	1,050
Net change in equity related to purchase of ownership interests	—	—	468	194	—	538	1,200	34,364	35,564
Contributions from noncontrolling interests	—	—	—	—	—	—	—	3,137	3,137
Change in distribution accrual ...	—	—	—	—	—	—	—	(2,363)	(2,363)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(78,310)	(78,310)
Balance at December 31, 2013 ..	38,166	$382	$413,419	$ —	$ —	$(208,115)	$205,686	$210,285	$415,971

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U. S. dollars)

	YEAR-ENDED DECEMBER 31, 2013	2012	2011
Cash flows from operating activities			
Net income	$ 52,708	$ 72,347	$ 83,504
Loss from discontinued operations	7,392	2,090	2,984
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for doubtful accounts	15,033	13,200	14,599
Depreciation and amortization	42,941	41,628	40,417
Amortization of deferred issuance costs	3,891	2,980	2,762
Impairment of long-lived assets	—	1,086	—
Realized loss (gain) on sale of investments	12,330	7,100	(3,878)
Loss (gain) on disposal of assets	121	(308)	(764)
Equity in net income of nonconsolidated affiliates	(23,364)	(16,767)	(22,236)
Distributions from nonconsolidated affiliates	50,505	38,652	27,067
Deferred income tax	15,410	7,385	22,238
Stock compensation	2,724	1,719	1,680
Loss on de-designation and change in fair value of interest rate swap	8,314	—	—
Loss on extinguishment of debt	10,333	—	—
Payment of deferred interest	(14,785)	—	—
Debt call premium paid	(5,000)	—	—
(Increase) decrease in assets, net of business combinations			
Accounts receivable	(23,409)	(5,863)	(25,138)
Other assets	6,719	(24,654)	(660)
(Decrease) increase in liabilities, net of business combinations			
Accounts payable	2,986	(773)	(240)
Accrued payroll	6,107	(1,178)	264
Accrued interest	(13,263)	(560)	112
Other liabilities	12,808	32,418	21,352
Other, net	(251)	251	(1,751)
Net cash (used in) provided by operating activities of discontinued operations	(4,666)	439	(118)
Net cash provided by operating activities	165,584	171,192	162,194
Cash flows from investing activities			
Capital expenditures	(36,838)	(28,445)	(32,936)
Proceeds from sale of business	1,276	10,198	—
Proceeds from sale of investment	—	4,335	—
Proceeds from disposal of assets	5,883	474	2,908
Proceeds from sale of equity interests of nonconsolidated affiliates	4,587	14,980	—
Proceeds from sale of equity interests of consolidated affiliates in deconsolidation transactions	2,069	4,251	3,216
Decrease in cash related to conversion of consolidated affiliates to equity interests	(116)	(1,034)	(706)
Net change in restricted cash	1,886	(3,936)	9,063
Net settlements on interest rate swap	(2,921)	(6,081)	(8,533)
Business acquisitions, net of cash acquired $6,131	(54,499)	(2,796)	(873)
Purchase of equity interests in nonconsolidated affiliates	(766)	(14,521)	(130,506)
Purchase of equity interests in deconsolidation transaction	—	(1,576)	—
Return of equity method investments in nonconsolidated affiliates	2,592	—	—
Net cash provided by investing activities of discontinued operations	13	2,347	513
Net cash used in investing activities	$ (76,834)	$ (21,804)	$(157,854)

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(In thousands of U. S. dollars)

	YEAR-ENDED DECEMBER 31,		
	2013	2012	2011
Cash flows from financing activities			
Checks issued in excess of bank balance	$ —	$ —	$ (6,342)
Member contributions	—	—	25,205
Borrowings under line of credit arrangements and long-term debt, net of issuance costs	417,678	4,010	100,656
Payment of debt acquisition costs	(5,700)	—	—
Proceeds from issuance of shares pursuant to IPO, net of offering costs	171,877	—	—
Principal payments on line of credit arrangements and long-term debt	(527,634)	(8,865)	(6,354)
Principal payments under capital lease obligations	(7,552)	(6,189)	(4,672)
Distributions to noncontrolling interests of consolidated affiliates	(102,975)	(94,163)	(84,700)
Contributions from noncontrolling interests of consolidated affiliates	4,758	22	37
Proceeds from sale of equity interests of consolidated affiliates	7,864	7,596	15,197
Repurchase of equity interests of consolidated affiliates	(5,612)	(6,500)	(6,186)
Distributions to unit holders	(74,900)	—	—
Proceeds from issuance of common stock upon exercise of stock options	453	—	—
Net cash provided by financing activities of discontinued operations	—	2,004	485
Net cash (used in) provided by financing activities	(121,743)	(102,085)	33,326
Change in cash and cash equivalents	(32,993)	47,303	37,666
Cash and cash equivalents at beginning of period	118,725	71,268	33,596
Cash and cash equivalents of discontinued operations at beginning of period	70	113	119
Less: Cash and cash equivalents of discontinued operations at end of period	14	41	(113)
Cash and cash equivalents at end of period	$ 85,816	$ 118,725	$ 71,268
Supplemental cash flow information			
Cash paid during the year for interest	$ 62,167	$ 56,848	$ 53,521
Supplemental schedule of noncash investing and financing activities			
Property and equipment acquired through capital leases and installment purchases	21,329	7,714	10,046
Goodwill attributable to sale of surgery centers	10,062	9,066	—
Net investment in consolidated affiliates that became equity method facilities	5,356	712	10,337
Noncontrolling interest associated with conversion of consolidated affiliates to equity method affiliates	747	3,019	3,466
Contributions (non-cash) from noncontrolling interests of consolidated affiliates	—	—	272
Conversion of equity method affiliate to consolidated affiliate financed through the issuance of debt	—	7,221	—
Equity interest purchase in nonconsolidated affiliates via withheld distributions	—	10,462	—
Debt to equity conversion of nonconsolidated affiliate	—	5,027	—

See Notes to Consolidated Financial Statements.

SURGICAL CARE AFFILIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in tables are in thousands of U.S. dollars unless otherwise indicated)

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

NOTE 1 — DESCRIPTION OF BUSINESS

Nature of Operations and Ownership of the Company

Surgical Care Affiliates, Inc., a Delaware corporation, was converted from a Delaware limited liability company, previously named ASC Acquisition LLC, to a Delaware corporation on October 30, 2013. Pursuant to the conversion, every 10.25 outstanding membership units of ASC Acquisition LLC were converted into one share of common stock of Surgical Care Affiliates, and options to purchase membership units of ASC Acquisition LLC were converted into options to purchase shares of common stock of Surgical Care Affiliates at a ratio of 10.25 membership units of ASC Acquisition LLC underlying such options to each one share of common stock of Surgical Care Affiliates underlying such converted options. In connection with the conversion, the exercise prices of such converted options were adjusted accordingly. Upon conversion, all outstanding restricted stock units of ASC Acquisition LLC were converted into one restricted share of Surgical Care Affiliates. All share and per share amounts have been adjusted to reflect these conversion amounts throughout these financial statements.

We were formed primarily to own and operate a network of multi-specialty ambulatory surgery centers ("ASCs") and surgical hospitals in the United States of America. We do this through our direct operating subsidiary, Surgical Care Affiliates, LLC ("SCA"). For the majority of the periods covered by our financial statements, the Company was a Delaware limited liability company named ASC Acquisition LLC. As of December 31, 2013, the Company operated in 34 states and had an interest in and/or operated 171 ASCs, five surgical hospitals and one sleep center with 11 locations, with a concentration of facilities in California, Indiana and Texas. 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 approximately 2,000 physician partners and often with healthcare systems that have strong local market positions that we also believe have strong reputations for clinical excellence. The facilities in which we hold an ownership interest are owned by general partnerships, limited partnerships ("LP"), limited liability partnerships ("LLP") or limited liability companies ("LLC") in which the Company serves as the general partner, limited partner, managing member or member. We account for our 177 facilities as follows:

	AS OF DECEMBER 31, 2013
Consolidated facilities	87
Equity method facilities	60
Managed-only facilities	30
Total facilities	177

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.

NOTE 2 — TRANSACTIONS, DECONSOLIDATIONS AND CLOSURES

Acquisitions

In April 2013, we invested in an ASC in McKinney, Texas for total consideration of $4.0 million. This ASC is consolidated (as part of the future JV, as further described in Note 3) as a VIE in which we are the primary beneficiary. The amounts recognized as of the acquisition date for each major class of assets and liabilities assumed are as follows:

Assets	
Property and equipment	$2,971
Goodwill	679
Intangible assets	350
Total assets	$4,000
Liabilities	
Total liabilities	$ —

In June 2013, we acquired 100% of the interest in Health Inventures, LLC ("HI"), a surgical and physician services company, for total consideration of $20.4 million. $9.6 million of the consideration was paid to the sellers in cash, $8.9 million was placed into escrow as contingent consideration, and $1.9 million was payable to certain individuals. The amount payable as contingent consideration depends upon the successful continuation and/or renewal of certain management agreement contracts held by HI and, in the case of renewals, will be determined by comparing the contract revenue prior to renewal against the expected contract revenue after renewal. The undiscounted range of amounts that could be paid as contingent consideration is zero to $8.9 million. As of the acquisition date and December 31, 2013, approximately $8.6 million of contingent consideration was recognized. In the transaction, we acquired HI's ownership interests in four ASCs and one surgical hospital and management agreements with 19 affiliated facilities.

The HI amounts recognized as of the acquisition date for each major class of assets and liabilities assumed are as follows:

Assets	
Current assets	
Cash and cash equivalents	$ 1,179
Accounts receivable	2,130
Other current assets	400
Total current assets	3,709
Property and equipment	584
Goodwill	4,203
Intangible assets	7,605
Investment in and advances to nonconsolidated affiliates	4,360
Total assets	$20,461
Liabilities	
Current liabilities	
Accounts payable and other current liabilities	$ 1,742
Total current liabilities	1,742
Total liabilities	$ 1,742

The HI goodwill and intangible assets are expected to be fully deductible for tax purposes. The HI purchase price allocation is preliminary and subject to adjustment. $18.8 million of *Net operating revenues* related to HI were included in our 2013 consolidated statement of operations. HI contributed $1.5 million to our *Income from continuing operations before income taxes* in the year ended December 31, 2013.

In October 2013, we acquired a controlling interest consisting of approximately 58% of the equity in an ASC in Melbourne, Florida for total consideration of $1.2 million. This ASC is consolidated. The amounts recognized as of the acquisition date for each major class of assets and liabilities assumed are as follows:

Assets	
Current assets	
Cash and cash equivalents	$ 67
Accounts receivable	119
Other current assets	60
Total current assets	246
Property and equipment	2,029
Goodwill	1,374
Intangible assets	460
Total assets	$4,109
Liabilities	
Current liabilities	
Accounts payable and other current liabilities	$ 931
Total current liabilities	931
Other long term liabilities	390
Total liabilities	$1,321

In December 2013, we invested in an ASC in Cleburne, Texas for total consideration of $3.1 million. This ASC is consolidated (as part of the future JV, as further described in Note 3) as a VIE in which we are the primary beneficiary. The amounts recognized as of the acquisition date for each major class of assets and liabilities assumed are as follows:

Assets	
Current assets	
Cash and cash equivalents	$ 130
Accounts receivable	447
Other current assets	206
Total current assets	783
Property and equipment	1,988
Goodwill	4,218
Intangible assets	788
Total assets	$7,777
Liabilities	
Current liabilities	
Accounts payable and other current liabilities	$ 883
Total current liabilities	883
Other long term liabilities	286
Total liabilities	$1,169

In December 2013, we acquired a controlling interest consisting of approximately 51% of the equity in an ASC in East Brunswick, New Jersey for total consideration of $25.4 million. This ASC is consolidated. The amounts recognized as of the acquisition date for each major class of assets and liabilities assumed are as follows:

Assets	
Current assets	
Cash and cash equivalents	$ 195
Accounts receivable	2,369
Other current assets	23
Total current assets	2,587
Property and equipment	860
Goodwill	35,944
Intangible assets	10,500
Total assets	$49,891
Liabilities	
Current liabilities	
Accounts payable and other current liabilities	$ 185
Total current liabilities	185
Total liabilities	$ 185

In December 2013, we purchased all the outstanding equity of a formerly nonconsolidated ASC in Thousand Oaks, California for $2.3 million. As a result of the transaction, we recognized a loss on the previous equity method investment of $2.8 million. The amounts recognized as of the acquisition date for each major class of assets and liabilities assumed are as follows:

Assets	
Current assets	
Cash and cash equivalents	$ 4
Accounts receivable	297
Other current assets	27
Total current assets	328
Property and equipment	429
Goodwill	3,079
Intangible assets	630
Total assets	$4,466
Liabilities	
Current liabilities	
Accounts payable and other current liabilities	$ 172
Total current liabilities	172
Other long term liabilities	1
Total liabilities	$ 173

Also during the year-ended December 31, 2013, we acquired a noncontrolling interest in a surgery center in Newport Beach, California, a noncontrolling interest in a surgery center in Redding, California and a management agreement with a surgery center in Fountain Valley, California for an immaterial amount of consideration.

The purchase price allocations attributable to Melbourne, Florida; Cleburne, Texas; East Brunswick, New Jersey; and Thousand Oaks, California are preliminary. When all relevant information is obtained, resulting changes, if any, to our provisional purchase price allocation will be retrospectively adjusted to reflect new information about the facts and circumstances that existed as of the respective acquisition dates that, if known, would have affected the measurement of the amounts recognized as of those dates. Management notes that the preliminary prices of these purchase price allocations related primarily to working capital balances.

In November 2012, we purchased a controlling interest in a multi-specialty surgery center located in Southern California ("New ASC") for $6.0 million and entered into a management services agreement with New ASC. In connection with that transaction, an existing consolidated facility ("existing ASC") contributed substantially all assets and liabilities to New ASC and ceased operations. Because New ASC and existing ASC were both under our control at the date of the transaction, we did not recognize any gains or losses relating the cessation of operations of existing ASC.

In December 2012, we completed a transaction whereby we contributed our interest in two consolidated facilities ("SCA facilities") and $1.6 million to a newly formed entity that is jointly owned by us and a California health system (the "JV"). Concurrently, the California health system contributed its controlling interest in a facility ("Health System facility") to the JV. We also entered into management services agreements with the facilities contributed to the JV. As a result of the transaction, the operations of one of the contributed SCA facilities were merged with and into the Health System facility; the Health System facility was the surviving entity. Accordingly, two facilities remain as a result of the transaction. We have a noncontrolling interest in the surviving facilities, which are presented under the equity method of accounting. The net effect of these contributions resulted in the Company recording a loss of approximately $3.3 million, related to the conversion of the two SCA facilities into an equity method investment. The loss on this transaction is recorded in *"Loss (gain) on sale of investments"* in the accompanying consolidated statement of operations.

During the year-ended December 31, 2012, we acquired noncontrolling interests in seven ASCs for aggregate consideration of $24.7 million. Additionally, we acquired a noncontrolling interest in a de novo ASC for consideration of $0.8 million. Also during the year-ended December 31, 2012, we acquired a controlling interest in an ASC that was previously accounted for as an equity method investment. This acquisition was financed through the issuance of a $7.2 million note payable.

Deconsolidations

During the year-ended December 31, 2013, we completed two separate deconsolidation transactions. In one of these transactions, we sold a controlling equity interest, and transferred certain control rights, to a health system. We retained a noncontrolling interest in this affiliate. We received cash proceeds of approximately $2.1 million and recorded a pre-tax loss of approximately $1.6 million, which was primarily related to the revaluation of our remaining investment in this affiliate to fair value. The loss on this transaction is recorded in *"Loss (gain) on sale of investments"* in the accompanying consolidated statements of operations. In the other transaction, we transferred certain control rights to partners in the entity. We retained a noncontrolling interest in this affiliate. We recorded a pre-tax loss of approximately $1.5 million, which was primarily related to the revaluation of our remaining investment in this affiliate to fair value. The loss on this transaction is recorded in *Equity in net income of nonconsolidated affiliates* in the accompanying consolidated statements of operations.

During the year-ended December 31, 2012, we completed one deconsolidation transaction. In the transaction, we sold a controlling equity interest in an ASC and transferred certain control rights to a health system. We retained a noncontrolling interest in this affiliate. We received cash proceeds of approximately $4.3 million and recorded a pre-tax gain of approximately $2.0 million, which was primarily related to the revaluation of our remaining investment in this affiliate to fair value. The gain on this transaction is recorded in *Gain on sale of investments* in the accompanying consolidated statements of operations.

During the year-ended December 31, 2011, we completed four separate deconsolidation transactions. In three 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 other transaction, we transferred certain control rights to partners in the entity and retained a noncontrolling interest in this entity. 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.

Fair values for the retained noncontrolling interests are primarily estimated based on 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.

Closures and Sales

During the year-ended December 31, 2013, we closed two facilities. We recorded a pre-tax loss of approximately $1.4 million as a result of the closures. The loss on the transactions is recorded in the *"Loss from discontinued operations, net of income tax"* in the accompanying consolidated statements of operations.

During the year-ended December 31, 2012, we closed two facilities. We recorded a pre-tax loss of approximately $3.2 million as a result of the closures. The loss on these transactions is recorded in the *"Loss from discontinued operations, net of income tax"* in the accompanying consolidated statements of operations. We also wrote off approximately $2.2 million of goodwill related to one closure.

During the year-ended December 31, 2013, we sold all of our interest in two ASCs for aggregate consideration of $1.3 million. We recorded a pre-tax loss of approximately $8.4 million as a result of the sale. The loss on this transaction is recorded in the *"Loss (gain) on sale of investments"* in the accompanying consolidated statements of operations. Our continuing involvement as manager of these facilities precludes classification of these transactions as discontinued operations.

During the year-ended December 31, 2012, we sold all of our interest in one ASC. We recorded a pre-tax gain of approximately $1.5 million as a result of the sale. The gain on this transaction is recorded in the *"Loss from discontinued operations, net of income tax"* in the accompanying consolidated statements of operations.

Unaudited Pro Forma Financial Information

Summarized below are our consolidated results of operations for the years ended December 31, 2013 and 2012, on an unaudited pro forma basis as if the HI acquisition and the East Brunswick, New Jersey ASC acquisition had occurred at the beginning of the earliest period presented. The pro forma information is based on the Company's consolidated results of operations for the years ended December 31, 2013 and 2012, and on other available information. These pro forma amounts include historical financial statement amounts with the following adjustments: we converted the sellers' historical financial statements to GAAP and applied the Company's accounting policies and we adjusted for depreciation and amortization expense assuming the fair value adjustments to intangible assets had been applied beginning January 1, 2012. The pro forma financial information does not purport to be indicative of results of operations that would have occurred had the transaction occurred on the basis assumed above, nor are they indicative of results of the future operations of the combined enterprises.

In thousands	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012
Net operating revenues	$834,112	$795,659
Income from continuing operations before income tax expense	80,366	89,011

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and VIEs for which we are the primary beneficiary. All significant intercompany transactions and accounts have been eliminated.

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 affiliate 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 LP, LLP or 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 business of the LP, LLP or LLC. To the extent that any noncontrolling investor has rights that inhibit our ability to control the affiliate, including substantive veto rights, we do not consolidate the affiliate.

We use the equity method to account for our investments in affiliates 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 affiliates. For our equity method affiliates, 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 equity method affiliates impacts certain financial ratios of the Company.

Variable Interest Entities

In order to determine if we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we have the obligation to absorb losses or the right to receive returns that would be significant to the VIE. We consolidate a VIE when we are the primary beneficiary.

In 2012, the Company entered into a transaction whereby we transferred our interest in two consolidated facilities and cash to an entity (the "future JV") wholly owned by a health system in exchange for a promissory note. Concurrently, the health system transferred its interest in a facility it controlled to the future JV. The promissory note, which eliminates upon consolidation, has a fixed interest rate plus a variable component dependent on the earnings of the future JV. The promissory note contains a conversion feature that allows us to convert the promissory note to a 49% equity interest in the future JV at our option upon the occurrence of the renegotiation of certain contractual arrangements. We also entered into management services agreements with the facilities controlled by the future JV. As a result of the financial interest in the earnings of the future JV held by us via the promissory note and the powers granted us in the promissory note and the management services agreements, we have determined that the future JV is a VIE for which we are the primary beneficiary. We consolidated the future JV as of October 1, 2012.

The carrying amounts and classifications of the assets and liabilities of the future JV, which are included in our December 31, 2013 and 2012 consolidated balance sheets, were as follows:

	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Current assets		
Accounts receivable, net	$ 5,362	$ 1,867
Other current assets	3,423	4,635
Total current assets	8,785	6,502
Property and equipment, net	14,674	3,663
Goodwill	21,154	12,265
Intangible assets	4,931	5,792
Total assets	$49,544	$28,222
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	$ 6,172	$ 1,348
Total current liabilities	6,172	1,348
Other long-term liabilities	5,984	88
Total liabilities	$12,156	$ 1,436

The assets of the consolidated VIE can only be used to settle the obligations of the VIE. The creditors of the VIE have no recourse to us, with the exception of $4.0 million of debt guaranteed by us at December 31, 2013. There was no such guarantee at December 31, 2012.

Reclassifications and Revisions

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.

We revised our consolidated statements of changes in equity and of cash flows for the year ended December 31, 2011, to adjust the classification of *Member contributions* that were inappropriately reflected in *Other long-term liabilities* in 2011. For the year ended December 31, 2011, this adjustment had the effect of decreasing *Other long-term liabilities* by $3.1 million with a corresponding increase to *Contributed capital* by $3.1 million, increasing *Member contributions* reported on the consolidated statement of changes in equity by $3.1 million, and decreasing cash flows from operating activities by $3.1 million with a corresponding increase to cash flows from financing activities. This revision resulted in an adjustment to our previously presented consolidated balance sheet at December 31, 2012 which had the effect of decreasing *Other long-term liabilities* by $3.1 million with a corresponding increase to *Contributed capital* by $3.1 million. These revisions are not material to the related financial statements for any prior periods and had no impact on our consolidated statements of operations. As prior period financial information is presented in future filings, we will similarly revise the applicable financial statements for comparative periods presented in future filings.

The 2012 balance sheet includes reclassifications totaling $2.9 million within *Accounts receivable, net, other current liabilities* and *Other long-term liabilities* to conform the 2012 presentation to the 2013 presentation for certain recovery audit program and Medicaid-related liabilities.

The 2012 statement of operations includes reclassifications totaling $3.7 million within the *Other revenues* and *Provision for doubtful accounts* lines to conform the 2012 presentation to the 2013 presentation.

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

We operate in a highly regulated industry and are 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 surgical hospitals and (3) exclusion or suspension of one or more of our ASCs and surgical hospitals from participation in 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.

Certain of our operating agreements have termination dates by which the agreement expires by its terms. In these situations, if we wish to continue the business, we would attempt to negotiate an amendment to the agreement and if necessary, to renegotiate material terms of the agreement, to prevent such termination. None of our operating agreements have termination dates in 2014.

In addition, certain of our partnership and operating agreements contain provisions that give our partners or other members rights that include, but are not limited to, rights to purchase our interest, rights to require us to purchase the interests of our partners or other members or rights requiring the consent of our partners and other members prior to our transferring our ownership interest in a facility or prior to a change in control of us or certain of our subsidiaries.

Almost all of our partnership and operating agreements contain restrictions on actions that we can take, even though we may be the general partner or the managing member, including rights of our partners and other members to approve the sale of substantially all of the assets of the entity, to dissolve the partnership or LLC, and to amend the partnership or operating agreement. Many of our agreements also restrict our ability in certain instances to compete with our existing facilities or with our partners. Where we hold only a limited partner or a non-managing member interest, the general partner or managing member may take certain actions without our consent, although we typically have certain protective rights to approve major decisions, such as the sale of substantially all of the assets of the entity, the dissolution of the partnership or LLC, and the amendment of the partnership or operating agreement.

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

Our 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 services are provided, based upon the estimated amounts due from patients and third-party payors, including federal and state payors (primarily, the Medicare and Medicaid programs), commercial health insurance companies, workers' compensation programs and employers. Estimates of contractual allowances under third-party payor arrangements are based upon the payment terms specified in the related contractual agreements and payment history. 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, 2013, 2012 and 2011, approximately 60%, 61% and 62%, respectively, of our net patient revenues related to patients with commercial insurance coverage. 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, 2013, 2012 and 2011, approximately 23%, 24% and 24%, 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 ("OIG") or the Department of Justice ("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.

Our revenues also include *Management fee revenues* representing fees we earn from managing the facilities that we do not consolidate for financial reporting purposes. Management fee revenues are determined as dictated by management agreements between SCA and the facility and the fee for management services is generally a defined percentage of the facility's net patient revenues.

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, 2013 and 2012. 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, 2013 and 2012, we had approximately $25.0 million and $27.6 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 payors (primarily the Medicare and Medicaid programs) commercial health insurance companies, workers' compensation programs, employers and patients. Our accounts receivable are geographically dispersed, but a significant portion of our accounts receivable are concentrated by type of payor. 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	
	2013	2012
Commercial health insurance payors	63%	62%
Medicare	15	19
Workers' compensation	14	9
Medicaid	3	5
Patients and other third-party payors	5	5
Total	100%	100%

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

Revenue and accounts receivable from commercial health insurance payors are also significant to our operations. Because the category of commercial health insurance payors 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 perform an analysis of our historical cash collection patterns and consider the impact of any known material events in determining the allowance for doubtful accounts. In performing our analysis, we consider 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 25
Equipment	3 to 5

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. Interest of approximately $0.1 million was capitalized for the year-ended December 31, 2012; no interest was capitalized during the years-ended December 31, 2013 and 2011.

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 interim impairment assessment. Absent any impairment indicators, we perform our goodwill impairment testing as of October 1st of each year.

In 2013, we changed from one operating segment to six operating segments, which are aggregated into one reportable segment. Our six operating segments are generally organized geographically. As a result of this change, we ascribed goodwill to each reporting unit (same as our operating segments) using a relative fair value approach. In 2013, we evaluated our reporting units for goodwill impairment using a two-step process.

The first step of the impairment test identifies potential impairment by comparing the fair value of a reporting unit to its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is not required. If the carrying value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any.

The second step of the impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by hypothetically allocating the fair value of the reporting unit to its identifiable assets and liabilities in a manner consistent with a business combination, with any excess fair value representing implied goodwill. If the carrying value of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The carrying value of each operating segment was determined by assigning assets and liabilities to those reporting units as of the measurement date. We estimated the fair values of the operating segments by considering the indicated fair values derived from an income approach, which involves discounting estimated future cash flows. We considered market factors when determining the assumptions and estimates used in our valuation models. To substantiate the fair values derived from these valuations, we reconciled the reporting unit fair values to our market capitalization.

For 2012 and 2011, in accordance with amended guidance for goodwill impairment testing, we performed a qualitative assessment because management estimated the fair value to significantly exceed the carrying value. In the qualitative assessments, we weighed the relative impact of factors that are specific to us as well as industry and macroeconomic factors. The factors specific to us that were considered included financial performance and changes to the carrying value since the most recent impairment test. We also considered growth projections from independent sources and significant developments within our industry. We determined that the impact of macroeconomic factors on the most recent impairment tests would not significantly affect the estimated fair value. Based on this qualitative assessment, considering the aggregation of these factors, we concluded that it is not more-likely-than-not that the fair value of the Company is less than its carrying amount and therefore performing the two-step impairment test was unnecessary.

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.

When we dispose of a business, the relative fair value of goodwill is allocated to the carrying amount of the business disposed of in determining the gain or loss on disposition.

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, 2013, none of our definite useful lived intangible assets have an estimated residual value. As of December 31, 2013, 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 years-ended December 31, 2013, 2012 and 2011, we recorded on our Consolidated Statement of Operations within *Equity in net income of nonconsolidated affiliates* amortization expense of $25.9 million, $20.3 million and $10.1 million, respectively, for definite-lived intangible assets attributable to equity method investments.

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 in *Equity in net income of nonconsolidated affiliates*.

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, 2013 and 2012, we held interest rate swaps to hedge the interest rate risk on a portion of our long-term debt. These swaps were historically designated as a cash flow hedge; however, in 2013 we de-designated these instruments. The de-designation resulted in the reclassification of all amounts related to the cash flow hedges in *Accumulated other comprehensive loss* to be reclassified to *Interest expense*. Prior to de-designation, all changes in the fair value of these interest rate swaps were 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 are not solely within the control of the Company. We are 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

We have one active equity-based compensation plan, the 2013 Omnibus Long-Term Incentive Plan, and two legacy equity-based compensation plans, the Management Equity Incentive Plan and the Directors and Consultants Equity Incentive Plan, under which we are no longer issuing new awards (together, the "Plans"). The Plans provide or have provided for the granting of options to purchase our stock as well as RSUs to key teammates, directors, service providers, consultants and affiliates.

Under the Plans, our key teammates, directors, service providers, consultants and affiliates are provided with what we believe to be appropriate incentives to encourage them to continue employment with us or providing service to us or any of our affiliates and to improve our growth and profitability.

Option awards are generally granted with an exercise price equal to at least the fair market value of the underlying share at the date of grant. Vesting in the option awards varies based upon time, attainment of certain performance conditions, or upon the occurrence of a Liquidity Event (as defined in the applicable Plan) in which the TPG Funds and/or any of its affiliates achieves a minimum cash return on its original investment. All existing RSU awards vest over time.

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.

We file a consolidated federal income tax return. State income tax returns are filed on a separate, combined or consolidated basis in accordance with relevant state laws and regulations. LPs, LLPs, LLCs 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.

Earnings Per Share (EPS)

We report two earnings per share numbers, basic and diluted. These are computed by dividing net earnings by the weighted-average common shares outstanding (basic EPS) or weighted-average common shares outstanding assuming dilution (diluted EPS), as set forth below:

In thousands	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Weighted average shares outstanding	31,688	30,340	29,347
Dilutive effect of equity-based compensation plans	—	—	—
Weighted-average shares outstanding, assuming dilution	31,688	30,340	29,347

The shares used reflect the conversion to a Delaware corporation discussed in Note 1 for all periods. All dilutive share equivalents are reflected in our earnings per share calculations. Antidilutive share equivalents are not included in our EPS calculations. In periods of loss, shares that otherwise would have been included in our diluted weighted-average shares outstanding computation are excluded. The excluded shares for the years-ended December 31 are as follows: 2013 — 216,682, 2012 — 98,439 and 2011 — 114,537.

Reportable Segments

We have six operating segments, which aggregate into one reportable segment. Our six operating segments are generally organized geographically. For reporting purposes, we have aggregated our operating segments into one reportable segment as the nature of the services are similar and the businesses exhibit similar economic characteristics, processes, types and classes of customers, methods of service delivery and distribution and regulatory environments.

Distribution

On September 16, 2013, we declared a cash distribution of approximately $0.24 per outstanding membership unit, resulting in a total distribution to our membership unit holders of $74.9 million. The distribution was payable promptly after the date it was declared. In addition, on September 16, 2013, the board of directors of the Company resolved to pay a cash bonus to eligible holders of vested options and restricted equity units of approximately $0.24 per vested option or restricted equity unit, as applicable, resulting in a total bonus payment of $4.6 million, and to reduce the exercise price of any such holder's unvested options by approximately $0.24 per unvested option. The cash bonus payment was recorded as compensation expense in the third quarter of 2013. We will record stock compensation expense over the remaining vesting periods related to the adjustment to unvested options.

Recent Revisions to Authoritative Guidance

In February 2013, the Financial Accounting Standards Board issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update requires companies to include reclassification adjustments for items that are reclassified from other comprehensive income to net income in a single note or on the face of the financial statements. The amendment was effective for annual and interim reporting periods beginning after December 15, 2012. The adoption of this standard did not have a material impact on the consolidated financial statements of the Company.

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.

NOTE 4 — ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	AS OF DECEMBER 31 2013	AS OF DECEMBER 31 2012
Accounts receivable	$103,701	$88,120
Less: Allowance for doubtful accounts	(11,918)	(5,928)
Accounts receivable, net	$ 91,783	$82,192

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

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Balance at beginning of period	$ 5,928	$ 9,414	$ 6,710
Provision for doubtful accounts	15,033	13,200	14,599
Deductions and accounts written off	(9,043)	(16,686)	(11,895)
Balance at end of period	$11,918	$ 5,928	$ 9,414

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	AS OF DECEMBER 31 2013	AS OF DECEMBER 31 2012
Land	$ 20,222	$ 21,205
Buildings	41,840	47,141
Leasehold improvements	43,493	31,800
Furniture, fixtures and equipment	162,533	141,143
	268,088	241,289
Less: Accumulated depreciation	(84,768)	(77,316)
	183,320	163,973
Construction in progress	16,552	15,890
Property and equipment, net	$199,872	$179,863

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 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Depreciation expense	$ 29,831	$ 31,061	$ 30,088
Assets under capital lease obligations:			
Buildings	$ 17,062	$ 13,004	$ 14,917
Equipment	28,484	16,768	13,511
	45,546	29,772	28,428
Accumulated depreciation	(16,588)	(15,498)	(12,808)
Assets under capital lease obligations, net	$ 28,958	$ 14,274	$ 15,620
Amortization expense	$ 6,418	$ 5,698	$ 4,861
Rent Expense:			
Minimum rent payments	$ 22,288	$ 21,780	$ 21,736
Contingent and other rents	10,999	11,795	11,391
Total rent expense	$ 33,287	$ 33,575	$ 33,127

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2031. We also lease certain buildings and equipment under capital leases expiring at various dates through 2023. Operating leases generally have 3 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 $0.6 million, $0.9 million and $1.0 million for the years-ended December 31, 2013, 2012 and 2011, 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 facilities lease land, buildings and equipment, with most leases being for terms of three to ten years. Additionally, the lease for our Birmingham, Alabama office, which commenced on March 1, 2008, had an initial term of five years. In 2012, it was extended for an additional two year period through March 31, 2015.

Future minimum lease payments at December 31, 2013 for those leases of the Company 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
2014	$ 24,270	$ 8,541	$ 32,811
2015	20,188	6,048	26,236
2016	15,249	4,269	19,518
2017	10,043	2,759	12,802
2018	7,742	1,983	9,725
2019 and thereafter	25,613	7,476	33,089
	$103,105	31,076	$134,181
Less: interest portion		(3,906)	
Obligations under capital leases		$27,170	

Obligations Under Lease Guarantees

In conjunction with the sale of certain facilities 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.

We have not recorded a liability for these guarantees because we do not believe it is probable that we will have to perform under these agreements. If we are required to perform under these guarantees, we could potentially have recourse against the purchaser for recovery of any amounts paid. The amount remaining on these guarantees is not material to our financial statements. These guarantees are not secured by any assets under the leases. As of December 31, 2013, the Company has not been required to perform under any such lease guarantees.

Impairment of Long-Lived Assets

During 2013, 2012 and 2011, we examined our long-lived assets for impairment due to facility closings and facilities experiencing cash flow insufficient to recover the net book value of its long-lived assets. Based on this review, $1.1 million of impairment charges were recorded for the year-ended December 31, 2012. No material impairment charges were recorded for the years-ended December 31, 2013 and December 31, 2011. 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.

NOTE 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. We have no accumulated impairment of goodwill for the periods ended December 31, 2013 or December 31, 2012.

The following tables show changes in the carrying amount of goodwill for the years-ended December 31, 2013 and December 31, 2012:

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012
Balance at beginning of period	$706,495	$679,463
Acquisitions (Note 2)	48,346	17,156
Deconsolidations (Note 2)	(7,351)	(11,676)
Sales	(10,062)	(3,574)
Closure and other	(515)	(2,609)
VIE related (Note 3)	4,104	8,923
Conversion of equity method investment to consolidated	3,079	18,812
Balance at end of period	$744,096	$706,495

We performed impairment reviews as of October 1, 2013 and 2012, and concluded that no goodwill impairment existed.

The following table provides information regarding our other intangible assets:

	AS OF DECEMBER 31 2013	2012
Certificates of need		
Gross carrying amount	$ 20,097	$ 18,529
Accumulated amortization	(8,073)	(6,812)
Net	$ 12,024	$ 11,717
Management agreements		
Gross carrying amount	$ 49,978	$ 38,627
Accumulated amortization	(15,410)	(12,250)
Net	$ 34,568	$ 26,377
Licenses		
Gross carrying amount	$ 8,031	$ 8,575
Accumulated amortization	(1,612)	(1,306)
Net	$ 6,419	$ 7,269
Noncompete agreements		
Gross carrying amount	$ 9,954	$ 3,323
Accumulated amortization	(1,029)	(595)
Net	$ 8,925	$ 2,728
Total other intangible assets		
Gross carrying amount	$ 88,060	$ 69,054
Accumulated amortization	(26,124)	(20,963)
Net	$ 61,936	$ 48,091

During 2013, 2012 and 2011, we examined our intangible assets for impairment due to facility closings and facilities experiencing cash flow insufficient to recover the net book value of its long-lived assets. In all periods presented, no impairment charge was deemed necessary for intangible assets.

For the years-ended December 31, 2013, December 31, 2012 and December 31, 2011, we recorded $25.9 million, $20.3 million and $10.1 million, respectively, of amortization expense for definite-lived intangible assets attributable to equity method investments. These expenses are included in *Equity in net income of nonconsolidated affiliates* in our consolidated financial statements.

Amortization expense for other intangible assets is as follows:

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Amortization expense	$6,692	$4,869	$5,468

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

YEAR ENDING DECEMBER 31	ESTIMATED AMORTIZATION EXPENSE
2014	$5,811
2015	5,418
2016	5,372
2017	5,369
2018	5,382

NOTE 7 — RESULTS OF OPERATIONS OF NONCONSOLIDATED AFFILIATES

As of December 31, 2013, *Investment in and advances to nonconsolidated affiliates* represents Surgical Care Affiliates' investment in 60 partially owned entities, most of which are general partnerships, LPs, LLPs, LLCs 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. Accordingly, we account for these affiliates using the equity method. Our ownership percentage in these affiliates generally ranged from 5% to 50% as of December 31, 2013. Our investment in these affiliates is an integral part of our operations.

During the year-ended December 31, 2013, we completed two separate deconsolidation transactions. In one of these transactions, we sold a controlling equity interest, and transferred certain control rights, to a health system. We retained a noncontrolling interest in this affiliate. We received cash proceeds of approximately $2.1 million and recorded a pre-tax loss of approximately $1.6 million, which was primarily related to the revaluation of our remaining investment in this affiliate to fair value. The loss on this transaction is recorded in *Loss (gain) on sale of investments* in the accompanying consolidated statements of operations. In the other transaction, we transferred certain control rights to partners in the entity. We retained a noncontrolling interest in this affiliate. We recorded a pre-tax loss of approximately $1.5 million, which was primarily related to the revaluation of our remaining investment in this affiliate to fair value. The loss on this transaction is recorded in *Equity in net income of nonconsolidated affiliates* in the accompanying consolidated statements of operations.

During 2012, we completed a deconsolidation transaction. In the transaction, we sold a controlling equity interest in an ASC and transferred certain control rights to a health system. We retained a noncontrolling interest in this affiliate. We received cash proceeds of approximately $4.3 million and recorded a pre-tax gain of approximately $2.0 million, which was primarily related to the revaluation of our remaining investment in this affiliate to fair value. The gain on this transaction is recorded in *Loss (gain) on sale of investments* in the accompanying consolidated statement of operations.

Also during 2012, the Company completed a transaction whereby we contributed our interest in two consolidated facilities ("Surgical Care Affiliates facilities") and $1.6 million to a newly formed entity that is jointly owned by us and a California health system (the "JV"). Concurrently, the California health system contributed its controlling interest in a facility ("Health System facility") to the JV. We also entered into management services agreements with the facilities contributed to the JV. As a result of the transaction, the operations of one of the contributed Surgical Care Affiliates facilities were merged with and into the Health System facility; the Health System facility was the surviving entity. Accordingly, two facilities remain as a result of the transaction. We have a noncontrolling interest in the surviving facilities, which are presented under the equity method of accounting. The net effect of these contributions resulted in the Company recording a loss of approximately $3.3 million, related to the conversion of the two Surgical Care Affiliates facilities into an equity method investment. The loss on this transaction is recorded in *Loss (gain) on sale of investments* in the accompanying consolidated statement of operations.

During 2011, we completed four separate deconsolidation transactions. In three of these transactions, we sold a controlling equity interest, and transferred certain control rights, to a health system. In the other transaction, we transferred certain control rights to partners in the entity and retained a noncontrolling interest in this entity. 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 *Loss (gain) on sale of investments* in the accompanying consolidated statement of operations.

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 2013, we recorded $6.1 million of impairment to our investments in nonconsolidated affiliates due to a decline in the expected future cash flows of five nonconsolidated affiliates that we determined to be other than temporary. This impairment is included in *Equity in net income of nonconsolidated affiliates*. This decline in the expected future cash flows was caused by events specific to each impacted facility, as further described below. The impairments included:

- a $1.5 million impairment on our investment in Wausau Surgery Center, L.P. related to an offer received to purchase our interest in the facility;
- a $2.3 million impairment on our investment in Premier Surgery Center of Louisville, L.P. related to insufficient forecasted growth at the facility;
- a $0.9 million impairment on our investment in Kerlan-Jobe Surgery Center, LLC related to a buy-out agreement for the facility;
- a $0.8 million impairment on our investment in Surgery Center of Fort Collins, LLC related to insufficient forecasted growth at the facility; and
- a $0.6 million impairment on our investment in Surgery Center of Lexington, LLC related to insufficient forecasted growth at the facility.

During 2012, we recorded $9.2 million of impairment to our investments in nonconsolidated affiliates due to a decline in the expected future cash flows of five nonconsolidated affiliates that we determined to be other than temporary. This impairment is included in *Equity in net income of nonconsolidated affiliates*. This decline in the expected future cash flows was caused by events specific to each impacted facility, as further described below. The impairments included:

- a $1.1 million impairment on our investment in Pueblo Ambulatory Surgery Center, LLC related to declining volumes and earnings at the facility;
- a $3.3 million impairment on our investment in Premier Surgery Center of Louisville, L.P. related to insufficient forecasted growth at the facility;
- a $1.7 million impairment on our investment in Endoscopy Center West, LLC related to a buy-out offer received for our interest in the facility;
- a $0.4 million impairment on our investment in Kerlan-Jobe Surgery Center, LLC related to a buy-out agreement for the facility; and
- a $2.7 million impairment on our investment in Surgical Center at Premier, LLC related to an estimated valuation obtained for the facility based upon our search for a new health system partner.

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. The difference between the carrying amount of the investment and the underlying equity in net assets was $76.9 million and $109.4 million at December 31, 2013 and 2012, respectively, and is primarily attributable to goodwill and other intangible assets. Our investments consist of the following:

INVESTMENT IN AND ADVANCES TO NONCONSOLIDATED AFFILIATES:	AS OF DECEMBER 31 2013	2012
Beginning balance	$194,299	$212,608
Share of income [(1)]	23,364	16,767
Share of distributions	(53,097)	(38,652)
Acquisitions	5,126	21,414
Conversion to/from investments in nonconsolidated affiliates	186	(2,717)
Sale/closure of investments in nonconsolidated affiliates	(2,133)	(20,880)
Other	1,079	5,759
Total investment in and advances to nonconsolidated affiliates	$168,824	$194,299

(1) Includes $6.1 million and $9.2 million of impairments at December 31, 2013 and 2012, respectively, as previously noted.

Included in the 2013 and 2012 *Share of income* amount above is amortization expense of $25.9 million and $20.3 million, respectively, for definite-lived intangible assets attributable to equity method investments.

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

	DECEMBER 31 2013	DECEMBER 31 2012
Assets		
Current	$191,765	$143,536
Noncurrent	138,238	97,682
Total assets	$330,003	$241,218
Liabilities		
Current	$ 45,523	$ 31,044
Noncurrent	38,665	18,803
Total liabilities	84,188	49,847
Partners' capital and shareholders' equity		
Surgical Care Affiliates	91,952	84,885
Outside parties	153,863	106,486
Total partners' capital and shareholders' equity	245,815	191,371
Total liabilities and partners' capital and shareholders' equity	$330,003	$241,218

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

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Net operating revenues:			
Net patient revenues	$600,600	$474,354	$332,631
Other revenues	5,166	3,153	2,209
Total net operating revenues	605,766	477,507	334,840
Operating expenses:			
Salaries and benefits	128,892	108,803	80,538
Supplies	99,587	78,824	57,897
Other operating expenses	122,764	95,909	69,796
Depreciation and amortization	17,281	14,045	11,383
Total operating expenses	368,524	297,581	219,614
Operating income	237,242	179,926	115,226
Interest expense, net of interest income	1,627	1,501	1,410
Loss on sale of investments	22	—	—
Income from continuing operations before income tax expense	$235,593	$178,425	$113,816
Net income	$235,522	$178,365	$113,760

NOTE 8 — LONG-TERM DEBT

Our long-term debt outstanding consists of the following:

	As of December 31, 2013	December 31, 2012
Bonds payable		
Class B Term Loan due 2017	214,429	216,634
Class C Term Loan due 2018	388,050	—
Discount of Class C Term Loan	(784)	—
Class A Term Loan due 2014	—	118,970
Incremental Term Loan due 2018	—	98,500
Discount of Incremental Term Loan	—	(786)
10.0% Senior Subordinated Notes due 2017	—	150,000
8.875% Senior PIK-election Notes due 2015	—	164,785
Notes payable to banks and others	44,023	24,338
Capital lease obligations	27,170	17,295
	672,888	789,736
Less: Current portion	(23,166)	(15,220)
Long-term debt, net of current portion	$649,722	$774,516

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

Year Ending December 31	
2014	$ 23,166
2015	18,542
2016	17,162
2017	220,146
2018	377,603
Thereafter	16,269
Total	$672,888

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 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Continuing operations:			
Interest expense	$56,547	$55,862	$53,278
Amortization of bond issue costs	3,891	2,980	2,762
Total interest expense and amortization of bond issue costs for continuing operations	60,438	58,842	56,040
Discontinued operations:			
Interest expense	178	242	331
Total interest expense for discontinued operations	178	242	331
Total interest expense and amortization of bond Issue costs	$60,616	$59,084	$56,371

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 12.2% 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.

Senior Subordinated Notes and Senior PIK-election Notes

In connection with the amendment to the Company's Senior Secured Credit Facility (the "Credit Facility") in the second quarter of 2013, on June 14, 2013 we extinguished the Senior PIK-election Notes at par, including a payment of accrued interest through July 15, 2015. Additionally, we redeemed the Senior Subordinated Notes at a premium of 3.333% on December 4, 2013. An aggregate loss on extinguishment of debt of $10.3 million was recorded in connection with these two redemptions.

Credit Facility

With respect to the Credit Facility, as of December 31, 2013, we had $602.5 million outstanding under the senior secured term loan facility consisting of the following:

- $214.4 million under the Class B Term Loan (as defined below) due December 30, 2017. The interest rate on the Class B Term Loan was 4.25% at December 31, 2013.
- $388.1 million under the Class C Term Loan (as defined below) due June 30, 2018. The interest rate on the Class C Term Loan was 4.25% at December 31, 2013.

We must repay the Class B Term Loan and the Class C Term Loan in quarterly installments equal to 0.25% of the original principal amount, with the remaining amount payable in full on the maturity date noted above.

Borrowings under each portion of the Credit Facility bear interest at a base rate or at the London interbank market for the interest period relevant to such borrowings ("LIBOR"), as elected by the Company, plus an applicable margin. 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%. 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. The below table outlines the applicable margin for each portion of the Credit Facility.

	Applicable Margin (per annum)	
Facility	**Base Rate Borrowings**	**LIBOR Borrowings**
Class B Revolving Credit Facility	2.50%	3.50%
Class B Term Loan	3.00%	4.00%
Class C Term Loan	2.00% or 2.25% (with a base rate floor of 2.00%) depending upon the total leverage ratio	3.00% or 3.25% (with a LIBOR floor of 1.00%) depending upon the total leverage ratio

There was no outstanding balance under the senior secured revolving credit facility (the "Class B Revolving Credit Facility") as of December 31, 2013 or December 31, 2012. As of December 31, 2013 the Revolver had a capacity of $132.3 million under the Class B revolver with a maturity date of June 30, 2016.

On June 29, 2013, our Class A Revolving Credit Facility was terminated after we decided not to renew such revolving credit facility.

Any utilization of the Class B Revolving Credit Facility (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, 2013, we had approximately $1.7 million in such letters of credit outstanding.

2013 Amendment to the Credit Facility

In the second quarter of 2013, we amended our credit agreement (the "Amended Credit Agreement"). The Amended Credit Agreement provides for a Class C Term Loan Facility ("Class C Term Loan") of $388.1 million ($387.3 million, net of discount) as of December 31, 2013. The Class C Term Loan will mature on June 30, 2018. We utilized the proceeds of the Class C Term Loan plus $8.7 million in cash to extinguish the Senior PIK-election Notes, the Class A Term Loan and the Incremental Term Loan. The applicable margin for borrowings under the Class C Term Loan is (i) 2.25% with respect to base rate borrowings (with a base rate floor of 2.00%) and (ii) 3.25% with respect to LIBOR borrowings (with a LIBOR floor of 1.00%). The interest rate on the Class C Term Loan was 4.25% at December 31, 2013. Until maturity, quarterly amortization payments will be made in an amount equal to 0.25% of the original principal amount of the Class C Term Loan.

We incurred a loss on extinguishment of debt of $3.8 million in connection with the settlement of existing debt due to the closing of the Class C Term Loan.

The Credit Facility is guaranteed by the Company and certain of SCA'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 SCA and of each 100% owned domestic subsidiary directly held by SCA or a Guarantor. The Credit Facility generally restricts SCA and SCA's restricted subsidiaries' ability to, among other things:

- incur liens;
- incur or assume additional debt or guarantees or issue or sell certain types of preferred stock;
- pay dividends or make redemptions and repurchases with respect to capital stock;
- prepay, or make redemptions and repurchases of, subordinated debt;
- make loans or investments; and
- engage in mergers, acquisitions, asset sales, sale/leaseback transactions and transactions with affiliates.

The Company believes it and SCA were in compliance with these covenants as of December 31, 2013. The Amended Credit Agreement contains a provision that could require prepayment of a portion of our indebtedness if SCA has excess cash flow, as defined by the Amended Credit Agreement. No such prepayment was required at December 31, 2013.

Interest Rate Swaps

We use 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 economically hedged debt that the Company will pay, meaning we receive floating rate payments, which fluctuate based on LIBOR, from the counterparty and pay at a fixed rate to the counterparty, the result of which is to convert the interest rate of a portion of our floating rate debt into fixed rate debt, or to limit the variability of interest related payments caused by changes in LIBOR. At December 31, 2013, interest rate swaps of $240.0 million remained outstanding. As a result of the amendment to the Credit Facility, we de-designated the cash flow hedging instruments. The de-designation resulted in the reclassification of all amounts related to the cash flow hedges in *Accumulated other comprehensive loss* to be reclassified to *Interest expense*.

The following table presents changes in the components of *Accumulated other comprehensive loss*, net of related income tax effects:

	YEAR-ENDED DECEMBER 31, 2013
Balance at Beginning of Period	$(8,327)
Other comprehensive income before reclassifications	847
Amounts reclassified from accumulated other comprehensive loss	7,480
Balance at End of Period	$ —

All derivative instruments are recognized on the balance sheet on a gross basis at fair value. The fair value of the interest rate swaps is recorded in the Company's consolidated balance sheets, either in *Other current liabilities* and *Other long-term liabilities* or *Prepaids and 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 *Interest expense* on the Company's consolidated statements of operation. At December 31, 2012, gross liabilities in the amount of $2.2 million were included in *Other current liabilities*, and $3.1 million and $3.9 million were included in *Other long-term liabilities* at December 31, 2013 and December 31, 2012, respectively, in the consolidated balance sheets based on the fair value of the derivative instruments. Although all our derivative instruments are subject to master netting arrangements, no amounts have been netted against the gross liabilities previously detailed and no collateral has been posted with counterparties. During the year-ended December 31, 2013, the liability related to the swaps decreased by $3.0 million. The decrease was due to swap settlements and the change in fair value resulting in a $2.2 million decrease in *Other current liabilities* and a $0.8 million decrease in *Other long-term liabilities*. During the year-ended December 31, 2013, the Company recorded losses of approximately $8.3 million within *Interest expense* due to the de-designation of interest rate swaps and subsequent changes in fair value of derivative instruments.

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 previously designated its interest rate swaps as a cash flow hedge; however, as noted above, the interest rate swaps were de-designated as hedges in the second quarter of 2013.

Credit risk occurs when a counterparty to a derivative instrument fails to perform according to the terms of the agreement. Derivative instruments expose us 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, we evaluate our 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, 2013. 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.

NOTE 9 — NONCONTROLLING INTERESTS

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

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Net loss from continuing operations, net of tax, attributable to Surgical Care Affiliates	$(43,952)	$(17,920)	$(6,693)
Net loss from discontinued operations, net of tax, attributable to Surgical Care Affiliates	(7,392)	(2,090)	(2,984)
Net loss, net of tax, attributable to Surgical Care Affiliates	$(51,344)	$(20,010)	$(9,677)

The following table shows the effects of changes to Surgical Care Affiliates' ownership interest in its subsidiaries on Surgical Care Affiliates' equity:

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Net loss attributable to Surgical Care Affiliates	$(51,344)	$(20,010)	$(9,677)
Increase (decrease) in equity due to sales to noncontrolling interests	2,056	(4,243)	4,573
(Decrease) increase in equity due to purchases from noncontrolling interests	(1,394)	(1,738)	320
Change from net loss attributable to Surgical Care Affiliates and transfers to/from noncontrolling interests	$(50,682)	$(25,991)	$(4,784)

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 sheets.

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

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Balance at beginning of period	$ 21,709	$ 20,215	$ 20,594
Net income attributable to noncontrolling interests-redeemable	24,139	24,616	24,807
Net change in equity related to amendments in agreements with noncontrolling interests	(1,050)	—	(491)
Net change related to purchase/(sale) of ownership interests-redeemable	580	1,800	(1,928)
Contributions from noncontrolling interests	1,622	—	37
Change in distribution accrual	(433)	(689)	569
Distributions to noncontrolling interests-redeemable	(24,665)	(24,233)	(23,373)
Balance at end of period	$ 21,902	$ 21,709	$ 20,215

NOTE 10 — FAIR VALUE OF FINANCIAL INSTRUMENTS

We follow the provisions of the authoritative guidance for fair value measurements, which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles.

The fair value of an asset or liability is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. As a basis for considering assumptions, the 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).

The fair values of our assets and liabilities that are measured on a recurring basis are as follows (in millions):

	December 31, 2013				
	Fair Value Measurements Using			Total Assets/Liabilities at Fair Value	Valuation Technique[1]
	Level 1	Level 2	Level 3		
Assets					
Other long-term assets	$—	$—	$ 0.3	$ 0.3	I
Total assets	$—	$—	$ 0.3	$ 0.3	
Liabilities					
Other current liabilities	$—	$—	$—	$—	I
Other long-term liabilities	—	3.1	$—	3.1	I
Total liabilities	$—	$ 3.1	$—	$ 3.1	

	December 31, 2012				
	Fair Value Measurements Using				Valuation Technique[1]
	Level 1	Level 2	Level 3	Total	
Liabilities					
Other current liabilities	$—	$2.2	$—	$2.2	I
Other long-term liabilities	—	3.9	$—	3.9	I
Total liabilities	$—	$6.1	$—	$6.1	

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

Interest Rate Swaps

On a recurring basis, we 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 and 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 is approximately $0.1 million related to non-performance risk associated with the interest rate swaps at December 31, 2013 and December 31, 2012.

Contingent Consideration

As further described in Note 2, $8.9 million of the HI consideration was placed into escrow as contingent consideration. The amount payable as contingent consideration depends upon the successful continuation and/or renewal of certain management agreement contracts held by HI and, in the case of renewals, will be determined by comparing the contract revenue prior to renewal against the expected contract revenue after renewal. As of the acquisition date and December 31, 2013, approximately $8.6 million of contingent consideration was recognized.

Level 3 Disclosures for Recurring Measurements

The following table provides quantitative information associated with the fair value measurement of our recurring Level 3 inputs (in millions):

Level 3 Contingent Consideration	Level 3 Assets as of December 31, 2013	Significant Unobservable Input	Range of Inputs	Weighted Average
Income Approach	$ 0.3	Probabilities of retention of management contracts [a]	75% - 100%	98%

(a) The fair value of adjustment to the contingent consideration is based on a formula driven threshold contract value set at the time of the HI transaction. The threshold contract value is a function of revenue and probability of retention of each contract over 12 to 18 months from the transaction date. Significant increases or decreases in any of the probabilities of renewal would result in a significantly lower or higher fair value measurement, respectively.

The following table provides a roll-forward of the recurring fair value balance that used Level 3 inputs (in millions):

	Contingent Consideration
Beginning balance as of December 31, 2012	$ —
Addition of contingent consideration asset	0.3
Ending balance as of December 31, 2013	$ 0.3

Nonrecurring Measurements

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 interim impairment indicators.

An impairment charge of $1.5 million was recorded during 2013 for an investment in a nonconsolidated affiliate. In conjunction with the deconsolidation of this affiliate (as described in Note 2), we adjusted the investment to fair value. The fair value of the investment in the nonconsolidated affiliate was determined based on the estimated fair value using valuations techniques that included recent market transactions.

Also during 2013 we recorded $4.6 million of impairment to our investments in a nonconsolidated affiliates due to the decline of future cash flows of such nonconsolidated affiliates that we judged to be other than temporary. This impairment is included in *Equity in net income of nonconsolidated affiliates.*

During 2012 we recorded $9.2 million of impairment to our investments in nonconsolidated affiliates due to a decline in the expected future cash flows of three nonconsolidated affiliates that we judged to be other than temporary. This impairment is included in *Equity in net income of nonconsolidated affiliates.*

The investment in nonconsolidated affiliates measured at fair value on a nonrecurring basis is as follows (in millions of U.S. dollars):

		Fair Value Measurements Using			
December 31, 2013	Net Carrying Value as of:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Year-ended:
Investment in nonconsolidated affiliate	$6.4	—	—	$6.4	$4.6

June 30, 2013	Net Carrying Value as of:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Year-ended:
Investment in nonconsolidated affiliate	$2.9	—	—	$2.9	$1.5

December 31, 2012	Net Carrying Value as of:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Year-ended:
Investment in nonconsolidated affiliate	$7.0	—	—	$7.0	$9.2

The inputs used by the Company in estimating the value of Level 3 *Investment in nonconsolidated affiliate* may include the weighted average cost of capital ("WACC"), revenue growth rates and exit price. Assumptions used by the Company due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Company's results of operations. The following table includes information regarding the significant unobservable input used in the estimation of Level 3 fair value measurement.

Level 3 Investment in nonconsolidated affiliate	Level 3 Assets as of December 31, 2013	Significant Unobservable Inputs	Range of Inputs
Income Approach	$6.4	WACC	11.4% - 15%
		Revenue growth rates	0.0% - 3.0%

Level 3 Investment in nonconsolidated affiliate	Level 3 Assets as of June 30, 2013	Significant Unobservable Input	Range of Inputs
Market Approach	$2.9	Exit price[(a)]	$2.9

(a) The exit price was determined using the amount stated in a firm offer letter for the investment.

Level 3 Investments	Level 3 Assets as of December 31, 2012	Significant Unobservable Inputs	Range of Inputs	Weighted Average
Income Approach	$4.0	CAGR[(a)]	(2.8) - 8.8%	7.7%
		Discount rate[(b)]	11.4%	11.4%
Market Approach	$3.0	EBITDA multiple[(c)]	6.8x	6.8x

(a) "CAGR" is defined as cumulative average growth rate. The CAGR is determined utilizing probability weighted estimates of future cash flows.
(b) The discount rate utilized is an estimate of what would be used by a market participant.
(c) The EBITDA multiple is Earnings before Interest, Taxes, Depreciation and Amortization of the underlying affiliate times a multiple that would be used by a market participant.

During the three-month period ended March 31, 2012, we recorded an impairment charge of $0.4 million for an asset group consisting of property and equipment. During the fourth quarter of 2012, we recorded a separate impairment charge of $0.7 million for an asset group consisting of property and equipment, resulting in an aggregate impairment charge of $1.1 million recorded for the year-ended December 31, 2012. No material impairment charges were recorded during the years-ended December 31, 2013 and December 31, 2011 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 charges recorded in 2012. The fair value of the impaired long-lived assets was determined based on the assets' estimated fair value using valuation techniques that included third-party appraisals.

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

		Fair Value Measurements Using			
December 31, 2012	Net Carrying Value as of:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses Year-ended:
Property and equipment	$0.7	—	—	$0.7	$0.7
March 31, 2012					
Property and equipment	$0.9	—	—	$0.9	$0.4

The inputs we used in estimating the value of Level 3 *Property and equipment* include the replacement cost per square foot, depreciation percentage and market price per square foot. Based on available inputs with respect to the two separate events, we used the market approach for determining the fair value of assets for the March 31, 2012 impairment event and the cost approach for determining the fair value of assets for the December 31, 2012 event. Assumptions used by us due to the lack of observable inputs may significantly impact the resulting fair value and, consequently, the Company's results of operations. The following table includes information regarding significant unobservable inputs used in the estimation of Level 3 fair value measurements.

Level 3 Property and equipment	Level 3 Assets as of December 31, 2012	Significant Unobservable Input	Range of Inputs	Weighted Average
Cost Approach	$0.7	Cost per square foot(a)	$ 271	$ 271
		Depreciation(b)	92.5%	92.5%

Level 3 Property and equipment	Level 3 Assets as of March 31, 2012	Significant Unobservable Input	Range of Inputs	Weighted Average
Market Approach	$0.9	Price per square foot(a)	$109	$109

(a) Price per square foot is multiplied times the total square footage of a facility to determine the approximate market value.

Attachment-6

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. The fair values utilize inputs other than quoted prices in active markets, although the inputs are observable either directly or indirectly; accordingly, the fair values are in level 2 of the fair value hierarchy.

	As of December 31, 2013		As of December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Interest rate swap agreements (includes short-term component)	$ 3,126	$ 3,126	$ 6,105	$ 6,105
Long-term debt:				
Advances under $132.3 million Class B Revolving Credit Facility	$ —	$ —	$ —	$ —
Class A Term Loan due 2014	—	—	118,970	118,673
Class B Term Loan due 2017	214,429	214,563	216,634	215,280
Class C Term Loan due 2018	388,050	389,020	—	—
Incremental Term Loan due 2018	—	—	98,500	98,500
8.875%/9.625% Senior PIK-Election Notes due 2015	—	—	164,785	167,119
10% Senior Subordinated Notes due 2017	—	—	150,000	157,313
Notes payable to banks and others	44,023	44,023	24,338	24,338
Financial commitments	$ —	$ —	$ —	$ —

NOTE 11 — EQUITY-BASED COMPENSATION

We have one active equity-based compensation plan, the 2013 Omnibus Long-Term Incentive Plan, and two legacy equity-based compensation plans, the Management Equity Incentive Plan and the Directors and Consultants Equity Incentive Plan, under which we are no longer issuing new awards (together, the "Plans"). The Plans provide or have provided for the granting of options to purchase our stock as well as RSUs to key teammates, directors, service providers, consultants and affiliates.

Option awards are generally granted with an exercise price equal to at least the fair market value of the underlying share at the date of grant. Vesting in the option awards varies based upon time, attainment of certain performance conditions, or upon the occurrence of a Liquidity Event (as defined in the applicable Plan) in which the TPG Funds and/or any of its affiliates achieves a minimum cash return on its original investment. All existing RSU awards vest over time.

At December 31, 2013, 3,007,121 stock-based awards were authorized for grant under the Plans and 2,330,099 stock-based awards were available for future equity grants.

In conjunction with our conversion to a Delaware corporation on October 30, 2013 (see Note 1), every 10.25 outstanding membership units of ASC Acquisition LLC were converted into one share of common stock of Surgical Care Affiliates, Inc., and options to purchase membership units of ASC Acquisition LLC were converted into options to purchase shares of common stock of Surgical Care Affiliates, Inc. at a ratio of 10.25 membership units of ASC Acquisition LLC underlying such options to each one share of common stock of Surgical Care Affiliates, Inc. underlying such converted options. In connection with the conversion, the exercise prices of such converted options were adjusted accordingly. In addition, every 10.25 outstanding restricted equity units of ASC Acquisition LLC were converted into one restricted equity share of Surgical Care Affiliates, Inc. All information in this footnote is presented giving effect to the conversion.

On September 16, 2013, our Board of Directors accelerated the vesting of all performance-based options. This modification was a "probable-to-probable" modification under the authoritative guidance. As a result of the acceleration, the Company recognized $0.8 million of additional stock-based compensation expense in the year-ended December 31, 2013. The additional expense represents the incremental fair value as a result of the modification. As a result of the acceleration, no unvested performance-based options existed at December 31, 2013.

Also on September 16, 2013, our Board of Directors resolved to pay a cash bonus of $2.46 per vested option and adjust downward the exercise price of all unvested options by approximately $2.46 per unvested option. As such, the Company recorded additional compensation expense of $4.6 million during the year-ended December 31, 2013. We will record stock-based compensation expense over the remaining vesting periods related to the adjustment to unvested options. This modification was a "probable-to-probable" modification under the authoritative guidance. We will record $1.5 million of additional stock-based compensation expense over remaining vesting periods of the modified options.

Information pertaining to equity-based compensation was as follows (in thousands):

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Equity-based compensation expense	$2,724	$1,719	$1,680
Cash received from option exercises	453	—	—

As of December 31, 2013, the Company had total unrecognized compensation cost of approximately $7,794 related to non-vested awards, which the Company expects to recognize through 2017 and over a weighted-average period of 2.2 years.

Option Awards

A summary of option activity under the Plans as of December 31, 2013, and changes during the year-ended December 31, 2013 are presented below:

	UNITS (IN 000'S)	WEIGHTED-AVERAGE EXERCISE PRICE	REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE
Outstanding, December 31, 2012	2,485	$10.52	2.6 –10.0	$56,779
Granted	612	$13.05	9.2 –10.0	$13,338
Exercised	(41)	$12.09		—
Forfeitures	(49)	$11.51	5.5 –9.5	—
Expirations	—	n/a		—
Outstanding, December 31, 2013	3,007	$19.96	0.6 –10.0	$70,117
Exercisable, December 31, 2013	1,974			

The weighted average grant-date fair value per option of all options granted during the year-ended December 31, 2013, was $6.68. The weighted average grant-date fair value per option of all options granted during the year-ended December 31, 2012, was $3.79. The weighted average grant-date fair value per option of all options granted during the year-ended December 31, 2011 was $3.38.

The fair value of each option 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.

	YEAR-ENDED DECEMBER 31, 2013	YEAR-ENDED DECEMBER 31, 2012	YEAR-ENDED DECEMBER 31, 2011
Expected volatility	35% -40%	37% -39%	38%-39%
Risk-free interest rate	1.0% -1.35%	1.0% -1.35%	1.2% -3.1%
Expected term (years)	6.25	6.25	6.5
Dividend yield	0.00%	0.00%	0.00%

The fair value of the Performance-Based Options is based on the application of a Monte Carlo simulation model. 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. On September 16, 2013, our Board of Directors accelerated the vesting of all performance-based options. This modification was a "probable-to-probable" modification under the authoritative guidance. As a result of the acceleration, the Company recognized $0.8 million of additional stock-based compensation expense. The additional expense represents the incremental fair value as a result of the modification.

For the expected volatility assumption, an emphasis was placed on identifying comparable public companies that operate ambulatory surgery centers. The Company utilized comparable public company volatility rates to estimate the expected volatility. The Company used the exponentially weighted moving average volatility of the public companies identified, adjusted for changes in the capital structure (as described by ASC 718), for the derived expected term for the Time-Based Options.

RSU Awards

A summary of activity associated with RSU awards during 2013 is presented below:

	UNITS (IN 000'S)	GRANT DATE FAIR VALUE PER UNIT
Nonvested RSUs at December 31, 2012	20	$11.64
Granted	77	$24.58
Vested	(17)	$11.64
Forfeited	0	n/a
Nonvested RSUs at December 31, 2013	80	$24.58

	UNITS (IN 000'S)	GRANT DATE FAIR VALUE PER UNIT
Total RSUs at December 31, 2012	74	$10.63
Granted	77	$24.58
Vested	—	$ n/a
Forfeited	—	n/a
Total RSUs at December 31, 2013	151	$17.71

NOTE 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 Retirement Investment Plan, which is a qualified 401(k) savings plan; and
- The Senior Management Bonus Program.

Substantially all teammates are eligible to enroll in the SCA's 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 $21.0 million, $16.9 million and $14.0 million for the years-ended December 31, 2013, 2012 and 2011, respectively.

The 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 six-year service period. Participants are immediately fully vested in their own contributions. Employer contributions made to the Retirement Investment Plan approximated $2.9 million, $2.8 million and $2.4 million during the years-ended December 31, 2013, 2012 and 2011, 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 the Company meeting a pre-determined financial goal. Similarly, regional goals, if any, are based upon a pre-determined set of financial goals for the applicable region. Individual goals are initially proposed by each participant in consultation with his or her immediate supervisor and, with respect to our executive officers, are then approved by our Compensation Committee. We recorded expense of approximately $8.5 million, $4.8 million and $5.4 million under the Senior Management Bonus Program for the years-ended December 31, 2013, 2012 and 2011, respectively.

NOTE 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 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Income from continuing operations before income tax expense	$72,745	$83,301	$106,757

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

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Current:			
Federal	$ 200	$ —	$ —
State and local	661	497	393
Total current expense	861	497	393
Deferred:			
Federal	9,442	6,745	16,121
State and local	2,342	1,622	3,755
Total deferred expense	11,784	8,367	19,876
Total income tax expense related to continuing operations	$12,645	$8,864	$20,269

Attachment-6

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 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
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	(50.1)	(38.8)	(30.5)
Increase in valuation allowance	30.3	14.6	13.5
State income taxes, net of federal tax benefit	(2.0)	(0.5)	0.8
Non-deductible stock issuance costs	3.9	—	—
Other, net	0.3	0.3	0.2
Income tax expense	17.4%	10.6%	19.0%

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, 2013, 2012 and 2011, 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 2013	2012
Current		
Deferred income tax assets:		
Allowance for doubtful accounts	$ 2,760	$ 1,108
Accrued liabilities	11,148	10,146
Valuation allowance	(12,824)	(10,656)
Deferred income tax liabilities:		
Prepaid expenses	(1,561)	(1,178)
Net current deferred income tax liability	(477)	(580)
Non-current		
Deferred income tax assets:		
Net operating loss	112,795	102,353
Capital loss	30,604	31,610
Investment in nonconsolidated affiliates	16,554	11,445
Other comprehensive income	—	3,350
Interest rate swaps	1,254	—
Other	6,843	257
Valuation allowance	(153,321)	(141,163)
Deferred income tax liabilities:		
Goodwill and other indefinite-lived intangibles	(116,698)	(101,288)
Property, net	(7,391)	(6,924)
Intangible assets	(6,861)	(348)
Net non-current deferred income tax liability	(116,221)	(100,708)
Total deferred income tax liability	$(116,698)	$(101,288)

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. Management has considered all positive and negative evidence available at this time and continues to believe it is more-likely-than-not we will not realize a portion of our deferred tax assets. 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 $166.1 million, $151.8 million and $142.4 million is necessary as of December 31, 2013, 2012 and 2011, respectively. For the years-ended December 31, 2013, 2012 and 2011, the increases in the valuation allowance were $14.3 million, $9.4 million and $14.1 million, respectively. 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, 2013, we had federal net operating loss carryforwards ("NOLs") of approximately $263.7 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, 2012, we had federal NOL carryforwards of $243.4 million. At this time, we do not believe the limitations imposed by Internal Revenue Code Section 382 will restrict our ability to use any NOLs before they expire. However, we cannot assure you that will be the case.

The Company has no tax liability for uncertain tax positions as of December 31, 2013 or December 31, 2012.

NOTE 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, 2013 and December 31, 2012 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 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Net operating revenues	$ 4,076	$ 16,654	$ 24,391
Costs and expenses	(5,363)	(17,911)	(26,524)
(Loss) gain on sale of investments	(2,493)	(1,773)	1,573
Impairments	—	(13)	(49)
Loss from discontinued operations	(3,780)	(3,043)	(609)
Income tax benefit (expense)	(3,612)	953	(2,375)
Net loss from discontinued operations	$(7,392)	$ (2,090)	$ (2,984)

Attachment-6

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

	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Current assets		
Accounts receivable, net	$ 198	$1,308
Other current assets	99	270
Total current assets	297	1,578
Property and equipment, net	2,136	2,322
Other long term assets	225	234
Total assets	$2,658	$4,134
Liabilities		
Current liabilities		
Accounts payable and other current liabilities	$ 167	$ 596
Total current liabilities	167	596
Other long-term liabilities	380	397
Total liabilities	$ 547	$ 993

NOTE 15 — RELATED PARTY TRANSACTIONS

The Company paid management fees to TPG Capital Management, L.P., an affiliate of TPG Global LLC and its affiliates ("TPG"), our majority owner, of $1.5 million during the year-ended December 31, 2013 and $2.0 million during each of the years-ended December 31, 2012 and 2011, respectively. In connection with the completion of our initial public offering (see Note 1), the Company no longer pays management fees to TPG and the related management services agreement has been terminated.

In conjunction with the completion of our initial public offering, TPG is entitled to a fee payable under our management services agreement in an amount equal to $8.0 million. This fee was paid during the fourth quarter of 2013 and recorded in *Other operating expenses* in the accompanying consolidated statement of operations.

Also in connection with the IPO, we entered into a registration rights agreement with the TPG Funds and certain members of our management and of our Board of Directors (the "Registration Rights Agreement"), which provides the TPG Funds with certain demand registration rights, including shelf registration rights, in respect of any shares of our common stock held by them, subject to certain conditions and limitations. The TPG Funds are entitled to an unlimited number of demand registrations, upon written notice.

In connection with the amendment of our Amended Credit Agreement on May 8, 2013, TPG Capital BD, LLC, an affiliate of TPG, served as an arranger for purposes of the amendment and was paid an arrangement fee in the amount of $0.5 million during the year-ended December 31, 2013. In addition, TPG Capital BD, LLC participated as an underwriter underwriting the shares of our common stock in connection with our initial public offering of common stock and was paid an underwriting discount of approximately $0.7 million by us and the selling stockholders.

Certain directors of the Company have received options to purchase shares of the Company under the Directors 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 immaterial for the years-ended December 31, 2013, 2012 and 2011.

The law firm of Bradley Arant Boult Cummings LLP provided certain legal services to us. We paid approximately $1.8 million, $1.0 million and $0.9 million to this law firm in 2013, 2012 and 2011, respectively, for such legal services. The spouse of one of our executive officers, Richard Sharff, is a partner of this law firm.

NOTE 16 — COMMITMENTS AND CONTINGENT LIABILITIES

Legal Proceedings

The Company provides services in a highly regulated industry and is subject to various legal actions and regulatory and other governmental and internal audits and investigations from time to time. 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, 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.

Litigation

On May 5, 2006, Dr. Hansel DeBartolo filed a lawsuit captioned *DeBartolo, et al. v. HealthSouth Corporation et al,* in the United States District Court for the Northern District of Illinois, Eastern Division, against Joliet Surgery 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"). We agreed to take responsibility from HealthSouth Corporation (our parent until SCA was purchased by ASC Acquisition LLC) regarding this matter. 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 February 8, 2010, Dr. DeBartolo filed a lawsuit in the Twelfth Judicial Circuit Court, Will County, Illinois making the same claim and seeking the same relief as he sought in the Federal Court Action. On February 5, 2014, the Circuit Court entered an Order granting summary judgment in favor of the Defendants. On March 4, 2014, Plaintiff filed a Notice of Appeal in the Appellate Court of Illinois Third District seeking reversal of the Circuit Court's Order.

Risk Insurance

Risk insurance for SCA and most of our facilities is provided through SCA's risk insurance program. We insure our professional liability, general liability and workers' compensation risks through commercial insurance plans placed with 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 that ultimate costs will not exceed our estimates.

Reserves for incurred but not reported professional and general liability risks were approximately $6.3 million and $5.5 million at December 31, 2013 and December 31, 2012, and are included in *Other long-term liabilities* in the consolidated balance sheets. Expenses related to professional and general liability risks were $4.6 million, $3.4 million and $3.8 million for the years-ended December 31, 2013, 2012 and 2011, respectively, and are classified in *Other operating expenses* in our consolidated statements of operations. Expenses associated with workers' compensation were $2.1 million, $2.2 million and $1.7 million for the years-ended December 31, 2013, 2012 and 2011, respectively, and are classified in *Salaries and benefits* in our consolidated statements of operations.

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates through 2031. We also lease certain buildings and equipment under capital leases expiring at various dates through 2023. Operating leases generally have 3 to 22 year terms with one or more renewal options and with terms to be negotiated at the time of renewal.

NOTE 17 — SUBSEQUENT EVENTS

Effective January 1, 2014, a partner in our Fort Walton, FL ASC, which was a consolidated affiliate as of December 31, 2013, purchased SCA's controlling equity interest in the facility for $2.4 million pursuant to the partner exercising a contractual right to repurchase our equity interest in the facility as described in "Operations—*Facility Level Ownership*." SCA, through an indirect wholly owned subsidiary, retains a noncontrolling interest in the facility.

Effective January 1, 2014, the owners and operators of a non-SCA affiliated ASC located in Riverside, CA (the "contributed facility") contributed substantially all of the contributed facility's assets to a current SCA facility located in Riverside, CA ("Riverside facility"), which is a consolidated affiliate, in exchange for a limited partnership interest in the Riverside facility. Operations of the two facilities were consolidated into the Riverside facility location, and the contributed facility location ceased operations.

Effective January 1, 2014, an indirect wholly owned subsidiary of SCA purchased for $2.5 million a noncontrolling interest in a joint venture entity that owns and operates an ASC in Fishers, IN.

Effective February 1, 2014, the owners and operators of a non-SCA affiliated ASC located in Sartell, MN ("Sartell facility") contributed 100% of their ownership interests in the Sartell facility to a current SCA facility located in St. Cloud, MN ("St. Cloud facility"), which is a consolidated affiliate, in exchange for a limited partnership interest in the St. Cloud facility as well as cash in the amount of $1.7 million. In addition, we acquired newly issued units of the St. Cloud facility for $1.7 million in cash. The Sartell and St. Cloud facilities continue to operate in separate locations. The operations of the Sartell location will be consolidated into the St. Cloud location at a later date, and the Sartell location will cease operations.

Effective February 28, 2014, an indirect wholly owned subsidiary of SCA exercised its right to repurchase our partner's entire noncontrolling interest in our Houston, TX surgical hospital for $0.3 million.

NOTE 18 — CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

Surgical Care Affiliates has no material assets or standalone operations other than its ownership in SCA and its subsidiaries.

There are significant restrictions on the Surgical Care Affiliates' ability to obtain funds from any of its subsidiaries through dividends, loans or advances. Accordingly, these condensed financial statements have been presented on a "Parent-only" basis. Under a Parent-only presentation, the Company's investments in its consolidated subsidiaries are presented under the equity method of accounting. These Parent-only financial statements should be read in conjunction with the Company's Consolidated Financial Statements.

Attachment-6

The following tables present the financial position of Surgical Care Affiliates as of December 31, 2013 and 2012 and the results of its operations and cash flows for the years-ended December 31, 2013, 2012 and 2011.

Surgical Care Affiliates, Inc.
Condensed Balance Sheets
(In thousands of U.S. dollars)

	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets		
Cash and cash equivalents	$ 16,193	$ 200
Investment in SCA	205,686	147,517
Total assets	$ 221,879	$ 147,717
Liabilities		
Due to SCA	$ 16,193	$ 200
Total liabilities	16,193	200
Equity		
Common stock	382	—
Additional paid in capital	413,419	—
Contributed capital	—	304,826
Accumulated deficit	(208,115)	(157,309)
Total equity	205,686	147,517
Total liabilities and equity	$ 221,879	$ 147,717

Surgical Care Affiliates, Inc.
Condensed Statements of Comprehensive Income
(In thousands, except per share data)

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Equity in net loss of SCA	$(48,620)	$(18,291)	$ (7,997)
Stock compensation expense	2,724	1,719	1,680
Loss before income taxes	(51,344)	(20,010)	(9,677)
Provision for income taxes	—	—	—
Net loss	(51,344)	(20,010)	(9,677)
Equity in comprehensive income of SCA	8,327	986	3,997
Comprehensive loss	$(43,[illegible]17)	$(19,024)	$ (5,680)
Basic and diluted loss per share	$ (1.62)	$ (0.66)	$ (0.33)
Basic and diluted average shares outstanding	31,[illegible]8	30,340	29,347

Attachment-6

Surgical Care Affiliates, Inc.
Condensed Statements of Cash Flows
(In thousands of U.S. dollars)

	YEAR-ENDED DECEMBER 31 2013	YEAR-ENDED DECEMBER 31 2012	YEAR-ENDED DECEMBER 31 2011
Net loss	$ (51,344)	$(20,010)	$ (9,677)
Adjustment to reconcile net loss to net cash from operating activities			
Equity in net loss of SCA	48,620	18,291	7,997
Stock compensation expense	2,724	1,719	1,680
Net cash from operating activities	—	—	—
Investing activities:			
Investment in SCA	(160,793)	—	(28,134)
Distributions from SCA	74,900	—	—
Net cash used in investing activities	(85,893)	—	(28,134)
Financing activities:			
Member contributions	—	—	25,205
Proceeds from issuance of shares pursuant to IPO	176,786	—	—
Distributions to unitholders	(74,900)	—	—
Net cash provided by financing activities	101,886	—	25,205
Net change in cash and cash equivalents	15,993	—	(2,929)
Cash and cash equivalents at beginning of period	200	200	3,129
Cash and cash equivalents at end of period	$ 16,193	$ 200	$ 200
Supplemental schedule of noncash investing and financing activities			
IPO fees paid by SCA	$ 4,909	—	—

Quarterly Statement of Earnings Data (Unaudited)

The following table presents certain quarterly statement of earnings data for the years ended December 31, 2013 and 2012. The quarterly statement of earnings data set forth below was derived from our unaudited financial statements and includes all adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation thereof. Results of operations for any particular quarter are not necessarily indicative of results of operations for a full year or predictive of future periods.

	2013				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(In thousands, except per share data)							
Net operating revenues	$191,991	$197,417	$195,080	$217,547	$179,750	$187,331	$180,213	$197,566
Income from continuing operations before income taxes	31,031	19,516	14,840	7,358	22,965	23,248	22,018	15,070
Income from continuing operations	27,661	18,439	9,130	4,870	19,909	21,115	18,050	15,363
(Loss) gain from discontinued operations, net of income tax	(1,426)	(2,434)	(397)	(3,135)	(624)	(3,935)	1,076	1,393
Net income	26,235	16,005	8,733	1,735	19,285	17,180	19,126	16,756
Less: Net income attributable to noncontrolling interests	(27,671)	(25,768)	(21,441)	(29,172)	(22,750)	(23,972)	(22,118)	(23,517)
Net loss attributable to Surgical Care Affiliates	$ (1,436)	$ (9,763)	$ (12,708)	$ (27,437)	$ (3,465)	$ (6,792)	$ (2,992)	$ (6,761)
Basic and diluted net earnings (loss) from continuing operations per common share	$ 0.00	$ (.24)	$ (.41)	$ (.68)	$ (.08)	$ (.09)	$ (.14)	$ (.27)
Basic and diluted net loss per common share	$ (.05)	$ (.32)	$ (.42)	$ (.77)	$ (.12)	$ (.22)	$ (.10)	$ (.22)

Section 18, Additional Certifications
Attachment 7

Belleville Surgical Center Ltd, as Applicant, as affirms its intent to maintain ownership and control of the facility of for a minimum of three years.

Belleville Surgical Center Ltd.

By: Surgicare of Belleville, LLC
Its: General Partner

By: RLS
Name: Richard L. Sharff, Jr.
Its: Vice President

Date: 5/29/14