We performed our annual goodwill impairment assessment by developing a fair value estimate of the business enterprise as of December 31, 2011 using a discounted cash flows approach. We corroborated the results of our fair value estimate using a market-based approach. As we do not have publicly traded equity from which to derive a market value, an assessment of peer-company trading data was performed, whereby management selected comparable peers based on growth and leverage ratios, as well as industry specific characteristics. Management estimated a reasonable market value of the Company as of December 31, 2011 based on earnings multiples and trading data of the Company's peers. This market-based approach was then used to assess the reasonableness of the discounted cash flows approach. The result of our annual goodwill impairment test at December 31, 2011 indicated no potential impairment.

Due to the sensitivity of the business enterprise value model, and the potential for further deterioration in the market, more specifically the surgical facility and healthcare industries, we will continually monitor the trading market of our peers, as well as our discrete future cash flow forecast. While we do not anticipate such a change, if projected future cash flows become less favorable than those projected by management, an assessment of possible impairments may become necessary that could have a material non-cash impact on our financial position and results of operations.

We continuously evaluate our equity method investments for potential impairment. At December 31, 2011, we determined that the future projected cash flow at one of our surgical facilities located in Novi, Michigan no longer supports the carrying value of the investment and, as a result, we recorded an impairment charge of $2.9 million related to its equity method investment in this facility. Additionally, we recorded a valuation allowance of $2.1 million related to a note receivable due from this facility. The loss is included in impairment and loss (gain) on disposal of long-lived assets.

Off-Balance Sheet Arrangements

We guarantee the third-party debts and other obligations of many of the non-consolidated partnerships and limited liability companies in which we own an interest. As of December 31, 2011, we had approximately $643,000 of off-balance sheet guarantees of non-consolidated third-party debt in connection with these surgical facilities. In most instances, the physicians and/or physician groups have also guaranteed their pro-rata share of the indebtedness to secure the financing.

Results of Operations

The following table summarizes certain statements of operations items for each of the three years ended December 31, 2011, 2010 and 2009. The table also shows the percentage relationship to revenues for the periods indicated:

	2011		2010		2009	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
			(in thousands)			
Revenues	$ 444,653	100 %	$ 394,555	100 %	$ 323,667	100 %
Cost of revenues	316,978	71.3	280,346	71.1	229,063	70.8
General and administrative expense	22,723	5.1	22,465	5.7	21,448	6.6
Depreciation and amortization	20,263	4.6	18,354	4.7	16,008	4.9
Provision for doubtful accounts	6,963	1.6	6,596	1.7	2,730	0.8
Income on equity investments	(1,876)	(0.4)	(2,901)	(0.7)	(2,318)	(0.7)
Impairment and loss (gain) on disposal of long-lived assets, net	4,822	1.1	(907)	(0.3)	2,813	0.9
Loss on debt extinguishments	4,751	1.1	—	—	—	—
Litigation settlements, net	(391)	(0.1)	(35)	—	—	—
Business combination remeasurement gains	—	—	(3,169)	(0.9)	—	—
Total operating expenses	374,233	84.3	320,749	81.3	269,744	83.3
Operating income	70,420	15.7	73,806	18.7	53,923	16.7
Interest expense, net	(54,321)	(12.2)	(48,020)	(12.2)	(44,936)	(13.9)
Income before income taxes and discontinued operations	16,099	3.5	25,786	6.5	8,987	2.8
Provision for income taxes	9,372	2.1	7,725	2.0	7,685	2.4
Income from continuing operations	6,727	1.4	18,061	4.5	1,302	0.4
Income (loss) from discontinued operations, net of taxes	207	—	(190)	—	(4,754)	(1.5)
Net income (loss)	6,934	1.4	17,871	4.5	(3,452)	(1.0)
Less: Net income attributable to noncontrolling interests	(33,521)	(7.5)	(26,611)	(6.7)	(19,002)	(5.9)
Net loss attributable to Symbion, Inc.	$ (26,587)	(6.1)%	$ (8,740)	(2.2)%	$ (22,454)	(6.9)%

Year Ended December 31, 2011 Compared To Year Ended December 31, 2010

Overview. In 2011, our revenues increased 12.7% to $444.7 million from $394.6 million in 2010. We incurred a net loss attributable to Symbion, Inc. for the year ended December 31, 2011 of $26.6 million compared to a net loss of $8.7 million for the year ended December 31, 2010. Included in our net loss for 2011 was a $4.8 million loss on debt extinguishment and a loss of $2.9 million related to the impairment of one of our equity method investments located in Novi, Michigan and an additional valuation allowance of $2.1 related to a note receivable from this facility. During the year ended December 31, 2010, we recognized a $3.2 million business combination remeasurement gain. Excluding these items, we incurred a net loss attributable to Symbion, Inc. for 2011 of $16.8 million, compared to a net loss attributable to Symbion, Inc. of $11.9 million for 2010.

Our financial results for 2011 compared to 2010 reflect the addition of two surgical facilities that we consolidate for financial reporting purposes, one surgical facility which we account for using the equity method, and a controlling interest in a surgical facility which was previously recorded as an equity method investment. We began consolidating this facility during the third quarter of 2010.

Revenues. Revenues for the year ended December 31, 2011 compared to December 31, 2010 were as follows (in thousands):

	2011	2010	Dollar Variance	Percent Variance
Patient service revenues	$ 434,138	$ 382,328	$ 51,810	13.6 %
Physician service revenues	4,483	5,800	(1,317)	(22.7)
Other service revenues	6,032	6,427	(395)	(6.1)
Total revenues	$ 444,653	$ 394,555	$ 50,098	12.7 %

Patient service revenues increased 13.6% for the year ended December 31, 2011 compared to the year ended December 31, 2010. This increase in patient service revenues, including a 0.5% increase in case volume, is attributable to surgical facilities and additional incremental, controlling ownership acquired since January 1, 2010. In addition, this increase is attributable to growth at our surgical hospitals, including an increase in net patient revenue per case due to an increase in higher acuity cases performed at these facilities.

However, we continue to experience volume weakness across our system, primarily in our ASCs. Consistent with the overall volume decrease experienced by our industry, our comparable same store cases reflect a decline of 3.0% for 2011 compared to 2010. Our case volume was impacted by a scheduled termination of an agreement with a health plan to utilize one of our facilities for a specified period of time.

Cost of Revenues. Cost of revenues for the year ended December 31, 2011 was $317.0 million compared to $280.3 million for the year ended December 31, 2010. This increase is attributable to surgical facilities and additional incremental, controlling ownership acquired since January 1, 2010. In addition, this increase is attributable to growth at our surgical hospitals. As a percentage of total revenues, cost of revenues increased to 71.3% for 2011 compared to 71.1% for 2010.

General and Administrative Expense. General and administrative expense increased to $22.7 million for the year ended December 31, 2011 compared to $22.5 million for the year ended December 31, 2010. As a percentage of revenues, general and administrative expense decreased to 5.1% for 2011 compared to 5.7% for 2010. This decrease is primarily attributable to our leveraging of corporate overhead costs while continuing to increase revenue through recent acquisitions.

Depreciation and Amortization. Depreciation and amortization expense increased to $20.3 million for the year ended December 31, 2011 compared to $18.4 million for the year ended December 31, 2010. This increase is attributable to surgical facilities and additional incremental, controlling ownership interests acquired since January 1, 2010. As a percentage of revenues, depreciation and amortization expense decreased to 4.6% for 2011 compared to 4.7% for 2010.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to $7.0 million for the year ended December 31, 2011 compared to $6.6 million for the year ended December 31, 2010. As a percentage of revenues, the provision for doubtful accounts decreased to 1.6% for 2011 from 1.7% for 2010.

Income on Equity Investments. Income on equity investments represents the net income of certain investments we have in surgical facilities. These surgical facilities are not consolidated for financial reporting purposes. Income on equity investments decreased to $1.9 million for the year ended December 31, 2011 from $2.9 million for the year ended December 31, 2010. This decrease is attributable to the acquisition of an additional incremental, controlling ownership interest at one of our facilities previously held as an equity method investment.

Impairment and Loss (Gain) on Disposal of Long-Lived Assets. We recognized a loss on the impairment and disposal of long-lived assets of $4.8 million during the year ended December 31, 2011. Included in this loss is an impairment charge of $2.9 million related to one of our equity method investments located in Novi, Michigan. The Company also recorded a valuation allowance of $2.1 million related to a note receivable due from this facility. These impairment charges are offset by gains on disposal of various long-lived assets.

Loss on Debt Extinguishment. As a result of our debt restructuring during the second quarter of 2011, we incurred a loss on debt extinguishment of $4.8 million. This charge is comprised primarily of capitalized debt issuance costs written off in connection with our termination of debt instruments as part of the restructuring.

Business Combination Remeasurement Gains. Effective July 1, 2010, we acquired an incremental, controlling ownership of 37.0% in one of our surgical facilities located in Chesterfield, Missouri for $18.8 million. We recognized a gain of $3.2 million as a result of remeasuring our existing equity ownership interest in this facility held before the incremental acquisition of controlling ownership interests as required under generally accepted accounting principles.

Operating Income. For the year ended December 31, 2011, operating income excluding non-cash gains and losses increased to $80.0 million from $69.7 million for the year ended December 31, 2010. This increase is primarily attributable to surgical facilities and additional incremental, controlling ownership interests acquired since January 1, 2010.

Interest Expense, Net of Interest Income. Interest expense, net of interest income, increased to $54.3 million for the year ended December 31, 2011 compared to $48.0 million for the year ended December 31, 2010. The increase is primarily attributable to the increase in long-term debt due to our PIK elections and a higher interest rate on our Senior Secured Notes compared to our previous variable rate senior secured credit facility.

Provision for Income Taxes. Tax expense of $9.4 million for the year ended December 31, 2011 and $7.7 million for the year ended December 31, 2010 is primarily due to the recording of non-cash deferred income tax expense related to our partnership investments. The increase in tax expense compared to the prior year relates to an increase in our valuation allowance recorded against certain deferred tax assets, primarily due to our impairment charge of $2.9 million related to our equity method investment located in Novi, Michigan as well as a valuation allowance of $2.1 million related to a note receivable due from this facility.

Net Income Attributable to Noncontrolling Interests. Income attributable to noncontrolling interests increased to $33.5 million for the year ended December 31, 2011 compared to $26.6 million for the year ended December 31, 2010. As a percentage of revenues, income attributable to noncontrolling interests increased to 7.5% for 2011 compared to 6.7% for 2010. This increase is primarily attributable to an increase in operating income at one of our surgical hospitals in which we do not hold a majority ownership but consolidate for financial reporting purposes.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Overview. In 2010, our revenues increased 21.9% to $394.6 million from $323.7 million for 2009. We incurred a net loss attributable to Symbion, Inc. for the year ended December 31, 2010 of $8.7 million compared to $22.5 million for the year ended December 31, 2009. Our financial results for 2010 compared to 2009 reflect the addition of one surgical facility which we consolidate for financial reporting purposes. Also, we acquired an incremental, controlling ownership interest of a surgical facility which was previously recorded as an equity method investment. As a result of this acquisition, we hold a controlling interest in the facility and began consolidating the facility for financial reporting purposes in 2010.

Additionally, we disposed of one surgical facility which we accounted for using the equity method and four facilities which we consolidated for financial reporting purposes as of December 31, 2009. As of December 31, 2010, the financial results of these four disposed facilities for the year ended December 31, 2010, and all comparative periods, are reported as discontinued operations. For purposes of this management's discussion of our consolidated financial results, we consider same store facilities as those facilities that were operating throughout the respective periods listed below.

Revenues. Revenues for the year ended December 31, 2010 compared to December 31, 2009 were as follows (in thousands):

	2010	2009	Dollar Variance	Percent Variance
Patient service revenues	$ 382,328	$ 309,509	$ 72,819	23.5 %
Physician service revenues	5,800	6,464	(664)	(10.3)%
Other service revenues	6,427	7,694	(1,267)	(16.5)%
Total revenues	$ 394,555	$ 323,667	$ 70,888	21.9 %

Patient service revenues increased 23.5% for the year ended December 31, 2010 compared to 2009, primarily attributable to surgical facilities acquired and incremental, controlling ownership interests acquired since January 1, 2009. The decrease in other service revenues is a result of the sale of our equity investment located in Arcadia, California. We previously earned a management fee from this facility, which is reflected in 2009. Also contributing to the decrease is the consolidation of our previously held equity interest in one of our facilities located in Chesterfield, Missouri.

Cost of Revenues. Cost of revenues increased to $280.3 million for the year ended December 31, 2010 compared to $229.1 million for the year ended December 31, 2009. As a percentage of revenues, cost of revenues increased to 71.1% for the year ended December 31, 2010 compared to 70.8% for the year ended December 31, 2009. This increase is attributable to surgical facilities acquired and incremental, controlling ownership interests acquired since January 1, 2009 as well as an increase in supplies expense related to an increase in orthopedic cases, which typically have higher implant costs.

General and Administrative Expense. General and administrative expense increased to $22.5 million for the year ended December 31, 2010 from $21.4 million for the year ended December 31, 2009. As a percentage of revenues, general and administrative expenses decreased to 5.7% for 2010 from 6.6% for 2009. This decrease is attributable to our leveraging corporate overhead costs while continuing to increase revenue through recent acquisitions.

Depreciation and Amortization. Depreciation and amortization expense for the year ended December 31, 2010 was $18.4 million compared to $16.0 million for the year ended December 31, 2009. This increase is primarily attributable to depreciation expense related to surgical facilities and additional incremental, ownership interests acquired since January 1, 2009. As a percentage of revenues, depreciation and amortization expense decreased to 4.7% for 2010 from 4.9% for 2009.

Provision for Doubtful Accounts. Provision for doubtful accounts increased to $6.6 million for the year ended December 31, 2010 from $2.7 million for the year ended December 31, 2009. This increase is primarily attributable to surgical facilities acquired and incremental, controlling ownership interests acquired since January 1, 2009. As a percentage of revenues, the provision for doubtful accounts increased to 1.7% for 2010 from 0.8% for 2009.

Income on Equity Investments. Income on equity investments represents the net income of certain investments we have in surgical facilities. These surgical facilities are not consolidated for financial reporting purposes. Income on equity investments increased to $2.9 million for the year ended December 31, 2010 from $2.3 million for the year ended December 31, 2009.

Impairment and Loss (Gain) on Disposal of Long-Lived Assets. We recognized a gain on the extinguishment of facility level, third-party debt of $1.9 million for the year ended December 31, 2010. Additionally, we recognized a loss on the disposal of long-lived assets of $1.0 million during the year ended December 31, 2010. Included in this loss is an impairment charge of $816,000 related to our equity method investment located in Gresham, Oregon.

Business Combination Remeasurement Gains. Effective July 1, 2010, we acquired an incremental, controlling ownership of 37.0% in our surgical facility located in Chesterfield, Missouri for $18.8 million. We recognized a gain of $3.2 million as a result of remeasuring our existing equity ownership interest in this facility held before the incremental acquisition of controlling ownership interests as required under generally accepted accounting principles.

Operating Income. Operating income increased to $73.8 million for the year ended December 31, 2010 from $53.9 million for the year ended December 31, 2009. This change is primarily attributable to surgical facilities acquired and incremental, controlling ownership interests acquired since January 1, 2009. Also contributing to this increase is a $3.2 million gain due to the remeasurement of an existing equity investment and a $1.9 million gain recognized on the extinguishment of facility level, third-party debt during 2010. Comparatively, our operating income for 2009 includes an impairment charge of $2.4 million related to our equity investment located in Arcadia, California. Excluding non-cash gains and losses in 2010 and 2009, our operating income margin was 17.7% for 2010 and 17.5% for 2009.

Interest Expense, Net of Interest Income. Interest expense, net of interest income, increased to $48.0 million for the year ended December 31, 2010 from $45.0 million for the year ended December 31, 2009. Interest expense increased $1.3 million as a result of our borrowings under our revolving credit facility during 2010, and $1.8 million due to our election to pay interest on the Toggle Notes in kind, whereby the outstanding principal amount of debt has increased $25.0 million since December 31, 2009. Offsetting these increases in interest expense is a net reduction in interest expense of $2.1 million as a result of the mark-to-market recording of our previous interest rate swap and the impact of recognizing the remaining swap liability previously recorded in other comprehensive loss into earnings.

Provision for Income Taxes. Tax expense of $7.7 million for the years ended December 31, 2010 and December 31, 2009 is primarily due to the recording of non-cash deferred income tax expense related to our partnership investments.

Income from Discontinued Operations, Net of Taxes. Income from discontinued operations for the year ended December 31, 2010 of $190,000 includes the operating results of four surgical facilities which we disposed of during the year.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests increased to $26.6 million for the year ended December 31, 2010 compared to $19.0 million for the year ended December 31, 2009. As a percentage of revenues, net income attributable to noncontrolling interests increased to 6.7% for December 31, 2010 from 5.9% for 2009. This increase is primarily attributable to surgical facilities acquired and incremental, controlling ownership interests acquired since January 1, 2009.

Quarterly Results of Operations

The following tables present a summary of our unaudited quarterly consolidated results of operations for each of the four quarters in 2011 and 2010. The unaudited financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of such information when read in conjunction with our audited consolidated financial statements and related notes. Our quarterly operating results have varied in the past, may continue to do so and are not necessarily indicative of results for any future period.

	2011				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended
			(in thousands) (unaudited)		
Consolidated Statement of Operations Data:					
Revenues	$106,612	$ 108,431	$108,019	$121,591	$ 444,653
Operating expenses:					
Salaries and benefits	29,939	30,660	31,016	31,470	123,085
Supplies	24,086	26,295	24,608	30,908	105,897
Professional and medical fees	7,739	8,512	8,245	8,197	32,693
Rent and lease expense	5,769	6,070	6,060	6,099	23,998
Other operating expenses	7,739	7,695	8,157	7,714	31,305
Cost of revenues	75,272	79,232	78,086	84,388	316,978
General and administrative expense	5,869	5,544	5,400	5,910	22,723
Depreciation and amortization	5,025	5,058	5,019	5,161	20,263
Provision for doubtful accounts	1,541	1,536	2,656	1,230	6,963
Income on equity investments	(269)	(387)	(515)	(705)	(1,876)
(Gain) loss on impairment and disposal of long-lived assets	(78)	133	135	4,632	4,822
Loss on debt extinguishments	—	4,751	—	—	4,751
Litigation settlements, net	—	—	—	(391)	(391)
Total operating expenses	87,360	95,867	90,781	100,225	374,233
Operating income	19,252	12,564	17,238	21,366	70,420
Interest expense, net	(11,974)	(13,403)	(14,334)	(14,610)	(54,321)
Income (loss) before income taxes and discontinued operations	7,278	(839)	2,904	6,756	16,099
Provision for income taxes	1,619	1,332	1,907	4,514	9,372
Income (loss) from continuing operations	5,659	(2,171)	997	2,242	6,727
Income (loss) from discontinued operations, net of taxes	98	156	(277)	230	207
Net income (loss)	5,757	(2,015)	720	2,472	6,934
Less: Net income attributable to noncontrolling interests	(8,176)	(6,658)	(7,088)	(11,599)	(33,521)
Net loss attributable to Symbion, Inc.	$ (2,419)	$ (8,673)	$ (6,368)	$ (9,127)	$ (26,587)

	2010				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended
			(in thousands) (unaudited)		
Consolidated Statement of Operations Data:					
Revenues	$ 80,779	$ 100,549	$ 102,242	$ 110,985	$ 394,555
Operating expenses:					
Salaries and benefits	23,858	28,659	29,156	30,311	111,984
Supplies	17,205	22,096	23,066	26,477	88,844
Professional and medical fees	5,240	6,468	7,272	8,081	27,061
Rent and lease expense	5,968	5,825	5,832	5,937	23,562
Other operating expenses	6,500	7,112	7,627	7,656	28,895
Cost of revenues	58,771	70,160	72,953	78,462	280,346
General and administrative expense	5,232	5,937	5,521	5,775	22,465
Depreciation and amortization	3,945	4,774	4,874	4,761	18,354
Provision for doubtful accounts	1,230	1,990	1,988	1,388	6,596
Income on equity investments	(628)	(876)	(668)	(729)	(2,901)
Impairment and loss (gain) on disposal of long-lived assets	1,061	90	(401)	(1,657)	(907)
Litigation settlements, net	(36)	(8)	—	9	(35)
Business combination remeasurement gains	—	—	(3,169)	—	(3,169)
Total operating expenses	69,575	82,067	81,098	88,009	320,749
Operating income	11,204	18,482	21,144	22,976	73,806
Interest expense, net	(10,726)	(12,206)	(12,660)	(12,428)	(48,020)
Income (loss) before income taxes and discontinued operations	478	6,276	8,484	10,548	25,786
Provision for income taxes	1,586	613	1,740	3,786	7,725
Income (loss) from continuing operations	(1,108)	5,663	6,744	6,762	18,061
(Loss) income from discontinued operations, net of taxes	(113)	137	(240)	26	(190)
Net (loss) income	(1,221)	5,800	6,504	6,788	17,871
Less: Net income attributable to noncontrolling interests	(4,427)	(6,858)	(6,222)	(9,104)	(26,611)
Net (loss) income attributable to Symbion, Inc.	$ (5,648)	$ (1,058)	$ 282	$ (2,316)	$ (8,740)

EBITDA and Consolidated Adjusted EBITDA

When we use the term "EBITDA," we are referring to net income (loss) plus (a) loss from discontinued operations, net of taxes, (b) income tax expense, (c) interest expense, net, (d) depreciation and amortization, (e) non-cash (gains) losses, including our loss from debt extinguishment, and (f) non-cash stock option compensation expense, and less (g) net income attributable to noncontrolling interests. Noncontrolling interest represents the interests of third parties, such as physicians and in some cases, healthcare systems that own an interest in surgical facilities that we consolidate for financial reporting purposes. Our operating strategy is to apply a market-based approach in structuring our partnerships, with individual market dynamics driving the structure. We believe that it is helpful to investors to present EBITDA as defined above because it excludes the portion of net income attributable to these third-party interests and clarifies for investors our portion of EBITDA generated by our surgical facilities and other operations.

EBITDA increased to $68.0 million for the year ended December 31, 2011 from $62.8 million for the year ended December 31, 2010. This increase is attributable to surgical facilities and additional incremental, controlling ownership acquired since January 1, 2010. In addition, this increase is attributable to an increase in net patient services revenue per case primarily driven by higher acuity cases at our surgical hospitals. Our EBITDA margin decreased to 15.3% in 2011 from 15.9% in 2010 as net income attributable to noncontrolling interests as a percentage of net revenue increased by 80 basis points to 7.5% in 2011 from 6.7% in 2010. The increase in net income attributable to noncontrolling interests as a percentage of net revenue resulted from increased profitability of one of our larger surgical facilities in which we own less than a majority position and a decrease in our ownership interest in such facility during 2011.

We use EBITDA as a measure of liquidity. We have included it because we believe that it provides investors with additional information about our ability to incur and service debt and make capital expenditures. We use "Consolidated Adjusted EBITDA" to determine compliance with some of the covenants under the New Credit Facility, as well as to determine the interest rate and commitment fee payable under our New Credit Facility. When we use the term "Consolidated Adjusted EBITDA", we are referring to EBITDA, as defined above, adjusted for cash payments on our Idaho Falls facility lease, intercompany notes and pro forma acquisition and other non-cash adjustments.

EBITDA and Consolidated Adjusted EBITDA are not measurements of financial performance or liquidity under GAAP. They should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating, investing or financing activities, or any other measure calculated in accordance with generally accepted accounting principles. The items excluded from EBITDA and Consolidated Adjusted EBITDA are significant components in understanding and evaluating financial performance and liquidity. Our calculation of EBITDA is not comparable to the EBITDA measure we have used in certain prior periods but our EBITDA measure is consistent with the measure of EBITDA less income attributable to noncontrolling interests previously reported. Our calculation of EBITDA and Consolidated Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following table reconciles EBITDA to net cash provided by operating activities - continuing operations (in thousands):

	December 31, 2011				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended
			(in thousands) (unaudited)		
EBITDA	$ 16,357	$ 16,182	$ 15,638	$ 19,911	$ 68,088
Depreciation and amortization	(5,025)	(5,058)	(5,019)	(5,161)	(20,263)
Non-cash (losses) gains	78	(4,884)	(135)	(4,632)	(9,573)
Non-cash stock option compensation expense	(334)	(334)	(334)	(351)	(1,353)
Interest expense, net	(11,974)	(13,403)	(14,334)	(14,610)	(54,321)
Provision for income taxes	(1,619)	(1,332)	(1,907)	(4,514)	(9,372)
Net income attributable to noncontrolling interests	8,176	6,658	7,088	11,599	33,521
Loss on discontinued operations, net of taxes	98	156	(277)	230	207
Net income (loss)	5,757	(2,015)	720	2,472	6,934
Income from discontinued operations	(98)	(156)	277	(230)	(207)
Depreciation and amortization	5,025	5,058	5,019	5,161	20,263
Amortization of deferred financing costs	501	516	923	946	2,886
Non-cash payment-in-kind interest option	6,984	6,382	4,431	4,571	22,368
Non-cash stock option compensation expense	334	334	334	351	1,353
Non-cash recognition of other comprehensive loss into earnings	—	665	—	—	665
Non-cash losses (gains)	(78)	133	135	4,632	4,822
Non-cash loss on debt extinguishment	—	4,751	—	—	4,751
Deferred income taxes	1,534	1,190	1,852	4,395	8,971
Equity in earnings of unconsolidated affiliates, net of distributions received	341	60	(59)	(236)	106
Provision for doubtful accounts	1,541	1,536	2,656	1,230	6,963
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:					
Accounts receivable	(405)	(1,942)	(809)	(8,105)	(11,261)
Other assets and liabilities	684	(781)	6,176	(7,204)	(1,125)
Net cash provided by operating activities — continuing operations	$ 22,120	$ 15,731	$ 21,655	$ 7,983	$ 67,489
Other Data:					
Number of surgical facilities included in continuing operations, as of the end of period (1)	60	60	61	61	
Number of consolidated surgical facilities	47	47	47	47	

(1) Includes surgical facilities that we manage but in which have no ownership.

	2010				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended
	(in thousands) (unaudited)				
EBITDA	$ 12,107	$ 16,813	$ 16,624	$ 17,265	$ 62,809
Depreciation and amortization	(3,945)	(4,774)	(4,919)	(4,716)	(18,354)
Non-cash (losses) gains	(1,061)	(90)	3,570	1,657	4,076
Non-cash stock option compensation expense	(324)	(325)	(353)	(334)	(1,336)
Interest expense, net	(10,726)	(12,206)	(12,660)	(12,428)	(48,020)
Provision for income taxes	(1,586)	(613)	(1,740)	(3,786)	(7,725)
Net income attributable to noncontrolling interests	4,427	6,858	6,222	9,104	26,611
Loss on discontinued operations, net of taxes	(113)	137	(240)	26	(190)
Net income (loss)	(1,221)	5,800	6,504	6,788	17,871
Income from discontinued operations	113	(137)	240	(26)	190
Depreciation and amortization	3,945	4,774	4,874	4,761	18,354
Amortization of deferred financing costs	501	499	501	503	2,004
Non-cash payment-in-kind interest option	6,230	6,437	6,597	6,815	26,079
Non-cash stock option compensation expense	324	325	353	334	1,336
Non-cash recognition of other comprehensive loss into earnings	826	826	826	254	2,732
Non-cash credit risk adjustment of financial instruments	89	100	—	—	189
Non-cash losses (gains)	1,061	90	(3,570)	(1,657)	(4,076)
Deferred income taxes	1,828	2,505	1,138	5,508	10,979
Equity in earnings of unconsolidated affiliates, net of distributions received	(70)	(259)	272	107	50
Provision for doubtful accounts	1,230	1,990	1,988	1,388	6,596
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:					
Accounts receivable	(827)	(4,137)	(854)	(9,200)	(15,018)
Other assets and liabilities	3,944	(3,653)	(2,422)	1,773	(358)
Net cash provided by operating activities — continuing operations	$ 17,973	$ 15,160	$ 16,447	$ 17,348	$ 66,928
Other Data:					
Number of surgical facilities included in continuing operations, as of the end of period (1)	59	60	60	60	
Number of consolidated surgical facilities	53	54	54	49	

(1) Includes surgical facilities that we manage but in which have no ownership.

The following table reconciles Consolidated Adjusted EBITDA to EBITDA and EBITDA to net cash provided by operating activities—continuing operations:

	Twelve Months Ended December 31, 2011 (dollars in thousands except for operating data)
Consolidated Adjusted EBITDA (1)	$ 76,115
Cash payment on Idaho Falls lease (2)	5,275
Intercompany notes adjustment (3)	(8,753)
Pro forma acquisition and other non-cash adjustments (4)	(4,549)
EBITDA	68,088
Depreciation and amortization	(20,263)
Non-cash losses, net of noncontrolling interests	(9,573)
Non-cash stock option compensation expense	(1,353)
Interest expense, net	(54,321)
Provision for income taxes	(9,372)
Net income attributable to noncontrolling interests	33,521
Income from discontinued operations, net of taxes	207
Net income	6,934
Income from discontinued operations	(207)
Depreciation and amortization	20,263
Amortization of deferred financing costs and debt issuance discount	2,886
Non-cash payment-in-kind interest option	22,368
Non-cash recognition of other comprehensive loss into earnings	665
Non-cash stock option compensation expense	1,353
Non-cash losses	4,822
Loss on debt extinguishment	4,751
Deferred income taxes	8,971
Equity in earnings of unconsolidated affiliates, net of distributions received	106
Provision for doubtful accounts	6,963
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:	
Accounts receivable	(11,261)
Other assets and liabilities	(1,125)
Net cash provided by operating activities—continuing operations	$ 67,489

(1) When we use the term Consolidated Adjusted EBITDA, we are referring to EBITDA as reported adjusted for covenant related items per our New Credit Facility.

(2) Represents the cash lease payment adjustment for our facility located in Idaho Falls, ID as contemplated by our New Credit Facility.

(3) Adjustments related to outstanding balances on intercompany notes issued by our restricted subsidiaries as contemplated by our New Credit Facility.

(4) Includes the pro forma effect of acquisitions and other non-cash adjustments as contemplated by our New Credit Facility.

Liquidity and Capital Resources

Operating Activities

During the year ended December 31, 2011, our operating cash flow from continuing operations increased to $67.5 million compared to $66.9 million for the year ended December 31, 2010. This increase is primarily attributable to surgical facilities and incremental, controlling interests acquired since January 1, 2010 and changes in working capital.

During the year ended December 31, 2010, we generated operating cash flow from continuing operations of $66.9 million compared to $57.3 million for the year ended December 31, 2009. The increase is primarily due to surgical facilities acquired and incremental, controlling ownership interests acquired since January 1, 2009.

Investing Activities

Net cash used in investing activities from continuing operations during the year ended December 31, 2011 was $18.1 million which included $7.8 million of payments for acquisitions, net of cash acquired. Our acquisition activity was funded with cash from continuing operations. Additionally, we invested $9.7 million related to purchases of property and equipment which was funded with cash from continuing operations in 2011.

Net cash used in investing activities from continuing operations during the year ended December 31, 2010 was $53.0 million, including $44.1 million for acquisitions, net of cash acquired. Also during 2010, purchases of property and equipment totaled $8.7 million. Cash used in investing activities in 2010 was funded with borrowings under our Revolving Facility and cash from operations.

Net cash used in investing activities from continuing operations during the year ended December 31, 2009 was $11.2 million, including $9.5 million related to purchases of property and equipment. During 2009, we acquired $126,000 of cash through acquisitions which were consolidated for financial reporting purposes. Cash used in investing activities in 2009 was funded primarily from cash from operations.

Financing Activities

Net cash used in financing activities from continuing operations during the year ended December 31, 2011 was $53.9 million. During 2011, we made distributions to noncontrolling interest partners of $33.6 million. The following table summarizes our financing activities related to the issuance of our Senior Secured Notes and simultaneous extinguishment of debts during the year ended December 31, 2011 (in thousands):

	Cash provided by (used in) debt issuance and extinguishment	
Issuance of Senior Secured Notes, net of unamortized debt issuance discount of $5,278	$	344,722
Debt extinguishment, plus accrued and unpaid interest:		
Senior Secured Credit Facility		(273,121)
Toggle Notes		(73,330)
Payment of debt issuance costs		(11,891)
Net cash used in debt issuance and extinguishment	$	(13,620)

Net cash provided by financing activities from continuing operations during the year ended December 31, 2010 was $10.3 million. During 2010, we made scheduled principal payments on our former Senior Secured Credit Facility totaling $10.6 million. Also during 2010, we elected to exercise the PIK option by increasing the principal amount in lieu of making scheduled interest payments of $25.0 million on our Toggle Notes. We also made distributions to noncontrolling interest holders of $25.7 million during 2010. To fund our acquisition activity during 2010, we utilized $56.0 million of our available borrowings under our former Revolving Facility.

Net cash used in financing activities from continuing operations during the year ended December 31, 2009 was $41.4 million. During 2009, we made scheduled principal payments on our senior secured credit facility totaling $3.8 million. Also during 2009, we elected to exercise the PIK option by increasing the principal amount in lieu of making scheduled interest payments of $23.3 million on our Toggle Notes. We also made distributions to noncontrolling interest holders of $23.7 million during the year ended December 31, 2009.

Long-Term Debt

The Company's long-term debt is summarized as follows (in thousands):

	Year Ended December 31,			
	2011		2010	
Senior Secured Credit Facility	$	—	$	277,500
New Credit Facility		—		—
Senior Secured Notes, net of debt issuance discount of $4,799		336,201		—
Toggle Notes		94,724		232,000
PIK Exchangeable Notes		101,413		—
Notes Payable and Secured Loans		21,627		22,022
Capital lease obligations		4,311		4,803
		558,276		536,325
Less current maturities		(13,582)		(29,097)

Total	$ 544,694	$ 507,228

The proceeds of the Offering on June 14, 2011 were used to retire our former Senior Secured Credit Facility and a portion of our existing Toggle Notes. In connection with the Offering, we entered into the New Credit Facility and exchanged outstanding Toggle Notes having an aggregate principal amount of $85.4 million, at par plus accrued and unpaid interest, for $88.5 million initial aggregate principal amount of our PIK Exchangeable Notes. These transactions are described in detail below. Also, as a result of the debt restructuring, we recorded a loss on debt extinguishment of $4.8 million. This loss is comprised primarily of capitalized debt issuance costs written off in connection with our termination of debt instruments as part of the restructuring.

$50.0 Million Senior Secured Super-Priority Revolving Credit Facility

Concurrent with the Offering, we entered into a $50.0 million senior secured super-priority revolving credit facility with a syndicate of financial institutions led by affiliates of the initial Senior Secured Note purchasers. The New Credit Facility includes revolving credit loans and swingline loans. Letters of credit may also be issued under the New Credit Facility. The New Credit Facility matures December 15, 2015. The New Credit Facility is subject to a potential, although uncommitted, increase of up to $25.0 million at our request at any time prior to maturity of the facility, subject to certain conditions, including compliance with a maximum net senior secured leverage ratio and a minimum cash interest coverage ratio. The increase is only available if one or more financial institutions agree to provide it.

Loans under the New Credit Facility bear interest, at our option, at the reserve adjusted LIBOR rate plus 4.50% or at the alternate base rate plus 3.50%. We are required to pay a commitment fee at a rate equal to 0.50% per annum on the undrawn portion of commitments in respect of the New Credit Facility. This fee is payable quarterly in arrears and on the date of termination or expiration of the commitments.

The New Credit Facility contains financial covenants requiring us not to exceed a maximum net senior secured leverage ratio or fall below a minimum cash interest coverage ratio, in each case tested quarterly. Borrowings under the New Credit Facility are subject to significant conditions, including the absence of an material adverse change.

Senior Secured Notes

On June 14, 2011, we completed a private offering of $350.0 million aggregate principal amount of our Senior Secured Notes. The Senior Secured Notes were issued at a 1.51% discount, yielding proceeds of approximately $344.7 million. Interest on the Senior Secured Notes is due June 15 and December 15 of each year and will accrue at the rate of 8.00% per annum. The Senior Secured Notes will mature on June 15, 2016.

The proceeds from the issuance of the Senior Secured Notes were used to retire our Senior Secured Credit Facility and to repurchase an aggregate principal amount of $70.8 million of our Toggle Notes at par plus accrued and unpaid interest, for $73.3 million.

Effective September 9, 2011, we cancelled $9.0 million aggregate principal amount of our Senior Secured Notes held by certain holders, plus accrued and unpaid interest, in exchange for our issuance to such parties of $9.2 million aggregate principal amount of our PIK Exchangeable Notes. As a result of that exchange, we currently have $341.0 million aggregate principal amount of Senior Secured Notes outstanding.

In connection with the closing of the sale of the Senior Secured Notes, we and certain of our affiliates entered into a Registration Rights Agreement, whereby we agreed, under certain circumstances, to register senior secured notes with substantially identical terms to the Senior Secured Notes (the "Registered Senior Secured Notes") and commence an exchange offer to allow holders of the Senior Secured Notes to exchange their Senior Secured Notes for Registered Senior Secured Notes. We filed a Registration Statement to register the Registered Senior Secured Notes on October 11, 2011, which registration statement was declared effective on October 27, 2011. We completed the exchange of the Senior Secured Notes on December 7, 2011.

Toggle Notes

On June 3, 2008, we completed a private offering of $179.9 million aggregate principal amount of our Toggle Notes. Interest on the Toggle Notes is due February 23 and August 23 of each year. The Toggle Notes will mature on August 23, 2015. For any interest period through August 23, 2011, we were able to elect to pay interest on the Toggle Notes (i) in cash, (ii) in kind, by increasing the principal amount of the notes or issuing new notes (referred to as "PIK interest") for the entire amount of the interest payment or (iii) by paying interest on 50% of the principal amount of the Toggle Notes in cash and 50% in PIK interest. Cash interest on the Toggle Notes accrues at the rate of 11.0% per annum. PIK interest on the Toggle Notes accrues at the rate of 11.75% per annum.

Between August 23, 2008 and August 23, 2011, we elected the PIK option of the Toggle Notes in lieu of making scheduled interest payments for various interest periods. As a result, the principal due on the Toggle Notes has increased by $71.0 million from the issuance of the Toggle Notes to December 31, 2011. On August 23, 2011, the Company elected the PIK option of the Toggle Notes in lieu of making scheduled interest payments for the interest period from August 24, 2011 to February 23, 2012. The Company has accrued $3.7 million in interest on the Toggle Notes in other accrued expenses as of December 31, 2011. Beginning with our February 2012 interest payment, all further interest expense under our Toggle Notes require cash payments.

In connection with the Offering, we repurchased $70.8 million aggregate principal amount of the Toggle Notes, at par plus accrued and unpaid interest of $2.6 million and exchanged $85.4 million aggregate principal amount of Toggle Notes, at par plus accrued interest of

$3.1 million, for $88.5 million aggregate principal amount of PIK Exchangeable Notes.

The indenture governing the Toggle Notes contains various restrictive covenants, including financial covenants that limit our ability and the ability of our subsidiaries to borrow money or guarantee other indebtedness, grant liens, make investments, sell assets, pay dividends or engage in transactions with affiliates.

PIK Exchangeable Notes

Simultaneous with the closing of the Offering, we exchanged Toggle Notes having an aggregate principal amount of $85.4 million, at par plus accrued and unpaid interest, for $88.5 million initial aggregate principal amount of our PIK Exchangeable Notes. Effective September 9, 2011, we cancelled $9.0 million aggregate principal amount of our Senior Secured Notes held by certain holders, plus accrued and unpaid interest, in exchange for our issuance to such parties of $9.2 million aggregate principal amount of our PIK Exchangeable Notes. As a result of that exchange, we currently have $341.0 million aggregate principal amount of Senior Secured Notes outstanding.

The PIK Exchangeable Notes will mature on June 15, 2017. Interest accrues on the PIK Exchangeable Notes at a rate of 8.00% per year, compounding semi-annually on each June 15 and December 15 of each year, commencing on December 15, 2011. We will not pay interest in cash on the PIK Exchangeable Notes. Instead, we will pay interest on the PIK Exchangeable Notes in kind by increasing the principal amount of the PIK Exchangeable Notes on each interest accrual date by an amount equal to the entire amount of the accrued interest. The Company has accrued $361,000 in interest on the PIK Exchangeable Notes in other accrued expenses as of December 31, 2011. We record this accrued interest in other current liabilities until the interest payment date. On June 15 and December 15 of each year, we reclassify the accrued interest to long-term debt. Effective December 15, 2011, we reclassified $3.8 million of accrued PIK interest to long-term debt.

We recorded the PIK Exchangeable Notes in accordance with ASC Topic 470, *Debt.* In the exchange of Toggle Notes for PIK Exchangeable Notes, the new PIK Exchangeable Notes were recorded at fair value.

The PIK Exchangeable Notes are exchangeable into shares of common stock of Holdings at any time prior to the close of business on the business day immediately preceding the maturity date of the PIK Exchangeable Notes at a per share exchange price of $3.50. Upon exchange, holders of the PIK Exchangeable Notes will receive a number of shares of common stock of Holdings equal to (i) the accreted principal amount of the PIK Exchangeable Notes to be exchanged, plus accrued and non-capitalized interest, divided by (ii) the exchange price. The exchange price in effect at any time will be subject to customary adjustments.

Former Senior Secured Credit Facility

On August 23, 2007, we entered into a $350.0 million senior secured credit facility with a syndicate of banks (the "Senior Secured Credit Facility"). The Senior Secured Credit Facility extended credit in the form of two term loans of $125.0 million each (the first, the "Tranche A Term Loan" and the second, the "Tranche B Term Loan") and a $100.0 million revolving, swingline and letter of credit facility (the "Revolving Facility"). The swingline facility was limited to $10.0 million and the swingline loans are available on a same-day basis. The letter of credit facility was limited to $10.0 million. As of June 14, 2011, the Tranche A Term Loan had a principal balance of $101.4 million and accrued interest of $214,000.

The Tranche B Term Loan had a principal balance of $115.1 million and accrued interest of $243,000. As of June 1, 2011, the interest rate on the borrowings under the Senior Secured Credit Facility was 5.5%. The $100.0 million Revolving Facility included a non-use fee of 0.5% of the portion of the facility not used. We paid this fee quarterly. As of June 14, 2011, the amount outstanding under the Revolving Facility was $56.0 million with accrued interest and non-used fee of $164,000. Concurrent with the Offering, we used proceeds from the Offering to retire the Senior Secured Credit Facility.

Notes Payable to Banks

Certain of our subsidiaries have outstanding bank indebtedness, which is collateralized by the real estate and equipment owned by the surgical facilities to which the loans were made. The various bank indebtedness agreements contain covenants to maintain certain financial ratios and also restrict encumbrance of assets, creation of indebtedness, investing activities and payment of distributions.

Capital Lease Obligations

We are liable to various vendors for several equipment leases. The carrying value of the assets was $5.2 million and $5.1 million as of December 31, 2011 and December 31, 2010, respectively.

Other Obligations

In connection with the acquisition of Mountain View Hospital, LLC, we assumed other obligations of $49.6 million. This obligation is payable to the hospital facility lessor for the land, building and improvements at Mountain View Hospital, LLC. As of December 31, 2011, the balance on the obligation was $48.5 million. Additionally, we have recorded third-party settlements of $13.9 million as of December 31, 2011.

Summary

We believe we have sufficient liquidity in the next 12 to 18 months as described above. Nevertheless, we continue to monitor the state of the financial and credit markets and our current and expected liquidity and capital resource needs, and intend to continue to explore various financing alternatives to improve our capital structure, including by reducing debt, extending maturities or relaxing financial covenants. These may include new equity or debt financings or exchange offers with our existing security holders (including exchanges of debt for debt or equity) and other transactions involving our outstanding securities, given their secondary market trading prices. We cannot assure you, if we pursue any of these transactions, that we will be successful in completing a transaction on attractive terms, or at all.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations by period as of December 31, 2011 (in thousands):

	Payments Due by Period				
	Total	2012	2013-2014	2015-2016	Thereafter
Contractual Obligations:					
Long-term debt	$ 558,764	$ 11,605	$ 30,174	$ 415,572	$ 101,413
Cash interest obligations	161,236	39,076	74,035	48,125	—
Capital lease obligations	4,311	1,977	2,023	311	—
Operating lease obligations	133,815	23,119	43,339	29,034	38,323
Other financing obligations(1)	115,283	5,434	11,360	12,053	86,436
Total	$ 973,409	$ 81,211	$ 160,931	$ 505,095	$ 226,172

(1) Other financing obligations are payable to the hospital facility lessor at our facility located in Idaho Falls, Idaho relating to the land, building and improvements.

Inflation

For the past three years, inflation and changing prices have not significantly affected our operating results or the markets in which we operate.

Recent Accounting Pronouncements

Adopted

In August 2010, the FASB issued ASU 2010-23, Measuring Charity Care for Disclosure. ASU 2010-23 standardizes the basis of disclosure of charity care as cost and specifies the elements of cost to be used in charity care disclosures. Effective January 1, 2011 and retrospectively for all periods presented, we adopted the provisions of ASU 2010-23. The adoption of ASU 2010-23 had no impact on our results of operations.

Effective January 1, 2011 and retrospectively for all periods presented, we adopted the provisions of ASU 2010-24, Presentation of Insurance Claims and Related Insurance Recoveries. ASU 2010-24 further clarifies that health care entities should not net insurance recoveries against the related claim liabilities. The adoption of ASU 2010-24 had no impact on our results of operations or cash flows.

Issued

In July 2011, the FASB issued ASU 2011-7, Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. ASU 2011-07 requires the presentation of revenues net of the provision for doubtful accounts as well as requiring certain additional disclosures designed to help users understand how contractual discounts and bad debts affect recorded revenue in both interim and annual financial statements. Currently, our provision for doubtful accounts is included as a component of operating expenses. We plan to adopt the provisions of ASU 2011-7 during the first quarter of 2012 and retrospectively for all periods then presented. The adoption of ASU 2011-7 will change our presentation of revenues as well as operating costs, however, it will not impact our financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU 2011-5, Presentation of Comprehensive Income. ASU 2011-5 eliminated the Company's previously elected option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. Instead, ASU 2011-5 requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We plan to adopt the provisions of ASU 2011-5 during the first quarter of 2012 and retrospectively for all periods then presented with the inclusion of a separate, consecutive consolidated statement of comprehensive income. Through December 31, 2011, the only component of other comprehensive income related to changes in the fair value of its interest rate swap derivative instrument. Effective July 19, 2011, our interest rate swap agreement was terminated, as further discussed in Note 2. The adoption of ASU 2011-5 will not impact our financial position, results of operations or cash flows.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Historically, we have not held or issued derivative financial instruments other than the use of a variable-to-fixed interest rate swap for a portion of our senior credit facility. We do not use derivative instruments for speculative purposes. Our outstanding debt to commercial lenders is generally based on a predetermined percentage above LIBOR or the lenders' prime rate. At December 31, 2011, none of our long-term debt was subject to variable rates of interest. However, future borrowings under our New Credit Facility would subject us to LIBOR fluctuations. At December 31, 2011, the fair value of our total long-term debt, based on quoted market prices as of December 31, 2011, is approximately $532.4 million.

Item 8. ***Financial Statements and Supplementary Data***

Information with respect to this item is contained in our consolidated financial statements beginning with the Index on page F-1 of this report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

(a) ***Evaluation of Disclosure Controls and Procedures.*** We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us (including our consolidated subsidiaries) in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported in a timely basis.

(b) ***Management's Report on Internal Control over Financial Reporting.*** Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

During 2011, we acquired an ownership interest in an ASC located in Great Falls, Montana. Related to this acquisition, our consolidated balance sheet as of December 31, 2011 includes $2.4 million of total assets, excluding goodwill, and our consolidated statement of operations for the year ended December 31, 2011 includes $2.6 million and $628,000 of net revenues and net income, respectively. We have excluded this acquisition from management's assessment of internal control over financial reporting.

Management has assessed the effectiveness of our internal control over financial reporting using the criteria set forth in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment and those criteria, management concluded that our internal control over financial reporting was effective as of December 31, 2011.

(c) ***Changes in Internal Control Over Financial Reporting.*** There has been no change in our internal control over financial reporting that occurred during the fourth quarter of 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including the Chief Executive Officer and the Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, with the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls. For these reasons, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Directors and Executive Officers

MANAGEMENT

The following list identifies the name, age and position(s) of our executive officers, key employees and directors:

Name	Age	Position
Richard E. Francis, Jr.	58	Chairman of the Board, Chief Executive Officer and Director
Clifford G. Adlerz	58	President, Chief Operating Officer and Director
Teresa F. Sparks	43	Senior Vice President of Finance, Chief Financial Officer
R. Dale Kennedy[(1)]	64	Senior Vice President of Management Services and Secretary
Thomas S. Murphy, Jr.	52	Director
Robert V. Delaney	54	Director
Quentin Chu	35	Director
Kurt E. Bolin	53	Director
Craig R. Callen	56	Director

[(1)] Mr. Kennedy has announced that he will retire from the Company during 2012. He will maintain his current role as Chief Compliance Officer and Senior Vice President of Management Services and Secretary until such time his duties are fully transitioned.

Directors are re-elected annually by the shareholders of the Company (most recently as of March 16, 2012) pursuant to a written consent in lieu of annual meeting. Each director shall hold office until a successor is elected or until the directors death or resignation.

Richard E. Francis, Jr. has served as the Chairman of the Board since May 2002 and as Chief Executive Officer and a director since 1996. Mr. Francis also served as President from 1996 to May 2002. Mr. Francis served from 1992 to 1995 as Senior Vice President, Development of HealthTrust, Inc. From 1990 to 1992, Mr. Francis served as Regional Vice President, Southern Region for HealthTrust, where he oversaw operations of 11 hospitals. Mr. Francis' experience in the healthcare industry as well as his leadership of the Company and his role as a director since its founding in 1996 provides the Board with a unique and deeper insight into our business, challenges and opportunities.

Clifford G. Adlerz has served as President since May 2002 and as Chief Operating Officer and a director since 1996. Mr. Adlerz also served as Secretary from 1996 to May 2002. Mr. Adlerz served as Regional Vice President, Midsouth Region for HealthTrust, Inc. from 1992 until its merger with HCA Inc. in May 1995, at which time he became Division Vice President of HCA and served in that position until September 1995. Mr. Adlerz served as Chief Executive Officer of South Bay Hospital in Sun City, Florida from 1987 to 1992. Mr. Adlerz's experience in the healthcare industry as well as his leadership of the Company and his role as a director since its founding in 1996 provides the Board with a unique and deeper insight into our business, challenges and opportunities.

Teresa F. Sparks has served as Chief Financial Officer and Senior Vice President of Finance since August 2007. Ms. Sparks served as Corporate Controller from the Company's inception in 1996 to August 2007 and was named Vice President in December 2002. Previously, she served as Assistant Controller for HealthWise of America, Inc., a managed care organization. Prior to joining HealthWise of America, Ms. Sparks was a senior healthcare auditor for Deloitte & Touche LLP, Nashville, Tennessee.

R. Dale Kennedy has served as Secretary since May 2002 and Senior Vice President of Management Services since December 2002. Mr. Kennedy served as Vice President of Management Services from 1996 to December 2002. Mr. Kennedy served as Chief Operations Officer for IPN Network, LLC, a company that managed the business office functions of healthcare entities, from 1991 until 1995. Prior to that time, Mr. Kennedy served in regional financial roles for HealthTrust, Inc. and HCA Inc.

Thomas S. Murphy, Jr. co-founded Crestview Partners in 2004 and has served as a director of the Company since August 2007. He retired from Goldman, Sachs & Co. in 2003 where he was a Partner/Managing Director. Mr. Murphy spent sixteen years in the Investment Banking Division of Goldman, Sachs & Co. Mr. Murphy brings to the board his extensive experience with acquisitions, divestitures, recapitalizations, initial public offerings, bank and high yield financings and private equity investments. In addition to his charitable activities, Mr. Murphy serves on the Board of Directors of FBR Capital Markets Co. and Key Safety Systems, Inc.

Robert V. Delaney is a Partner at Crestview Partners. Mr. Delaney heads the firm's energy investing efforts. Prior to joining Crestview in 2007, Mr. Delaney was a partner at Goldman Sachs where he served in a variety of leadership positions including head of the principal investment area in Asia, head of the principal investment area in Japan, head of the global leveraged finance group and head of the workout, advisory and restructuring business. Mr. Delaney also served as a member of the investment committee which oversaw Goldman's corporate private equity investment funds. He is a director of Bell Supply Company, Samson Investment Company and Select Energy Services. Mr. Delaney received a MBA with high distinction from Harvard Business School where he was a Baker Scholar. He received an M.S. in Accounting from

NYU Stern School of Business where he graduated first in his class and was elected to Beta Gamma Sigma. He received a B.A. in Economics from Hamilton College, *summa cum laude*, where he was elected to Phi Beta Kappa. Mr. Delaney is a trustee of Hamilton College.

Quentin Chu is a Principal at Crestview Partners and has been with the firm since July 2005, after graduating from Harvard Business School. Mr. Chu has served as a director of the Company since August 2007. Prior to attending business school, Mr. Chu was an associate at The Carlyle Group, where he evaluated and executed transactions in the healthcare industry, including pharmaceuticals, medical devices, facility-based providers, managed care and outsourcing. Prior to joining Carlyle, Mr. Chu was an analyst in the healthcare investment banking team at Goldman, Sachs & Co., where he completed a range of mergers and acquisitions and financing assignments for both early stage and Fortune 500 companies. Mr. Chu's experience in healthcare transactions and finance provides the Board greater insight into the healthcare industry and financial strategy.

Kurt E. Bolin is a Principal of Stone Point Capital LLC and has been with the firm since 1997. Mr. Bolin has served as a director of the Company since August 2007. Prior to joining Stone Point Capital, Mr. Bolin was with GE Capital, Inc., where he held various private equity positions from 1986 to 1997, most recently as Managing Director of the Equity Capital Group. In addition to private equity investing, Mr. Bolin's activities at GE Capital, Inc. included leading the acquisitions of various insurance companies. Mr. Bolin is also a director of Edgewood Partners Holdings, LLC, GENEX Services, Inc. and Wilton Re Holdings Limited. The Board benefits from Mr. Bolin's experience as a private equity investor and the knowledge he has gained as a board member of various companies.

Craig R. Callen has been a Senior Advisor at Crestview since October 2009 and became a director of the Company in March 2010. From 2004 to 2007, Mr. Callen served as Senior Vice President of Strategic Planning and Business Development and a member of the Executive Committee for Aetna, Inc., responsible for oversight and development of Aetna's corporate strategy, including mergers and acquisitions. Prior to joining Aetna in 2004, Mr. Callen was a Managing Director and Head of U.S. healthcare investment banking at Credit Suisse First Boston and co-head of healthcare investment banking at Donaldson Lufkin & Jenrette prior to its acquisition by Credit Suisse First Boston. Previously Mr. Callen served on the Board of Directors of Kinetic Concepts, Inc. and Sunrise Senior Living, Inc. Mr. Callen, through his 20 years in investment banking and broad experience in the healthcare industry, offers the Board greater insight into industry dynamics as well as investment and acquisitions strategies.

Board Structure and Compensation

Our board is currently composed of seven members. We do not currently pay our directors any fees.

Audit Committee Financial Expert

Our Audit and Compliance Committee is composed of Quentin Chu and Kurt Bolin. In light of our status as a closely held company and the absence of a public trading market for our common stock, our Board has not designated any member of the Audit and Compliance Committee as an "audit committee financial expert."

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics. Copies of the Code of Business Conduct and Ethics may be obtained, free of charge, by writing to the Secretary of the Company at: Symbion, Inc., 40 Burton Hills Boulevard, Suite 500, Nashville, Tennessee 37215.

Item 11. ***Executive Compensation***

COMPENSATION DISCUSSION AND ANALYSIS

Symbion is a wholly-owned subsidiary of Symbion Holdings Corporation. The same individuals serve on both Holding's Board of Directors and our Board of Directors. Senior management is employed by us but has acquired and is eligible to receive equity awards in Holdings.

The Holdings Compensation Committee serves as our Compensation Committee and is responsible for establishing and administering executive compensation policies and programs within the framework of the committee's compensation philosophy. Our current Compensation Committee was established by Holdings in February 2008. Our board served as the compensation committee between the consummation of the Merger on August 23, 2007 and the appointment of the committee in February 2008.

Our executive compensation policies are designed to complement and contribute to the achievement of our business objectives. The Compensation Committee's general philosophy is that executive compensation should:

- Link compensation paid to executives to corporate and individual performance;
- Provide incentive opportunities that will motivate executives to achieve our long-term objectives;
- Be competitive within our industry and community and responsive to the needs of our executives;
- Attract, retain, motivate and reward individuals of the highest quality in the industry with the experience, skills and integrity necessary to promote our success; and
- Comply with all applicable laws, and be appropriate in light of reasonable and sensible standards of good corporate governance.

The elements of our executive compensation program include (i) base salary, (ii) annual cash bonus or non-equity incentive compensation, (iii) equity-based compensation, and (iv) other benefits such as participation in our 401(k) plan and the Supplemental Executive Retirement Plan (the "SERP"). Executive officers also receive benefits that our other employees receive including medical, life and disability insurance.

Compensation Process

The Compensation Committee approves salaries and other compensation for our executive officers. The Compensation Committee also reviews and approves, in advance, employment and similar arrangements or payments to be made to any executive officer. For purposes of this discussion, the Named Executive Officers, or NEOs, are the individuals included in the Summary Compensation Table in this filing. Salaries and other compensation for all other officers and employees are determined by management in accordance with our compensation policies and plans.

Prior to the Merger, our compensation procedures were similar to those of other similarly situated companies. Our former Compensation Committee retained an independent compensation consultant for advice with respect to specific compensation decisions. Currently, our Compensation Committee is appointed by Holdings' Board of Directors, which is controlled by Crestview. Accordingly, our Compensation Committee represents the interests of our stockholders and makes decisions independent from our executive officers. Since the Merger, our Compensation Committee generally has continued the levels of compensation that were in place at the time of the Merger with cost-of-living adjustments it has deemed appropriate. Our Compensation Committee has not otherwise utilized the services of a consulting firm in connection with compensation decisions it has made after the Merger.

The Compensation Committee may delegate to the Chief Executive Officer the authority to make, within the framework of the Compensation Committee's philosophy or objectives that it has adopted from time to time, compensation decisions with respect to our non-executive employees.

Components of Executive Compensation

Base Salaries

The Compensation Committee reviews the base salaries of our executive officers on an annual basis. Salaries are determined based on a subjective assessment of the nature and responsibilities of the position involved, our performance and the performance of the particular officer, and the officer's experience and tenure with us. The base salaries for 2011 for our Named Executive Officers were as follows: $482,225 for Mr. Francis, $348,276 for Mr. Adlerz, $227,935 for Ms. Sparks, and $216,336 for Mr. Kennedy. Messrs. Francis and Adlerz were entitled to increases in salary effective January 1, 2008, to $525,000 and $375,000, respectively, under the terms of their employment agreements but elected to delay implementing this increase to their base salary. Messrs. Francis and Adlerz received no salary increase for 2009 and received the 2% cost of living salary increase that all other employees received in 2010 and 2011.

Non-Equity Incentive Compensation

Non-equity incentive compensation is intended to motivate executive officers to achieve pre-determined financial or other goals appropriate to each executive officer's area of responsibility set by the Compensation Committee, consistent with our overall business strategies.

In February 2011, the Compensation Committee established the 2011 Corporate Key Management Incentive Plan for key management employees, including our executive officers. The 2011 plan provides for a cash bonus equal to a percentage of base salary upon achievement of financial indicators selected by our Compensation Committee, including achievement of applicable budgeted EBITDA, development and division performance targets. The amount paid under the plan depends on the level of achievement; provided, however, that no bonus based on Company EBITDA will be paid unless a minimum of 95% of budgeted EBITDA is achieved. The 2011 plan also provides for an additional bonus paid in equity securities in the event that 2011 EBITDA for the Company equaled or exceeded budgeted EBITDA.

For Messrs. Francis and Adlerz, the aggregate cash and equity target bonus was 100% of base salary upon achievement of applicable budgeted EBITDA for the Company. For our other Named Executive Officers, the aggregate cash and equity target bonus for 2011 ranged from 45% to 50% of base salary upon achievement of applicable budgeted EBITDA for the Company. Upon review of the Company's 2011 financial performance, the Committee determined that Company EBITDA performance for the year ended December 31, 2011 did not exceed threshold levels. Accordingly, no cash or equity bonuses were earned by our Named Executive Officers for 2011 under this plan.

In January 2012, the Compensation Committee established the 2012 Corporate Key Management Incentive Plan for key management employees, including our executive officers. The 2012 plan provides for a bonus in cash or equity securities with a value equal to a percentage of base salary upon achievement of financial indicators selected by our Compensation Committee, including achievement of applicable budgeted EBITDA, development and division performance targets. The amount of the award under the plan depends on the level of achievement; provided, however, that no bonus based on Company EBITDA will be paid unless a minimum of 95% of budgeted EBITDA is achieved. For Messrs. Francis and Adlerz, the aggregate cash and equity target bonus is 100% of base salary upon achievement of applicable budgeted EBITDA for the Company. For our other Named Executive Officers, the aggregate cash and equity target bonus for 2012 ranges from 45% to 50% of base salary.

Equity-Based Compensation

Equity-based compensation is intended to align the financial interests of our executive officers' interests with those of our stockholders. The Compensation Committee believes that equity awards give our executives a stake in our long-term performance and align senior management with our achievement of longer-term financial objectives that enhance stockholder value. The Compensation Committee considers the number of available shares, but has no fixed formula for determining the awards to be granted.

Holdings maintains the 2007 Equity Incentive Plan, which permits grants of stock options and other equity-based awards. On August 31, 2007, the Compensation Committee made an initial award of options to purchase Holdings common stock under this plan to our executive officers and certain other employees. The exercise price of the options equaled the fair market value of Holdings common stock on the date of the grant. The options contain both time and performance based vesting components. Vesting of the time vesting portion of the award is accelerated in the event of a change in control. Vesting of performance vesting options is accelerated if certain conditions are satisfied in connection with a liquidity event. See "Executive Compensation—Potential Payments Upon Termination or Change in Control—Other Effects of Termination of Employment or Change in Control."

In 2011, options to purchase 185,286 shares of Holdings common stock were granted to employees under the 2007 Equity Incentive Plan. No options or other equity-based awards, however, were granted to our Named Executive Officers in 2011.

Effective January 23, 2012, the Board of Directors of Holdings adopted an amendment to the 2007 Equity Incentive Plan. The amendment increases the shares authorized for future grant under the plan by 2,400,000 shares and expands the authority of the Compensation Committee to amend the terms of outstanding awards under the plan without impairing the rights of any affected plan participant or the holder or beneficiary of any award.

After the adoption of the amendment, the Compensation Committee amended the terms for vesting and exercise of certain options previously issued under the plan and held by persons employed as of March 3, 2012, including options held by the Named Executive Officers. The exercise price of all options originally issued on and after August 31, 2007 was reduced to $3.00 per share and the expiration date of such options was extended to January 23, 2022. Outstanding performance vesting options were amended to provide that they will vest upon a liquidity event based on the extent to which Crestview Partners, L.P. and certain related investors receive a target share price for their equity.

Other Benefits

In January 2005, our former Compensation Committee adopted the SERP. The SERP is a nonqualified deferred compensation program for officers and other key employees designated by the Compensation Committee. The SERP is designed and administered in accordance with the requirements of the Internal Revenue Code to defer the taxation on compensation earned by participating employees. Participating employees can elect to defer up to 25% of their base salary and up to 50% of their year-end bonus. For employees who defer at least 2% of their base salary, we will contribute 2% of the employee's base salary to the SERP. The Compensation Committee in its discretion may make additional contributions based on achievement of performance goals or other company objectives. Employee contributions pursuant to the SERP are 100% vested at all times. Company contributions vest one year after contribution, and immediately upon death, disability or change in control of the Company. Participating employees direct the investment of their accounts in mutual funds or other appropriate investment media that we select. Assets invested pursuant to the SERP are designated for paying SERP benefits but are the property of Symbion and are subject to the claims of our creditors.

The Named Executive Officers are also eligible to participate in our 401(k) plan. The 401(k) plan allows employees to contribute up to the limits imposed by the Internal Revenue Code. Pursuant to the 401(k) plan, we can make a discretionary matching contribution to the plan on behalf of each employee. Typically, our match of employee contributions has been equal to 25% of the first 6% of an employee's base salary contributed to the plan.

Perquisites

We provide our executive officers with perquisites that we believe are reasonable, competitive and consistent with our overall executive compensation program and that are generally available to our other employees. These perquisites include medical, life and disability insurance.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information concerning compensation paid or accrued for the last three years with respect to our Named Executive Officers—the Chief Executive Officer, the Chief Financial Officer and our two other executive officers:

Name and Principal Position	Year	Salary	Bonus	Non-Equity Incentive Plan Compesation (1)	All Other Compensation (2)	Total
Richard E. Francis, Jr.	2011	$ 482,225	$ —	$ —	$ 12,615	$ 494,840
Chairman of the Board and Chief Executive Officer	2010	472,816	—	189,108	10,818	672,742
	2009	463,500	—	—	13,405	476,905
Clifford G. Adlerz	2011	348,274	—	—	9,891	358,165
President and Chief Operating Officer	2010	341,485	—	136,579	9,015	487,079
	2009	334,750	—	—	10,664	345,414
Teresa F. Sparks	2011	227,929	—	—	6,950	234,879
Senior Vice President of Finance and Chief Financial Officer	2010	223,466	—	44,693	6,218	274,377
	2009	219,078	—	—	7,755	226,833
R. Dale Kennedy	2011	216,330	—	—	6,769	223,099
Senior Vice President of Management Services and Secretary	2010	212,095	—	42,419	5,949	260,463
	2009	207,930	—	28,270	7,385	243,585

(1) Represents awards under the 2009, 2010, and 2011 Corporate Key Management Incentive Plans. See "Grants of Plan-Based Awards" below for additional information on the 2012 awards.

(2) Represents:

(a) Company contributions to the Supplemental Executive Retirement Plan for Mr. Francis of $9,270 for each of 2009 and 2010 and $9,455 for 2011, Mr. Adlerz of $6,695 for each of 2009 and 2010 and $6,829 for 2011; Ms. Sparks of $4,382 for each of 2009 and 2010 and $4,469 for 2011; and Mr. Kennedy of $4,159 for each of 2009 and 2010 and $4,242 for 2011.

(b) Company contributions to the 401(k) plan for Mr. Francis of $2,587 for 2009, $0 for 2010 and $1,837 for 2011; Mr. Adlerz of $2,587 for 2009, $919 for 2010 and $1,837 for 2011; Ms. Sparks of $2,469 for 2009, $919 for 2010 and $1,679 for 2011; and Mr. Kennedy of $2,368 for 2009, $919 for 2010 and $1,766 for 2011.

(c) Premiums we paid for term life insurance on behalf of each Named Executive Officer of $1,548 for each of 2008 and 2009 and 1,323 for 2011, for Mr. Francis; $1,382 for 2009, $1,401 for 2010 and $1,225 for 2011 for Mr. Adlerz; $904 for 2009, $917 for 2010 and $802 for 2011 for Ms. Sparks; and $858 for 2009, $871 for 2010 and $761 for 2011 for Mr. Kennedy.

Grants of Plan-Based Awards

The following table provides information regarding incentive awards granted during 2011 to our Named Executive Officers under the 2011 Corporate Key Management Incentive Plan, conditioned on achievement of applicable performance targets:

	Estimated Payouts Under Incentive Plan Awards		
	Threshold(1)	Target(2)	Maximum
Richard E. Francis, Jr.	$ 192,890	$ 482,225	$ 482,225
Clifford G. Adlerz	139,310	348,274	348,274
Teresa F. Sparks	45,586	113,965	113,965
R. Dale Kennedy	43,266	108,165	108,165

(1) Threshold is based upon minimum level of bonus payout assuming base level of performance is achieved. If base level is not reached, no

bonus would be paid under the plan.
(2) Target is based upon the expectation of the potential payout of incentive awards when the incentive plan was established.

Outstanding Equity Awards at Fiscal Year-End

The following table provides certain information with respect to the Named Executive Officers regarding outstanding equity awards as of December 31, 2011:

Name	Number of Securities Underlying Unexercised Options (#) (Exercisable)		Number of Securities Underlying Unexercised Options (#) (Unexercisable)		Option Exercise Price ($)	Option Expiration Date
	Option Awards					
Richard E. Francis, Jr.	135,162	(1)	—		$ 1.50	5/16/2012
	76,119	(1)	—		$ 1.50	12/10/2013
	24,941	(1)	—		$ 1.50	12/10/2014
	29,082	(1)	—		$ 1.50	1/5/2015
	21,098	(1)	—		$ 1.50	1/18/2014
	430,302	(2)	462,195	(2)	$ 10.00	8/31/2017
Clifford G. Adlerz	108,128	(1)	—		$ 1.50	5/16/2012
	60,505	(1)	—		$ 1.50	12/10/2013
	15,588	(1)	—		$ 1.50	12/10/2014
	18,176	(1)	—		$ 1.50	1/5/2015
	15,171	(1)	—		$ 1.50	1/18/2014
	286,868	(3)	318,762	(3)	$ 10.00	8/31/2017
Teresa F. Sparks	1,729	(1)	—		$ 1.50	12/10/2013
	6,361	(1)	—		$ 1.50	1/5/2015
	2,982	(1)	—		$ 1.50	1/18/2014
	51,521	(4)	83,415	(4)	$ 10.00	8/31/2017
R. Dale Kennedy	9,066	(1)	—		$ 1.50	5/16/2012
	51,521	(4)	83,415	(4)	$ 10.00	8/31/2017

(1) Options to purchase Holdings common stock that were received by the Named Executive Officers in exchange for Symbion options that were rolled over in connection with the Merger.

(2) Effective August 31, 2007, Mr. Francis received a grant of options to purchase 892,497 shares of Holdings common stock, including 430,302 time vesting options and 462,195 performance vesting options. The time vesting options vested 20% per year on December 31 beginning December 31, 2007. Performance vesting options vest upon a liquidity event based on the extent to which an internal rate of return ("IRR") is achieved by Crestview.

(3) Effective August 31, 2007, Mr. Adlerz received a grant of options to purchase 605,630 shares of Holdings common stock, including 286,868 time vesting options and 318,762 performance vesting options. The time vesting options vested 20% per year on December 31 beginning December 31, 2007. Performance vesting options vest upon a liquidity event based on the extent to which an indicated IRR is achieved by Crestview.

(4) Effective August 31, 2007, the Named Executive Officer received a grant of options to purchase 134,936 shares of Holdings common stock, including 51,521 time vesting options and 83,415 performance vesting options. The time vesting options vested 20% per year on December 31 beginning December 31, 2007. Performance vesting options vest upon a liquidity event based on the extent to which an indicated IRR is achieved by Crestview.

See "Compensation Discussion and Analysis—Components of Executive Compensation — Equity Based Compensation " for additional information about the 2012 amendment to the 2007 Equity Incentive Plan.

Option Exercises and Stock Vested

During 2011, the Named Executive Officers did not exercise any stock options. In addition, no restricted stock or similar awards were outstanding during 2011.

Nonqualified Deferred Compensation

The following table shows the activity during 2011 and the aggregate balances held by each of the Named Executive Officers at December 31, 2011 under our SERP:

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year(1)	Aggregate Earnings (Losses) in Last Fiscal Year	Aggregate Balance at Last Fiscal Year End
Richard E. Francis, Jr.	$ 9,645	$ 9,455	$ (19,299)	$ 192,930
Clifford G. Adlerz	6,966	6,829	(1,253)	119,471
Teresa F. Sparks	18,972	4,469	(12,683)	121,598
R. Dale Kennedy	8,653	4,242	(6,979)	92,647

(1) Amounts in this column are also reported in the "All Other Compensation" column of the Summary Compensation Table.

See "Compensation Discussion and Analysis — Components of Executive Compensation — Other Benefits" for additional information about the SERP.

Potential Payments Upon Termination or Change in Control

Employment Agreements. Messrs. Francis and Adlerz entered into new employment agreements with us which became effective on August 23, 2007 upon the consummation of the Merger. The initial term of each of the employment agreements is three years, which is automatically extended so that the term will be three years until terminated. We are able to terminate each employment agreement for cause, including (but not limited to) the executive's conviction of a felony or gross negligence or internal misconduct in the performance of the executive's duties to the extent it causes demonstrable harm to us. In addition, either party is able to terminate the employment agreement at any time by giving prior written notice to the other party. However, we would be obligated to pay the executive a severance benefit if we terminated the executive's employment without cause or if the executive terminated his employment upon the occurrence of certain events specified in the agreement, including (but not limited to) a change in control or our material breach of the agreement which is not cured promptly. The severance benefit is generally equal to three times the executive's highest base salary and the incentive bonus amount that would be paid for the current year as if the incentive bonus performance goals were fully achieved. Upon a termination of employment as a result of the executive's disability, we will pay the executive contractual disability benefits. If the executive receives severance payments following a change in control of Symbion that are subject to tax under Section 4999 of the Internal Revenue Code, we will pay additional amounts to offset the effect of such taxes on the executive. Each of the employment agreements also includes a covenant not to compete in which the executive agrees that, during the term of the employment agreement and for a period of one year thereafter, he will not own or work for any other company that is predominantly engaged in the ownership and management of surgery centers.

Severance Plan. We adopted an Executive Change in Control Severance Plan in December 1997, which currently provides for severance benefits for certain senior level employees, including two of the Named Executive Officers, Teresa F. Sparks and R. Dale Kennedy. Eligible individuals are those identified in the severance plan and whose employment is terminated in connection with a change in the control of the Company, as defined in the severance plan, and who are not offered employment by us or a successor employer that is substantially equivalent to or better than the position held with us immediately prior to the change in control or such position is not maintained for at least 12 months thereafter. The benefits provided to our eligible Named Executive Officers are cash compensation equal to base pay and bonus for 12 months and participation in medical, life, disability and similar benefit plans that are offered to our active employees or those of its successor for a period of 12 months. Cash benefits are paid in a single lump sum within 30 days following termination.

Other Effects of Termination of Employment or Change in Control. In addition to payments pursuant to the employment agreements and the Executive Change in Control Severance Plan described above, upon a termination of employment or change in control:

Supplemental Executive Retirement Plan - Under the SERP, deferrals made by an executive officer are fully vested and nonforfeitable at all times. If the executive officer's employment ends due to disability, death, retirement or a change in control, the executive officer's entire account, including earnings, will be fully vested. If the executive officer's employment ends due to some event other than disability, death, retirement or change in control, the executive officer forfeits all Company contributions that were made less than one year prior to the date of termination.

401(k) Plan - Under our 401(k) plan, contributions made by an executive officer are fully vested and nonforfeitable at all times. Matching contributions that we make for the benefit of an executive officer vest based on the years of service of the executive officer. Each of our current executive officers has been an employee for at least five years and, therefore, all company contributions under our 401(k) plan on behalf of such officers is fully vested and nonforfeitable. There is no provision for additional benefits on a change in control.

Stock Option Awards - Options may be subject to forfeiture depending on the nature of the terminating event. In no event shall an option be exercisable after the expiration date of the option. Upon a change in control or liquidity event, Named Executive Officers have special exercise and vesting rights. These special rights also apply to other option holders.

Death or Disability. In the event of death or disability of a Named Executive Officer, the executive officer or his or her estate has 12 months to exercise any vested options.

Termination With Cause. If a Named Executive Officer's employment is terminated with cause, then all options held by such officer shall immediately be forfeited and cancelled without any payment or consideration being payable to such officer.

Other Termination by the Company or Resignation. Except in the event of death or disability, an executive officer will have the right to exercise all options for three months following resignation or termination of employment by the Company that is not for cause. The right to exercise is limited to the options that have become vested as of the date of termination.

Change in Control and Liquidity Events. As described above under "Compensation Discussion and Analysis—Components of Executive Compensation—Equity-Based Compensation," the Company has awarded stock options to executive officers that become vested over a period of time provided that the executive officer continues to be employed by us and stock options that become vested upon achievement of performance goals. The effect of a change in control varies for time vesting options and options that vest upon performance.

Time Vesting Options. In the event of a Change in Control (as defined below) that occurs prior to termination of employment, whether or not the vesting requirements set forth in any form of time vesting option agreement have been satisfied, all such time vesting options that are outstanding at the time of the Change in Control shall become fully vested and exercisable immediately prior to the Change in Control event.

A "Change in Control" is deemed to have occurred (i) in the event that any person, entity or group other than Crestview and its related funds holds (other than pursuant to a registered initial public offering) Holdings stock representing at least 50% of the combined voting power of all outstanding voting equity securities and (ii) in the event of an asset sale by or liquidation or dissolution of Holdings.

Performance Options. Options that vest upon Crestview and certain related investors receiving a target stock price upon a liquidity event become vested only upon a liquidity event that occurs prior to termination of employment.

Change in Control or Liquidity Event Rights on Termination of Employment. Termination of an executive officer's employment by the Company without cause or upon a resignation for Good Reason will result in the right to exercise options as follows: (i) if termination occurs within 12 months following a Change in Control, the executive officer will be able to fully exercise the time vesting options and, to the extent that the performance conditions are satisfied, performance vesting options for three months following the date of the event; and (ii) if termination occurs within 12 months prior to the execution of an agreement that results in a liquidity event, the executive officer will be able to exercise the time vesting options to the extent that they were vested as of the termination of employment and, to the extent that the performance conditions are satisfied, performance vesting options for three months following the date of a liquidity event; provided, however, that the number of shares that can be acquired on exercise of the performance vesting option will be reduced by one-half if termination of employment is more than six months prior to execution of such agreement.

As it relates to Messrs. Francis and Adlerz, a termination of employment by the executive officer for "Good Reason" occurs following (a) any material breach by the Company of any material provision of the employment agreement; (b) a reduction in base salary or target bonus opportunity; (c) a material diminution in title or level of responsibility, or change in office or reporting relationship; (d) a transfer of the executive's primary workplace by more than 35 miles; (e) the failure of the executive to be elected or the executive ceases to be a member of our board or the board of Symbion (except for cause); or (g) the executive's resignation for any reason within 120 days following a Change in Control.

For all other Named Executive Officers, "Good Reason" means, during the 12 months following a Change in Control, (a) a reduction in base salary or target bonus opportunity in effect immediately prior to the Change in Control; (b) a material diminution in level of responsibility or, with respect to Ms. Sparks, a material diminution in title in effect immediately prior to the Change in Control; (c) a material reduction in the aggregate value of deferred compensation and health and welfare benefits that were provided immediately prior to the Change in Control; or (d) a transfer of the executive officer's primary workplace by more than 50 miles.

Potential Payments. The following table shows the amounts that each Named Executive Officer would have received if the Named Executive Officer's employment had been terminated for the reasons indicated effective December 31, 2011:

Name	Cash Compensation		Accelerated Vesting of Stock Options		Benefits		Total
Richard E. Francis, Jr.							
Termination for cause, voluntary termination or retirement	$ —		$ —		$ 37,094	(1)	$ 37,094
Death	—		—		37,094	(1)	37,094
Disability	725,006	(2)	—		45,244	(3)	770,250
Termination by the Company without cause or by the NEO for Good Reason	2,893,350	(4)	—		45,244	(3)	2,938,594
Change in Control	3,970,785	(5)	—	(6)	45,244	(3)	4,016,029
Clifford G. Adlerz							
Termination for cause, voluntary termination or retirement	—		—		26,790	(1)	26,790
Death	—		—		26,790	(1)	26,790
Disability	423,617	(2)	—		34,793	(3)	458,410
Termination by the Company without cause or by the NEO for Good Reason	2,089,644	(4)	—		34,793	(3)	2,124,437
Change in Control	2,845,728	(5)	—	(6)	34,793	(3)	2,880,521
Teresa F. Sparks							
Termination for cause, voluntary termination or retirement	—		—		17,533	(1)	17,533
Death	—		—		17,533	(1)	17,533
Disability	—	(2)	—		17,533	(1)	17,533
Termination by the Company without cause or by the NEO for Good Reason	—		—		17,533	(1)	17,533
Change in Control	341,894	(7)	—	(6)	25,052	(3)	366,946
R. Dale Kennedy							
Termination for cause, voluntary termination or retirement	—		—		16,641	(1)	16,641
Death	—		—		16,641	(1)	16,641
Disability	—	(2)	—		16,641	(1)	16,641
Termination by the Company without cause or by the NEO for Good Reason	—		—		16,641	(1)	16,641
Change in Control	324,495	(7)	—	(6)	24,114	(3)	348,609

(1) Represents accrued vacation only.

(2) For Messrs. Francis and Adlerz, this represents a disability benefit annual payment equal to 75% of base salary for a maximum period of 36 months, less the amount that is provided under our disability plan that is generally available to all salaried employees. Our other Named Executive Officers are only eligible for disability benefits under our plan available to all salaried employees.

(3) Includes accrued vacation and the premiums for medical, life and disability insurance benefits for the period of time the Named Executive Officer is eligible for continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) in accordance with the Named Executive Officer's employment agreement or the Executive Change in Control Severance Plan, as applicable.

(4) Represents a severance payment equal to (a) three times the Named Executive Officer's base salary plus (b) three times the target cash bonus amount for 2011 in accordance with the Named Executive Officer's employment agreement.

(5) Includes the amount described in footnote 4 above plus a "gross up" payment of all excise taxes imposed under Section 4999 of the Code and any federal income and excise taxes that are payable as a result of any reimbursements for Section 4999 excise taxes in accordance with the Named Executive Officer's employment agreement. The gross up amount is $1,057,979 for Mr. Francis and $756,084 for Mr. Adlerz. This calculation assumes termination of employment.

(6) As discussed above, if specified internal rates of return are achieved upon a liquidity event, then performance vesting options held by executive officers would vest in connection with the event. The fair market value of Holdings common stock on December 31, 2011, as determined under general valuation principles, was less than the exercise price of the unvested options. Therefore, for purposes of this table,

no value would have been realized for accelerated vesting of options upon a Change in Control.

(7) Represents payment under the Executive Change in Control Severance Plan of one year of annual pay, which includes for each individual, the base pay for 2011 and the bonus payable to each individual pursuant to the 2011 Corporate Key Management Incentive Plan upon achievement of applicable targets.

The table above does not include information about vesting of Company contributions under our 401(k) plan or the SERP.

Information about such plans can be found under "Other Effects of Termination of Employment or Change in Control" and "Nonqualified Deferred Compensation."

Director Compensation

None of our directors received compensation for service as a member of our (or Holdings) board or board committees for 2011. They are reimbursed for any expenses incurred in connection with their service.

Compensation Committee Interlocks and Insider Participation

Following the Merger, the Board of Directors of Holdings acted as our Compensation Committee. Beginning in February 2008, the Board of Directors of Holdings appointed Robert V. Delaney and Thomas S. Murphy, Jr., Board representatives of Crestview, as the Compensation Committee. None of the members of the Compensation Committee have at any time been our officer or employee nor have any of the members had any relationship with us requiring disclosure except for the transactions with Crestview described in Item 13. "Certain Relationships and Related Transactions, and Director Independence."

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Compensation Committee

Robert V. Delaney
Thomas S. Murphy, Jr.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

All of our capital stock is owned by our parent company, Holdings. The following table presents information with respect to the beneficial ownership of Holdings' common stock as of March 16, 2012 by (a) any person or group who beneficially owns more than five percent of Holdings common stock, (b) each of our directors and Named Executive Officers and (c) all directors and executive officers as a group. The percentage shares outstanding provided in the table are based on 24,816,623 shares of our common stock plus shares resulting from conversion of the PIK Exchangeable Notes, par value $0.01 per share, outstanding as of March 16, 2012.

Name of Beneficial Holder	Number of Shares(1)	Percent of Class
Crestview Funds(2)	38,252,052	78.8%
The Northwestern Mutual Life Insurance Company(3)	8,696,669	29.5
Trident IV, L.P.(4)	3,000,000	12.1
Banc of America Capital Investors V, L.P.(5)	2,500,000	10.1
Richard E. Francis, Jr.(6)(7)	900,301	3.6
Clifford G. Adlerz(6)(8)	561,867	2.3
Teresa F. Sparks(6)(9)	60,932	*
R. Dale Kennedy(6)(10)	59,227	*
Thomas S. Murphy, Jr.(11)	—	*
Robert V. Delaney(11)	—	*
Quentin Chu(11)	—	*
Craig R. Callen(11)	—	*
Kurt E. Bolin(4)	—	*
All directors and executive officers as a group (9 persons) (12)	1,582,327	5.9%

* Less than one percent.

(1) Beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable pursuant to options that are exercisable within 60 days of March 16, 2012 and shares issuable upon the exchange of PIK Exchangeable Notes for Holdings common stock. Shares issuable pursuant to options or PIK Exchangeable Notes are deemed outstanding in computing the percentage held by the person holding the options or PIK Exchangeable Notes but are not deemed outstanding in computing the percentage held by any other person.

(2) Consists of shares held directly by Crestview and certain related investors (the "Crestview Funds") as well as 23,710,727 shares issuable upon exchange of PIK Exchangeable Notes. The investment committee of Crestview Partners GP, L.P., the general partner of each fund, makes investment decisions on behalf of the investment funds and Barry S. Volpert serves as the chairman of the investment committee. Mr. Volpert has the right to designate, in his discretion, additional persons to serve on the investment committee of Crestview Partners GP, L.P. and, therefore, could be deemed to have beneficial ownership of all the shares of common stock held by the Crestview Funds. However, Mr. Volpert disclaims beneficial ownership of all such shares. The composition of the investment committee of Crestview Partners GP, L.P. changes from time to time. See "Certain Relationships and Related Party Transactions — Shareholder Agreement." The address of Crestview Partners GP, L.P. is 667 Madison Avenue, New York, New York 10065.

(3) Includes shares held directly by The Northwestern Mutual Life Insurance Company and an affiliated fund as well as 4,664,425 shares issuable upon exchange of PIK Exchangeable Notes. The address of The Northwestern Mutual Life Insurance Company is 720 East Wisconsin Avenue, Milwaukee, WI 53202.

(4) Includes shares held directly by Trident IV, L.P. and an affiliated fund (the "Trident IV Funds"). Mr. Bolin is a principal of Stone Point Capital LLC, which serves as the investment manager of the Trident IV Funds. Mr. Bolin disclaims beneficial ownership of all such shares, except to the extent of any pecuniary interest therein. The principal address for the Trident IV Funds is c/o Walkers SPV Limited, at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9002, Cayman Islands. The principal address for Stone Point Capital LLC is 20 Horseneck Lane, Greenwich, Connecticut 06830.

(5) The address of Banc of America Capital Investors V, L.P. is 150 North College Street, Suite 2500, Charlotte, North Carolina, 28202.

(6) The address of each of Messrs. Francis, Adlerz, and Kennedy and Ms. Sparks is 40 Burton Hills Boulevard, Suite 500, Nashville, Tennessee 37215.

(7) Includes options to purchase 673,744 shares which were exercisable as of March 16, 2012 or become exercisable within 60 days following March 16, 2012.

(8) Includes options to purchase 471,801 shares which were exercisable as of March 16, 2012 or become exercisable within 60 days following March 16, 2012.

(9) Represents options to purchase 60,932 shares which were exercisable as of March 16, 2012 or become exercisable within 60 days following March 16, 2012.

(10) Represents options to purchase 59,227 shares which were exercisable as of March 16, 2012 or become exercisable within 60 days following March 16, 2012.

(11) The address of each of Messrs. Murphy, Delaney, Chu and Callen is 667 Madison Avenue, New York, New York 10065.

(12) Includes options to purchase 1,338,473 shares which were exercisable as of March 16, 2012 or become exercisable within 60 days following March 16, 2012.

Equity Compensation Plan Information

The following table provides information as of December 31, 2011 with respect to compensation plans (including individual compensation arrangements) under which shares of the common stock of Holdings are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in second column)
Equity compensation plans approved by security holders (1)	3,815,016	$ 8.40	166,378
Equity compensation plans not approved by security holders	—	—	—
Total	3,815,016	$ 8.40	166,378

(1) Represents stock options granted or issuable under the Holdings 2007 Equity Incentive Plan. See additional disclosure at Item 8. "Financial Statements and Supplementary Data - Note 9. Stock Options".

Effective January 23, 2012, the Board of Directors of Holdings adopted an amendment to the 2007 Equity Incentive Plan. The amendment increases the shares authorized for future grant under the plan by 2,400,000 shares and expands the authority of the Compensation Committee to amend the terms of outstanding awards under the plan without impairing the rights of any affected plan participant or the holder or beneficiary of any award.

After the adoption of the amendment, the Compensation Committee amended the terms for vesting and exercise of certain options previously issued under the plan and held by persons employed as of March 3, 2012, including options held by the Named Executive Officers. The exercise price of all options originally issued on and after August 31, 2007 was reduced to $3.00 per share and the expiration date of such options was extended to January 23, 2022. Outstanding performance vesting options were amended to provide that they will vest upon a liquidity event based on the extent to which Crestview Partners, L.P. and certain related investors receive a target share price for their equity.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Financial Advisory Fees and Agreements

Holdings paid all fees and expenses of the Crestview Funds in connection with the Merger and the related financings. The aggregate amount of all fees payable to the Crestview funds and their affiliates in connection with the Merger and the related financing is approximately $6.3 million, plus out-of-pocket expenses. We have also agreed to pay an affiliate of the Crestview Funds an annual advisory fee of $1.0 million and will reimburse such affiliate for all related disbursements and out-of-pocket expenses pursuant to a management agreement. The agreement also provides that we will pay an affiliate of the Crestview Funds a fee in connection with certain subsequent financing, acquisition, disposition and change of control transactions based on a percentage of the gross transaction value of any such transaction. The management agreement includes customary exculpation and indemnification provisions in favor of the Crestview Funds and their affiliates.

Shareholders Agreement

Holdings, the Crestview Funds, the other co-investors and each of our management shareholders entered into a shareholders' agreement at the closing of the Merger.

The shareholders agreement provides that Messrs. Francis and Adlerz have the right to be appointed as directors of Holdings (with Mr. Francis as chairman) so long as they are employed in their current positions. Stone Point, which is one of the co-investors, is able to appoint one of our directors and the Crestview Funds have the right to select all of the remaining members of the board of directors of Holdings. In addition, Holdings is required to obtain the consent of the Crestview Funds before taking certain significant actions.

The shareholders agreement restricts transfers of shares of Holdings common stock by the shareholders who are party to the agreement, except to permitted transferees and subject to various other exceptions, and also grants certain tag-along, drag-along and pre-emptive rights, as well as rights of first offer upon certain sales, to the shareholders. The agreement also grants Holdings the right to purchase equity from management shareholders upon their departure from the company at the lesser of fair market value and cost, if the shareholder has been terminated for cause, or at fair market value in other cases.

Finally, the agreement provides customary demand and piggy-back registration rights to the shareholders.

PIK Exchangeable Note Exchanges

Contemporaneous with the closing of the Offering, we entered into our New Credit Facility and issued our PIK Exchangeable Notes to affiliates of Crestview and certain other holders of Toggle Notes in exchange for $85.4 million aggregate principal amount of our existing Toggle Notes, at par plus accrued and unpaid interest. Effective September 9, 2011, we cancelled $9.0 million aggregate principal amount of our Senior Secured Notes held by affiliates of the Northwestern Mutual Life Insurance Company, plus accrued and unpaid interest, in exchange for our issuance to such parties of an additional $9.2 million aggregate principal amount of our PIK Exchangeable Notes. Effective December 15, 2011, the Company reclassified $3.8 million of accrued PIK interest to long-term debt.

Policies and Procedures with Respect to Related Party Transactions

The charter of the Audit and Compliance Committee requires that the Audit and Compliance Committee approve any proposed related-party transactions and review with management any disclosure relating to related party transactions and potential conflicts of interest. "Related-party transactions" include, but are not limited to, those transactions described in Item 404(a) of Regulation S-K under the federal securities laws.

Director Independence

We do not have securities listed on a national securities exchange or in an automated inter-dealer quotation system of a national securities association and, as such, are not subject to the director independence requirements of such an exchange or association. In addition, based on the listing standards of The NASDAQ Stock Market, the national securities exchange upon which our common stock was traded prior to the Merger, we would be a "controlled company" within the meaning of Rule 5615(c)(1) of the Nasdaq listing rules because Crestview and its affiliates own a majority of the equity of Holdings, and Holdings owns all of our common stock. As a controlled company, we would qualify for exemptions from certain NASDAQ corporate governance rules, including the requirement that the board of directors be composed of a majority of independent directors.

Item 14. ***Principal Accountant Fees and Services***

The following table presents fees for professional services rendered by Ernst & Young LLP for the audit of our annual financial statements for 2011 and 2010, and all other fees billed for any additional services rendered by Ernst & Young LLP for 2011 and 2010:

	2011	2010
Audit Fees	$ 970,651	$ 885,559
Audit-Related Fees	26,955	1,500
Tax Fees	157,907	191,854
Total	$ 1,155,513	$ 1,078,913

Audit Fees. These fee were for professional services rendered by Ernst & Young LLP in connection with the audit of our consolidated annual financial statements. The fees also include services related to Securities and Exchange Commission filings.

Audit-Related Fees. These fees were for services rendered by Ernst & Young LLP related to accounting consultation services and a subscription to online accounting services.

Tax Fees. These fees were for services rendered by Ernst & Young LLP for compliance regarding tax filings and for other tax planning and tax advice services.

Pre-approval of Auditor Services

The charter of the Audit and Compliance Committee provides that the Audit and Compliance Committee must pre-approve all services to be provided by the independent auditors prior to the commencement of work. Unless the specific service has been pre-approved with respect to that year, the Audit and Compliance Committee must approve the permitted service before the independent auditors are engaged to perform it. For 2011 and 2010, all services provided by Ernst & Young LLP were pre-approved by the Audit and Compliance Committee.

All non-audit services were reviewed with the Audit and Compliance Committee, which concluded that the provision of such services by Ernst & Young LLP was compatible with the maintenance of the accounting firm's independence in the conduct of its auditing functions.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements

The consolidated financial statements required to be included in Part II, Item 8. are indexed on Page F-1 and submitted as a separate section of this report.

(2) Consolidated Financial Statement Schedules

All schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes in this report.

(3) Exhibits:

No.	Description
3.1	Amended Certificate of Incorporation of Symbion, Inc. (a)
3.2	Amended and Restated Bylaws of Symbion, Inc. (a)
4.1	Indenture, dated as of June 3, 2008, among Symbion, Inc., the Guarantors named therein and U.S. Bank National Association, as Trustee (a)
4.2	Form of 11.00%/11.75% Senior PIK Toggle Notes due 2015 (included in Exhibit 4.1) (a)
4.3	Registration Rights Agreement, dated as of June 3, 2007, among Symbion, Inc., the subsidiaries of Symbion, Inc. party thereto as guarantors, and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC and Greenwich Capital Markets, Inc. (a)
4.4	First Supplemental Indenture, dated as of September 18, 2008 among Symbion, Inc., the Guarantors named therein and U.S. Bank National Association, as Trustee (a)
4.5	Indenture, dated as of June 14, 2011, among Symbion, Inc., the guarantors party thereto, and U.S. Bank National Association, as trustee, relating to the 8.00% Senior Secured Notes Due 2016 (b)
4.6	Form of 8.00% Senior Secured Notes Due 2016 (included in Exhibit 4.5) (b)
4.7	Registration Rights Agreement, dated as of June 14, 2011, among Symbion, Inc., the guarantors party thereto, and Morgan Stanley & Co. LLC, Barclays Capital Inc. and Jefferies & Company, Inc (b)
4.8	Indenture, dated as of June 14, 2011, among Symbion, Inc., the guarantors party thereto, and U.S. Bank National Association, as trustee, relating to the 8.00% Senior PIK Exchangeable Notes Due 2017 (b)
4.9	Form of 8.00% Senior PIK Exchangeable Notes Due 2017 (included in Exhibit 4.8) (b)
4.10	Form of Registration Rights Agreement, dated as of June 14, 2011, among Symbion, Inc., Symbion Holdings Corporation, the subsidiary guarantors party thereto, and the initial holders named therein (b)
4.11	Amendment to Registration Rights Agreement, dated as of September 9, 2011, among Symbion, Inc., Symbion Holdings Corporation, the subsidiary guarantors party thereto, and the initial holders named therein (h)
10.1	Intercreditor Agreement, dated as of June 14, 2011, among Symbion Holdings Corporation, Symbion, Inc., the other grantors party thereto, Morgan Stanley Senior Funding, Inc., as credit agreement collateral agent, and U.S. Bank National Association, as notes collateral agent (b)
10.2	Employment Agreement, dated August 23, 2007, between Symbion, Inc. and Richard E. Francis, Jr. (a)
10.3	Employment Agreement, dated August 23, 2007, between Symbion, Inc. and Clifford G. Adlerz (a)
10.4	Credit Agreement, dated as of June 14, 2011, among Symbion Holdings Corporation, Symbion, Inc., the lenders party thereto from time to time, Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, Morgan Stanley Bank, N.A., as swing line lender and issuing bank, and Barclays Capital and Jefferies Finance LLC, as co-syndication agents. (b)
10.5	Lease Agreement, dated June 26, 2001, between Burton Hills IV Partners and Symbion, Inc. (c)
10.6	First Amendment to Lease Agreement, dated February 9, 2004, between Burton Hills IV Partners and Symbion, Inc. (d)
10.7	Second Amendment to Lease Agreement, dated January 22, 2012, between Burton Hills IV Partners and Symbion, Inc.
10.8	Symbion Holdings Corporation 2007 Equity Incentive Plan (a)
10.9	First Amendment to 2007 Equity Incentive Plan (i)
10.10	Symbion, Inc. Executive Change in Control Severance Plan (a)
10.11	Symbion Holdings Corporation Compensatory Equity Participation Plan (a)
10.12	Shareholders Agreement, dated as of August 23, 2007, among Symbion Holdings Corporation and the stockholders of Symbion Holdings Corporation and other persons named therein (a)
10.13	Advisory Services and Monitoring Agreement, dated as of August 23, 2007, among Symbion, Inc., Symbion Holdings Corporation and Crestview Advisors, L.L.C. (a)
10.14	Form of Employee Contribution Agreement (a)
10.15	Symbion, Inc. Supplemental Executive Retirement Plan (e)
10.16	Management Rights Purchase Agreement, dated as of July 27, 2005, by and among Parthenon Management Partners, LLC, Andrew A. Brooks, M.D., Randhir S. Tuli and SymbionARC Management Services, Inc. (g)
21	Subsidiaries of Registrant
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document (j)
101.SCH	XBRL Taxonomy Extension Schema Document (j)

	XBRL Taxonomy Calculation Linkbase Document (j)
101.DEF	XBRL Taxonomy Definition Linkbase Document (j)

101.LAB	XBRL Taxonomy Label Linkbase Document (j)
101.PRE	XBRL Taxonomy Presentation Linkbase Document (j)

(a) Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form S-4 filed September 26, 2008 (Registration No. 333-153678).

(b) Incorporated by reference to exhibits filed with the Registrant's Current Report on Form 8-K filed June 20, 2011 (File No. 000-50574).

(c) Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form S-1 (Registration No. 333-89554).

(d) Incorporated by reference to exhibits filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 000-50574).

(e) Incorporated by reference to exhibits filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (File No. 000-50574).

(f) Incorporated by reference to exhibits filed with the Registrant's Current Report on Form 8-K filed August 2, 2005 (File No. 000-50574).

(g) Incorporated by reference to exhibits filed with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, as amended (File No. 000-50574).

(h) Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form S-4 filed October 11, 2011 (Registration No. 333-153678).

(i) Incorporated by reference to exhibits filed with the Registrant's Current Report on Form 8-K filed January 27, 2012 (File No. 000-50574)

(j) Furnished electronically herewith.

Index to Financials

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Symbion, Inc.

We have audited the accompanying consolidated balance sheets of Symbion, Inc. as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2011. 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 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Symbion, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 16, 2012

SYMBION, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 69,521	$ 73,044
Accounts receivable, less allowance for doubtful accounts of $10,190 and $9,971, respectively	66,969	60,679
Inventories	12,641	10,080
Prepaid expenses and other current assets	8,427	8,546
Current assets of discontinued operations	2,304	3,371
Total current assets	159,862	155,720
Land	5,713	5,713
Buildings and improvements	100,351	99,813
Furniture and equipment	69,267	63,834
Computers and software	4,827	4,469
	180,158	173,829
Less accumulated depreciation	(50,353)	(35,322)
Property and equipment, net	129,805	138,507
Intangible assets	26,920	21,817
Goodwill	630,144	624,737
Investments in and advances to affiliates	14,628	17,824
Other assets	15,078	9,609
Long-term assets of discontinued operations	1,657	2,183
Total assets	$ 978,094	$ 970,397
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 14,614	$ 11,945
Accrued payroll and benefits	9,990	9,927
Other accrued expenses	31,753	25,536
Current maturities of long-term debt	13,582	29,097
Current liabilities of discontinued operations	902	1,914
Total current liabilities	70,841	78,419
Long-term debt, less current maturities	544,694	507,228
Deferred income tax payable	61,056	51,309
Other liabilities	60,673	68,950
Long-term liabilities of discontinued operations	1,632	1,825
Noncontrolling interests — redeemable	34,624	34,996
Stockholders' equity:		
Common stock, 1,000 shares, $0.01 par value, authorized, issued and outstanding at December 31, 2011 and December 31, 2010	—	—
Additional paid-in-capital	239,935	240,959
Accumulated other comprehensive loss	—	(314)
Retained deficit	(81,806)	(55,219)
Total Symbion, Inc. stockholders' equity	158,129	185,426
Noncontrolling interests — non-redeemable	46,445	42,244
Total equity	204,574	227,670
Total liabilities and stockholders' equity	$ 978,094	$ 970,397

See Notes to Consolidated Financial Statements.

SYMBION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended December 31, 2011	2010	2009
Revenues	$ 444,653	$ 394,555	$ 323,667
Operating expenses:			
Salaries and benefits	123,085	111,984	92,716
Supplies	105,897	88,844	67,273
Professional and medical fees	32,693	27,061	20,225
Rent and lease expense	23,998	23,562	23,486
Other operating expenses	31,305	28,895	25,363
Cost of revenues	316,978	280,346	229,063
General and administrative expense	22,723	22,465	21,448
Depreciation and amortization	20,263	18,354	16,008
Provision for doubtful accounts	6,963	6,596	2,730
Income on equity investments	(1,876)	(2,901)	(2,318)
Impairment and loss (gain) on disposal of long-lived assets, net	4,822	(907)	2,813
Loss on debt extinguishment	4,751	—	—
Litigation settlements, net	(391)	(35)	—
Business combination remeasurement gains	—	(3,169)	—
Total operating expenses	374,233	320,749	269,744
Operating income	70,420	73,806	53,923
Interest expense, net	(54,321)	(48,020)	(44,936)
Income before income taxes and discontinued operations	16,099	25,786	8,987
Provision for income taxes	9,372	7,725	7,685
Income from continuing operations	6,727	18,061	1,302
Income (loss) from discontinued operations, net of taxes	207	(190)	(4,754)
Net income (loss)	6,934	17,871	(3,452)
Less: Net income attributable to noncontrolling interests	(33,521)	(26,611)	(19,002)
Net loss attributable to Symbion, Inc.	$ (26,587)	$ (8,740)	$ (22,454)

See Notes to Consolidated Financial Statements.

SYMBION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Symbion, Inc. Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Noncontrolling Interests-Non-redeemable	Total Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2008	1,000	$ —	$ 240,815	$ (5,584)	$ (24,025)	$ 4,330	$ 215,536
Amortized compensation expense related to stock options	—	—	1,297	—	—	—	1,297
Unrealized loss on interest rate swap, net of taxes	—	—	—	2,853	—	—	2,853
Distributions to noncontrolling interest holders	—	—	—	—	—	(2,660)	(2,660)
Acquisitions and disposal of shares of noncontrolling interests	—	—	511	—	—	220	731
Net loss	—	—	—	—	(22,454)	642	(21,812)
Balance at December 31, 2009	1,000	$ —	$ 242,623	$ (2,731)	$ (46,479)	$ 2,532	$ 195,945
Amortized compensation expense related to stock options	—	—	1,336	—	—	—	1,336
Recognition of interest rate swap liability to earnings, net of taxes	—	—	—	2,731	—	—	2,731
Distributions to noncontrolling interest holders	—	—	—	—	—	(6,646)	(6,646)
Acquisitions and disposal of shares of noncontrolling interests	—	—	(3,000)	—	—	39,735	36,735
Unrealized loss on interest rate swap, net of taxes	—	—	—	(314)			(314)
Net loss	—	—	—	—	(8,740)	6,623	(2,117)
Balance at December 31, 2010	1,000	$ —	$ 240,959	$ (314)	$ (55,219)	$ 42,244	$ 227,670
Amortized compensation expense related to stock options	—	—	1,353	—	—	—	1,353
Recognition of interest rate swap liability to earnings, net of taxes	—	—	—	665	—	—	665
Distributions to noncontrolling interest holders	—	—	—	—	—	(15,032)	(15,032)
Acquisitions and disposal of shares of noncontrolling interests	—	—	(2,377)	—	—	3,557	1,180
Unrealized loss on interest rate swap, net of taxes	—	—	—	(351)	—	—	(351)
Net loss	—	—	—	—	(26,587)	15,676	(10,911)
Balance at December 31, 2011	1,000	$ —	$ 239,935	$ —	$ (81,806)	$ 46,445	$ 204,574

See Notes to Consolidated Financial Statements.

SYMBION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows from operating activities:			
Net income (loss)	$ 6,934	$ 17,871	$ (3,452)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
(Income) loss from discontinued operations	(207)	190	4,754
Depreciation and amortization	20,263	18,354	16,008
Amortization of deferred financing costs	2,886	2,004	2,004
Non-cash payment-in-kind interest option	22,368	26,079	23,263
Non-cash stock option compensation expense	1,353	1,336	1,297
Non–cash recognition of other comprehensive loss into earnings	665	2,732	2,853
Non–cash credit risk adjustment of financial instruments	—	189	1,629
Non–cash losses (gains)	4,822	(4,076)	2,813
Loss on debt extinguishment	4,751	—	—
Deferred income taxes	8,971	10,979	8,682
Equity in earnings (loss) of unconsolidated affiliates, net of distributions received	106	50	(207)
Provision for doubtful accounts	6,963	6,596	2,730
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	(11,261)	(15,018)	(4,442)
Other assets and liabilities	(1,125)	(358)	(597)
Net cash provided by operating activities—continuing operations	67,489	66,928	57,335
Net cash provided by operating activities—discontinued operations	1,470	1,539	3,582
Net cash provided by operating activities	68,959	68,467	60,917
Cash flows from investing activities:			
Payments for acquisitions, net of cash acquired	(7,836)	(44,105)	(126)
Purchases of property and equipment, net	(9,677)	(8,676)	(9,499)
Proceeds (payments) from unit activity of unconsolidated facilities	—	50	(724)
Change in other assets	(590)	(278)	(844)
Net cash used in investing activities—continuing operations	(18,103)	(53,009)	(11,193)
Net cash used in investing activities—discontinued operations	(16)	(160)	(255)
Net cash used in investing activities	(18,119)	(53,169)	(11,448)
Cash flows from financing activities:			
Principal payments on long-term debt	(355,590)	(22,414)	(13,584)
Proceeds from debt issuances	348,880	56,942	678
Payment of debt issuance costs	(11,891)	—	(203)
Distributions to noncontrolling interests	(33,606)	(25,692)	(23,677)
(Payments) proceeds from unit activity of consolidated facilities	(2,155)	4,708	307
Other financing activities	450	(3,293)	(4,938)
Net cash (used in) provided by financing activities—continuing operations	(53,912)	10,251	(41,417)
Net cash (used in) provided by financing activities—discontinued operations	(451)	412	(1,469)
Net cash (used in) provided by financing activities	(54,363)	10,663	(42,886)
Net (decrease) increase in cash and cash equivalents	(3,523)	25,961	6,583
Cash and cash equivalents at beginning of period	73,044	47,083	40,500
Cash and cash equivalents at end of period	$ 69,521	$ 73,044	$ 47,083

See Notes to Consolidated Financial Statements.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011

1. Organization

Symbion, Inc. (the "Company"), through its wholly owned subsidiaries, owns interests in partnerships and limited liability companies that own and operate a national network of short stay surgical facilities in joint ownership with physicians and physician groups, hospitals and hospital systems. As of December 31, 2011, the Company owned and operated 55 surgical facilities, including 49 ambulatory surgery centers and six surgical hospitals. The Company also managed eight additional ambulatory surgery centers and one physician clinic. The Company owns a majority ownership interest in 31 of the 55 surgical facilities and consolidates 49 surgical facilities for financial reporting purposes. The Company reports two of the 55 surgical facilities as discontinued operations.

On August 23, 2007, the Company was acquired by an investment group led by an affiliate of Crestview Partners, L.P. ("Crestview"). As a result of this merger (the "Merger"), the Company no longer has publicly traded equity securities. The Company is a wholly owned subsidiary of Symbion Holdings Corporation ("Holdings"), which is owned by an investor group that includes affiliates of Crestview, members of the Company's management and other investors.

2. Significant Accounting Policies and Practices

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and accompanying footnotes. Examples include, but are not limited to, estimates of accounts receivable allowances, professional and general liabilities and the estimate of deferred tax assets or liabilities. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All adjustments are of a normal, recurring nature. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, as well as interests in partnerships and limited liability companies controlled by the Company through ownership of a majority voting interest or other rights granted to the Company by contract to manage and control the affiliate's business. The physician limited partners and physician minority members of the entities that the Company controls are responsible for the supervision and delivery of medical services. The governance rights of limited partners and minority members are restricted to those that protect their financial interests. Under certain partnership and operating agreements governing these partnerships and limited liability companies, the Company could be removed as the sole general partner or managing member for certain events such as material breach of the partnership or operating agreement, gross negligence or bankruptcy. These protective rights do not preclude consolidation of the respective partnerships and limited liability companies. The consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary, under the provisions of Accounting Standards Codification ("ASC") Topic 810, *Consolidation*. The variable interest entities are surgical facilities located in the states of Florida and New York. With regard to the New York facility, the Company is the primary beneficiary due to the power to direct the activities of the facility and the level of variability within the management service agreement, as well as the obligation and likelihood of absorbing the majority of expected gains and losses. Regarding the Florida facility, the Company has the power to direct the activities of the facility and has fully guaranteed the facility's debt obligations. The debt obligations are subordinated to such a level that the Company absorbs the majority of the expected gains and losses. The accompanying consolidated balance sheets as of December 31, 2011 and December 31, 2010 include assets of $14.2 million and $15.3 million, respectively, and liabilities of $3.9 million and $4.1 million, respectively, related to the variable interest entities. All significant intercompany balances and transactions are eliminated in consolidation.

Fair Value of Financial Instruments

The fair value of a financial instrument 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. The Company uses fair value measurements based on quoted prices in active markets for identical assets or liabilities (Level 1), or inputs other than quoted prices in active markets that are either directly or indirectly observable (Level 2), or unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions (Level 3), depending on the nature of the item being valued.

The carrying amounts reported in the accompanying consolidated balance sheets for cash, accounts receivable and accounts payable approximate fair value because of their short-term nature.

The carrying amount and fair value of the Company's long term debt obligations as of December 31, 2011 and 2010 were as follows (in thousands):

	Carrying Amount December 31,		Fair Value December 31,	
	2011	2010	2011	2010
Senior Secured Notes, net of note issuance discount of $4,799	$ 336,201	$ —	$ 310,566	$ —
Tranche A Term Loan	—	106,062	—	101,732
Tranche B Term Loan	—	115,438	—	110,724
Revolving Facility	—	56,000	—	53,715
PIK Exchangeable Notes	101,413	—	101,413	—
Toggle Notes	94,724	232,000	94,487	198,662

The fair value of the Senior Secured Notes, the Tranche A and B Term Loans, the Toggle Notes and the Revolving Facility (as such terms are defined in Note 7) were based on Level 1 computations using quoted prices at December 31, 2011 and 2010, as applicable. The fair value of the PIK Exchangeable Notes (as defined in Note 7) was based on a Level 3 computation, using a Company-specific discounted cash flow analysis. The Company's long-term debt instruments are discussed further in Note 7.

The Company determined the fair value of its interest rate swap based on the amount at which it could be settled, which is considered to be the exit price. This price is based upon observable market assumptions and appropriate valuation adjustments for credit risk. The Company has categorized its interest rate swap as a Level 2 financial instrument. Upon extinguishment of the senior secured credit facility, which was the underlying hedged instrument, the Company discontinued hedge accounting and terminated the swap obligation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash and cash equivalent balances at high credit quality financial institutions.

Accounts Receivable

Accounts receivable consist of receivables from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers and patients. The Company recognizes that revenues and receivables from government agencies are significant to its operations, but it does not believe that there are significant credit risks associated with these government agencies. Concentration of credit risk with respect to other payors is limited because of the large number of such payors. Accounts receivable are recorded net of contractual adjustments and allowances for doubtful accounts to reflect accounts receivable at net realizable value. Also, the Company has amounts recorded third-party settlements of $13.9 million and $12.0 million as of December 31, 2011 and 2010, respectively. As of December 31, 2011, $10.0 million related to the settlements is recorded in other accrued expenses and $3.9 million is recorded in in other long-term liabilities. The Company does not require collateral for private pay patients. Accounts receivable at December 31, 2011 and December 31, 2010 were as follows (in thousands):

	Year Ended December 31,	
	2011	2010
Surgical facilities	$ 66,969	$ 60,096
Physician networks	—	583
Total	$ 66,969	$ 60,679

The following table sets forth by type of payor the percentage of the Company's accounts receivable for consolidated surgical facilities as of December 31, 2011 and December 31, 2010:

	Year Ended December 31,	
	2011	2010
Private insurance	56%	58%
Government	19	18
Self-pay	7	8
Other	18	16
Total	100%	100%

Allowance for Doubtful Accounts

The Company's policy is to review the standard aging schedule, by surgical facility, to determine the appropriate allowance for doubtful accounts. Patient account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual net revenues, contractual adjustments and cash collections received. If the Company's internal collection efforts are unsuccessful, the Company manually reviews the patient accounts. An account is written off only after the Company has pursued collection with legal or collection agency assistance or otherwise deemed an account to be uncollectible.

Changes in the allowance for doubtful accounts and the amounts charged to revenues, costs and expenses were as follows (in thousands):

	Allowance Balance at Beginning of Period	Charged to Revenues, Costs and Expenses	Other	Allowance Balance at End of Period
Year ended December 31:				
2009	$ 13,708	$ 2,730	$ (7,579)	$ 8,859
2010	8,859	6,596	(5,484)	9,971
2011	9,971	6,963	(6,744)	10,190

Inventories

Inventories, which consist primarily of medical and drug supplies, are stated at the lower of cost or market value. Cost is determined using the first-in, first-out method.

Prepaid and Other Current Assets

A summary of prepaid and other current assets is as follows (in thousands):

	Year Ended December 31,	
	2011	2010
Prepaid expenses	$ 5,375	$ 4,942
Other receivables	3,052	3,604
	$ 8,427	$ 8,546

Property and Equipment

Property and equipment are stated at cost, or if obtained through acquisition, at fair value determined on the date of acquisition and depreciated on a straight-line basis over the useful lives of the assets, generally three to five years for computers and software and five to seven years for furniture and equipment. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the assets. Routine maintenance and repairs are charged to expenses as incurred, while expenditures that increase capacities or extend useful lives are capitalized.

Depreciation expense, including the amortization of assets under capital leases, was $20.3 million, $18.4 million and $16.0 million for the periods ended December 31, 2011, 2010 and 2009, respectively.

Impairment of Long-Lived Assets

When events or circumstances indicate that the carrying value of certain property and equipment might be impaired, the Company prepares an expected undiscounted cash flow projection. If the projection indicates that the recorded amounts of the property and equipment are not expected to be recovered, these amounts are reduced to estimated fair value. The cash flow estimates and discount rates incorporate management's best estimates, using appropriate and customary assumptions and projections at the date of evaluation. In 2011, the Company recorded an impairment charge of $2.9 million related to its equity method investment located in Novi, Michigan. The Company additionally recorded a valuation allowance of $2.1 million related to a note receivable due from this facility. In 2010, the Company recorded an impairment charge of $897,000 related to its equity method investment located in Gresham, Oregon. These impairment charges are included in the impairment and loss (gains) on disposal of long-lived assets.

Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of purchase price over the fair value of net tangible and identifiable intangible assets acquired. The Company tests for impairment annually as of December 31, or more frequently if certain indicators are encountered. See Note 5 for further discussion of our goodwill impairment valuation.

Other Intangible Assets

The Company has intangible assets of $19.5 million related to the certificates of need for certain of its facilities. These indefinite-lived assets are not amortized, but are assessed for possible impairment under the Company's impairment policy. The Company also has intangible assets related to various non-compete agreements, which are amortized over the service life of the agreements. The net value of