the non-compete intangible assets as of December, 31, 2011 is $5.2 million.

Effective August 1, 2011, we acquired a 56.0% ownership interest in an ASC located in Great Falls, Montana. We recorded goodwill of $4.6 million related to this acquisition. We consolidate this facility for financial reporting purposes for periods subsequent to the acquisition. Effective August 1, 2011, the Company acquired a 50.0% ownership interest in a 20-bed surgical hospital located in Great Falls, Montana and acquired the right to manage the hospital. We account for this facility as an equity method investment. Additionally, effective August 1, 2011, the Company acquired the right to manage a medical clinic consisting of multi-specialty physicians located in Great Falls, Montana. The aggregate consideration given for these acquisitions was $5.2 million plus the assumption of $232,000 of debt. The aforementioned management rights are recorded as intangible assets and amortized over the base terms of 15 years.

Unfavorable leasehold rights arising from the Merger were $869,000. Amortization of $83,468 was recorded in both 2011 and 2010. The unamortized balance at December 31, 2011 totaled $507,761. The unfavorable leasehold rights are amortized on a straight-line basis over the life of the applicable lease and reflected as a component of cost of revenues from continuing operations. Scheduled amortization expense for the five years ending December 31, 2011 to 2015 is $83,468 per year.

Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues and expenses of surgical facilities in which the Company has sufficient ownership and rights to allow the Company to consolidate the surgical facilities. Similar to its investments in unconsolidated affiliates, the Company regularly engages in the purchase and sale of equity interests with respect to its consolidated subsidiaries that do not result in a change of control. These transactions are accounted for as equity transactions, as they are undertaken among the Company, its consolidated subsidiaries, and noncontrolling interests, and their cash flow effect is classified within financing activities.

Investments in and Advances to Affiliates

As of December 31, 2011 and 2010, the Company held interests in seven and six surgical facilities, respectively, in which it exercised significant influence. However, the Company does not consolidate these facilities because of a lack of control. The Company accounts for such investments under the equity method. As of both December 31, 2011 and 2010, the Company owned less than 20% of two of these surgical facilities but exerted significant influence through board of director representation, as well as an agreement to manage the surgical facilities.

Effective December 31, 2011, the Company recorded an impairment charge of $2.9 million related to one of its equity method investments located in Novi, Michigan. The Company additionally recorded a valuation allowance of $2.1 million related to a note receivable due from this facility.

Other Assets

Other assets at December 31, 2011 and 2010 included approximately $12.2 million and $7.5 million, respectively, related to deferred financing costs. Deferred financing costs consist of prepaid interest, loan fees and other costs of financing that are amortized over the term of the related financing agreements. The deferred financing costs are amortized as interest expense on the accompanying consolidated statements of operations. During 2011, the Company wrote off approximately $4.8 million of deferred loan costs related to its senior secured credit facility and recorded approximately $11.9 million of deferred finance costs in conjunction with the private offering of $350.0 million aggregate principal amount of Senior Secured Notes.

Other Accrued Expenses

A summary of other accrued expenses is as follows (in thousands):

	2011	2010
Interest payable	$ 5,384	$ 9,865
Current taxes payable	6,541	6,240
Insurance liabilities	1,803	1,540
Third-party settlements	9,967	—
Other accrued expenses	8,058	7,891
	$ 31,753	$ 25,536

Other Liabilities

Other liabilities at December 31, 2011 and 2010 included an obligation which was assumed in connection with the acquisition of Mountain View Hospital, LLC. 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 and 2010, the balance on the obligation was $48.5 million and $48.0 million, respectively.

Additionally, included in other liabilities as of 2011 and 2010 are third-party settlements of $3.9 million and $12.0 million, respectively.

Noncontrolling Interests —Redeemable

Each of the partnerships and limited liability companies through which the Company owns and operates its surgical facilities is governed by a partnership or operating agreement. In certain circumstances, the partnership and operating agreements for the Company's surgical facilities provide that the facilities will purchase all of the physicians' ownership if certain adverse regulatory events occur, such as it becoming illegal for the physicians to own an interest in a surgical facility, refer patients to a surgical facility or receive cash distributions from a surgical facility. This redeemable noncontrolling interest is reported outside of stockholders' equity. The following table sets forth the activity of the noncontrolling interests—redeemable as of December 31, 2011:

	Noncontrolling Interests—Redeemable
Balance at December 31, 2008	$ 30,607
Net income attributable to noncontrolling interests—redeemable	18,592
Distributions to noncontrolling interest holders	(20,955)
Acquisitions and disposal of shares of noncontrolling interests	2,163
Balance at December 31, 2009	$ 30,407
Net income attributable to noncontrolling interests—redeemable	19,895
Distributions to noncontrolling interest holders	(19,040)
Acquisitions and disposal of shares of noncontrolling interests	3,734
Balance at December 31, 2010	$ 34,996
Net income attributable to noncontrolling interests—redeemable	17,845
Distributions to noncontrolling interest holders	(18,574)
Acquisitions and disposal of shares of noncontrolling interests	357
Balance at December 31, 2011	$ 34,624

Comprehensive Income

The Company reports other comprehensive loss as a measure of changes in stockholders' equity that results from recognized transactions. The Company entered into an interest rate swap agreement effective December 31, 2010. The change in other comprehensive loss of the Company from December 31, 2010 to December 31, 2011 resulted from the derecognition of the interest rate swap as a cash flow hedge as a result of the Company's debt extinguishment in the second quarter of 2011. Upon extinguishment of the Company's senior secured credit facility, which was the underlying hedged instrument, the Company discontinued hedge accounting and charged the amount previously recorded to other comprehensive income to earnings. The Company's total loss, including the net loss attributable to Symbion, Inc. and the amounts recorded to other comprehensive loss for the years ended December 31, 2011, 2010 and 2009 was $26,901, $11,157 and $25,307, respectively.

Revenues

Revenues by service type consist of the following for the periods indicated (in thousands):

	Year Ended December 31,		
	2011	**2010**	**2009**
Patient service revenues	$ 434,138	$ 382,328	$ 309,509
Physician service revenues	4,483	5,800	6,464
Other service revenues	6,032	6,427	7,694
Total revenues	$ 444,653	$ 394,555	$ 323,667

Patient Service Revenues

Approximately 98% of the Company's revenues in 2011 are patient service revenues. Patient service revenues are revenues from healthcare procedures performed in each of the facilities that the Company consolidates for financial reporting purposes. The fee charged varies depending on the type of service provided, but usually includes all charges for usage of an operating room, a recovery room, special equipment, supplies, nursing staff and medications. Also, in a very limited number of surgical facilities, the Company charges for anesthesia services. The fee does not normally include professional fees charged by the patient's surgeon, anesthesiologist or other attending physician, which are billed directly by such physicians to the patient or third-party payor. Patient service revenues are recognized on the date of service, net of estimated contractual adjustments and discounts for third-party payors, including Medicare and Medicaid. Changes in estimated contractual adjustments and discounts are recorded in the period of change.

Physician Service Revenues

Physician service revenues are revenues from a physician network consisting of reimbursed expenses, plus participation in the excess of revenue over expenses of the physician networks, as provided for in the Company's service agreements with the Company's physician networks. Reimbursed expenses include the costs of personnel, supplies and other expenses incurred to provide the management services to the physician networks. The Company recognizes physician service revenues in the period in which reimbursable expenses are incurred and in the period in which the Company has the right to receive a percentage of the amount by which a physician network's revenues exceed its expenses. Physician service revenues are based on net billings with any changes in estimated contractual adjustments reflected in service revenues in the subsequent period. Effective September 30, 2011, the Company completed a scheduled termination of its physician network agreements.

Physician service revenues consist of the following for the periods indicated (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Professional services revenues	$ 13,278	$ 17,948	$ 18,736
Contractual adjustments	(6,604)	(9,183)	(9,414)
Clinic revenue	6,674	8,765	9,322
Medical group retainage	(2,191)	(2,965)	(2,858)
Physician service revenues	$ 4,483	$ 5,800	$ 6,464

Other Service Revenues

Other service revenues consists of management and administrative service fees derived from the non-consolidated surgical facilities that the Company accounts for under the equity method, management of surgical facilities in which the Company does not own an interest and management services the Company provides to physician clinics for which the Company is not required to provide capital or additional assets. The Company recognizes other service revenues in the period in which services are rendered.

The following table sets forth by type of payor the percentage of the Company's patient service revenues generated for the periods indicated:

	Year Ended December 31,		
	2011	2010	2009
Private Insurance	67%	68%	71%
Government	26	25	24
Self-pay	3	4	4
Other	4	3	1
Total	100%	100%	100%

Supplemental Cash Flow Information

The Company made cash income tax payments of $396,000, $474,000 and $288,000 for the years ended December 31, 2011, 2010 and 2009, respectively. The Company made cash interest payments of $28.1 million, $22.9 million and $18.2 million for the years ended December 31, 2011, 2010 and 2009 respectively. The Company made non-cash, in kind interest payments on its PIK Exchangeable Notes and Toggle Notes of $22.4 million, $26.1 million and $23.3 million as of December 31, 2011, 2010 and 2009, respectively. The Company entered into capital leases for $2.1 million, $516,000 and $408,000 of equipment for the years ended December 31, 2011, 2010 and 2009, respectively.

Recently Issued and Adopted Accounting Guidelines

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, the Company adopted the provisions of ASU 2010-23. The adoption of ASU 2010-23 had no impact on the Company's results of operations.

Effective January 1, 2011 and retrospectively for all periods presented, the Company 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 the Company's 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, the Company's provision for doubtful accounts is included as a component of operating expenses. The Company plans 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 the Company's presentation of revenues as well as operating costs, however, it will not impact the Company's 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.

The Company plans 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 Company's only component of other comprehensive income related to changes in the fair value of its interest rate swap derivative instrument. Effective July 19, 2011, the Company's interest rate swap agreement was terminated, as further discussed in Note 2. The adoption of ASU 2011-5 will not impact the Company's financial position, results of operations or cash flows.

Reclassifications

Certain reclassifications have been made to the comparative periods' financial statements to conform to the 2011 presentation. The reclassifications primarily related to the presentation of discontinued operations and had no impact on the Company's financial position or results of operations.

3. Acquisitions and Equity Method Investments

Effective October 1, 2011, the Company acquired an oncology practice, which is operated within an existing facility located in Idaho Falls, Idaho. The purchase price of the acquisition was $3.8 million, consisting of $2.7 million of cash from operations and approximately $1.1 million in the form of equity ownership in our facility located in Idaho Falls, Idaho. The Company consolidates this surgical facility for financial reporting purposes.

Effective August 1, 2011 the Company acquired a 56.0% ownership interest in an ASC and a 50.0% ownership interest in a 20-bed surgical hospital located in Great Falls, Montana. For periods subsequent to the acquisition, the Company consolidates the ASC for financial reporting purposes and accounts for the surgical hospital as an equity method for financial reporting purposes. In addition, the Company acquired the rights to manage a medical clinic in Great Falls, Montana consisting of multi-specialty physicians who are partners in the surgical facilities acquired. The aggregate purchase price was $5.2 million plus the assumption of debt of approximately $232,000.

Effective January 7, 2011, the Company acquired an incremental ownership interest of 3.5% at its surgical facility located in Chesterfield, Missouri for a purchase price of $1.8 million. Additionally, on July 1, 2011, the Company acquired an additional incremental ownership interest of 2.0% in this facility for a purchase price of $1.0 million. Both transactions were financed with cash from operations.

Effective July 1, 2010, the Company acquired an incremental, controlling ownership interest of 37.0% in one of its surgical facilities located in Chesterfield, Missouri for $18.8 million. Subsequent to the acquisition, the Company held a 50.0% ownership interest in the facility. As part of the acquisition, the Company consolidated $4.8 million of third-party facility debt on its balance sheet. We subsequently restructured this debt using borrowings from our Revolving Facility. As a result of this acquisition, the Company holds a controlling interest in this facility. The acquisition was treated as a business combination, and the Company began consolidating the facility for financial reporting purposes in the third quarter of 2010. The aggregate purchase price was financed with proceeds from the Company's Revolving Facility.

Effective April 9, 2010, the Company acquired an ownership of 54.5% in a surgical hospital located in Idaho Falls, Idaho for approximately $31.9 million plus the assumption of approximately $6.1 million of debt and other obligations of $48.0 million, which the Company consolidates on its balance sheet. The other obligations include a financing obligation of $48.0 million payable to the hospital facility lessor for the land, buildings and improvements of the facility. The acquisition was financed with borrowings from the Company's Revolving Facility. The Company consolidates this facility for financial reporting purposes.

Effective September 1, 2009, the Company acquired an ownership of 28.8% in a surgical facility located in Gresham, Oregon for $525,000. The acquisition was financed with cash from operations. The Company accounts for this investment under the equity method.

Effective May 1, 2009, the Company acquired a 47.0% ownership interest in a surgical hospital in Austin, Texas for $350,000 plus the assumption of $2.6 million of debt. The acquisition was financed with cash from operations. The Company, as general partner, has the ability to direct the financial affairs of the facility, and as such, this facility is consolidated for financial reporting purposes.

Effective February 1, 2009, the Company acquired an incremental ownership of 18.0% in its surgical facility located in Westlake

Village, California for $416,000. Prior to the acquisition, the Company owned 1.0% of this facility. The acquisition was financed with cash from operations.

4. Discontinued Operations and Divestitures

From time to time, the Company evaluates its portfolio of surgical facilities to ensure the facilities are performing as expected. During the fourth quarter of 2011, the Company committed to a plan to divest its interest in two facilities which are consolidated for financial reporting purposes. During 2010, the Company committed to a plan to divest its interest in four facilities which are consolidated for financial reporting purposes. In September 2010, the Company sold its interest in a surgical facility located in Orlando, Florida for net proceeds of $1.3 million and recognized a loss of $2.2 million, which includes an accrual of $1.7 million for future contractual obligations under a facility operating lease. As of December 31, 2011, the lease liability was $923,000.

In October 2010, the Company sold its interest in a surgical facility located in Duncanville, Texas for net proceeds of $1.0 million and recognized a gain of $256,000. In December 2010, the Company sold its interest in surgical facilities located in Hammond, Louisiana and Vincennes, Indiana for net proceeds of $583,000 and $591,000, respectively, and recognized a gain of $109,000 and a loss of $275,000, respectively. All of the aforementioned divestitures were included in losses from discontinued operations. These facilities' assets, liabilities, revenues, expenses and cash flows have been classified as discontinued operations for all periods presented.

In February 2009, the Company ceased operations at its surgical facility located in Englewood, Colorado. A loss was recorded on the disposal of $5.9 million, which included an accrual of $4.6 million for future contractual obligations under a facility operating lease. The Company terminated this contractual lease obligation in July 2010 and paid cash of $1.2 million to settle the $3.6 million balance remaining on the obligation. A $2.4 million gain is included in the loss from discontinued operations as of December 31, 2010.

Revenues, income from operations before income taxes, income tax provision (benefit), loss on sale, net of taxes and the income (loss) from discontinued operations net of taxes for the years ended December 31, 2011, 2010 and 2009 related to discontinued operations were as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Revenues	$ 11,630	$ 20,191	$ 27,825
Income from operations before income taxes	$ 882	$ (501)	$ 1,203
Income tax provision (benefit)	$ 257	$ 67	$ 117
Loss on sale, net of taxes	$ (418)	$ 378	$ (5,840)
Income (loss) from discontinued operations, net of taxes	$ 207	$ (190)	$ (4,754)

5. Goodwill and Intangible Assets

The Company tests its goodwill and intangible assets for impairment at least annually, or more frequently if certain indicators arise. The Company tests goodwill at the reporting unit level, which the Company has concluded to be the consolidated operating results of Symbion, Inc. The Company completed the required annual impairment testing as of December 31, 2011, 2010 and 2009.

During 2011, the Company performed its impairment test by developing a fair value estimate of the business enterprise as of December 31, 2011 using a discounted cash flow approach and corroborated this analysis using a market-based approach. As the Company does not have publicly traded equity from which to derive a market value, an assessment of peer company data was performed whereby the Company 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 corroborate the results of the discounted cash flows approach. No impairment was indicated as of December 31, 2011.

Changes in the carrying amount of goodwill are as follows (in thousands):

Balance at December 31, 2010	$ 624,737
Acquisitions	4,941
Purchase price allocations	825
Disposals	(359)
Balance at December 31, 2011	$ 630,144

Purchase price allocations of $825,000 for the year ended December 31, 2011 reflect final purchase price adjustments to the identifiable net assets of acquired facilities.

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 and a management rights agreement, which are amortized over the service life of the agreements.

Changes in the carrying amount of intangible assets are as follows (in thousands)

	Management Rights	Non-Compete Assets	Certificates of Need	Total Intangible Assets
Balance at December 31, 2010	$ —	$ 2,337	$ 19,480	$ 21,817
Acquisitions	2,300	3,632	—	5,932
Amortization	(64)	(765)	—	(829)
Balance at December 31, 2011	$ 2,236	$ 5,204	$ 19,480	$ 26,920

Effective August 1, 2011, the Company acquired a 56.0% ownership interest in an ASC located in Great Falls, Montana. Goodwill of $4.6 million was recorded related to this acquisition. The Company consolidates this facility for financial reporting purposes for periods subsequent to the acquisition. Effective August 1, 2011, the Company acquired a 50.0% ownership interest in a 20-bed surgical hospital located in Great Falls, Montana. This facility is accounted for as an equity method investment. Additionally, effective August 1, 2011, the Company acquired the right to manage a medical clinic consisting of multi-specialty physicians located in Great Falls, Montana. The aggregate consideration given for these acquisitions was $5.2 million plus the assumption of $232,000 of debt. The aforementioned management rights are recorded as intangible assets and amortized over the base terms of 15 years. The Company will recognize amortization expense of $1.8 million, $1.8 million, $1.6 million, $621,000 and $153,000 related to the intangible assets during, 2012, 2013, 2014, 2015 and 2016, respectively.

6. Operating Leases

The Company leases office space and equipment for its surgical facilities, including surgical facilities under development. The lease agreements generally require the lessee to pay all maintenance, property taxes, utilities and insurance costs. The Company accounts for operating lease obligations and sublease income on a straight-line basis. Contingent obligations of the Company are recognized when specific contractual measures have been met, which is typically the result of an increase in the Consumer Price Index. Lease obligations paid in advance are included in prepaid rent. The difference between actual lease payments and straight-line lease expense over the original lease term, excluding optional renewal periods, is included in deferred rent.

The future minimum lease payments under non-cancelable operating leases at December 31, 2011 are as follows (in thousands):

2012	$ 23,119
2013	22,594
2014	20,745
2015	17,806
2016	11,228
Thereafter	38,323
Total minimum lease payments	$ 133,815

Total rent and lease expense was $24.0 million, $23.6 million and $23.5 million for the periods ended December 31, 2011, 2010 and 2009, respectively. The Company incurred rental expense of $8.0 million, $5.6 million and $5.6 million under operating leases with physician investors and an entity that is an affiliate of one of the Company's former directors for the periods ended December 31, 2011, 2010 and 2009, respectively.

7. Long-Term Debt

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

	Year Ended December 31, 2011	Year Ended December 31, 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

As described in the following sections, the Company modified its long-term debt structure during the second quarter of 2011. On June 14, 2011, the Company completed a private offering (the "Offering") of $350.0 million aggregate principal amount of 8.00% senior secured notes due 2016 (the "Senior Secured Notes"). The proceeds of the Offering were used to retire the Company's existing Senior Secured Credit Facility (defined below) and a portion of the Company's existing 11.00%/11.75% senior PIK toggle notes due 2015 (the "Toggle Notes"). In connection with the Offering, the Company entered into a new super-priority revolving credit facility ("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 new 8.00% senior PIK exchangeable notes due 2017 (the "PIK Exchangeable Notes"). As a result of the debt restructuring, the Company 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.

On September 9, 2011, the Company cancelled $9.0 million aggregate principal amount of outstanding senior secured notes held by certain holders, plus accrued and unpaid interest, in exchange for the issuance to such holders of $9.2 million aggregate principal amount of the Company's PIK Exchangeable Notes which resulted in no significant gain or loss.

$50.0 Million Senior Secured Super-Priority Revolving Credit Facility

Concurrent with the Offering, the Company entered into the New 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 on December 15, 2015. The New Credit Facility is subject to a potential, although uncommitted, increase of up to $25.0 million at the Company's 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. As of December 31, 2011, $50.0 million was available under the New Credit Facility.

Loans under the New Credit Facility bear interest, at the Company's option, at the reserve adjusted LIBOR rate plus 4.50% or at the alternate base rate plus 3.50%. The Company is 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 the Company 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 any material adverse change. At December 31, 2011, the Company was in compliance with all material covenants contained in the New Credit Facility.

Senior Secured Notes

On June 14, 2011, the Company completed a private offering of $350.0 million aggregate principal amount of its 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 Senior Secured Notes are guaranteed by substantially all of the Company's existing and future material wholly-owned domestic restricted subsidiaries. The Senior Secured Notes and the guarantees are the Company's and the guarantors' senior secured obligations and rank equal in right of payment with any of the Company's or the guarantors' existing and future senior indebtedness and pari passu with the Company's and the guarantors' first priority liens, except to the extent that the property and assets securing the notes also secure the obligations under the Company's new $50.0 million senior secured super-priority revolving credit facility, which is entitled to proceeds of the collateral prior to the Senior Secured Notes, in the event of a foreclosure or any insolvency proceedings.

The Company may redeem all or any portion of the Senior Secured Notes on or after June 15, 2014 at the redemption price set forth in the indenture governing the Senior Secured Notes, plus accrued interest. Prior to June 15, 2014, in each of 2011, 2012 and 2013, the Company may redeem up to 10% of the original aggregate principal amount of the Senior Secured Notes at a price equal to 103% of the aggregate principal amount thereof, plus accrued and unpaid interest. The Company may also redeem all or any portion of the Senior Secured Notes at any time prior to June 15, 2014 at a price equal to 100% of the aggregate principal amount thereof plus a make-whole premium and accrued and unpaid interest. In addition, the Company may redeem up to 35% of the aggregate principal amount of the notes with proceeds of certain equity offerings at any time prior to June 15, 2014.

Effective September 9, 2011, the Company cancelled $9.0 million aggregate principal amount of its Senior Secured Notes held by certain noteholders, 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, the Company currently has $341.0 million aggregate principal amount of Senior Secured Notes outstanding.

In connection with the closing of the sale of the Senior Secured Notes, the Company and the guarantors entered into a Registration Rights Agreement, whereby the Company 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. The Company 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. The Company completed the exchange offer on December 7, 2011.

At December 31, 2011, the Company was in compliance with all material covenants contained in the indenture governing the Senior Secured Notes.

Scheduled amortization of the discount recorded in connection with the Senior Secured Notes is as follows (in thousands):

	Discount attributable to Senior Secured Notes
January 1, 2012 through December 31, 2012	927
January 1, 2013 through December 31, 2013	1,006
January 1, 2014 through December 31, 2014	1,092
January 1, 2015 through December 31, 2015	1,186
January 1, 2016 through June 15, 2016	588
Total	$ 4,799

Toggle Notes

On June 3, 2008, the Company completed a private offering of $179.9 million aggregate principal amount of its 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, the Company was 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.

At June 14, 2011, the aggregate principal of Toggle Notes outstanding was $245.6 million, and in connection with the Offering, the Company repurchased $70.8 million aggregate principal amount of 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.

Between August 23, 2008 and August 23, 2011, the Company 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 the February 2012 interest period, all further interest expense under the Company's Toggle Notes require cash payments.

The Toggle Notes are unsecured senior obligations and rank equally with other existing and future senior indebtedness, senior to all future subordinated indebtedness and effectively junior to all secured indebtedness to the extent of the value of the collateral securing such indebtedness. Certain existing subsidiaries have guaranteed the Toggle Notes on a senior basis, as required by the indenture governing the Toggle Notes. The indenture also requires that certain of the Company's future subsidiaries guarantee the Toggle Notes on a senior basis.

Each guarantee is unsecured and ranks equally with senior indebtedness of the guarantor, senior to all of the guarantor's subordinated indebtedness and effectively junior to its secured indebtedness to the extent of the value of the collateral securing such indebtedness.

The indenture governing the Toggle Notes contains various restrictive covenants, including financial covenants that limit the Company's ability and the ability of the subsidiaries to borrow money or guarantee other indebtedness, grant liens, make investments, sell assets, pay dividends or engage in transactions with affiliates. At December 31, 2011, the Company was in compliance with all material covenants contained in the indenture governing the Toggle Notes.

PIK Exchangeable Notes

Concurrent with the Offering, the Company exchanged with affiliates of Crestview and certain other holders of the Company's outstanding Toggle Notes, 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 the Company's PIK Exchangeable Notes. Effective September 9, 2011, the Company cancelled $9.0 million aggregate principal amount of its Senior Secured Notes held by certain holders of such notes, plus accrued and unpaid interest, in exchange for our issuance to such parties of $9.2 million aggregate principal amount of its PIK Exchangeable Notes.

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 and commenced on December 15, 2011. The Company will not pay interest in cash on the PIK Exchangeable Notes. Instead, the Company 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. Effective December 15, 2011, the Company reclassified $3.8 million of accrued PIK interest to long-term debt.

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.

The PIK Exchangeable Notes are unsecured senior obligations and rank equally with other existing and future senior indebtedness, senior to all future subordinated indebtedness and effectively junior to all secured indebtedness to the extent of the value of the collateral securing such indebtedness. Holdings and substantially all of the Company's existing and future material wholly owned domestic subsidiaries have guaranteed the PIK Exchangeable Notes on a senior basis, as required by the indenture governing the PIK Exchangeable Notes. Each guarantee is unsecured and ranks equally with senior indebtedness of the guarantor, senior to all of the guarantor's subordinated indebtedness and effectively junior to its secured indebtedness to the extent of the value of the collateral securing such indebtedness.

The Company may not redeem the PIK Exchangeable Notes prior to June 15, 2014. On or after June 15, 2014, the Company may redeem some or all of the PIK Exchangeable Notes for cash at a redemption price equal to a specified percentage of the accreted principal amount of the PIK Exchangeable Notes to be redeemed, plus accrued and non-capitalized interest. The specific percentage for such redemptions will be 104% for redemptions during the year commencing on June 15, 2014, 102% for redemptions during the year commencing on June 15, 2015, and 100% for redemptions during the year commencing on June 15, 2016.

The Company recorded the PIK Exchangeable Notes in accordance with ASC Topic 470, *Debt.* In the exchange, the new PIK Exchangeable Notes were recorded at fair value. At December 31, 2011, the Company was in compliance with all material covenants contained in the indenture governing the PIK Exchangeable Notes.

Former Senior Secured Credit Facility

On August 23, 2007, the Company 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 extends 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 Tranche A Term Loan was scheduled to mature on August 23, 2013, the Tranche B Term Loan was scheduled to mature on August 23, 2014 and the Revolving Facility was scheduled to mature on August 23, 2013. The Tranche A Term Loan required quarterly payments of $4.7 million through September 30, 2011, quarterly payments of $6.3 million from December 31, 2011 through September 30, 2012, quarterly payments of $18.1 million from December 31, 2012 through June 30, 2013 and a balloon payment of $12.6 million on August 23, 2013. The Tranche B Term Loan required quarterly principal payments of $312,500 through June 30, 2014 and a balloon payment of $111.1 million on August 23, 2014. 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. The Company paid this fee quarterly. As of June 14, 2011, the amount outstanding under the Revolving Facility was $56.0 million with accrued interest and unused fee of $164,000. Concurrent with the Offering, the Company used proceeds of the Offering to retire the Senior Secured Credit Facility.

Notes Payable to Banks

Certain subsidiaries of the Company 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

The Company is 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 Long-Term Debt Information

Scheduled maturities of obligations as of December 31, 2011 are as follows (in thousands):

	Long-term Debt	Capital Lease Obligations	Total
2012	$ 11,605	$ 1,977	$ 13,582
2013	28,171	1,451	29,622
2014	2,003	572	2,575
2015	74,447	271	74,718
2016	341,125	40	341,165
Thereafter	101,413	—	101,413
	$ 558,764	$ 4,311	$ 563,075

8. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. The partnerships and limited liability companies file separate income tax returns. The Company's allocable portion of each partnership's and limited liability company's income or loss is included in the taxable income of the Company. The remaining income or loss of each partnership and limited liability company is allocated to the other owners. The Company made income tax payments of $396,000 and $474,000 for the periods ended December 31, 2011 and 2010, respectively.

Income tax expense from continuing operations is comprised of the following (in thousands):

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Current:			
Federal	$ 240	$ (1,763)	$ (111)
State	161	210	592
Deferred	8,971	9,278	7,204
Income tax expense	$ 9,372	$ 7,725	$ 7,685

A reconciliation of the provision for income taxes as reported and the amount computed by multiplying the income (loss) before taxes by the U.S. federal statutory rate of 35% was as follows (in thousands):

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Tax at U.S. statutory rates	$ 5,635	$ 9,027	$ 3,144
State income taxes, net of federal tax benefit	222	1,252	468
Change in valuation allowance	11,672	4,025	10,707
Expiration of capital loss carryforwards	590	2,666	—
Net income attributable to noncontrolling interests	(11,732)	(9,314)	(6,650)
Changes in measurement of uncertain tax positions	3,885	(18)	180
Other	(900)	87	(164)
	$ 9,372	$ 7,725	$ 7,685

The components of temporary differences and the approximate tax effects that give rise to the Company's net deferred tax liability are as follows at December 31 (in thousands):

	2011	2010
Deferred tax assets:		
Accrued malpractice reserve	$ 343	$ 595
Accrued vacation and bonus	323	778
Net operating loss carryforwards	45,774	39,157
Amortization of intangible assets	1,707	—
Basis differences of partnership and joint ventures	2,360	—
Deferred rent	145	245
Interest rate swap	—	115
Capital loss carryforward	5,119	4,639
Stock option compensation	3,956	3,519
Other deferred assets	1,455	754
Total gross deferred tax assets	61,182	49,802
Less: Valuation allowance	(57,986)	(44,053)
Total deferred tax assets	3,196	5,749
Deferred tax liabilities:		
Depreciation on property and equipment	(352)	(1,333)
Amortization of intangible assets	(645)	(2,696)
Basis differences of partnerships and joint ventures	(60,475)	(47,781)
Deferred financing costs and original issuance discount	(2,610)	(2,905)
Basis difference on divestitures	—	(2,158)
Other liabilities	(169)	(183)
Total deferred tax liabilities	(64,251)	(57,056)
Net deferred tax liability	$ (61,055)	$ (51,307)

As of December 31, 2011, the Company has recorded current deferred tax assets and net non-current deferred tax liabilities of $1,000 and $61.1 million, respectively. The Company had federal net operating loss carryforwards of $102.9 million as of December 31, 2011, which expire between 2027 and 2031. The Company had state net operating loss carryforwards of $226.7 million as of December 31, 2011, which expire between 2012 and 2031. The Company had capital loss carryforwards of $14.6 million as of December 31, 2010, which expire between 2012 and 2015.

The Company recorded a valuation allowance against deferred tax assets at December 31, 2011 and December 31, 2010 totaling $58.0 million and $44.1 million, respectively, which represents an increase of approximately $14.0 million. The valuation allowance has been provided for certain deferred tax assets, for which the Company believes it is more likely than not that the assets will not be realized. Approximately $1.0 million of the increase in the valuation allowance was recorded to additional paid in capital as the result of the tax effect of the acquisitions and disposals of shares of noncontrolling interests. In addition, a decrease of approximately $115,000 in the valuation allowance was recorded to Other Comprehensive Income related to the tax effect of the interest rate swap changes. Finally, approximately $2.9 million of the valuation allowance at December 31, 2011 is recorded against deferred tax assets, that if subsequently recognized, will be credited directly to contributed capital.

For the year ended December 31, 2011, the Company recorded income tax expense of $51,000 related to discontinued operations.

A reconciliation of the beginning and ending liability for gross unrecognized tax benefits at December 31, 2011 and 2010 is as follows (in thousands):

	2011	2010
Unrecognized tax benefits balance at January 1	$ 3,578	$ 3,315
Additions based on tax provisions related to the current year	—	—
Additions for tax positions of prior years	4,426	386
Reductions for settlements with taxing authorities	—	(22)

Reductions for the expiration of statutes of limitations	(42)	(101)
Unrecognized tax benefits balance at December 31	$ 7,962	$ 3,578

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2011 and 2010, the Company had approximately $398,000 and $163,000 of accrued interest and penalties related to uncertain tax positions, respectively.

The Company's U.S. federal income tax returns for tax years 2006 and beyond remain subject to examination. The Company's federal income tax returns for the years ended December 31, 2006 through 2009 are currently under audit by the Internal Revenue Service. The Company's state income tax returns for tax years 2008 and beyond remain subject to examination.

The Company believes that it is reasonably possible that the reserve for uncertain tax positions may be reduced by approximately $8.0 million in the coming twelve months principally as a result of the settlement of currently ongoing examinations. The reasonably possible changes of $8.0 million are related to the carryback of the Company's net operating loss and related interest expense deductions. The reserves are and included in other accrued expenses and noncurrent income tax payable in the consolidated balance sheet as of December 31, 2011.

Total amount of accrued liabilities related to uncertain tax positions that would affect the Company's effective tax rate if recognized is $3.5 million as of December 31, 2011 and $3.5 million as of December 31, 2010.

9. Stock Options

Overview

The Company recognizes in the financial statements the cost of employee services received in exchange for awards of equity instruments based on the fair value of those awards.

The Company uses the Black-Scholes option pricing model to value any options awarded subsequent to adoption of ASC 718, *Compensation, Stock Compensation.* The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. All option pricing models require the input of highly subjective assumptions including the expected stock price volatility and the expected exercise patterns of the option holders.

The Company is a participant in the Symbion Holdings Corporation 2007 Equity Incentive Plan (the "2007 Plan"). In connection with the Merger, certain members of Predecessor's management rolled over 974,396 predecessor options into the 2007 Plan. The rollover options were exchanged for 611,799 options under the 2007 Plan. The conversion ratio was determined by the difference between $22.35, the share price paid to stockholders on the merger date, less the exercise price of each option, ignoring options with an exercise price greater than $22.35. The aggregate sum of the difference for each option was divided by $8.50 to determine the number of rollover options. The exercise price of each rollover option is $1.50 per share and the options expire on the expiration date of the original grants.

The Company's stock option compensation expense estimate can vary in the future depending on many factors, including levels of options and awards granted in the future, forfeitures and when option or award holders exercise these awards and depending on whether performance targets are met and a liquidity event occurs.

On August 31, 2007, Holdings granted 1,302,317 time-vested options and 1,606,535 performance vested options to certain employees of the Company. The maximum contractual term of the options is ten years, or earlier if the employee terminates employment before that time. The time-vested options vest over a five-year period with 20% of the options vesting each year. The Company's policy is to recognize compensation expense over the straight line method. The performance vested options shall vest and become exercisable upon a liquidity event and the obtainment of internal rate of return targets as defined in the 2007 Plan. No expense has been recorded in the statement of operations for the performance based shares as the conditions for vesting are not probable.

During 2011, the Company issued to certain employees 153,392 options to purchase shares of common stock included in the August 31, 2007 grant, which were reserved for issuance for positions to be filled after the initial grant. During 2010, the Company issued to certain employees 186,964 options included in the August 31, 2007 grant. The Company began recognizing expense related to these options during the requisite service period.

Valuation Methodology

The fair values of the options were derived using the Black-Scholes option pricing model. In applying the Black-Scholes option pricing model, the Company used the following assumptions:

- *Weighted average risk-free interest rate.* The risk-free interest rate is used as a component of the fair value of stock options to take into account the time value of money. For the risk-free interest rate, the Company uses the implied yield on United States Treasury zero-coupon issues with a remaining term equal to the expected life, in years, of the options granted.

- *Expected volatility.* Volatility, for the purpose of stock-based compensation, is a measurement of the amount that a share price has fluctuated. Expected volatility involves reviewing historical volatility and determining what, if any, change the share price will have in the future. FASB recommended that companies such as Holdings, whose common stock is not publicly traded or had a limited public stock trading history, use average volatilities of similar entities. As a result, the Company has used the average volatilities of some of its competitors as an estimate in determining stock option fair values.

- *Expected life, in years.* A clear distinction is made between the expected life of the option and the contractual term of the option. The expected life of the option is considered the amount of time, in years, that the option is expected to be outstanding before it is exercised. Whereas, the contractual term of the stock option is the term the option is valid before it expires.
- *Expected dividend yield.* Since issuing dividends will affect the fair value of a stock option, GAAP requires companies to estimate future dividend yields or payments. The Company has not historically issued dividends and does not intend to issue dividends in the future.
- *Expected forfeiture rate.* The Company uses an estimated forfeiture rate based on historical experience for the respective position held by the option holder. The Company reviews the forfeiture estimate annually in comparison to the actual forfeiture rate experienced.

The following table summarizes the assumptions used by the Company in the valuation of the time-vested options for the various periods:

	Weighted average fair value per option	Weighted average risk-free interest rate	Expected volatility	Expected life, in years	Expected dividend yield	Expected forfeiture rate
December 31, 2009	$ 0.70	0.5%	42.0%	6.5	—%	4.0%
December 31, 2010	$ 2.13	2.7%	42.0%	6.5	—%	4.0%
December 31, 2011	$ 0.59	2.0%	42.0%	6.5	—%	4.0%

Supplemental Information - Net Income

The Company recorded non-cash compensation expense of $1.3 million for each of the years ended December 31, 2011, 2010 and 2009. After noncontrolling interests and the related tax benefit, the Company recorded a net impact of approximately $825,000 for 2011, $818,000 for 2010 and $793,000 for 2009.

Outstanding Option Information

The following is a summary of option transactions since December 31, 2009:

Stock Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Total Fair Value	Aggregate Intrinsic Value	Weighted Average Remaining Contractual term
					(per option)	(in years)
2009 Activity						
Granted	94,418	$ 10.00	$ 0.70	$ 66,093	$ —	7.2
Exercised	—	—	—	—	—	—
Forfeited	69,538	—	—	—	—	—
Vested	284,655	10.00	4.76	1,354,958	—	7.7
Expired	—	—	—	—	—	—
Outstanding as of December 31, 2009	3,614,501	8.46	5.42	19,590,595	—	6.5
Exercisable at December 31, 2009	1,432,129	$ 6.37	$ 6.54	$ 9,366,124	$ 0.17	6.1
2010 Activity						
Granted	186,964	$ 10.00	2.13	$ 398,233	$ —	8.2
Exercised	(19,009)	—	—	—	—	—
Forfeited	16,307	—	—	—	—	—
Vested	303,351	10.00	4.60	1,395,415	—	6.9
Expired	—	—	—	—	—	—
Outstanding as of December 31, 2010	3,766,149	8.45	5.29	19,922,928	—	5.7
Exercisable at December 31, 2010	1,716,472	$ 7.08	$ 6.27	$ 10,762,279	$ —	5.3
2011 Activity						
Granted	153,392	$ 10.00	$ 0.59	$ 90,501	$ —	9.2
Exercised	—	—	—	—	—	—
Forfeited	104,525	—	—	—	—	—
Vested	318,690	10.00	4.41	1,405,423	—	5.9
Expired	—	—	—	—	—	—
Outstanding as of December 31, 2011	3,815,016	8.40	5.06	19,303,981	—	4.3
Exercisable at December 31, 2011	2,035,162	$ 7.50	$ 5.98	$ 12,170,269	$ —	4.7

As of December 31, 2011, the total compensation expense related to non-vested time-based awards not yet recognized was $214,000. Substantially all of this expense will be recognized over three years.

The following table summarizes information regarding the options outstanding at December 31, 2011:

Options Outstanding				Options Exercisable	
Exercise Prices	Outstanding as of December 31, 2011	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable as of December 31, 2011	Weighted-Average Exercise Price
$ 1.50	592,790	2.07	$ 1.50	592,790	$ 1.50
10.00	3,222,226	7.47	10.00	1,442,372	10.00
	3,815,016	4.29	8.40	2,035,162	7.50

Total unvested share awards as of December 31, 2011 are summarized as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Total Fair Value	Aggregate Intrinsic Value	Weighted Average Remaining Contractual term
						(in years)
Unvested at January 1, 2011	2,049,678	$ 10.00	$ 4.18	$ 8,567,654	—	4.2
Granted	153,392	10.00	0.59	90,501	—	9.2
Forfeited	104,525	—	—	—	—	—
Vested	318,690	10.00	4.41	1,405,423	—	5.9
Unvested at December 31, 2011	1,779,855	10.00	4.19	$ 7,457,592	—	6.7

10. Employee Benefit Plans

Symbion, Inc. 401(k) Plan

The Symbion, Inc. 401(k) Plan (the "401(k) Plan") is a defined contribution plan whereby employees who have completed six months of service in which they have worked a minimum of 1,000 hours and are age 21 or older are eligible to participate. Employees may enroll in the plan on either January 1 or July 1 of each year. The 401(k) Plan allows eligible employees to make contributions of varying percentages of their annual compensation, up to the maximum allowed amounts by the Internal Revenue Service. Eligible employees may or may not receive a match by the Company of their contributions. The match varies depending on location and is determined prior to the start of each plan year. Generally, employer contributions vest 20% after two years of service and continue vesting at 20% per year until fully vested. The Company's matching expense for the years ended December 31, 2011, 2010 and 2009 was $864,000, $665,000 and $326,000, respectively.

Supplemental Retirement Savings Plan

The Company adopted the supplemental retirement savings plan (the "SERP") in May 2005. The SERP provides supplemental retirement alternatives to eligible officers and key employees of the Company by allowing participants to defer portions of their compensation. Under the SERP, eligible employees may enroll in the plan before December 31 to be entered in the plan the following year. Eligible employees may defer into the SERP up to 25% of their normal period payroll and up to 50% of their annual bonus. If the enrolled employee contributes a minimum of 2% of his or her base salary into the SERP, the Company will contribute 2% of the enrolled employee's base salary to the plan and has the option of contributing additional amounts. Periodically, the enrolled employee's deferred amounts are transferred to a plan administrator. The plan administrator maintains separate non-qualified accounts for each enrolled employee to track deferred amounts. On May 1 of each year, the Company is required to make its contribution to each enrolled employee's account. Compensation expense recorded by the Company related to the Company's contribution to the SERP was $50,000, $44,000 and $53,000, for years ended December 31, 2011, 2010 and 2009, respectively.

11. Commitments and Contingencies

Debt and Lease Guaranty on Non-consolidated Entities

The Company has guaranteed $1.7 million of operating lease payments of certain non-consolidated surgical facilities. These operating leases typically have 10 year terms, with optional renewal periods. As of December 31, 2011, the Company has also guaranteed $643,000 of debt of three non-consolidated surgical facilities. In the event that the Company meets certain financial and debt service benchmarks, the guarantees at these surgical facilities will expire between 2012 and 2017.

Professional, General and Workers' Compensation Liability Risks

The Company is subject to claims and legal actions in the ordinary course of business, including claims relating to patient treatment, employment practices and personal injuries. To cover these claims, the Company maintains general liability and professional liability insurance in excess of self-insured retentions through a third party commercial insurance carrier in amounts that management believes is sufficient for the Company's operations, although, potentially, some claims may exceed the scope of coverage in effect. This insurance coverage is on a claims-made basis. Plaintiffs in these matters may request punitive or other damages that may not be covered by insurance. The Company is not aware of any such proceedings that would have a material adverse effect on the Company's business, financial condition or results of operations. The Company expenses the costs under the self-insured retention exposure for general and professional liability claims which relate to (i) deductibles on claims made during the policy period, and (ii) an estimate of claims incurred but not yet reported that are expected to be reported after the policy period expires. Reserves and provisions for professional liability are based upon actuarially determined estimates. The reserves are estimated using individual case-basis valuations and actuarial analysis. Based on historical results and data currently available, management does not believe a change in one or more of these assumptions will have a material impact on the Company's consolidated financial position or results of operations.

Laws and Regulations

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare, Medicaid and other federal healthcare programs. From time to time, governmental regulatory agencies will conduct inquiries of the Company's practices. It is the Company's current practice and future intent to cooperate fully with such inquiries. The Company is not aware of any such inquiry that would have a material adverse effect on the Company's consolidated financial position or results of operations.

Acquired Facilities

The Company, through its wholly owned subsidiaries or controlled partnerships and limited liability companies, has acquired and will continue to acquire surgical facilities with prior operating histories. Such facilities may have unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations, such as billing and reimbursement, fraud and abuse and similar anti-referral laws. Although the Company attempts to assure itself that no such liabilities exist and obtains indemnification from prospective sellers covering such matters and institutes policies designed to conform centers to its standards following completion of acquisitions, there can be no assurance that the Company will not become liable for past activities that may later be asserted to be improper by private plaintiffs or government agencies. There can be no assurance that any such matter will be covered by indemnification or, if covered, that the liability sustained will not exceed contractual limits or the financial capacity of the indemnifying party.

The Company cannot predict whether federal or state statutory or regulatory provisions will be enacted that would prohibit or otherwise regulate relationships which the Company has established or may establish with other healthcare providers or have materially adverse effects on its business or revenues arising from such future actions. The Company believes, however, that it will be able to adjust its operations so as to be in compliance with any regulatory or statutory provision as may be applicable.

Potential Physician Investor Liability

A majority of the physician investors in the partnerships and limited liability companies which operate the Company's surgical facilities carry general and professional liability insurance on a claims-made basis. Each investee may, however, be liable for damages to persons or property arising from occurrences at the surgical facilities. Although the various physician investors and other surgeons generally are required to obtain general and professional liability insurance with tail coverage, such individuals may not be able to obtain coverage in amounts sufficient to cover all potential liability. Since most insurance policies contain exclusions, the physician investors will not be insured against all possible occurrences. In the event of an uninsured or underinsured loss, the value of an investment in the partnership interests or limited liability company membership units and the amount of distributions could be adversely affected.

12. Related Party Transactions

In addition to related party transactions discussed elsewhere in the notes to the accompanying consolidated financial statements, the consolidated financial statements include the following related party transactions. On August 23, 2007, the Company entered into a ten year advisory services and management agreement with Crestview Advisors, L.L.C. The annual management fee is $1.0 million and is payable on August 23 of each year. The Company has prepaid this annual management fee and, for the year ended December 31, 2011, has an asset of $641,000 that is included in prepaid expenses and other current assets.

Concurrent with the Offering, the Company exchanged with affiliates of Crestview, affilates of The Northwestern Mutual Insurance Company and certain other holders of the Company's outstanding Toggle Notes, Toggle Notes having an aggregate principal amount of $85.4 million, at par plus accrued and unpaid interest of $3.1 million, for $88.5 million initial aggregate principal amount of the Company's PIK Exchangeable Notes. Effective September 9, 2011, the Company cancelled $9.0 million aggregate principal amount of its Senior Secured Notes held by affiliates of The Northwestern Mutual Insurance Company, plus accrued and unpaid interest, in exchange for the Company's issuance to such parties of $9.2 million aggregate principal amount of its PIK Exchangeable Notes. As of December 15, 2011, the Company converted $3.8 million of accrued interest on the PIK Exchangeable Notes to outstanding principal on the PIK Exchangeable Notes. The Company currently has $101.4 million aggregate principal amount of PIK Exchangeable Notes outstanding. See Note 7 for further discussion of the PIK Exchangeable Notes.

As of December 31, 2011 and 2010, the Company had $68,000 and $575,000, respectively, payable to physicians at the Company's physician network as a result of cash receipts in excess of expenditures for the related facilities. The 2010 amounts are included in other accrued expenses. Effective September 30, 2011 the Company completed a scheduled termination of its physician network agreements.

13. Selected Quarterly Financial Data (Unaudited)

The following is selected quarterly financial data for each of the four quarters in 2011 and 2010. Quarterly results are not necessarily representative of operations for a full year:

	2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(unaudited and in thousands)			
Revenues	$ 106,612	$ 108,431	$ 108,019	$ 121,591
Cost of revenues	75,272	79,232	78,086	84,388
(Loss) income from continuing operations	5,659	(2,171)	997	2,242
Net (loss) income	(2,419)	(8,673)	(6,368)	(9,127)
	2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(unaudited and in thousands)			
Revenues	$ 80,779	$ 100,549	$ 102,242	$ 110,985
Cost of revenues	58,771	70,160	72,953	78,462
Income (loss) from continuing operations	(1,108)	5,663	6,744	6,762
Net (loss) income	(5,648)	(1,058)	282	(2,316)

14. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. Presented below is condensed consolidating financial information for the Company and its subsidiaries as required by regulations of the Securities and Exchange Commission ("SEC") in connection with the Company's Senior Secured Notes and Toggle Notes that have been registered with the SEC. The information segregates the parent company issuer, the combined wholly-owned subsidiary guarantors, the combined non-guarantors, and consolidating adjustments. The operating and investing activities of the separate legal entities are fully interdependent and integrated. Accordingly, the results of the separate legal entities are not representative of what the operating results would be on a stand-alone basis. All of the subsidiary guarantees are both full and unconditional and joint and several.

SYMBION, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2011

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 5,509	$ 27,617	$ 36,395	$ —	$ 69,521
Accounts receivable, net	—	—	66,969	—	66,969
Inventories	—	—	12,641	—	12,641
Prepaid expenses and other current assets	1,159	227	7,041	—	8,427
Due from related parties	2,163	45,288	—	(47,451)	—
Current assets of discontinued operations	—	—	2,304	—	2,304
Total current assets	8,831	73,132	125,350	(47,451)	159,862
Property and equipment, net	502	2,108	127,195	—	129,805
Goodwill and intangible assets	657,064	—	—	—	657,064
Investments in and advances to affiliates	84,215	9,575	—	(79,162)	14,628
Other assets	12,878	—	2,200	—	15,078
Long-term assets of discontinued operations	—	—	1,657	—	1,657
Total assets	$ 763,490	$ 84,815	$ 256,402	$ (126,613)	$ 978,094
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 5	$ 8	$ 14,601	$ —	$ 14,614
Accrued payroll and benefits	763	233	8,994	—	9,990
Due to related parties	—	—	47,451	(47,451)	—
Other accrued expenses	11,911	15	19,827	—	31,753
Current maturities of long-term debt	57	—	13,525	—	13,582
Current liabilities of discontinued operations	—	—	902	—	902
Total current liabilities	12,736	256	105,300	(47,451)	70,841
Long-term debt, less current maturities	532,337	—	12,357	—	544,694
Deferred income tax payable	61,056	—	—	—	61,056
Other liabilities	(768)	344	61,097	—	60,673
Long-term liabilities of discontinued operations	—	—	1,632	—	1,632
Noncontrolling interest - redeemable	—	—	34,624	—	34,624
Total Symbion, Inc. stockholders' equity	158,129	84,215	(5,053)	(79,162)	158,129
Noncontrolling interests - nonredeemable	—	—	46,445	—	46,445
Total equity	158,129	84,215	41,392	(79,162)	204,574
Total liabilities and stockholders' equity	$ 763,490	$ 84,815	$ 256,402	$ (126,613)	$ 978,094

SYMBION, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2010

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 14,849	$ 27,700	$ 30,495	$ —	$ 73,044
Accounts receivable, net	—	554	60,125	—	60,679
Inventories	—	159	9,921	—	10,080
Prepaid expenses and other current assets	1,203	78	7,265	—	8,546
Due to related parties	2,285	43,798	—	(46,083)	—
Current assets of discontinued operations	—	—	3,371	—	3,371
Total current assets	18,337	72,289	111,177	(46,083)	155,720
Property and equipment, net	1,005	2,329	135,173	—	138,507
Goodwill and intangible assets	646,554	—	—	—	646,554
Investments in and advances to affiliates	90,858	17,808	—	(90,842)	17,824
Other assets	7,979	1	1,629	—	9,609
Long-term assets of discontinued operations	—	—	2,183	—	2,183
Total assets	$ 764,733	$ 92,427	$ 250,162	$ (136,925)	$ 970,397
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 15	$ 103	$ 11,827	$ —	$ 11,945
Accrued payroll and benefits	2,014	138	7,775	—	9,927
Due to related parties	—	—	46,083	(46,083)	—
Other accrued expenses	15,906	331	9,299	—	25,536
Current maturities of long-term debt	21,783	42	7,272	—	29,097
Current liabilities of discontinued operations	—	—	1,914	—	1,914
Total current liabilities	39,718	614	84,170	(46,083)	78,419
Long-term debt, less current maturities	487,994	84	19,150	—	507,228
Deferred income tax payable	288	871	50,150	—	51,309
Other liabilities	51,307	—	17,643	—	68,950
Long-term liabilities of discontinued operations	—	—	1,825	—	1,825
Noncontrolling interest - redeemable	—	—	34,996	—	34,996
Total Symbion, Inc. stockholders' equity	185,426	90,858	(16)	(90,842)	185,426
Noncontrolling interests - nonredeemable	—	—	42,244	—	42,244
Total equity	185,426	90,858	42,228	(90,842)	227,670
Total liabilities and stockholders' equity	$ 764,733	$ 92,427	$ 250,162	$ (136,925)	$ 970,397

SYMBION, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
For the year ended December 31, 2011

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
Revenues	$ 34,473	$ 6,655	$ 418,848	$ (15,323)	$ 444,653
Operating expenses:					
Salaries and benefits	—	3,763	119,322	—	123,085
Supplies	—	761	105,136	—	105,897
Professional and medical fees	—	577	32,116	—	32,693
Rent and lease expense	—	601	23,397	—	23,998
Other operating expenses	—	331	30,974	—	31,305
Cost of revenues	—	6,033	310,945	—	316,978
General and administrative expense	22,723	—	—	—	22,723
Depreciation and amortization	668	213	19,382		20,263
Provision for doubtful accounts	—	106	6,857	—	6,963
Income on equity investments	—	(1,876)	—	—	(1,876)
Impairment and loss (gain) on disposal of long-lived assets, net	4,822	—	—	—	4,822
Loss on debt extinguishments	4,751	—	—	—	4,751
Litigation settlements, net	—	—	(391)		(391)
Management fees	—	—	15,323	(15,323)	—
Equity in earnings of affiliates	(33,478)	(31,505)	—	64,983	—
Total operating expenses	(514)	(27,029)	352,116	49,660	374,233
Operating income (loss)	34,987	33,684	66,732	(64,983)	70,420
Interest expense, net	(52,735)	(206)	(1,380)	—	(54,321)
(Loss) income before taxes and discontinued operations	(17,748)	33,478	65,352	(64,983)	16,099
Provision for income taxes	8,839	—	533	—	9,372
(Loss) income from continuing operations	(26,587)	33,478	64,819	(64,983)	6,727
Income from discontinued operations, net of taxes	—	—	207	—	207
Net (loss) income	(26,587)	33,478	65,026	(64,983)	6,934
Net income attributable to noncontrolling interests	—	—	(33,521)	—	(33,521)
Net (loss) income attributable to Symbion, Inc.	$ (26,587)	$ 33,478	$ 31,505	$ (64,983)	$ (26,587)

SYMBION, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
For the year ended December 31, 2010

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
Revenues	$ 35,101	$ 9,846	$ 365,224	$ (15,616)	$ 394,555
Operating expenses:					
Salaries and benefits	—	4,558	107,426	—	111,984
Supplies	—	833	88,011	—	88,844
Professional and medical fees	—	1,064	25,997	—	27,061
Rent and lease expense	—	748	22,814	—	23,562
Other operating expenses	—	434	28,461	—	28,895
Cost of revenues	—	7,637	272,709	—	280,346
General and administrative expense	22,464	—	1	—	22,465
Depreciation and amortization	680	301	17,373	—	18,354
Provision for doubtful accounts	—	176	6,420	—	6,596
Income on equity investments	—	(2,901)	—	—	(2,901)
Impairment and loss (gain) on disposal of long-lived assets, net	(900)	—	(7)	—	(907)
Litigation settlements, net	(35)	—	—	—	(35)
Business combination remeasurement gains	(3,169)	—	—	—	(3,169)
Management fees	—	—	15,616	(15,616)	—
Equity in earnings of affiliates	(22,088)	(17,454)	—	39,542	—
Total operating expenses	(3,048)	(12,241)	312,112	23,926	320,749
Operating income (loss)	38,149	22,087	53,112	(39,542)	73,806
Interest (expense) income, net	(39,202)	1	(8,819)	—	(48,020)
(Loss) income before taxes and discontinued operations	(1,053)	22,088	44,293	(39,542)	25,786
Provision for income taxes	7,687	—	38	—	7,725
(Loss) income from continuing operations	(8,740)	22,088	44,255	(39,542)	18,061
Loss from discontinued operations, net of taxes	—	—	(190)	—	(190)
Net (loss) income	(8,740)	22,088	44,065	(39,542)	17,871
Net loss attributable to noncontrolling interests	—	—	(26,611)	—	(26,611)
Net (loss) income attributable to Symbion, Inc.	$ (8,740)	$ 22,088	$ 17,454	$ (39,542)	$ (8,740)

SYMBION, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2009

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
Revenues	$ 35,064	$ 9,299	$ 294,680	$ (15,376)	$ 323,667
Operating expenses:					
Salaries and benefits	—	4,751	87,965	—	92,716
Supplies	—	698	66,575	—	67,273
Professional and medical fees	—	1,153	19,072	—	20,225
Rent and lease expense	—	772	22,714	—	23,486
Other operating expenses	—	507	24,856	—	25,363
Cost of revenues	—	7,881	221,182	—	229,063
General and administrative expense	21,448	—	—	—	21,448
Depreciation and amortization	696	270	15,042	—	16,008
Provision for doubtful accounts	—	198	2,532	—	2,730
Income on equity investments	—	(2,318)	—	—	(2,318)
Impairment and loss (gain) on disposal of long-lived assets, net	835	2,422	(444)	—	2,813
Management fees	—	—	15,376	(15,376)	—
Equity in earnings of affiliates	(23,814)	(22,974)	—	46,788	—
Total operating expenses	(835)	(14,521)	253,688	31,412	269,744
Operating income (loss)	35,899	23,820	40,992	(46,788)	53,923
Interest (expense) income, net	(51,134)	(6)	6,204	—	(44,936)
(Loss) income before taxes and discontinued operations	(15,235)	23,814	47,196	(46,788)	8,987
Provision for income taxes	7,219	—	466	—	7,685
(Loss) income from continuing operations	(22,454)	23,814	46,730	(46,788)	1,302
Loss from discontinued operations, net of taxes	—	—	(4,754)	—	(4,754)
Net (loss) income	(22,454)	23,814	41,976	(46,788)	(3,452)
Net income attributable to noncontrolling interests	—	—	(19,002)	—	(19,002)
Net (loss) income attributable to Symbion, Inc.	$ (22,454)	$ 23,814	$ 22,974	$ (46,788)	$ (22,454)

SYMBION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
Cash flows from operating activities:					
Net (loss) income	$ (26,587)	$ 33,478	$ 65,026	$ (64,983)	$ 6,934
Adjustments to reconcile net (loss) income to net cash from operating activities:					
Income from discontinued operations	—	—	(207)	—	(207)
Depreciation and amortization	668	213	19,382	—	20,263
Amortization of deferred financing costs	2,886	—	—	—	2,886
Non-cash payment-in-kind interest option	22,368	—	—	—	22,368
Non-cash stock option compensation expense	1,353	—	—	—	1,353
Non-cash recognition of other comprehensive loss into earnings	665	—	—	—	665
Non-cash losses (gains)	4,830	—	(8)	—	4,822
Loss on debt extinguishment	4,751	—	—	—	4,751
Deferred income taxes	8,971	—	—	—	8,971
Equity in earnings of consolidated affiliates	(33,478)	(31,505)	—	64,983	—
Equity in earnings of unconsolidated affiliates, net of distributions received	—	106	—	—	106
Provision for doubtful accounts	—	106	6,857	—	6,963
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	—	—	(11,261)	—	(11,261)
Other assets and liabilities	29,738	(2,481)	(28,382)	—	(1,125)
Net cash provided by (used in) operating activities — continuing operations	16,165	(83)	51,407	—	67,489
Net cash used in operating activities —discontinued operations	—	—	1,470	—	1,470
Net cash (used in) provided by operating activities	16,165	(83)	52,877	—	68,959
Cash flows from investing activities:					
Payments for acquisitions, net of cash acquired	(7,836)	—	—	—	(7,836)
Purchases of property and equipment, net	(78)	—	(9,599)	—	(9,677)
Change in other assets	—	—	(590)	—	(590)
Net cash used in investing activities —continuing operations	(7,914)	—	(10,189)	—	(18,103)
Net cash used in investing activities —discontinued operations	—	—	(16)	—	(16)
Net cash used in investing activities	(7,914)	—	(10,205)	—	(18,119)
Cash flows from financing activities:					
Principal payments on long-term debt	(348,267)	—	(7,323)	—	(355,590)
Proceeds from debt issuances	344,722	—	4,158	—	348,880
Distributions to noncontrolling interests	—	—	(33,606)	—	(33,606)
Payments from unit activity of consolidated facilities	(2,155)	—	—	—	(2,155)
Payment of debt issuance costs	(11,891)	—	—	—	(11,891)
Other financing activities	—	—	450	—	450
Net cash used in financing activities —continuing operations	(17,591)	—	(36,321)	—	(53,912)
Net cash used in financing activities —discontinued operations			(451)		(451)

Net cash used in financing activities	(17,591)	—	(36,772)	—	(54,363)
Net (decrease) increase in cash and cash equivalents	(9,340)	(83)	5,900	—	(3,523)
Cash and cash equivalents at beginning of period	14,849	27,700	30,495	—	73,044
Cash and cash equivalents at end of period	$ 5,509	$ 27,617	$ 36,395	$ —	$ 69,521

SYMBION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
For the year ended December 31, 2010

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
Cash flows from operating activities:					
Net (loss) income	$ (8,740)	$ 22,088	$ 44,065	$ (39,542)	$ 17,871
Adjustments to reconcile net (loss) income to net cash from operating activities:					
Loss from discontinued operations	—	—	190	—	190
Depreciation and amortization	680	301	17,373	—	18,354
Amortization of deferred financing costs	2,004	—	—	—	2,004
Non-cash payment-in-kind interest option	26,079	—	—	—	26,079
Non-cash stock option compensation expense	1,336	—	—	—	1,336
Non-cash recognition of other comprehensive loss into earnings	2,731	—	—	—	2,731
Non-cash credit risk adjustment of financial instruments	189	—	—	—	189
Non-cash gains	(4,076)	—	—	—	(4,076)
Deferred income taxes	10,979	—	—	—	10,979
Equity in earnings of consolidated affiliates	(22,088)	(17,454)	—	39,542	—
Equity in earnings of affiliates, net of distributions received	—	50	—	—	50
Provision for doubtful accounts	—	176	6,420	—	6,596
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	—	—	(15,018)	—	(15,018)
Other assets and liabilities	(51,929)	51,652	(80)	—	(357)
Net cash (used in) provided by operating activities — continuing operations	(42,835)	56,813	52,950	—	66,928
Net cash provided by operating activities —discontinued operations	—	—	1,539	—	1,539
Net cash (used in) provided by operating activities	(42,835)	56,813	54,489	—	68,467
Cash flows from investing activities:					
Payments for acquisitions, net of cash acquired	—	(44,105)	—	—	(44,105)
Purchases of property and equipment, net	(196)	—	(8,480)	—	(8,676)
(Payments) proceeds from unit activity of unconsolidated facilities	(55)	—	105	—	50
Change in other assets	—	—	(278)	—	(278)
Net cash used in investing activities —continuing operations	(251)	(44,105)	(8,653)	—	(53,009)
Net cash used in investing activities —discontinued operations	—	—	(160)	—	(160)
Net cash used in investing activities	(251)	(44,105)	(8,813)	—	(53,169)
Cash flows from financing activities:					
Principal payments on long-term debt	(11,204)	—	(11,210)	—	(22,414)
Proceeds from debt issuances	56,423	—	519	—	56,942
Distributions to noncontrolling interests	—	—	(25,692)	—	(25,692)
Proceeds from unit activity of consolidated facilities	4,708	—	—	—	4,708
Other financing activities	(3,264)	—	(29)	—	(3,293)
Net cash provided by (used in) financing activities — continuing operations	46,663	—	(36,412)	—	10,251

operations	—	—	412	—	412
Net cash provided by (used in) financing activities	46,663	—	(36,000)	—	10,663
Net increase in cash and cash equivalents	3,577	12,708	9,676	—	25,961
Cash and cash equivalents at beginning of period	11,272	14,992	20,819	—	47,083
Cash and cash equivalents at end of period	$ 14,849	$ 27,700	$ 30,495	$ —	$ 73,044

SYMBION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
For the year ended December 31, 2009

	Parent Issuer	Guarantor Subsidiaries	Combined Non-Guarantors	Eliminations	Total Consolidated
Cash flows from operating activities:					
Net (loss) income	$ (22,454)	$ 23,814	$ 41,976	$ (46,788)	$ (3,452)
Adjustments to reconcile net (loss) income to net cash from operating activities:					
Loss from discontinued operations	—	—	4,754	—	4,754
Depreciation and amortization	696	270	15,042	—	16,008
Amortization of deferred financing costs	2,004	—	—	—	2,004
Non-cash payment-in-kind interest option	23,263	—	—	—	23,263
Non-cash stock option compensation expense	1,297	—	—	—	1,297
Non-cash recognition of other comprehensive loss into earnings	2,853	—	—	—	2,853
Non-cash credit risk adjustment of financial instruments	1,629	—	—	—	1,629
Non-cash losses (gains)	835	1,992	(14)	—	2,813
Deferred income taxes	8,682	—	—	—	8,682
Equity in earnings of affiliates	(23,814)	(22,974)	—	46,788	—
Equity in earnings of unconsolidated affiliates, net of distributions received	—	(207)	—	—	(207)
Provision for doubtful accounts	—	198	2,532	—	2,730
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:					
Accounts receivable	—	—	(4,442)	—	(4,442)
Other assets and liabilities	21,870	2,098	(24,565)	—	(597)
Net cash provided by operating activities — continuing operations	16,861	5,191	35,283	—	57,335
Net cash provided by operating activities — discontinued operations	—	—	3,582	—	3,582
Net cash provided by operating activities	16,861	5,191	38,865	—	60,917
Cash flows from investing activities:					
Payments for acquisitions, net of cash acquired	(126)	—	—	—	(126)
Purchases of property and equipment, net	(226)	—	(9,273)	—	(9,499)
Payments from unit activity of unconsolidated facilities	(724)	—	—	—	(724)
Change in other assets	—	—	(844)	—	(844)
Net cash used in investing activities —continuing operations	(1,076)	—	(10,117)	—	(11,193)
Net cash used in investing activities — discontinued operations	—	—	(255)	—	(255)
Net cash used in investing activities	(1,076)	—	(10,372)	—	(11,448)
Cash flows from financing activities:					
Principal payments on long-term debt	(4,046)	—	(9,538)	—	(13,584)
Proceeds from debt issuances	—	—	678	—	678
Payment of debt issuance costs	(203)	—	—	—	(203)
Distributions to noncontrolling interests	—	—	(23,677)	—	(23,677)
Proceeds from unit activity of consolidated facilities	307	—	—	—	307
Other financing activities	(4,940)	—	2	—	(4,938)
Net cash used in financing activities —continuing operations	(8,882)	—	(32,535)	—	(41,417)

Net cash used in financing activities — discontinued operations	—	—	(1,469)	—	(1,469)
Net cash used in financing activities	(8,882)	—	(34,004)	—	(42,886)
Net increase (decrease) in cash and cash equivalents	6,903	5,191	(5,511)	—	6,583
Cash and cash equivalents at beginning of period	4,369	9,801	26,330	—	40,500
Cash and cash equivalents at end of period	$ 11,272	$ 14,992	$ 20,819	$ —	$ 47,083

15. Subsequent Events

Effective January 23, 2012, the Board 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.

Effective February 21, 2012, the Company disposed of its facility in Fort Worth, Texas for cash proceeds of $2.0 million. The Company will record an estimated gain on the disposal of $133,000. The results of this facility are included in discontinued operations as of December 31, 2011.

Effective February 8, 2012, the Company completed the acquisition of five separate urgent care and family practice facilities located in Idaho Falls, Idaho. The purchase price of the acquisition was approximately $5.8 million, consisting of $3.6 million cash, approximately $1.1 million in the form of equity ownership in our facility located in Idaho Falls, Idaho, and the assumption of debt of approximately $1.1 million. The facilities will be operated by our existing facility located in Idaho Falls, Idaho and will be consolidated with our Idaho Falls, Idaho facility for financial reporting purposes.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYMBION, INC.

March 16, 2012

By: /s/ Richard E. Francis, Jr.
Richard E. Francis, Jr.
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in capacities and on the dates indicated.

Signature	Title	Date
/s/ Richard E. Francis, Jr. Richard E. Francis, Jr.	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2012
/s/ Teresa F. Sparks Teresa F. Sparks	Senior Vice President of Financial and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2012
/s/ Clifford G. Adlerz Clifford G. Adlerz	President, Chief Operating Officer and Director	March 16, 2012
/s/ Thomas S. Murphy, Jr. Thomas S. Murphy, Jr.	Director	March 16, 2012
/s/ Robert V. Delaney Robert V. Delaney	Director	March 16, 2012
/s/ Quentin Chu Quentin Chu	Director	March 16, 2012
/s/ Kurt E. Bolin Kurt E. Bolin	Director	March 16, 2012
/s/ Craig R. Callen Craig R. Callen	Director	March 16, 2012

Exhibit Index

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)

101.CAL	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.