UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

T **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-37576

Surgery Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-3620923**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40 Burton Hills Boulevard, Suite 500
Nashville, Tennessee 37215
(Address of principal executive offices and zip code)
(615) 234-5900
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

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

As of November 13, 2015, there were 48,156,990 shares of the registrant's common stock outstanding.

SURGERY PARTNERS, INC.
FORM 10-Q
TABLE OF CONTENTS

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

SURGERY PARTNERS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, amounts in thousands, except shares and per share amounts)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56,848	$ 74,920
Accounts receivable, less allowance for doubtful accounts of $12,693 and $5,329, respectively	164,604	144,960
Inventories	24,747	23,692
Prepaid expenses and other current assets	26,678	24,005
Acquisition escrow deposit	14,054	—
Indemnification receivable due from seller	1,072	1,072
Total current assets	288,003	268,649
Property and equipment, net	173,813	175,006
Intangible assets, net	53,137	54,888
Goodwill	1,330,050	1,298,753
Investments in and advances to affiliates	33,877	33,441
Restricted invested assets	316	316
Acquisition escrow deposit	—	16,232
Debt issuance costs	4,816	5,630
Other long-term assets	7,510	5,879
Total assets	$ 1,891,522	$ 1,858,794
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 40,807	$ 43,063
Accrued payroll and benefits	23,391	22,370
Acquisition escrow liability	14,054	—
Other current liabilities	70,247	53,870
Current maturities of long-term debt	27,678	22,088
Total current liabilities	176,177	141,391
Long-term debt, less current maturities	1,370,991	1,339,266
Long-term deferred tax liabilities	59,749	49,170
Acquisition escrow liability	—	16,232
Other long-term liabilities	83,778	90,610
Non-controlling interests—redeemable	183,581	192,589
Stockholders' equity:		
Preferred stock, $0.01 par value, 20,000,000 shares authorized, no shares issued at September 30, 2015; no shares authorized, issued or outstanding at December 31, 2014 [1]	—	—
Common stock, $0.01 par value, 300,000,000 shares authorized, 33,871,990 shares issued and outstanding at September 30, 2015; 1,000 shares authorized, issued and outstanding at December 31, 2014 [1]	339	—
Additional paid-in capital	59,766	58,151
Retained deficit	(337,543)	(322,233)
Total Surgery Partners, Inc. stockholders' deficit	(277,438)	(264,082)
Non-controlling interests—non-redeemable	294,684	293,618
Total stockholders' equity	17,246	29,536
Total liabilities and stockholders' equity	$ 1,891,522	$ 1,858,794

[1] As described in Note 1 herein, the authorized, issued and outstanding shares of the Company are those of Surgery Partners, Inc. as of September 30, 2015, and those of Surgery Center Holdings, Inc. as of December 31, 2014.

See notes to unaudited condensed consolidated financial statements.

SURGERY PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, amounts in thousands, except shares and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	$ 239,599	$ 76,303	$ 696,569	$ 223,598
Operating expenses:				
Salaries and benefits	66,072	18,743	188,405	55,390
Supplies	60,377	17,129	176,550	50,068
Professional and medical fees	17,233	2,320	48,144	6,770
Lease expense	11,211	3,651	33,267	10,841
Other operating expenses	13,928	3,534	39,786	10,522
Cost of revenues	168,821	45,377	486,152	133,591
General and administrative expenses	11,236	6,738	34,944	20,038
Depreciation and amortization	8,611	2,834	25,538	8,557
Provision for doubtful accounts	5,840	1,383	16,049	4,411
Income from equity investments	(1,320)	—	(2,866)	—
Loss (gain) on disposal or impairment of long-lived assets, net	1,161	(8)	(1,522)	110
Loss on debt extinguishment	—	—	—	1,975
Merger transaction and integration costs	1,249	325	14,897	442
Electronic records incentives	57	—	107	—
Other income	(330)	—	(356)	—
Total operating expenses	195,325	56,649	572,943	169,124
Operating income	44,274	19,654	123,626	54,474
Interest expense, net	(26,573)	(11,263)	(78,507)	(32,718)
Income before income taxes	17,701	8,391	45,119	21,756
Provision for income taxes	3,917	7,961	8,368	12,043
Net income	13,784	430	36,751	9,713
Less: Net income attributable to non-controlling interests	(16,906)	(7,338)	(52,061)	(21,346)
Net loss attributable to Surgery Partners, Inc.	$ (3,122)	$ (6,908)	$ (15,310)	$ (11,633)
Net loss per share attributable to common stockholders				
Basic	$ (0.10)	$ (0.22)	$ (0.48)	$ (0.37)
Diluted [1]	$ (0.10)	$ (0.22)	$ (0.48)	$ (0.37)
Weighted average common shares outstanding [2]				
Basic	32,054,089	31,698,638	32,054,089	31,698,638
Diluted [1]	32,054,089	31,698,638	32,054,089	31,698,638

[1] The impact of potentially dilutive securities for the three and nine months ended September 30, 2015 and September 30, 2014 was not considered because the effect would be anti-dilutive in each of those periods.
[2] Effect of the Reorganization, as defined in Note 1, has been retrospectively applied to all periods presented.

See notes to unaudited condensed consolidated financial statements.

SURGERY PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 13,784	$ 430	$ 36,751	$ 9,713
Other comprehensive income	—	—	—	—
Comprehensive income	$ 13,784	$ 430	$ 36,751	$ 9,713
Less: Comprehensive income attributable to non-controlling interests	(16,906)	(7,338)	(52,061)	(21,346)
Comprehensive loss attributable to Surgery Partners, Inc.	$ (3,122)	$ (6,908)	$ (15,310)	$ (11,633)

See notes to unaudited condensed consolidated financial statements.

SURGERY PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, amounts in thousands, except shares)

	Common Stock [1]		Additional Paid-in Capital	Retained Deficit	Non-Controlling Interests— Non-Redeemable	Total
	Shares	Amount				
Balance as of December 31, 2014	1,000	$ —	$ 58,151	$ (322,233)	$ 293,618	$ 29,536
Net (loss) income				(15,310)	39,334	24,024
Equity-based compensation			1,279			1,279
Acquisition and disposal of shares of non-controlling interests, net			336		(2,544)	(2,208)
Distributions to non-controlling interests—non-redeemable holders					(35,724)	(35,724)
Effect of Reorganization [2]	33,870,990	339				339
Balance as of September 30, 2015	33,871,990	$ 339	$ 59,766	$ (337,543)	$ 294,684	$ 17,246

[1] As described in Note 1 herein, the common stock of the Company is that of Surgery Partners, Inc. as of September 30, 2015 and that of Surgery Center Holdings, Inc. as of December 31, 2014.
[2] As a result of the Reorganization that occurred on September 30, 2015 (as further described in Note 1), Surgery Center Holdings, Inc, became an indirect wholly owned subsidiary of Surgery Partners, Inc. and the common stock of Surgery Center Holdings, Inc. is eliminated in consolidation.

See notes to unaudited condensed consolidated financial statements.

SURGERY PARTNERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Nine Months Ended September 30,	
	2015	**2014**
Cash flows from operating activities:		
Net income	$ 36,751	$ 9,713
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,538	8,557
Amortization of debt issuance costs and discounts	4,966	2,395
Amortization of unfavorable lease liability	(323)	—
Equity-based compensation	1,279	342
(Gain) loss on disposal or impairment of long-lived assets, net	(1,522)	110
Loss on debt extinguishment	—	1,975
Deferred income taxes	7,419	10,742
Provision for doubtful accounts	16,049	4,411
Income from equity investments, net of distributions received	(316)	—
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable	(34,538)	(9,442)
Other operating assets and liabilities	4,989	431
Net cash provided by operating activities	60,292	29,234
Cash flows from investing activities:		
Purchases of property and equipment, net	(18,115)	(3,437)
Proceeds from divestitures	11,193	—
Payments for acquisitions, net of cash acquired	(32,562)	(659)
Net cash used in investing activities	(39,484)	(4,096)
Cash flows from financing activities:		
Principal payments on long-term debt	(63,461)	(63,540)
Borrowings of long-term debt	85,432	146,651
Payments of debt issuance costs	—	(2,120)
Share issuance costs	(1,448)	—
Distributions to non-controlling interest holders	(51,195)	(21,408)
Distribution to owners	—	(93,000)
Payments related to ownership transactions with consolidated affiliates	(11,991)	(275)
Repurchase of units	—	(86)
Financing lease obligation	3,783	—
Net cash used in financing activities	(38,880)	(33,778)
Net decrease in cash and cash equivalents	(18,072)	(8,640)
Cash and cash equivalents at beginning of period	74,920	13,026
Cash and cash equivalents at end of period	$ 56,848	$ 4,386

See notes to unaudited condensed consolidated financial statements.

1. Organization

Surgery Partners, Inc., a Delaware corporation (together with its subsidiaries, the "Company"), was formed April 2, 2015, as a holding company for the purpose of facilitating an initial public offering (the "IPO") of shares of common stock. Prior to September 30, 2015, the Company conducted business through Surgery Center Holdings, Inc. and its subsidiaries. Surgery Center Holdings, LLC was and is the sole direct owner of the equity interests of Surgery Center Holdings, Inc. and had no other material assets.

On September 30, 2015, Surgery Partners, Inc. became the direct parent and sole member of Surgery Center Holdings, LLC (the "Reorganization"). In the Reorganization, all of the equity interests held by the existing owners of Surgery Center Holdings, LLC were contributed to Surgery Partners, Inc. in exchange for 33,871,990 shares of common stock of Surgery Partners, Inc. and certain rights to additional payments under a tax receivable agreement. After giving effect to the Reorganization, Surgery Partners, Inc. is a holding company, and its sole material asset is an equity interest in Surgery Center Holdings, LLC. The Company's condensed consolidated financial statements for periods prior to the Reorganization represent the historical operating results and financial position of Surgery Center Holdings, Inc. and certain of its subsidiaries.

On November 3, 2014, the Company completed the acquisition of Symbion Holdings Corp. ("Symbion") ("the Merger"), which added 55 surgical facilities, including 49 ambulatory surgery centers ("ASCs") and six surgical hospitals, to its network of existing facilities. The Company acquired Symbion for a purchase price of $792.0 million pursuant to the terms of an Agreement and Plan of Merger dated as of June 13, 2014. The Symbion acquisition was financed through the issuance of approximately $1.4 billion under the Company's Term Loans and Revolving Facility.

As of September 30, 2015, the Company owned and operated a national network of surgical facilities and ancillary services in 28 states. The surgical facilities, which include ASCs and surgical hospitals, primarily provide non-emergency surgical procedures across many specialties, including, among others, cardiology, gastroenterology, ophthalmology, orthopedics and pain management. Some of the Company's surgical hospitals also provide acute care services such as diagnostic imaging, laboratory, obstetrics, oncology, pharmacy, physical therapy and wound care. Ancillary services are comprised of a diagnostic laboratory, multi-specialty physician practices, urgent care facilities, anesthesia services, optical services and specialty pharmacy services.

As of September 30, 2015, the Company owned or operated a portfolio of 99 surgical facilities, comprised of 94 ASCs, of which six are managed only, and five surgical hospitals. The Company owns these facilities in partnership with physicians and, in some cases, healthcare systems in the markets and communities it serves. The Company owned a majority interest in 71 of the surgical facilities and consolidated 88 of these facilities for financial reporting purposes. In addition, the Company operated or managed a network of 43 physician practices.

2. Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as well as interests in partnerships and limited liability companies controlled by the Company through its ownership of a majority voting interest or other rights granted to the Company by contract to manage and control the affiliate's business. All significant intercompany balances and transactions are eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for fair presentation of the Company's financial position and results of operations have been included. The Company's fiscal year ends on December 31 and interim results are not necessarily indicative of results for a full year or any other interim period. The condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements as of that date. The information contained in these condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended December 31, 2014. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Non-Controlling Interests

The physician limited partners and physician minority members of the entities that the Company controls are responsible for the supervision and delivery of medical services. The governance rights of limited partners and minority members are restricted to those that protect their financial interests. Under certain partnership and operating agreements governing these partnerships and limited liability companies, the Company could be removed as the sole general partner or managing member for certain events such as material breach of the partnership or operating agreement, gross negligence or bankruptcy. These protective rights do not preclude consolidation of the respective partnerships and limited liability companies.

Ownership interests in consolidated subsidiaries held by parties other than the Company are identified and generally presented in the condensed consolidated financial statements within the equity section but separate from the Company's equity. However, in instances in which certain redemption features that are not solely within the control of the Company are present, classification of non-controlling interests outside of permanent equity is required. Consolidated net income attributable to the Company and to the non-controlling interests are identified and

presented on the condensed consolidated statements of operations; changes in ownership interests are accounted for as equity transactions. Certain transactions with non-controlling interests are classified within financing activities in the condensed consolidated statements of cash flows.

The condensed consolidated financial statements of the Company 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 non-consolidated affiliates, the Company regularly engages in the purchase and sale of ownership interests with respect to its consolidated subsidiaries that do not result in a change of control.

Non-Controlling 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. The non-controlling interests - redeemable are reported outside of stockholders' equity in the condensed consolidated balance sheets.

A summary of activity related to the non-controlling interests—redeemable follows (in thousands):

Balance at December 31, 2014	$	192,589
Net income attributable to non-controlling interests—redeemable		12,727
Acquisition and disposal of shares of non-controlling interests, net—redeemable		(6,264)
Distributions to non-controlling interest —redeemable holders		(15,471)
Balance at September 30, 2015	$	183,581

Variable Interest Entities

The condensed consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary under the provisions of Accounting Standards Codification Topic ("ASC") 810, *Consolidation*. As of September 30, 2015, the variable interest entities include three surgical facilities and one anesthesia practice. At December 31, 2014, the variable interest entities included an additional surgical facility which was disposed of during the three months ended March 31, 2015 and an additional anesthesia practice which no longer met variable interest entity classification during the three months ended September 30, 2015. The Company has the power to direct the activities that most significantly impact the variable interest entity's economic performance. Additionally, the Company would absorb the majority of the expected losses of these entities should they occur. As of September 30, 2015 and December 31, 2014, the condensed consolidated balance sheets of the Company included total assets of $23.0 million and $24.7 million, respectively, and total liabilities of $2.0 million and $1.7 million, respectively, related to the Company's variable interest entities.

Equity Method Investments

The Company has non-consolidating investments in surgical facilities and management companies that own or manage surgical facilities. These investments are accounted for using the equity method of accounting. The total amount of these investments included in investments in and advances to affiliates in the condensed consolidated balance sheets was $33.9 million and $33.4 million as of September 30, 2015 and December 31, 2014, respectively.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the comparative periods' financial statements to conform to the three and nine months ended September 30, 2015 presentation. The reclassifications primarily related to the presentation of certain expenses within costs of revenue and had no impact on the Company's consolidated financial position, results of operations or cash flows.

Fair Value of Financial Instruments

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

The carrying amounts reported in the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, restricted invested assets and accounts payable approximate their fair values.

A summary of the carrying amounts and fair values of the Company's long-term debt follows (in thousands):

	Carrying Amount		Fair Value	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
2014 First Lien Credit Agreement, net of debt issuance and discount of $21,143 and $23,818 at September 30, 2015 and December 31, 2014, respectively	$ 842,332	$ 846,183	$ 841,809	$ 820,799
2014 Second Lien Credit Agreement, net of debt issuance and discount of $16,700 and $18,184 at September 30, 2015 and December 31, 2014, respectively	$ 473,300	$ 471,816	$ 476,258	$ 452,943

The fair values of the 2014 First Lien Credit Agreement and 2014 Second Lien Credit Agreement, as defined in Note 5 on Long-Term Debt, were based on a Level 2 computation using quoted prices for identical liabilities in inactive markets at September 30, 2015 and December 31, 2014, as applicable. The carrying amounts related to the Company's other long-term debt obligations approximate their fair values.

The Company maintains a supplemental executive retirement savings plan (the "SERP") for certain former Symbion executive officers. The SERP is a non-qualified deferred compensation plan for eligible executive officers and other key employees of the Company that allows participants to defer portions of their compensation. The fair value of the SERP asset and liability was based on a quoted market price, or a Level 1 computation. As of September 30, 2015 and December 31, 2014, the fair value of the assets in the SERP were $1.5 million and $1.4 million, respectively, and were included in other long-term assets in the condensed consolidated balance sheets. The Company had a liability related to the SERP of $1.5 million and $1.4 million as of September 30, 2015 and December 31, 2014, respectively, which was included in other long-term liabilities in the condensed consolidated balance sheets.

Revenues

The Company recognizes revenues in the period in which the services are performed. Patient service revenues and receivables from third-party payors are recorded net of estimated contractual adjustments and allowances, which the Company estimates based on the historical trend of its cash collections and contractual write-offs, accounts receivable agings, established fee schedules, contracts with payors and procedure statistics.

A summary of revenues by service type as a percentage of total revenues follows:

	Three Months Ended September 30,	
	2015	**2014**
Patient service revenues:		
Surgical facilities revenues	91.2%	77.7%
Ancillary services revenues	6.8%	17.7%
	98.0%	95.4%
Other service revenues:		
Optical services revenues	1.5%	4.6%
Other	0.5%	—%
	2.0%	4.6%
Total revenues	100.0%	100.0%

	Nine Months Ended September 30,	
	2015	**2014**
Patient service revenues:		
Surgical facilities revenues	92.0%	77.7%
Ancillary services revenues	5.9%	17.5%
	97.9%	95.2%
Other service revenues:		
Optical services revenues	1.6%	4.8%
Other	0.5%	—%
	2.1%	4.8%
Total revenues	100.0%	100.0%

Patient service revenues. The fee charged for healthcare procedures performed in surgical facilities varies depending on the type of service provided, but usually includes all charges for usage of an operating room, a recovery room, special equipment, medical supplies, nursing staff and medications. 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. However, in several surgical facilities, the Company charges for anesthesia services. Ancillary service revenues include fees for patient visits to the Company's physician practices, pharmacy services and diagnostic tests ordered by physicians. Patient service revenues are recognized on the date of service, net of estimated contractual adjustments and discounts from third-party payors, including Medicare and Medicaid. Changes in estimated contractual adjustments and discounts are recorded in the period of change. During the three and nine months ended September 30, 2015, the Company recognized an increase to patient service revenues as a result of changes in estimates to third-party settlements related to prior years of approximately $1.8 million and $1.5 million, respectively. These adjustments were related to two of the Company's surgical hospitals that were acquired in connection with the acquisition of Symbion on November 3, 2014.

The following table sets forth patient service revenues by type of payor and as a percentage of total patient service revenues for the Company's consolidated surgical facilities (dollars in thousands):

	Three Months Ended September 30,			
	2015		2014	
	Amount	%	Amount	%
Patient service revenues:				
Private insurance	$ 124,107	52.9%	$ 38,160	52.4%
Government	95,050	40.5%	25,681	35.3%
Self-pay	3,336	1.4%	1,614	2.2%
Other	12,306	5.2%	7,302	10.1%
Total patient service revenues	$ 234,799	100.0%	$ 72,757	100.0%
Other service revenues:				
Optical service revenues	$ 3,621		$ 3,546	
Other revenues	1,179		—	
Total net revenues	$ 239,599		$ 76,303	

	Nine Months Ended September 30,			
	2015		2014	
	Amount	%	Amount	%
Patient service revenues:				
Private insurance	$ 368,003	54.0%	$ 114,361	53.8%
Government	264,731	38.8%	72,000	33.8%
Self-pay	12,519	1.8%	5,509	2.6%
Other	37,007	5.4%	20,787	9.8%
Total patient service revenues	$ 682,260	100.0%	$ 212,657	100.0%
Other service revenues:				
Optical service revenues	$ 11,112		$ 10,817	
Other revenues	3,197		124	
Total net revenues	$ 696,569		$ 223,598	

Other service revenues. Optical service revenues consist of product sales from the Company's optical laboratories as well as handling charges billed to the members of the Company's optical products purchasing organization and sales from the Company's marketing products and services business. The Company's optical products purchasing organization negotiates volume buying discounts with optical products manufacturers. The buying discounts and any handling charges billed to the members of the buying group represent the revenue recognized for financial reporting purposes. Revenue is recognized as orders are shipped to members. The Company bases its estimates for sales returns and discounts on historical experience and has not experienced significant fluctuations between estimated and actual return activity and discounts given. The Company's optical laboratories manufacture and distribute corrective lenses and eyeglasses to ophthalmologists and optometrists. Revenue is recognized when product is shipped, net of allowance for discounts. The Company's marketing products and services businesses recognize revenue when product is shipped or services are rendered.

Other revenues include management and administrative service fees derived from the non-consolidated facilities that the Company accounts for under the equity method, management of surgical facilities in which it does not own an interest, and management services provided to physician practices for which the Company is not required to provide capital or additional assets. The fees derived from these management arrangements are based on a predetermined percentage of the revenues of each facility or practice and are recognized in the period in which services are rendered.

Cash and Cash Equivalents

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

Accounts Receivable and Allowances for Contractual Adjustments and Doubtful Accounts

Accounts receivable are recorded net of contractual adjustments and allowances for doubtful accounts to reflect accounts receivable at net realizable value. Accounts receivable consists of receivables from federal and state agencies (under the Medicare and Medicaid programs),

managed care health plans, commercial insurance companies, employers and patients. Management recognizes that revenues and receivables from government agencies are significant to the Company's operations, but it does not believe that there is significant credit risk associated with these government agencies. Concentration of credit risk with respect to other payors is limited because of the large number of such payors. As of September 30, 2015 and December 31, 2014, the Company had third-party Medicaid settlements of $6.9 million and $11.7 million, respectively, in other current liabilities in the condensed consolidated balance sheets.

The Company recognizes that final reimbursement of accounts receivable is subject to final approval by each third-party payor. However, because the Company has contracts with its third-party payors and also verifies insurance coverage of the patient before medical services are rendered, the amounts that are pending approval from third-party payors are not significant. The Company's policy is to collect co-payments and deductibles prior to providing medical services. It is also the Company's policy to verify a patient's insurance 72 hours prior to the patient's procedure. Patient services of the Company are primarily non-emergency, which allows the surgical facilities to control the procedures for which third-party reimbursement is sought and obtained. The Company does not require collateral from self-pay patients.

The Company analyzes accounts receivable at each of its facilities to ensure the proper aged category and collection assessment. At a consolidated level, the Company's policy is to review accounts receivable aging, by facility, to determine the appropriate allowance for doubtful accounts. Patient account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual revenues, contractual adjustments and cash collections received. An account balance is written off only after the Company has pursued collection with legal or collection agency assistance or otherwise has deemed an account to be uncollectible.

The receivables related to the Company's optical products purchasing organization are recognized separately from patient accounts receivable, as discussed above, and are included in other current assets in the condensed consolidated balance sheets. Such receivables were $8.9 million and $7.6 million at September 30, 2015 and December 31, 2014, respectively.

Inventories

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

Prepaid Expenses and Other Current Assets

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

	September 30, 2015	December 31, 2014
Prepaid expenses	$ 8,122	$ 7,050
Receivables - optical product purchasing organization	8,894	7,556
Other current assets	9,662	9,399
Total	$ 26,678	$ 24,005

Property and Equipment

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

A summary of property and equipment follows (in thousands):

	September 30, 2015	December 31, 2014
Land	$ 6,790	$ 6,790
Buildings and improvements	102,557	100,574
Furniture and equipment	13,932	13,662
Computer and software	22,127	20,622
Medical equipment	91,772	86,132
Construction in progress	2,445	2,923
Property and equipment, at cost	239,623	230,703
Less: Accumulated depreciation	(65,810)	(55,697)
Property and equipment, net	$ 173,813	$ 175,006

The Company also leases certain facilities and equipment under capital leases. Assets held under capital leases are stated at the present value of minimum lease payments at the inception of the related lease. Such assets are depreciated on a straight-line basis over the lesser of the lease term or the remaining useful life of the leased asset. The carrying values of assets under capital lease were $11.3 million and $13.3 million as of September 30, 2015 and December 31, 2014, respectively, which included accumulated depreciation of $9.7 million and $6.8 million, respectively.

Intangible Assets

The Company has indefinite-lived intangible assets related to the certificates of need held in jurisdictions where certain of its surgical facilities are located. The Company also has finite-lived intangible assets related to physician guarantee agreements, non-compete agreements, management agreements and customer relationships. Physician income guarantees are amortized into salaries and benefits costs in the condensed consolidated statements of operations over the commitment period of the contract, generally three to four years. Non-compete agreements and management rights agreements are amortized into depreciation and amortization expense in the condensed consolidated statements of operations over the service lives of the agreements, ranging from two years to 20 years for non-compete agreements and 15 years for the management rights agreements. Customer relationships are amortized into depreciation and amortization expense in the condensed consolidated statements of operations over the estimated lives of the relationships, ranging from three to ten years.

A summary of the activity related to intangible assets for the nine months ended September 30, 2015 follows (in thousands):

	Physician Income Guarantees	Management Rights	Non-Compete Agreements	Certificates of Need	Customer Relationships	Other	Total Intangible Assets
Balance at December 31, 2014	$ 973	$ 24,757	$ 16,590	$ 3,711	$ 6,274	$ 2,583	$ 54,888
Additions	800	—	4,621	—	—	—	5,421
Recruitment expense	(500)	—	—	—	—	—	(500)
Amortization	—	(1,298)	(4,017)	—	(1,003)	(354)	(6,672)
Balance at September 30, 2015	$ 1,273	$ 23,459	$ 17,194	$ 3,711	$ 5,271	$ 2,229	$ 53,137

Goodwill

Goodwill represents the fair value of the consideration provided in an acquisition over the fair value of net assets acquired and is not amortized. Additions to goodwill include amounts resulting from new business combinations and incremental ownership purchases in the Company's subsidiaries.

A summary of activity related to goodwill for the nine months ended September 30, 2015 follows (in thousands):

Balance at December 31, 2014	$	1,298,753
Acquisitions		40,649
Divestitures		(8,399)
Purchase price adjustments		(953)
Balance at September 30, 2015	$	1,330,050

Impairment of Long-Lived Assets, Goodwill and Intangible Assets

The Company evaluates the carrying value of long-lived assets when impairment indicators are present or when circumstances indicate that impairment may exist in accordance with ASC 350, *Intangibles- Goodwill and Other*. The Company performs an impairment test by preparing an expected undiscounted cash flow projection. If the projection indicates that the recorded amount of the long-lived asset is not expected to be recovered, the carrying value is reduced to estimated fair value. The cash flow projection and fair value represents management's best estimate, using appropriate and customary assumptions, projections and methodologies, at the date of evaluation. The Company tests its goodwill and intangible assets for impairment at least annually, or more frequently if certain indicators arise.

Restricted Invested Assets

Restricted invested assets of $316,000 at September 30, 2015 and December 31, 2014 were related to a requirement under the operating lease agreement at the Company's Chesterfield, Missouri facility. In accordance with the provisions of the lease agreement, the Company has a deposit with the landlord that shall be held as security for performance under the Company's covenants and obligations within the agreement through January 2024.

Other Long-Term Assets

A summary of other long-term assets follows (in thousands):

		September 30, 2015		December 31, 2014
Notes receivable	$	222	$	182
Deposits		2,405		2,196
Assets of SERP		1,522		1,402
Other		3,361		2,099
Total	$	7,510	$	5,879

Other Current Liabilities

A summary of other current liabilities follows (in thousands):

		September 30, 2015		December 31, 2014
Interest payable	$	6,744	$	7,027
Current taxes payable		3,370		3,189
Insurance liabilities		4,897		5,552
Third-party settlements		6,921		11,708
Acquisition consideration payable		16,768		—
Amounts due to patients and payors		10,570		9,476
Other accrued expenses		20,977		16,918
Total	$	70,247	$	53,870

Other Long-Term Liabilities

A summary of other long-term liabilities follows (in thousands):

	September 30, 2015	December 31, 2014
Facility lease obligations	$ 54,220	$ 50,749
Medical malpractice liability	4,253	4,253
Liability of SERP	1,522	1,415
Contingent consideration obligation	13,789	13,009
Acquisition consideration payable	—	16,768
Unfavorable lease liability	2,104	2,427
Other long-term liabilities	7,890	1,989
Total	$ 83,778	$ 90,610

The Company has facility lease obligations in connection with the surgical hospital located in Idaho Falls, Idaho and with a radiation oncology building at this facility. The obligation is payable to the lessor of this facility for the land, building and improvements. The current portion of the lease obligation was $729,000 and $568,000 at September 30, 2015 and December 31, 2014, respectively, and was included in other current liabilities in the consolidated balance sheets. The total of the facility lease obligations related to the surgical hospital and radiation oncology building in Idaho Falls, Idaho was $51.0 million and $51.3 million at September 30, 2015 and December 31, 2014, respectively.

During the three months ended September 30, 2015, the Company sold real estate in Ocala, Florida for $4.2 million and subsequently leased the real estate from the new owner. As this transaction did not qualify for sale leaseback treatment under ASC 840, *Leases*, the Company recorded a financing lease obligation of $4.2 million. The obligation is payable to the lessor of this facility for the building. The current portion of the liability was $165,000 included in other current liabilities and $4.0 million included in other long-term liabilities at September 30, 2015.

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, or the Company, 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, as defined by each lease agreement, are recognized when specific contractual measures have been met, typically the result of an increase in the Consumer Price Index. Lease obligations paid in advance are recorded as prepaid rent and included in prepaid expenses and other current assets on the condensed consolidated balance sheets. The difference between actual lease payments and straight-line lease expense over the initial lease term, excluding optional renewal periods, is recorded as deferred rent and included in other current liabilities and other long-term liabilities on the condensed consolidated balance sheets. As part of the Merger, the Company ceased use of four of their operating leases and accrued a liability of $4.6 million, net of discounting and sublease income, during the three months ended June 30, 2015. The Company expensed this through merger transaction and integration costs, as the leases related to offices shut down in connection with the Merger.

Equity-Based Compensation

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. Prior to the Reorganization, on the grant date, the Company employed a market approach to estimate the fair value of equity-based awards based on various considerations and assumptions, including implied earnings multiples and other metrics of relevant market participants, the Company's operating results and forecasted cash flows and the Company's capital structure. Such estimates require the input of highly subjective, complex assumptions. However, such assumptions will not be required to determine fair value of shares of the Company's common stock once its underlying shares begin trading publicly. Once the shares begin trading publicly, the fair value of future stock options awarded will be based on the quoted market price of the Company's common stock upon grant, as well as assumptions including expected stock price volatility, risk-free interest rate, expected dividends, and expected term.

The Company's policy is to recognize compensation expense using the straight line method over the relevant vesting period for units that vest based on time. The Company's equity-based compensation expense can vary in the future depending on many factors, including levels of forfeitures and whether performance targets are met and whether a liquidity event occurs. Prior to the Reorganization, employees held membership units in Surgery Center Holdings, LLC, and the associated expense was referred to as unit-based compensation; following the Reorganization, such expense is referred to as share-based compensation.

Professional, General and Workers' Compensation Insurance

The Company maintains general liability and professional liability insurance in excess of self-insured retentions through third party commercial insurance carriers in amounts that management believes is sufficient for the Company's operations, although, potentially, some

claims may exceed the scope of coverage in effect. The professional and general insurance coverage is on a claims-made basis. Workers' compensation insurance is on an occurrence basis.

The Company expenses the costs under the self-insured retention exposure for general and professional liability and workers compensation claims which relate to (i) claims made during the policy period, which are offset by insurance recoveries 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 are based upon actuarially determined estimates. The reserves are estimated using individual case-basis valuations and actuarial analysis. Reserves for professional, general and workers' compensation claim liabilities are determined with no regard for expected insurance recoveries and are presented gross on the condensed consolidated balance sheets. Expected insurance recoveries are presented on the condensed consolidated balance sheets separately from the liabilities of which $2.9 million and $3.1 million are included in other current liabilities as of September 30, 2015 and December 31, 2014, respectively and $4.3 million is included in other long-term liabilities on the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014. Expected insurance recoveries of $2.2 million is included in prepaid expenses and other current assets and $2.8 million is included in other long-term assets on the condensed consolidated balance sheets at September 30, 2015 and December 31, 2014.

Electronic Health Record Incentives

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in calendar year 2011 for eligible hospitals and professionals that implement and achieve meaningful use of certified Electronic Health Records ("EHR") technology. Several of the Company's surgical hospitals, which were acquired in connection with the acquisition of Symbion, have implemented plans to comply with the EHR meaningful use requirements of the Health Information Technology for Economic and Clinical Health Act ("HITECH") in time to qualify for the maximum available incentive payments.

Compliance with the meaningful use requirements has and will continue to result in significant costs including business process changes, professional services focused on successfully designing and implementing the Company's EHR solutions, along with costs associated with the hardware and software components of the project. The Company currently estimates that total costs incurred to comply will be recovered through the total EHR incentive payments over the projected life cycle of this initiative. The Company incurs both capital expenditures and operating expenses in connection with the implementation of its various EHR initiatives. The amount and timing of these expenditures do not directly correlate with the timing of the Company's cash receipts or recognition of the EHR incentives as other income. The Company expects to receive incentive payments and recognize corresponding revenue upon the completion of the EHR meaningful use requirements. The Company recorded expense for returned payments of $57,000 and $107,000 during the three and nine months ended September 30, 2015, respectively. No electronic records incentives were recorded during the three and nine months ended September 30, 2014.

Income Taxes and Tax Receivable Agreement

The Company uses the asset and liability method to account for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. If a net operating loss carryforward exists, the Company makes a determination as to whether that net operating loss carryforward will be utilized in the future. A valuation allowance is established for certain net operating loss carryforwards when their recoverability is deemed to be uncertain. The carrying value of the net deferred tax assets assumes that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and related assumptions change in the future, the Company may be required to adjust its deferred tax valuation allowances.

The Company, or one or more of its subsidiaries, files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations for years prior to 2010.

As part of the Reorganization that was effective September 30, 2015, the Company entered into a Tax Receivable Agreement (“TRA”) under which generally the Company will be required to pay to its stockholders as of immediately prior to the IPO 85% of the cash savings, if any, in U.S. federal, state or local tax that the Company actually realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes, including NOLs, capital losses, charitable deductions, alternative minimum tax credit carryforwards and federal and state tax credits of Surgery Partners, Inc. and its affiliates relating to taxable years ending on or before the date of the Reorganization (calculated by assuming the taxable year of the relevant entity closes on the date of the Reorganization) that are or become available to the Company and its wholly-owned subsidiaries as a result of the Reorganization, and (ii) tax benefits attributable to payments made under the TRA, together with interest accrued at a rate of LIBOR plus 300 basis points from the date the applicable tax return is due (without extension) until paid. The Company expects the payments it will be required to make under the TRA will be substantial. If the Company had elected to terminate the TRA immediately after the IPO, the Company estimates that it would have been required to pay $116.0 million in the aggregate under the TRA.

The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character and timing of the taxable income of Surgery Partners, Inc. in the future. The Company estimates the total amounts payable to be between $110 million and $115 million, if the tax benefits of related deferred tax assets are ultimately realized. The amounts payable are not currently recognized as liabilities as of September 30, 2015 because it is not probable that these amounts will be paid, consistent with the Company’s current

estimate that related deferred tax assets are not more likely than not to be realized. If the valuation allowance recorded against the deferred tax assets applicable to the tax attributes referenced above is released in a future period, the TRA liability will likely be considered probable at that time and will be recorded as a component of net income.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers*," which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance, including guidance specific to the healthcare industry. This ASU provides companies the option of applying a full or modified retrospective approach upon adoption. This ASU was originally set to be effective for fiscal years beginning after December 15, 2016, and early adoption was not permitted. In July 2015, the FASB deferred the effective date for the standard to be effective for fiscal years beginning after December 15, 2017. The FASB will now permit companies to early adopt within one year of the new effective date. The Company will adopt this ASU on January 1, 2018 and is currently evaluating its plan for adoption and the impact on the Company's revenue recognition policies, procedures and the resulting impact on the Company's condensed consolidated financial position, results of operations and cash flows.

In February 2015, the FASB issued ASU 2015-02 "*Amendments to the Consolidation Analysis*," which amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity unless the limited partners hold substantive kick-out rights or participating rights. The provisions of ASU 2015-02 are effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2015-02 will have on its financial position, results of operation, cash flows and financial disclosures.

In April 2015, the FASB issued ASU 2015-03, "*Simplifying the Presentation of Debt Issuance Costs*," which simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, and the new guidance should be applied retrospectively. The Company plans to adopt this ASU on January 1, 2016, and does not anticipate that such adoption will have a material effect on its consolidated financial position, results of operations, or cash flows.

In August 2015, the FASB issued ASU 2015-15, "*Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements"* which clarifies the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff has announced that it would "not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement." The Company plans to adopt this ASU on January 1, 2016, and does not anticipate that such adoption will have a material effect on its consolidated financial position, results of operations, or cash flows.

In September 2015, the FASB issued ASU 2015-16, "*Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments*" which eliminates the requirement for an acquirer to retrospectively adjust its financial statements for changes to provisional amounts that are identified during the measurement-period following the consummation of a business combination. Instead, ASU 2015-16 requires these types of adjustments to be made during the reporting period in which they are identified and would require additional disclosure or separate presentation of the portion of the adjustment that would have been recorded in the previously reported periods as if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those years. The Company is currently evaluating the impact that the adoption of ASU 2015-02 will have on its financial position, results of operation, cash flows and financial disclosures.

3. Acquisitions and Developments

The Company accounts for its business combinations in accordance with the fundamental requirements of the acquisition method of accounting and under the premise that an acquirer can be identified for each business combination. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieves control. The assets acquired, liabilities assumed and any non-controlling interests in the acquired business at the acquisition date are recognized at their fair values as of that date, and the direct costs incurred in connection with the business combination are recorded and expensed separately from the business combination. Acquisitions in which the Company is able to exert significant influence but does not have control are accounted for using the equity method.

2015 Transactions

Surgical Facility Acquisitions

During the nine months ended September 30, 2015, the Company acquired a controlling interest in one surgical facility located in a new market and one surgical facility and two anesthesia practices in existing markets for an aggregate purchase price of $20.2 million. The Company consolidates these facilities for financial reporting purposes. These transactions were funded with a combination of cash from operations, facility ownership, and proceeds from the refinancing of the Company's credit facilities in connection with the Symbion acquisition.

Additionally, the Company acquired incremental ownership in two of its consolidated surgical facilities and in an existing anesthesia practice for an aggregate purchase price of $7.7 million.

Ancillary Services

During the nine months ended September 30, 2015, through its recruiting efforts and capital-efficient acquisitions, the Company completed eleven in-market physician practice transactions through an aggregate investment of $30.4 million. These transactions added total of 14 physicians to the Company's physician network and were funded with a combination of cash from operations and revolver proceeds.

Acquisition of Symbion

On June 13, 2014, the Company, through its wholly-owned subsidiary, SCH Acquisition Corp. ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Symbion Holdings Corporation ("Symbion"). Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Symbion, with Symbion being the surviving corporation in the merger (the "Merger"). At the closing of the Merger, each share of common stock of Symbion, other than those held by Symbion or by the Company, Merger Sub or their subsidiaries and other than those shares with respect to which appraisal rights are properly exercised in accordance with the General Corporation Law of the State of Delaware, were converted into the right to receive a cash payment per share equal to (x) $792.0 million, subject to certain adjustments for Symbion's cash, debt, transaction expenses, working capital and other items at closing, plus the aggregate exercise price of all vested options, minus certain escrowed amounts relating to post-closing purchase price adjustment and indemnity obligations, divided by (y) the number of shares outstanding on a fully-diluted basis assuming full exercise of vested options and exercise of rights to receive shares upon the exchange of the 8.00% Senior PIK Exchangeable Notes due 2017 issued by Symbion (the "Merger Consideration"). In addition, each outstanding option to purchase shares of Symbion's common stock were cancelled, and the holders of vested options were paid an amount equal to the excess, if any, of the Merger Consideration over the per-share exercise price of such vested options.

The Company obtained financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which were sufficient for the Company to pay the aggregate Merger Consideration and all related fees and expenses.

The Company completed the Merger effective November 3, 2014. At closing, the Company paid approximately $300.1 million in cash, including $16.2 million funded to an escrow account, and assumed approximately $472.4 million of outstanding indebtedness of Symbion, plus related accrued and unpaid interest. During the three months ended June 30, 2015, $2.1 million of the escrow account was distributed based on a working capital settlement reducing the total amount funded on the escrow account to $14.1 million as of September 30, 2015. The Company received $1.2 million of the escrow disbursement reducing the cash consideration to $298.9 million and adjusted the purchase price allocation to goodwill. The Company will fund an additional $16.8 million to the escrow account by May 3, 2016. The $30.9 million remaining escrow balance is payable to Symbion on May 3, 2016, pending the resolution of any adjustments and the settlement of any other indemnities.

The acquisition of Symbion enhances the growth profile of the Company by expanding its network of surgical facilities in attractive markets throughout the United States.

The Merger was financed through the issuance of $1.4 billion of Senior Secured Credit Facilities ("Facilities"), which includes an $870.0 million first lien term loan due November 3, 2020, a $490.0 million second lien term loan due November 3, 2021 and an $80.0 million revolving credit facility.

Fees associated with the Merger, which includes fees incurred related to the Company's debt financings, were approximately $93.3 million. Approximately $5.3 million was capitalized as deferred financing costs, $21.7 million related to legal and other transaction fees was expensed as transaction costs, $42.9 million was recorded as a reduction of the carrying value of the Facilities and $23.4 million was recorded as debt extinguishment costs during the year ended December 31, 2014.

Acquired assets and assumed liabilities include, but are not limited to, fixed assets, intangible assets and professional liabilities. The valuations are based on appraisal reports, discounted cash flow analyses, actuarial analyses or other appropriate valuation techniques to determine the fair value of the assets acquired or liabilities assumed. A majority of the deferred income taxes recognized as a component of the Company's purchase price allocation is a result of the difference between the book and tax basis of the amortizable intangible assets recognized.

The purchase price amount has been preliminarily allocated to the related assets acquired and liabilities assumed based upon their respective fair values as follows:

Cash consideration	$	298,857
Acquisition consideration payable		16,768
Fair value of non-controlling interests		395,663
Fair value of Symbion		711,288
Net assets acquired:		
Cash		40,374
Accounts receivable, net		79,830
Inventories		18,389
Prepaid expenses and other current assets		9,876
Property and equipment		153,179
Investments in and advances to affiliates		32,728
Intangible assets		31,534
Restricted invested assets		316
Other long-term assets		6,239
Accounts payable		(20,419)
Accrued payroll and benefits		(14,300)
Other current liabilities		(44,272)
Current maturities of long-term debt		(83,805)
Long-term debt, less current maturities		(376,395)
Long-term deferred tax liabilities		(17,895)
Other long-term liabilities		(60,500)
Net assets acquired		(245,121)
Excess of fair value over identifiable net assets acquired	$	956,409

The entire amount of goodwill acquired in connection with the Merger was allocated to the Company's surgical facility services operating segment. The total amount of the goodwill related to the acquisition of Symbion that will be deductible for tax purposes is $142.5 million.

Fair value attributable to non-controlling interests was based on a Level 3 computation using significant inputs that are not observable in the market. Key inputs used to determine the fair value include financial multiples used in the purchase of non-controlling interests, primarily from acquisitions of surgical facilities. Such multiples, based on earnings, are used as a benchmark for the discount to be applied for the lack of control or marketability. Fair value attributable to the property and equipment acquired was based on Level 3 computations using key inputs such as cost trend data and comparable asset sales. Fair value attributable to the intangible assets acquired was based on Level 3 computations using key inputs such as the Company's internally-prepared financial projections. Fair values assigned to acquired working capital were based on carrying amounts reported by Symbion at the date of acquisition, which approximate their fair values. The fair values assigned to certain assets and liabilities assumed by the Company have been estimated on a preliminary basis and are subject to change as new facts and circumstances emerge that were present at the date of acquisition.

The unaudited consolidated pro forma results for three and nine months ended September 30, 2014, assuming the Symbion acquisition had been consummated on January 1, 2014, are as follows (in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,
	2014	2014
Net revenues	$ 218,595	$ 642,065
Net income	3,646	23,401
Less: net income attributable to non-controlling interests	(16,158)	(48,445)
Net loss attributable to Surgery Partners, Inc.	$ (12,512)	$ (25,044)

These pro forma amounts for the three and nine months ended September 30, 2014, exclude expenses related to the Merger transaction of $702,000 and $3.1 million, respectively. In addition, the nine months ended September 30, 2014 excludes $2.0 million of expense related to loss on debt extinguishment.

4. Divestitures

During the nine months ended September 30, 2015, the Company sold its interest in three surgical facilities and received aggregate proceeds of $10.9 million resulting in a pre-tax gain of approximately $2.9 million in the condensed consolidated statements of operations.

5. Long-Term Debt

A summary of long-term debt follows (in thousands):

	September 30, 2015	December 31, 2014
2014 Revolver Loan	$ 35,250	$ —
2014 First Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2020, net of debt issuance and discount of $21,143 and $23,818 at September 30, 2015 and December 31, 2014, respectively	842,332	846,183
2014 Second Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2021, net of debt issuance and discount of $16,700 and $18,184 at September 30, 2015 and December 31, 2014, respectively	473,300	471,816
Subordinated Notes	1,000	1,000
Notes payable and secured loans	36,445	31,600
Capital lease obligations	10,342	10,755
Total debt	1,398,669	1,361,354
Less: Current maturities	27,678	22,088
Total long-term debt	$ 1,370,991	$ 1,339,266

The acquisition of Symbion on November 3, 2014 and payoff of the senior debt was financed through new $1.440 billion Senior Secured Credit Facilities (the "Facilities") consisting of the following:

- $80.0 million revolving credit facility ("2014 Revolver Loan")
- $870.0 million 1st lien term loan facility ("2014 First Lien Credit Agreement")
- $490.0 million 2nd lien term loan facility ("2014 Second Lien Credit Agreement")

On November 3, 2014, in connection with the consummation of the Symbion acquisition, the Company assumed and paid down approximately $440.0 million of outstanding indebtedness of Symbion, including accrued interest. Simultaneously, the Company paid off all of the debt outstanding under its then-existing credit agreements ("Credit Facilities") and revolver loan.

2014 Revolver Loan

The 2014 Revolver Loan (“Revolver”) will be used for working capital, acquisitions and development activities and general corporate purposes in an aggregate principal amount at any time outstanding not to exceed $80.0 million and matures on November 3, 2019. The Company has the option of classifying borrowings under the Revolver as either Alternate Base Rate ("ABR") loans or Eurodollar ("ED") loans. The interest base rate on an ABR loan is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest

period plus 1.00%. In addition to the base rate, the Company is required to pay a 3.25% margin for ABR loans. The interest base rate on an ED loan is equal to (x) the LIBO Rate for such Eurodollar borrowing in effect for such Interest Period divided by (y) One minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such interest period. In addition to the base rate, the Company is required to pay a 4.25% margin for ED loans. As of September 30, 2015, the Company availability on the Revolver was $41.6 million.

The Company paid $2.3 million in connection with obtaining the Revolver and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately $417,000 and $76,000, in the accompanying consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively. The Company must also pay quarterly commitment fees of 0.50% per annum of the average daily unused amount of the Revolver.

The credit agreement that governs the Revolver contains various covenants that include limitations on the Company's indebtedness, liens, acquisitions and investments. It additionally includes the requirement that the Company maintain a net leverage ratio within a specified range. At September 30, 2015, the Company was in compliance with the covenants contained in the credit agreement.

2014 First Lien Credit Agreement

The 2014 First Lien Credit Agreement (“2014 First Lien”) is a senior secured obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured basis by the Company and certain of its subsidiaries. The 2014 First Lien matures on November 3, 2020. The Company has the option of classifying the 2014 First Lien as either an ABR loan or an ED loan. The interest base rate on an ABR loan is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50%, and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.00%; provided that the base rate shall not be less than 2.00% per annum. In addition to the base rate, the Company is required to pay a 3.25% margin for ABR loans. The interest base rate on an ED loan is equal to (x) the LIBO Rate for such Eurodollar borrowing in effect for such Interest Period divided by (y) One minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such interest period; provided that the rate shall not be less than 1.00% per annum. In addition to the base rate, the Company is required to pay a 4.25% margin for ED loans. In 2014, the Company classified the 2014 First Lien as an ED loan with an interest rate of 5.25% (1.00% base rate plus a 4.25% margin). Accrued interest is payable in arrears on a quarterly basis. Within five business days after the earlier of (i) 90 days after the end of each fiscal year or (ii) the date on which financial statements have been delivered, the Company is required to make mandatory prepayments in amounts calculated in accordance with the excess cash flow provisions of the 2014 First Lien Credit Agreement. There were no excess cash flow payments required as of September 30, 2015.

In 2014, the Company recorded $4.4 million and $20.0 million as a reduction of the carrying value of the 2014 First Lien as original issue discount and amounts paid to lender for debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During the nine months ended September 30, 2015, approximately $2.7 million was accreted to interest expense. The Company also paid $1.9 million in connection with obtaining the 2014 First Lien and recorded this amount as debt issuance costs, which is presented as an asset, net of accumulated amortization of approximately $237,000 and $41,000, in the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively.

The credit agreement that governs the 2014 First Lien contains various covenants that include limitations on the Company's indebtedness, liens, acquisitions and investments. It additionally includes the requirement that the Company maintain a net leverage ratio within a specified range. At September 30, 2015, the Company was in compliance with the covenants contained in the credit agreement. The 2014 First Lien is collateralized by substantially all of the assets of the Company.

2014 Second Lien Credit Agreement

The 2014 Second Lien Credit Agreement (“2014 Second Lien”) is a senior secured obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured basis by the Company and certain of its subsidiaries. The 2014 Second Lien matures on November 3, 2021. The Company has the option of classifying the 2014 Second Lien as either an ABR loan or an ED loan. The interest base rate on an ABR loan is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.00%; provided that the base rate shall not be less than 2.00% per annum. In addition to the base rate, the Company is required to pay a 6.50% margin for ABR loans. The interest base rate on an ED loan is equal to (x) the LIBO Rate for such Eurodollar Borrowing in effect for such interest period divided by (y) One minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such interest period; provided that the base rate shall not be less than 1.00% per annum. In addition to the base rate, the Company is required to pay a 7.50% margin for ED loans. During 2014, the Company classified the 2014 Second Lien as an ED loan with an interest rate of 8.50% (1.00% base rate plus a 7.50% margin). Accrued interest is payable in arrears on a quarterly basis, on the last business day of each March, June, September and December. The Company is required to pay the principal balance of $490.0 million upon maturity of the 2014 Second Lien on November 3, 2021. The Company has the right at any time to prepay any borrowings, in whole or in part, provided that each partial prepayment shall be in an amount that is an integral multiple of $0.5 million and not less than $1.0 million. Within five business days after the earlier of (i) 90 days after the end of each fiscal year or (ii) the date on which financial statements have been delivered, the Company is required to make mandatory prepayments in amounts calculated in accordance with the excess cash flow provisions of the 2014 Second Lien. There were no excess cash flow payments required as of September 30, 2015.

The Company recorded $4.9 million and $13.6 million as a reduction of the carrying value of the 2014 Second Lien as original issue discount and amounts paid to lender for debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During the nine months ended September 30, 2015, approximately $1.5 million was accreted to interest expense. The Company also

paid $1.1 million in connection with obtaining the 2014 Second Lien and recorded this amount as debt issuance costs, which is presented as an asset, net of accumulated amortization of approximately $84,000 and $14,000, in the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively.

The credit agreement that governs the 2014 Second Lien contains various covenants that include limitations on the Company's indebtedness, liens, acquisitions and investments. It additionally includes the requirement that the Company maintain a maximum net leverage ratio. At September 30, 2015, the Company was in compliance with the covenants contained in the credit agreement. The 2014 Second Lien is collateralized by substantially all of the assets of the Company.

Other Debt Transactions

On January 27, 2014, the Company obtained $90.0 million in additional borrowings on the Credit Facilities to return capital to shareholders. The Company recorded $1.4 million and $2.9 million as a reduction of the carrying value of the additional borrowings as original issue discount and amounts paid to lender for debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During the nine months ended September 30, 2014, approximately $339,000 was accreted to interest expense. The $90.0 million in additional borrowings, including the related debt issuance costs, were included in the extinguishment of debt that was financed with the proceeds of the Facilities obtained in connection with the acquisition of Symbion on November 3, 2014.

Subordinated Notes

Effective April 11, 2013, the Company amended and reduced the size of its subordinated debt facility ("Subordinated Notes") to $1.0 million from $53.8 million. The Company accounted for the amendment as extinguishment of debt. H.I.G. Surgery Centers, LLC, an affiliate of the Company, purchased the Subordinated Notes from an independent third party. At September 30, 2015 and December 31, 2014, the debt is payable to H.I.G. Surgery Centers, LLC. and mature on August 4, 2017. Effective January 1, 2014, the Subordinated Notes bear interest of 17.00% per annum.

Notes Payable and Secured Loans

Certain of the Company’s subsidiaries have outstanding bank indebtedness, which is collateralized by the real estate and equipment owned by the surgical facilities to which the loans were made. The various bank indebtedness agreements contain covenants to maintain certain financial ratios and also restrict encumbrance of assets, creation of indebtedness, investing activities and payment of distributions. At September 30, 2015, the Company was in compliance with its covenants contained in the credit agreement. The Company and its subsidiaries had notes payable to financial institutions of $36.4 million and $31.6 million as of September 30, 2015 and December 31, 2014, respectively.

Letters of Credit

As of December 31, 2014, the Company had two outstanding letters of credit at its optical purchasing group of $200,000 and $730,000. In May 2015, the Company increased one of these letters of credit from $200,000 to $500,000. The Company had two outstanding letters of credit issued to the landlords for two of its surgical facilities in Orlando, Florida in the amount of $100,000 and in Lubbock, Texas for $1.0 million. In addition, the Company had one outstanding letter of credit related to the Symbion, Inc. workers compensation self-insured plan for $835,000.

Capital Lease Obligations

The Company is liable to various vendors for several equipment leases classified as capital leases. The carrying value of the leased assets was $11.3 million and $13.3 million as of September 30, 2015 and December 31, 2014, respectively.

6. Earnings Per Share

Basic and diluted earnings per share are calculated in accordance with ASC 260, *Earnings Per Share*, based on the weighted-average number of shares outstanding in each period and dilutive stock options, unvested shares and warrants, to the extent such securities exist and have a dilutive effect on earnings per share. The following is a reconciliation of the numerator and denominator of basic and diluted earnings per share for the three and nine months ended September 30, 2015 and 2014 (in thousands except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Net loss attributable to Surgery Partners, Inc.	$ (3,122)	$ (6,908)	$ (15,310)	$ (11,633)
Denominator:				
Weighted average shares outstanding- basic [1]	32,054,089	31,698,638	32,054,089	31,698,638
Effect of dilutive securities [2]	—	—	—	—
Weighted average shares outstanding- diluted	32,054,089	31,698,638	32,054,089	31,698,638
Earnings per share:				
Basic earnings per share	$ (0.10)	$ (0.22)	$ (0.48)	$ (0.37)
Diluted earnings per share [2]	$ (0.10)	$ (0.22)	$ (0.48)	$ (0.37)

[1] Effect of the Reorganization has been retrospectively applied to all periods presented.
[2] The impact of potentially dilutive securities for the three and nine months ended September 30, 2015 and September 30, 2014 was not considered because the effect would be anti-dilutive in each of those periods.

7. Related Party Transactions

On December 24, 2009, the Company and Bayside Capital, Inc. (or "Bayside"), an affiliate of H.I.G. Capital, LLC (or "H.I.G."), entered into a Management and Investment Advisory Services Agreement ("Management Agreement") pursuant to which the Company will receive certain management, consulting and financial advisory services. Effective November 3, 2014, the Management Agreement was amended pursuant to the Symbion acquisition and the management fee was increased to $3.0 million annually. Fees related to the Management Agreement for the nine months ended September 30, 2015 and September 30, 2014 are recognized as general and administrative expense in the accompanying condensed consolidated statements of operations. Bayside was paid a transaction fee pursuant to the Management Agreement of $5.4 million as a result of the IPO and the Management Agreement was terminated upon the completion of the IPO.

8. Commitments and Contingencies

Lease and Debt Guarantees of Non-Consolidated Facilities

As of September 30, 2015 and December 31, 2014, the Company had guaranteed approximately $196,000 and $539,000, respectively, of operating lease payments for certain non-consolidated surgical facilities that were acquired in connection with the Symbion transaction. These operating leases typically have ten-year terms, with optional renewal periods.

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 third party commercial insurance carriers in amounts that management believes is sufficient for the Company's operations, although, potentially, some claims may exceed the scope of coverage in effect. The professional and general insurance coverage is on a claims-made basis. Workers' compensation insurance is on an occurrence 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.

Laws and Regulations

Laws and regulations governing the Company's business, including those relating to the Medicare and Medicaid programs, are complex and subject to interpretation. These laws and regulations govern every aspect of how the Company's surgical facilities conduct their operations, from licensing requirements to how and whether the Company's facilities may receive payments pursuant to the Medicare and Medicaid programs. Compliance with such laws and regulations can be subject to future government agency review and interpretation as well as legislative changes to such laws. Noncompliance with such laws and regulations may subject the Company to 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, including, but not limited to, the Company's compliance with federal and state fraud and abuse laws, billing practices and relationships with physicians. 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 business, results of operations or financial condition.

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 that no such liabilities exist, obtain indemnification from prospective sellers covering such matters and institute 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. Management believes, however, that it will be able to adjust the Company's operations so as to be in compliance with any statutory or regulatory 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 partnership or limited liability company 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 that extends beyond the period of any claims-made policies, 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.

Contingent Consideration

Pursuant to a purchase agreement dated December 24, 2009 (“the Purchase Agreement”), the Company acquired controlling interests in thirty-six business entities in various Florida locations which operate freestanding ASCs and provided anesthesia and pain management services (“the 2009 Acquisition”). Non-controlling interests in the ASCs were owned by certain physicians that remained partners/members in the ASCs and other operating entities.

The Purchase Agreement provided for maximum potential contingent consideration of up to $10.0 million based on operating results subsequent to the acquisition for the period from January 1, 2010 to December 31, 2010. Pursuant to the Purchase Agreement, the contingent consideration is payable as principal under a Subordinated Promissory Note, the form of which was delivered concurrent with the Purchase Agreement. The balance is still outstanding due to ongoing litigation as a result of the civil claim discussed in detail below. The Subordinated Promissory Note bears interest at 8% and during the nine months ended September 30, 2015 and 2014, the Company recorded approximately $781,000 and $723,000, respectively, of interest expense related to the note. As discussed below, the Company has made indemnification claims against the Seller exceeding the amount of the contingent consideration liability. The Company has a contractual right of offset against the contingent consideration. The fair value of the contingent consideration liability, including accrued interest, as of September 30, 2015 and December 31, 2014 was $13.8 million and $13.0 million, respectively.

In conjunction with the 2009 Acquisition, an escrow account in the amount of $2.9 million was created to cover any contingencies. With the formation of this escrow account, the Company was indemnified against certain indemnification obligations. In 2010, $589,000 was paid to the Company in settlement of the acquisition price adjustment noted above. In December 2010, the Company filed an indemnification claim against the Seller alleging breaches of and inaccuracies in representations and warranties included in the Purchase Agreement. Pursuant to the Purchase Agreement, the escrow agent has not paid the remaining escrow funds due to the unresolved claim associated with this acquisition.

Pursuant to the terms of the Purchase Agreement, in December 2010, the Company filed a claim for indemnification from the Seller for reimbursement of amounts to be repaid to payors for overpayment amounts received by the Seller prior to the date of acquisition, including

other losses sustained, and submitted a withdrawal notice to the escrow agent in the amount of approximately $4.4 million. The indemnification claim asserts, among other allegations, that certain operating entities acquired from the Seller improperly recorded payments received from certain payors as income and that one acquired entity used improper billing, coding and collection practices for dates of service prior to acquisition date. The Seller submitted an objection to this claim and filed a civil claim requesting the court to dismiss the Company's claim and release funds out of escrow.

The Company has included in the accompanying condensed consolidated balance sheets a net indemnification receivable due from Seller of $1.1 million as of September 30, 2015 and December 31, 2014 pursuant to the terms of the Purchase Agreement. The amount due to the payors of approximately $1.8 million is included in accrued expenses in the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014.

Subsequent to the acquisition date, the Company determined the acquired accounts receivable were not properly recorded at the net realizable value of the asset. The Company determined the fair value assigned in the initial acquisition accounting resulted in accounts receivable being recorded at an amount which was approximately $14.0 million in excess of the fair value. On June 10, 2013, the court issued a judgment in favor of the Company regarding its indemnification claim and its claim regarding the overstatement of accounts receivable. Specifically, the court ruled that the Company is entitled to recover approximately $454,000 for the indemnification claims which represents the amount of the original claim less the application of deductibles. The court also ruled that the Company is entitled to receive approximately $10.8 million for the overstated net accounts receivable. The Purchase Agreement provides for any award of damages to the Company to be offset first by the money in the escrow account and then by an offset to the contingent consideration. Therefore, the court ordered that the funds in the escrow account be paid to the Company and the balance of approximately $8.3 million be offset against the $10.0 million contingent consideration. To date, no final judgment has been made regarding the award of attorneys' fees and interest.

Following the judgment noted above, an appeal was filed by the Seller and the outcome of the appeal is still pending. The funds from the escrow account have not been released to the Company and the Company has retained the contingent consideration liability on its condensed consolidated balance sheets at September 30, 2015 and December 31, 2014.

9. Segment Reporting

A public company is required to report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or "CODM," in deciding how to allocate resources and in assessing performance.

The Company operates in three major lines of business that are also the Company's reportable operating segments - the operation of surgical facilities, the operation of optical services and the operation of ancillary services, which includes physician practices, a diagnostic laboratory and a specialty pharmacy.

During the three months ended June 30, 2015, the Company made changes to its internal reports issued to and reviewed by the CODM.
The primary effect of these changes was to remove the allocation of general and administrative expense and assets to the reportable operating segments. The Company has revised the segment disclosures below to present corporate overhead and corporate assets as a reconciling item back to the reported condensed consolidated financial information.

The following tables present financial information for each reportable segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Revenues:				
Surgical facility services	$ 219,631	$ 59,245	$ 643,900	$ 173,730
Ancillary services	16,347	13,512	41,557	39,051
Optical services	3,621	3,546	11,112	10,817
Total	$ 239,599	$ 76,303	$ 696,569	$ 223,598

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment Operating Income:				
Surgical facility services	$ 54,223	$ 21,509	$ 160,795	$ 61,647
Ancillary services	4,115	4,937	11,730	14,487
Optical services	525	525	1,900	1,726
Total	$ 58,863	$ 26,971	$ 174,425	$ 77,860
General and administrative	$ (12,179)	$ (7,000)	$ (37,424)	$ (20,859)
(Loss) gain on disposal or impairment of long-lived assets, net	(1,161)	8	1,522	(110)
Loss on debt extinguishment	—	—	—	(1,975)
Merger transaction and integration costs	(1,249)	(325)	(14,897)	(442)
Operating income	$ 44,274	$ 19,654	$ 123,626	$ 54,474

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Supplemental Information:				
Depreciation and amortization:				
Surgical facility services	$ 6,714	$ 1,705	$ 20,620	$ 5,158
Ancillary services	550	458	1,219	1,352
Optical services	404	409	1,219	1,226
Total	$ 7,668	$ 2,572	$ 23,058	$ 7,736
General and administrative	$ 943	$ 262	$ 2,480	$ 821
Total depreciation and amortization	$ 8,611	$ 2,834	$ 25,538	$ 8,557

	September 30, 2015	December 31, 2014
Assets:		
Surgical facility services	$ 1,656,762	$ 1,638,874
Ancillary services	104,072	70,370
Optical services	26,561	25,876
Total	1,787,395	1,735,120
General and administrative	$ 104,127	$ 123,674
Total assets	$ 1,891,522	$ 1,858,794

	Nine Months Ended September 30,	
	2015	2014
Supplemental Information:		
Cash purchases of property and equipment, net:		
Surgical facility services	$ 13,300	$ 1,391
Ancillary services	561	765
Optical services	89	315
Total	$ 13,950	$ 2,471
General and administrative	$ 4,165	$ 966
Total cash purchases of property and equipment, net	$ 18,115	$ 3,437

10. Subsequent Events

Initial Public Offering and Use of Proceeds

On October 1, 2015, the Company completed its IPO of 14,285,000 shares of common stock at an offering price of $19.00 per share. On October 6, 2015, the Company received net proceeds from the sale of common stock in this offering of $255.8 million, after deducting underwriting discounts and other fees of $15.6 million. These net proceeds were used to repay a portion of the borrowings outstanding under the 2014 Second Lien and to pay fees associated with this offering.

In connection with the completion of the IPO, the Company paid a transaction fee to Bayside of $5.4 million and terminated the Management Agreement.

On October 6, 2015, the Company prepaid $243.5 million in principal, net of $8.3 million of discounts and issuance costs, and $65,000 of accrued interest on the 2014 Second Lien. Further, the Company incurred a prepayment penalty of 3% of the aggregate principal amount or $7.3 million.

On a quarterly basis, the Company assesses the likelihood of realization of its deferred tax assets considering all available evidence, both positive and negative. In conjunction with the IPO, the repayment of debt and associated reduction in interest expense anticipated to occur in the quarter ending December 31, 2015 and the continued integration of Symbion into its operations, its analysis upon completion of the fourth quarter of fiscal 2015 may indicate an increased likelihood that deferred tax assets will be realized. If there is a change to the assessment of the amount of deferred income tax assets that is realizable, the valuation allowance will be adjusted and recorded as a component of income tax expense.

Other Activity

On October 7, 2015, the Company entered into an amendment to the 2014 First Lien to increase certain lenders' commitments under the 2014 Revolving Loan from $80.0 million to an aggregate of $150.0 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report and included in the final prospectus we filed with the Securities and Exchange Commission on October 2, 2015 in connection with our IPO. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those estimated or projected in any of these forward-looking statements. Unless otherwise indicated or the context otherwise requires, references herein to the "Company", "Surgery Partners", "we", "us" and "our" refer to, (i) Surgery Center Holdings, LLC and its consolidated subsidiaries, including Surgery Center Holdings, Inc., immediately prior to the Reorganization and (ii) Surgery Partners, Inc. and its consolidated subsidiaries, including Surgery Center Holdings, LLC and Surgery Center Holdings, Inc., immediately following the Reorganization. Unless the context implies otherwise, the term "affiliates" means direct and indirect subsidiaries of Surgery Center Holdings, LLC and Surgery Partners, Inc., as applicable, and partnerships and joint ventures in which such subsidiaries are partners. The terms "facilities" or "hospitals" refer to entities owned and operated by affiliates of Surgery Partners, and the term "employees" refers to employees of affiliates of Surgery Partners.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements, which are based on our current expectations, estimates and assumptions about future events. All statements other than statements of current or historical fact contained in this report, including statements regarding our future financial position, business strategy, budgets, effective tax rate, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "will," and similar expressions are generally intended to identify forward-looking statements. These statements involve risks, uncertainties and other factors that may cause actual results to differ from the expectations expressed in the statements. Many of these factors are beyond our ability to control or predict. These factors include, without limitation: (i) reductions in payments from government healthcare programs and managed care organizations; (ii) inability to contract with private third-party payors; (iii) failure to fully integrate the operations of Surgery Partners and legacy Symbion; (iv) changes in our payor mix or surgical case mix; (v) failure to maintain relationships with our physicians; (vi) payor controls designed to reduce the number of surgical procedures; (vii) inability to integrate operations of acquired surgical facilities, attract new physician partners, or acquire additional surgical facilities; (viii) shortages or quality control issues with surgery-related products, equipment and medical supplies; (ix) competition for physicians, nurses, strategic relationships, acquisitions and managed care contracts; (x) inability to enforce non-compete restrictions against our physicians; (xi) material liabilities incurred as a result of acquiring surgical facilities; (xii) litigation or medical malpractice claims; (xiii) changes in the regulatory, economic and other conditions of the states where our surgical facilities are located; (xiv) substantial payments we expect to be required to make under the tax receivable agreement; and (xv) other risks and uncertainties described in this report and set forth under the heading "Risk Factors" in the Company's final prospectus filed with the Securities and Exchange Commission on October 2, 2015 in connection with our IPO.

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements. When you consider these forward-looking statements, you should keep in mind these risk factors and other cautionary statements in this report.

These forward-looking statements speak only as of the date made. Other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

As of November 13, 2015, we owned and operated a national network of surgical facilities and physician practices in 28 states. Our surgical facilities, which include ASCs and surgical hospitals, primarily provide non-emergency surgical procedures across many specialties, including, among others, otolaryngology ("ENT"), gastroenterology ("GI"), general surgery, ophthalmology, orthopedics, cardiology and pain management. Some of our surgical hospitals also provide acute care services, such as diagnostic imaging, laboratory, obstetrics, oncology, pharmacy, physical therapy and wound care. We also provide our suite of ancillary services, comprised of a diagnostic laboratory, multi-specialty physician practices, urgent care facilities, anesthesia services, optical services and specialty pharmacy services. As a result, we believe we are well positioned to benefit from rising consumerism and payors' and patients' focus on the delivery of high quality care and superior clinical outcomes in the lowest cost and care setting.

As of November 13, 2015, we owned or operated, primarily in partnership with physicians, a portfolio of 99 surgical facilities comprised of 94 ASCs, of which six are managed only, and five surgical hospitals across 28 states. As of November 13, 2015, we owned a majority interest in 71 of the surgical facilities and consolidated 88 of these facilities for financial reporting purposes. In addition to surgical facilities, we owned or operated a network of 43 physician practices as of November 13, 2015. For the nine months ended September 30, 2015, approximately 286,961 surgical procedures were performed in our surgical facilities, generating approximately $643.9 million in revenue, as compared to the year ended December 31, 2014, during which approximately 200,000 surgical procedures were performed in our surgical facilities, generating approximately $339.3 million in revenue.

We continue to focus on improving our same-facility performance, selectively acquiring established facilities and developing new facilities. During the three months ended September 30, 2015, through our recruiting efforts and capital-efficient acquisitions, we

completed nine in-market physician practice transactions including two denovo, or newly developed, practices through an aggregate investment of $26.7 million. These transactions added a total of 12 physicians to our physician network.

In addition, during the three months ended September 30, 2015, we acquired a controlling interest in one anesthesia practice in an existing market for a purchase price of $600,000, along with incremental ownership in two of our consolidated surgical facilities and in an existing anesthesia practice for an aggregate purchase price of $7.7 million.

During the nine months ended September 30, 2015, we completed eleven in-market physician practice transactions through an aggregate investment of $30.4 million adding a total of 16 physicians added to our physician network.

In addition, during the nine months ended September 30, 2015, we acquired a controlling interest in one surgical facility located in a new market and one surgical facility and two anesthesia practices in existing markets for an aggregate purchase price of $20.2 million. Additionally, we acquired incremental ownership in two of our consolidated surgical facilities and in an existing anesthesia practice for an aggregate purchase price of $7.7 million.

On November 3, 2014, we completed the acquisition of Symbion ("the Merger"), which added 55 surgical facilities, including 49 ASCs and 6 surgical hospitals, to our network of existing facilities. We acquired Symbion for a purchase price of $792.0 million pursuant to the terms of an Agreement and Plan of Merger dated as of June 13, 2014. The Symbion acquisition was financed through the issuance of approximately $1.4 billion under our Term Loans and Revolving Facility. We believe that over the next two to three years we are positioned to achieve significant cost and revenue synergies in connection with this acquisition. Incremental synergies are expected to include cost savings from reductions in corporate overhead, supply chain rationalization, enhanced physician engagement, improved payor contracting, and revenue synergies associated with rolling out our suite of ancillary services throughout our portfolio.

On October 1, 2015, we completed our IPO issuing 14,285,000 shares of common stock to the public at an offering price of $19.00 per share. On October 6, 2015, we received net proceeds from the sale of common stock in this offering of $255.8 million, after deducting underwriting discounts and other fees of $15.6 million. These net proceeds were used to repay a portion of the borrowings outstanding under the 2014 Second Lien and to pay fees associated with this offering.

Revenues

Our revenues consist of patient service revenues and other service revenues. Patient service revenues consist of revenue from our surgical facility services and ancillary services segments. Specifically, patient service revenues include fees for surgical or diagnostic procedures performed at surgical facilities that we consolidate for financial reporting purposes, as well as for patient visits to our physician practices, anesthesia services, pharmacy services and diagnostic screens ordered by our physicians. Other service revenues consist of product sales from our optical laboratories, as well as the discounts and handling charges billed to the members of our optical products purchasing organization. Other service revenues also include management and administrative service fees derived from our non-consolidated facilities that we account for under the equity method, management of surgical facilities and physician practices in which we do not own an interest and management services we provide to physician practices for which we are not required to provide capital or additional assets.

The following table summarizes our revenues by service type as a percentage of total revenues for the periods indicated:

	Three Months Ended September 30,	
	2015	2014
Patient service revenues:		
Surgical facilities revenues	91.2%	77.7%
Ancillary services revenues	6.8%	17.7%
	98.0%	95.4%
Other service revenues:		
Optical services revenues	1.5%	4.6%
Other	0.5%	—%
	2.0%	4.6%
Total revenues	100.0%	100.0%

	Nine Months Ended September 30,	
	2015	2014
Patient service revenues:		
Surgical facilities revenues	92.0%	77.7%
Ancillary services revenues	5.9%	17.5%
	97.9%	95.2%
Other service revenues:		
Optical services revenues	1.6%	4.8%
Other	0.5%	—%
	2.1%	4.8%
Total revenues	100.0%	100.0%

Payor Mix

The following table sets forth by type of payor the percentage of our patient service revenues generated at the surgical facilities which we consolidate for financial reporting purposes in the periods indicated:

	Three Months Ended September 30,	
	2015	2014
Private insurance payors	52.9%	52.4%
Government payors	40.5%	35.3%
Self-pay payors	1.4%	2.2%
Other payors[1]	5.2%	10.1%
Total	100.0%	100.0%

	Nine Months Ended September 30,	
	2015	2014
Private insurance payors	54.0%	53.8%
Government payors	38.8%	33.8%
Self-pay payors	1.8%	2.6%
Other payors[1]	5.4%	9.8%
Total	100.0%	100.0%

(1) Other is comprised of auto liability, letters of protection and other payor types.

The changes in payor mix are primarily related to the Symbion acquisition. On a proforma basis, when effecting the 2014 periods for Symbion, the payor mix percentages are consistent with the 2015 periods.

Surgical Case Mix

We primarily operate multi-specialty surgical facilities where physicians perform a variety of procedures in various specialties, including ENT, GI, general surgery, ophthalmology, orthopedics, cardiology and pain management, among others. We believe this diversification helps to protect us from adverse pricing and utilization trends in any individual procedure type and results in greater consistency in our case volume.

The following table sets forth the percentage of cases in each specialty performed at the surgical facilities which we consolidate for financial reporting purposes for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cardiology	1.0%	—%	1.0%	—%
Otolaryngology	3.7%	2.2%	3.9%	2.2%
Gastrointestinal	22.1%	11.8%	22.3%	11.6%
General surgery	3.0%	2.8%	3.0%	2.7%
Obstetrics/gynecology	1.8%	—%	1.9%	—%
Ophthalmology	30.6%	45.0%	30.0%	44.8%
Orthopedic	11.7%	10.2%	12.2%	10.5%
Pain management	17.8%	23.7%	17.6%	23.7%
Plastic surgery	2.0%	2.0%	2.1%	2.1%
Other	6.3%	2.3%	6.0%	2.4%
Total	100.0%	100.0%	100.0%	100.0%

The changes in our surgical case mix are primarily attributable to the Symbion acquisition. On a proforma basis, when effecting for Symbion, the surgical case mix is consistent with the 2015 periods.

Case Growth

Same-facility Information

For the three months ended September 30, 2015, we define same facilities as those facilities that we owned and operated since July 1, 2014 and for the nine months ended September 30, 2015, we define same facilities as those facilities that we have owned and operated since January 1, 2014. This includes facilities acquired in the Merger. We include the revenues from our surgical facilities, along with the revenues from our anesthesia services, diagnostic laboratory, physician practices, specialty pharmacy and optical services that complement our surgical facilities in our existing markets.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cases	$ 101,343	$ 95,485	$ 294,567	$ 281,327
Case growth	6.1%	N/A	4.7%	N/A
Revenue per case	$ 2,494	$ 2,349	$ 2,455	$ 2,345
Revenue per case growth	6.2%	N/A	4.7%	N/A
Number of facilities	92	N/A	92	N/A

Operating Income Margin

Our operating income margin for the three months ended September 30, 2015 decreased to 18.5% from 25.8% during the three months ended September 30, 2014. During the three months ended September 30, 2015, we recorded $1.2 million of merger transaction and integration costs related to the Merger and a loss on disposal of long-lived assets of $1.2 million. Excluding the impact of these items, our operating income margin was 19.5% for the three months ended September 30, 2015. On a pro forma basis, effecting the 2014 period for the Symbion acquisition, our operating income margin for the three months ended September 30, 2014 was 19.1%.

Segment Information

A public company is required to report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or "CODM," in deciding how to allocate resources and in assessing performance. Aggregation of similar operating segments into a single reportable operating segment is permitted if the businesses have similar economic characteristics and meet the criteria established by GAAP.

Our business is comprised of the following three operating segments:

Surgical Facility Services Segment: Our surgical facility services segment consists of the operation of ASCs and surgical hospitals, and includes our anesthesia services. Our surgical facilities primarily provide non-emergency surgical procedures across many specialties, including, among others, ENT, GI, general surgery, ophthalmology, orthopedics, cardiology and pain management.

Ancillary Services Segment: Our ancillary services segment consists of a diagnostic laboratory, a specialty pharmacy and multi-specialty physician practices. These physician practices include our owned and operated physician practices pursuant to long-term management service agreements.

Optical Services Segment: Our optical services segment consists of an optical laboratory, an optical products group purchasing organization and a marketing business. Our optical laboratory manufactures eyewear, while our optical products purchasing organization negotiates volume buying discounts with optical product manufacturers.

Our financial information by operating segment is prepared on an internal management reporting basis that the chief operating decision maker uses to allocate resources and assess the performance of the operating segments. Our operating segments have been defined based on the separate financial information that is regularly produced and reviewed by the our CODM, which is its Chief Executive Officer.

During the three months ended June 30, 2015, we made changes to our internal reports issued to and reviewed by the CODM. The primary effect of these changes was to remove the allocation of general and administrative expense and assets to the reportable operating segments. We have revised the segment disclosures below to present corporate overhead and corporate assets as a reconciling item back to the reported condensed consolidated financial information.

The following tables present financial information for each reportable segment (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Revenues:				
Surgical facility services	$ 219,631	$ 59,245	$ 643,900	$ 173,730
Ancillary services	16,347	13,512	41,557	39,051
Optical services	3,621	3,546	11,112	10,817
Total	$ 239,599	$ 76,303	$ 696,569	$ 223,598

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment Operating Income:				
Surgical facility services	$ 54,223	$ 21,509	$ 160,795	$ 61,647
Ancillary services	4,115	4,937	11,730	14,487
Optical services	525	525	1,900	1,726
Total	$ 58,863	$ 26,971	$ 174,425	$ 77,860
General and administrative	$ (12,179)	$ (7,000)	$ (37,424)	$ (20,859)
(Loss) gain on disposal or impairment of long-lived assets, net	(1,161)	8	1,522	(110)
Loss on debt extinguishment	—	—	—	(1,975)
Merger transaction and integration costs	(1,249)	(325)	(14,897)	(442)
Operating income	$ 44,274	$ 19,654	$ 123,626	$ 54,474

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Supplemental Information:				
Depreciation and amortization:				
Surgical facility services	$ 6,714	$ 1,705	$ 20,620	$ 5,158
Ancillary services	550	458	1,219	1,352
Optical services	404	409	1,219	1,226
Total	$ 7,668	$ 2,572	$ 23,058	$ 7,736
General and administrative	$ 943	$ 262	$ 2,480	$ 821
Total depreciation and amortization	$ 8,611	$ 2,834	$ 25,538	$ 8,557

	September 30, 2015	December 31, 2014
Assets:		
Surgical facility services	1,656,762	1,638,874
Ancillary services	104,072	70,370
Optical services	26,561	25,876
Total	1,787,395	1,735,120
General and administrative	104,127	123,674
Total assets	1,891,522	1,858,794

	Nine Months Ended September 30,	
	2015	2014
Supplemental Information:		
Cash purchases of property and equipment, net:		
Surgical facility services	$ 13,300	$ 1,391
Ancillary services	561	765
Optical services	89	315
Total	$ 13,950	$ 2,471
General and administrative	$ 4,165	$ 966
Total cash purchases of property and equipment, net	$ 18,115	$ 3,437

Critical Accounting Policies

Our significant accounting policies and practices are described in Note 2 of our condensed consolidated financial statements included previously in this report. In preparing our condensed consolidated financial statements in conformity with GAAP, our management must make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Certain accounting estimates are particularly sensitive because of their complexity and the possibility that future events affecting them may differ materially from our current judgments and estimates. Our actual results could differ from those estimates. We believe that the following critical accounting policies are important to the portrayal of our financial condition and results of operations and require our management's subjective or complex judgment because of the sensitivity of the methods, assumptions and estimates used. This listing of critical accounting policies is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP, with no need for management's judgment regarding accounting policy.

Consolidation and Control

Our condensed consolidated financial statements include the accounts of our Company, wholly-owned or controlled subsidiaries and variable interest entities in which we are the primary beneficiary. Our controlled subsidiaries consist of wholly-owned subsidiaries and

other subsidiaries that we control through our ownership of a majority voting interest or other rights granted to us by contract to function as the sole general partner or managing member of the surgical facility. The rights of limited partners or minority members at our controlled subsidiaries are generally limited to those that protect their ownership interests, including the right to approve the issuance of new ownership interests, and those that protect their financial interests, including the right to approve the acquisition or divestiture of significant assets or the incurrence of debt that either physician limited partners or minority members are required to guarantee on a pro-rata basis based upon their respective ownership, or that exceeds 20.0% of the fair market value of the related surgical facility's assets. All significant intercompany balances and transactions, including management fees from consolidated surgical facilities, are eliminated in consolidation.

We hold non-controlling interests in three surgical facilities and one anesthesia over which we exercise significant influence. Significant influence includes financial interests, duties, rights and responsibilities for the day-to-day management of the entity. These non-controlling interests are accounted for under the equity method.

We also consider the relevant sections of the ASC 810, *Consolidation*, to determine if we have the power to direct the activities and are the primary beneficiary of (and therefore should consolidate) any entity whose operations we do not control with voting rights. As we were the primary beneficiary, we consolidated four entities at September 30, 2015.

Revenue Recognition

Our patient service revenues are derived from surgical procedures performed at our ASCs, patient visits to physician practices, anesthesia services provided to patients, pharmacy services and diagnostic screens ordered by our physicians. The fees for such services are billed either to the patient or a third-party payor, including Medicare and Medicaid. We recognize patient service revenues, net of contractual allowances, which we estimate based on the historical trend of our cash collections and contractual write-offs.

Our optical products purchasing organization negotiates volume buying discounts with optical product manufacturers. The buying discounts and any handling charges billed to the members of the purchasing organization represent the revenues recognized for financial reporting purposes. Revenue is recognized as orders are shipped to members. Product sale revenues from our optical laboratories and marketing products and services businesses, net of an allowance for returns and discounts, is recognized when the product is shipped or service is provided to the customer. We base our estimates for sales returns and discounts on historical experience and have not experienced significant fluctuations between estimated and actual return activity and discounts given.

Other service revenues consist of management and administrative service fees derived from non-consolidated surgical facilities that we account for under the equity method, management of surgical facilities in which we do not own an interest and management services we provide to physician networks for which we are not required to provide capital or additional assets. The fees we derive from these management arrangements are based on a predetermined percentage of the revenues of each surgical facility and physician network. We recognize other service revenues in the period in which services are rendered.

Allowance for Contractual Adjustments and Doubtful Accounts

Our patient service revenues and other receivables from third-party payors are recorded net of estimated contractual adjustments and allowances from third-party payors, which we estimate based on the historical trend of our surgical facilities' cash collections and contractual write-offs, accounts receivable agings, established fee schedules, relationships with payors and procedure statistics. While changes in estimated reimbursement from third-party payors remain a possibility, we expect that any such changes would be minimal and, therefore, would not have a material effect on our financial condition or results of operations.

We estimate our allowances for bad debts using similar information and analysis. While we believe that our allowances for contractual adjustments and bad debts are adequate, if the actual write-offs are significantly different from our estimates, it could have a material adverse effect on our financial condition and results of operations. Because in most cases we have the ability to verify a patient's insurance coverage before services are rendered, and because we have entered into contracts with third-party payors which account for a majority of our total revenues, the out-of-period contractual adjustments have been minimal. Our net accounts receivable reflected allowances for doubtful accounts of $12.7 million and $5.3 million at September 30, 2015 and December 31, 2014, respectively.

Our collection policies and procedures are based on the type of payor, size of claim and estimated collection percentage for each patient account. The operating systems used to manage our patient accounts provide for an aging schedule in 30-day increments, by payor, physician and patient. We analyze accounts receivable at each of our surgical facilities to ensure the proper collection and aged category. The operating systems generate reports that assist in the collection efforts by prioritizing patient accounts. Collection efforts include direct contact with insurance carriers or patients, written correspondence and the use of legal or collection agency assistance, as required. Our days sales outstanding were 63 days for the nine months ended September 30, 2015 and 52 days for the year ended December 31, 2014.

At a consolidated level, we review the standard aging schedule, by facility, to determine the appropriate provision for doubtful accounts by monitoring changes in our consolidated accounts receivable by aged schedule, days sales outstanding and bad debt expense as a percentage of revenues. At a consolidated level, we do not review a consolidated aging by payor. Regional and local employees review each surgical facility's aged accounts receivable by payor schedule. These employees have a closer relationship with the payors and have a more thorough understanding of the collection process for that particular surgical facility. Furthermore, this review is supported by an

analysis of the actual revenues, contractual adjustments and cash collections received. If our internal collection efforts are unsuccessful, we further review patient accounts with balances of $25 or more. We then classify the accounts based on any external collection efforts we deem appropriate. An account is written-off only after we have pursued collection with legal or collection agency assistance or otherwise deemed an account to be uncollectible. Typically, accounts will be outstanding a minimum of 120 days before being written-off.

We recognize that final reimbursement of outstanding accounts receivable is subject to final approval by each third-party payor. However, because we have contracts with our third-party payors and we verify the insurance coverage of the patient before services are rendered, the amounts that are pending approval from third-party payors are minimal. Amounts are classified outside of self-pay if we have an agreement with the third-party payor or we have verified a patient's coverage prior to services rendered. It is our policy to collect co-payments and deductibles prior to providing services. It is also our policy to verify a patient's insurance 72 hours prior to the patient's procedure. Because our services are primarily non-emergency, our surgical facilities have the ability to control these procedures. Our patient service revenues from self-pay payors as a percentage of total revenues were approximately 1.8% and 2.5% for the nine months ended September 30, 2015 and 2014, respectively, and 3.5% the year ended December 31, 2014.

Income Taxes

We use the asset and liability method to account for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If a net operating loss carryforward exists, we make a determination as to whether that net operating loss carryforward will be utilized in the future. A valuation allowance will be established for certain net operating loss carryforwards and other deferred tax assets where their recoverability is deemed to be uncertain. The carrying value of the net deferred tax assets is based upon estimates and assumptions related to our ability to generate sufficient future taxable income in certain tax jurisdictions. If these estimates and related assumptions change in the future, we will be required to adjust our deferred tax valuation allowances.

As of September 30, 2015, we had unused federal net operating loss carryforwards ("NOLs") of approximately $338.2 million. Such losses expire in various amounts at varying times beginning in 2025. Unless they expire, these NOLs may be used to offset future taxable income and thereby reduce our income taxes otherwise payable.

As of September 30, 2015, we maintained a full valuation allowance of $150.6 million against our deferred tax assets. On a quarterly basis, we assess the likelihood of realization of our deferred tax assets considering all available evidence, both positive and negative. While we have concluded that a full valuation allowance continued to be appropriate as of September 30, 2015, we are continually monitoring actual and forecasted earnings. If there is a change in management's assessment of the amount of deferred income tax assets that is realizable, adjustments to the valuation allowance will be made in future periods.

If reversal of the valuation allowance does occur, we will need to continue to monitor results. If our expectations for future operating results on a consolidated basis or at the state jurisdiction level vary from actual results due to changes in healthcare regulations, general economic conditions, or other factors, we may need to adjust the valuation allowance, for all or a portion of our deferred tax assets. Our income tax expense in future periods will be reduced or increased to the extent of offsetting decreases or increases, respectively, in our valuation allowance in the period when the change in circumstances occurs. These changes could have a significant impact on our future earnings.

Section 382 ("Section 382") of the Internal Revenue Code of 1986, as amended (the "Code") imposes an annual limit on the ability of a corporation that undergoes an "ownership change" to use its NOLs to reduce its tax liability. An "ownership change" is generally defined as any change in ownership of more than 50.0% of a corporation's "stock" by its "5-percent shareholders" (as defined in Section 382) over a rolling three-year period based upon each of those shareholder's lowest percentage of stock owned during such period. As a result of the Symbion acquisition, approximately $179 million in NOL carryforwards are subject to an annual Section 382 base limitation of $4.9 million, and, as a result of the Novamed acquisition, approximately $17 million in NOL carryforwards are subject to an annual Section 382 base limitation of $4.9 million. It is possible that future transactions, not all of which would be within our control (including a possible sale by the investment funds affiliated with H.I.G. of some or all of their shares of our common stock), could cause us to undergo an ownership change as defined in Section 382. In that event, we would not be able to use our pre-ownership-change NOLs in excess of the limitation imposed by Section 382. At this time, we do not believe these limitations, when combined with amounts allowable due to net unrecognized built in gains, will affect our ability to use any NOLs before they expire. However, no such assurances can be provided. If our ability to utilize our NOLs to offset taxable income generated in the future is subject to this limitation, it could have an adverse effect on our business, prospects, results of operations and financial condition. We expect the payments we will be required to make under the TRA will be substantial. If we had elected to terminate the TRA immediately after the IPO, we estimate that we would have been required to pay $116.0 million in the aggregate under the TRA.

As part of the Reorganization that was effective September 30, 2015, we entered into a Tax Receivable Agreement ("TRA") under which generally we will be required to pay to our stockholders as of immediately prior to the IPO 85% of the cash savings, if any, in U.S. federal, state or local tax that we actually realize (or are deemed to realize in certain circumstances) as a result of (i) certain tax attributes, including NOLs, capital losses, charitable deductions, alternative minimum tax credit carryforwards and federal and state tax credits of Surgery Partners, Inc. and its affiliates relating to taxable years ending on or before the date of the Reorganization (calculated by assuming

the taxable year of the relevant entity closes on the date of the Reorganization) that are or become available to us and our wholly-owned subsidiaries as a result of the Reorganization, and (ii) tax benefits attributable to payments made under the TRA, together with interest accrued at a rate of LIBOR plus 300 basis points from the date the applicable tax return is due (without extension) until paid.

The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character and timing of the taxable income of Surgery Partners, Inc. in the future. We estimate the total amounts payable to be between $110 million and $115 million, if the tax benefits of related deferred tax assets are ultimately realized. The amounts payable are not currently recognized as liabilities as of September 30, 2015 because it is not probable that these amounts will be paid, consistent with our current estimate that related deferred tax assets are not more likely than not to be realized. If the valuation allowance recorded against the deferred tax assets applicable to the tax attributes referenced above is released in a future period, the TRA liability will likely be considered probable at that time and will be recorded as a component of net income.

Long-Lived Assets, Goodwill and Intangible Assets

We evaluate the carrying value of long-lived assets when impairment indicators are present or when circumstances indicate that impairment may exist in accordance with ASC 350, *Intangibles- Goodwill and Other*. We perform an impairment test by preparing an expected undiscounted cash flow projection. If the projection indicates that the recorded amount of the long-lived asset is not expected to be recovered, the carrying value is reduced to estimated fair value. The cash flow projection and fair value represents management's best estimate, using appropriate and customary assumptions, projections and methodologies, at the date of evaluation. We test our goodwill and intangible assets for impairment at least annually, or more frequently if certain indicators arise.

Off-Balance Sheet Arrangements

We guarantee our pro-rata share of the third-party debts and other obligations of many of the non-consolidated partnerships and limited liability companies in which we own an interest. In most instances of these guarantees, the physicians and/or physician groups have also guaranteed their pro-rata share of the indebtedness to secure the financing. At September 30, 2015, we did not guarantee any debt of our non-consolidated surgical facilities.

JOBS Act Accounting Election

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 ("the JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Equity-Based Compensation

We recognize 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. Prior to the Reorganization, on the grant date, we employed a market approach to estimate the fair value of equity-based awards based on various considerations and assumptions, including implied earnings multiples and other metrics of relevant market participants, our operating results and forecasted cash flows and our capital structure. Such estimates require the input of highly subjective, complex assumptions. However, such assumptions will not be required to determine fair value of shares of our common stock once its underlying shares begin trading publicly. Once the shares begin trading publicly, the fair value of future stock options awarded will be based on the quoted market price of our common stock upon grant, as well as assumptions including expected stock price volatility, risk-free interest rate, expected dividends, and expected term.

Our policy is to recognize compensation expense using the straight line method over the relevant vesting period for units that vest based on time. Our equity-based compensation expense can vary in the future depending on many factors, including levels of forfeitures and whether performance targets are met and whether a liquidity event occurs. Prior to the Reorganization, employees held membership units in Surgery Center Holdings, LLC, and the associated expense was referred to as unit-based compensation; following the Reorganization, such expense is referred to as share-based compensation.

Results of Operations

The following tables summarize certain results from the statements of operations for the three and nine months ended September 30, 2015 and 2014. The tables also show the percentage relationship to revenues for the periods indicated (dollars in thousands):

	Three Months Ended September 30,			
	2015		2014	
	Amount	% of Revenues	Amount	% of Revenues
Revenues	$ 239,599	100.0 %	$ 76,303	100.0 %
Operating expenses:				
Cost of revenues	168,821	70.5 %	45,377	59.5 %
General and administrative expenses	11,236	4.7 %	6,738	8.8 %
Depreciation and amortization	8,611	3.6 %	2,834	3.7 %
Provision for doubtful accounts	5,840	2.4 %	1,383	1.8 %
Income from equity investments	(1,320)	(0.6)%	—	— %
Loss (gain) on disposal or impairment of long-lived assets, net	1,161	0.5 %	(8)	— %
Merger transaction and integration costs	1,249	0.5 %	325	0.4 %
Electronic records incentives	57	— %	—	— %
Other income	(330)	(0.1)%	—	— %
Total operating expenses	195,325	81.5 %	56,649	74.2 %
Operating income	44,274	18.5 %	19,654	25.8 %
Interest expense, net	(26,573)	(11.1)%	(11,263)	(14.8)%
Income before income taxes	17,701	7.4 %	8,391	11.0 %
Provision for income taxes	3,917	1.6 %	7,961	10.4 %
Net income	13,784	5.8 %	430	0.6 %
Less: Net income attributable to non-controlling interests	(16,906)	(7.1)%	(7,338)	(9.6)%
Net loss attributable to Surgery Partners, Inc.	$ (3,122)	(1.3)%	$ (6,908)	(9.1)%

	Nine Months Ended September 30,			
	2015		2014	
	Amount	% of Revenues	Amount	% of Revenues
Revenues	$ 696,569	100.0 %	$ 223,598	100.0 %
Operating expenses:				
Cost of revenues	486,152	69.8 %	133,591	59.7 %
General and administrative expenses	34,944	5.0 %	20,038	9.0 %
Depreciation and amortization	25,538	3.7 %	8,557	3.8 %
Provision for doubtful accounts	16,049	2.3 %	4,411	2.0 %
Income from equity investments	(2,866)	(0.4)%	—	— %
(Gain) loss on disposal or impairment of long-lived assets, net	(1,522)	(0.2)%	110	— %
Loss on debt extinguishment	—	— %	1,975	0.9 %
Merger transaction and integration costs	14,897	2.1 %	442	0.2 %
Electronic records incentives	107	— %	—	— %
Other income	(356)	(0.1)%	—	— %
Total operating expenses	572,943	82.3 %	169,124	75.6 %
Operating income	123,626	17.7 %	54,474	24.4 %
Interest expense, net	(78,507)	(11.3)%	(32,718)	(14.6)%
Income before income taxes	45,119	6.5 %	21,756	9.7 %
Provision for income taxes	8,368	1.2 %	12,043	5.4 %
Net income	36,751	5.3 %	9,713	4.3 %
Less: Net income attributable to non-controlling interests	(52,061)	(7.5)%	(21,346)	(9.5)%
Net loss attributable to Surgery Partners, Inc.	$ (15,310)	(2.2)%	$ (11,633)	(5.2)%

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

Overview. During the three months ended September 30, 2015, our revenues increased 214.0% to $239.6 million from $76.3 million for the three months ended September 30, 2014. We incurred a net loss attributable to Surgery Partners, Inc. for the 2015 period of $3.1 million, compared to $6.9 million for the 2014 period.

Our financial results for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 reflect the addition of the surgical facilities acquired in connection with our acquisition of Symbion on November 3, 2014.

Revenues. Revenues for the three months ended September 30, 2015 compared to the three months ended September 30, 2014 were as follows (dollars in thousands):

	Three Months Ended September 30,			
	2015	2014	Dollar Variance	Percent Variance
Patient service revenues	$ 234,799	$ 72,757	$ 162,042	222.7%
Optical service revenues	3,621	3,546	75	2.1%
Other service revenues	1,179	—	1,179	—%
Total revenues	$ 239,599	$ 76,303	$ 163,296	214.0%

Patient service revenues increased 222.7% to $234.8 million for the three months ended September 30, 2015 compared to $72.8 million for the three months ended September 30, 2014. This increase in patient service revenues was primarily attributable to the acquisition of Symbion on November 3, 2014.

Cost of Revenues. Cost of revenues increased to $168.8 million for the three months ended September 30, 2015 compared to $45.4 million for the three months ended September 30, 2014 primarily due to the surgical facilities acquired in connection with the Symbion

transaction on November 3, 2014. As a percentage of revenues, cost of revenues were 70.5% for the 2015 period and 59.5% for the 2014 period.

General and Administrative Expenses. General and administrative expenses increased to $11.2 million for the three months ended September 30, 2015 compared to $6.7 million for the three months ended September 30, 2014 primarily due to to the acquisition of Symbion on November 3, 2014. As a percentage of revenues, general and administrative expenses were 4.7% for the 2015 period compared to 8.8% for the 2014 period.

Depreciation and Amortization. Depreciation and amortization increased to $8.6 million for the three months ended September 30, 2015 compared to $2.8 million for the three months ended September 30, 2014 primarily due to the acquisition of Symbion on November 3, 2014. As a percentage of revenues, depreciation and amortization expenses were 3.6% for the 2015 period and 3.7% for the 2014 period.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to $5.8 million for the three months ended September 30, 2015 compared to $1.4 million for the three months ended September 30, 2014 primarily due to the acquisition of Symbion on November 3, 2014. As a percentage of revenues, the provision for doubtful accounts was 2.4% for the 2015 period and 1.8% for the 2014 period.

Loss (gain) on Disposal or Impairment of Long-Lived Assets, Net. The net loss on disposal of long-lived assets was $1.2 million for the three months ended September 30, 2015.

Merger Transaction and Integration Costs. We incurred $1.2 million of merger transaction and integration costs for the three months ended September 30, 2015 compared to $325,000 for the three months ended September 30, 2014, related to the Merger.

Operating Income. Our operating income was $44.3 million for the three months ended September 30, 2015 compared to $19.7 million for the three months ended September 30, 2014. The increase in the 2015 period from the 2014 period is primarily attributable to the surgical facilities acquired in connection with the Symbion transaction on November 3, 2014. As a percentage of revenues, operating income was 18.5% for the 2015 period and 25.8% for the 2014 period. During the three months ended September 30, 2015, we recorded $1.2 million of merger transaction and integration costs related to the Merger and recorded a loss on the disposal of long-lived assets of $1.2 million. Excluding the impact of these items, our operating income margin was 19.5% for the three months ended September 30, 2015.

Interest Expense, Net. Interest expense, net, was $26.6 million for the three months ended September 30, 2015 compared to $11.3 million for the three months ended September 30, 2014. The increase was primarily attributable to the new capital structure used to finance the acquisition of Symbion on November 3, 2014.

Provision for Income Taxes. The provision for income taxes was $3.9 million for the three months ended September 30, 2015 compared to $8.0 million for the three months ended September 30, 2014. The effective tax rate was 22.1% for the three months ended September 30, 2015 compared to 94.9% for the three months ended September 30, 2014. The decrease in effective tax rate was primarily attributable to the increase in pre-tax net income, which did not result in a corresponding increase in income tax expense because of the valuation allowance recorded against deferred tax assets.

Net Income Attributable to Non-Controlling Interests. Net income attributable to non-controlling interests increased to $16.9 million for the three months ended September 30, 2015 compared to $7.3 million for the three months ended September 30, 2014. The increase was primarily due to the surgical facilities acquired in connection with the Symbion transaction on November 3, 2014. As a percentage of revenues, net income attributable to non-controlling interests was 7.1% in the 2015 period and 9.6% for the 2014 period.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Overview. During the nine months ended September 30, 2015, our revenues increased 211.5% to $696.6 million from $223.6 million for the nine months ended September 30, 2014. We incurred a net loss attributable to Surgery Partners, Inc. for the 2015 period of $15.3 million, compared to $11.6 million for the 2014 period.

Our financial results for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 reflect the addition of 55 surgical facilities, including 49 ASCs and six hospitals, that were acquired in connection with our acquisition of Symbion on November 3, 2014.

Revenues. Revenues for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 were as follows (dollars in thousands):

	Nine Months Ended September 30,			
	2015	2014	Dollar Variance	Percent Variance
Patient service revenues	$ 682,260	$ 212,657	$ 469,603	220.8%
Optical service revenues	11,112	10,817	295	2.7%
Other service revenues	3,197	124	3,073	2,478.2%
Total revenues	$ 696,569	$ 223,598	$ 472,971	211.5%

Patient service revenues increased 220.8% to $682.3 million for the nine months ended September 30, 2015 compared to $212.7 million for the nine months ended September 30, 2014. This increase was primarily attributable to the surgical facilities we acquired in connection with the Symbion transaction on November 3, 2014.

Cost of Revenues. Cost of revenues increased to $486.2 million for the nine months ended September 30, 2015 compared to $133.6 million for the nine months ended September 30, 2014 primarily attributable to the surgical facilities we acquired in connection with the Symbion transaction on November 3, 2014. As a percentage of revenues, cost of revenues were 69.8% for the 2015 period and 59.7% for the 2014 period.

General and Administrative Expenses. General and administrative expenses were $34.9 million for the nine months ended September 30, 2015 compared to $20.0 million for the nine months ended September 30, 2014 primarily due to the acquisition of Symbion on November 3, 2014. As a percentage of revenues, general and administrative expenses were 5.0% for the 2015 period compared to 9.0% for the 2014 period.

Depreciation and Amortization. Depreciation and amortization expenses increased to $25.5 million for the nine months ended September 30, 2015 compared to $8.6 million for the nine months ended September 30, 2014 primarily due to the acquisition of Symbion on November 3, 2014. As a percentage of revenues, depreciation and amortization expenses were 3.7% for the 2015 period and 3.8% for the 2014 period.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to $16.0 million for the nine months ended September 30, 2015 compared to $4.4 million for the nine months ended September 30, 2014 primarily due to the acquisition of Symbion on November 3, 2014. As a percentage of revenues, the provision for doubtful accounts was 2.3% for the 2015 period and 2.0% for the 2014 period.

(Gain) Loss on Disposal or Impairment of Long-Lived Assets, Net. The net gain on disposal or impairment of long-lived assets was $1.5 million for the nine months ended September 30, 2015, and the net loss on disposal of long-lived assets was $110,000 for the nine months ended September 30, 2014. The gain for the nine months ended September 30, 2015 primarily related to the sale of our ownership interest in a surgical facility.

Merger Transaction and Integration Costs. We incurred $14.9 million of merger transaction and integration costs for the nine months ended September 30, 2015 as compared to $442,000 for the nine months ended September 30, 2014, related to the Merger.

Operating Income. Our operating income was $123.6 million for the nine months ended September 30, 2015 compared to $54.5 million for the nine months ended September 30, 2014. As a percentage of revenues, operating income was 17.7% for the 2015 period and 24.4% for the 2014 period. During the nine months ended September 30, 2015, we recorded $14.9 million of merger transaction and integration costs related to the Symbion acquisition and recorded a gain of $1.5 million related to the sale of our ownership interest in a surgical facility. During the nine months ended September 30, 2014, we recorded a loss on debt extinguishment of $2.0 million. Excluding the impact of these items, our operating income margin was 19.7% for the nine months ended September 30, 2015 and 25.2% for the nine months ended September 30, 2014.

Interest Expense, Net. Interest expense, net, was $78.5 million for the nine months ended September 30, 2015 compared to $32.7 million for the nine months ended September 30, 2014. The increase was primarily attributable to the new capital structure used to finance the acquisition of Symbion on November 3, 2014.

Provision for Income Taxes. The provision for income taxes was $8.4 million for the nine months ended September 30, 2015 compared to $12.0 million for the nine months ended September 30, 2014. The effective tax rate was 18.5% for the nine months ended September 30, 2015 compared to 55.4% for the nine months ended September 30, 2014. The decrease in effective tax rate was primarily attributable to the increase in pre-tax net income, which did not result in a corresponding increase in income tax expense because of the valuation allowance recorded against deferred tax assets.

Net Income Attributable to Non-Controlling Interests. Net income attributable to non-controlling interests increased to $52.1 million for the nine months ended September 30, 2015 compared to $21.3 million for the nine months ended September 30, 2014. This increase was

primarily attributable to the surgical facilities we acquired in connection with the Symbion transaction on November 3, 2014. As a percentage of revenues, net income attributable to non-controlling interests was 7.5% for the 2015 period and 9.5% for the 2014 period.

Liquidity and Capital Resources

Operating Activities

The primary source of our operating cash flow is the collection of accounts receivable from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and individuals. During the nine months ended September 30, 2015, our cash flow provided by operating activities increased to $60.3 million compared to $29.2 million in the nine months ended September 30, 2014. This increase was primarily attributable to the acquisition of Symbion. During the nine months ended September 30, 2015, we paid cash of $10.3 million in merger transaction and integration costs and $5.9 million related to third party settlements, net of cash received, related to prior years. Excluding the impact of these items, our cash flow provided by operating activities was $76.5 million for the nine months ended September 30, 2015. At September 30, 2015, we had working capital of $111.8 million compared to $127.3 million at December 31, 2014.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2015 was $39.5 million, which included $18.1 million related to purchases of property and equipment. Additionally, we purchased two surgical facilities, eleven physician practices and two anesthesia practices for an aggregate purchase price of $32.6 million (net of cash acquired). This included the purchase of two surgical facilities, eleven physician practices and two anesthesia groups. We received $11.2 million in aggregate proceeds for the sale of our interests in three surgical facilities.

Net cash used in investing activities during the nine months ended September 30, 2014 was $4.1 million, which included $3.4 million related to purchases of property and equipment.

Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2015 was $38.9 million. During this period, we made distributions to non-controlling interests holders of $51.2 million and payments related to ownership transactions with consolidated affiliates of $12.0 million. Further, we made scheduled repayments on our long-term debt of $63.5 million partially offset by borrowings of $85.4 million. Our repayments and borrowings include a $79.5 million draw down and subsequent repayment of $44.3 million on our Revolver during the period.

Net cash used in financing activities during the nine months ended September 30, 2014 was $33.8 million. During this period, we made distributions to owners of $93.0 million and to non-controlling interests holders of $21.4 million. We made scheduled repayments on our long-term debt of $63.5 million and paid debt issuance costs of $2.1 million. These were offset by cash inflows from debt borrowings of $146.7 million.

Long-Term Debt

A summary of long-term debt follows (in thousands):

	September 30, 2015	December 31, 2014
2014 Revolver Loan	$ 35,250	$ —
2014 First Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2020, net of debt issuance and discount of $21,143 and $23,818 at September 30, 2015 and December 31, 2014, respectively	842,332	846,183
2014 Second Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2021, net of debt issuance and discount of $16,700 and $18,184 at September 30, 2015 and December 31, 2014, respectively	473,300	471,816
Subordinated Notes	1,000	1,000
Notes payable and secured loans	36,445	31,600
Capital lease obligations	10,342	10,755
Total debt	1,398,669	1,361,354
Less: Current maturities	27,678	22,088
Total long-term debt	$ 1,370,991	$ 1,339,266

The acquisition of Symbion on November 3, 2014 and payoff of the senior debt was financed through new $1.440 billion Senior Secured Credit Facilities (the "Facilities") consisting of the following:

- $80.0 million revolving credit facility ("2014 Revolver Loan")

- $870.0 million 1st lien term loan facility ("2014 First Lien Credit Agreement")
- $490.0 million 2nd lien term loan facility ("2014 Second Lien Credit Agreement")

On November 3, 2014, in connection with the consummation of the Symbion acquisition, we assumed and paid down approximately $440.0 million of outstanding indebtedness of Symbion, including accrued interest. Simultaneously, we paid off all of the debt outstanding under our then-existing credit agreements ("Credit Facilities") and revolver loan.

2014 Revolver Loan

The 2014 Revolver Loan (“Revolver”) will be used for working capital, acquisitions and development activities and general corporate purposes in an aggregate principal amount at any time outstanding not to exceed $80.0 million and matures on November 3, 2019. We have the option of classifying borrowings under the Revolver as either Alternate Base Rate ("ABR") loans or Eurodollar ("ED") loans. The interest base rate on an ABR loan is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.00%. In addition to the base rate, we are required to pay a 3.25% margin for ABR loans. The interest base rate on an ED loan is equal to (x) the LIBO Rate for such Eurodollar borrowing in effect for such Interest Period divided by (y) One minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such interest period. In addition to the base rate, we are required to pay a 4.25% margin for ED loans. As of September 30, 2015, our availability on the Revolver was $41.6 million.

We paid $2.3 million in connection with obtaining the Revolver and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately $417,000 and $76,000, in the accompanying consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively. We must also pay quarterly commitment fees of 0.50% per annum of the average daily unused amount of the Revolver.

The credit agreement that governs the Revolver contains various covenants that include limitations on our indebtedness, liens, acquisitions and investments. It additionally includes the requirement that we maintain a net leverage ratio within a specified range. At September 30, 2015, we were in compliance with the covenants contained in the credit agreement.

2014 First Lien Credit Agreement

The 2014 First Lien Credit Agreement (“2014 First Lien”) is a senior secured obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured basis by us and certain of our subsidiaries. The 2014 First Lien matures on November 3, 2020. We have the option of classifying the 2014 First Lien as either an ABR loan or an ED loan. The interest base rate on an ABR loan is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50%, and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.00%; provided that the base rate shall not be less than 2.00% per annum. In addition to the base rate, we are required to pay a 3.25% margin for ABR loans. The interest base rate on an ED loan is equal to (x) the LIBO Rate for such Eurodollar borrowing in effect for such Interest Period divided by (y) One minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such interest period; provided that the rate shall not be less than 1.00% per annum. In addition to the base rate, we are required to pay a 4.25% margin for ED loans. In 2014, we classified the 2014 First Lien as an ED loan with an interest rate of 5.25% (1.00% base rate plus a 4.25% margin). Accrued interest is payable in arrears on a quarterly basis. Within five business days after the earlier of (i) 90 days after the end of each fiscal year or (ii) the date on which financial statements have been delivered, we are required to make mandatory prepayments in amounts calculated in accordance with the excess cash flow provisions of the 2014 First Lien Credit Agreement. There were no excess cash flow payments required as of September 30, 2015.

In 2014, we recorded $4.4 million and $20.0 million as a reduction of the carrying value of the 2014 First Lien as original issue discount and amounts paid to lender for debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During the nine months ended September 30, 2015, approximately $2.7 million was accreted to interest expense. We also paid $1.9 million in connection with obtaining the 2014 First Lien and recorded this amount as debt issuance costs, which is presented as an asset, net of accumulated amortization of approximately $237,000 and $41,000, in the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively.

The credit agreement that governs the 2014 First Lien contains various covenants that include limitations on our indebtedness, liens, acquisitions and investments. It additionally includes the requirement that we maintain a net leverage ratio within a specified range. At September 30, 2015, we were in compliance with the covenants contained in the credit agreement. The 2014 First Lien is collateralized by substantially all of our assets.

2014 Second Lien Credit Agreement

The 2014 Second Lien Credit Agreement (“2014 Second Lien”) is a senior secured obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured basis by us and certain of our subsidiaries. The 2014 Second Lien matures on November 3, 2021. We have the option of classifying the 2014 Second Lien as either an ABR loan or an ED loan. The interest base rate on an ABR loan is equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.00%; provided that the base rate shall not be less than 2.00% per annum. In addition to the base rate, we are required to pay a 6.50% margin for ABR loans. The interest base rate on an ED loan is equal to (x) the LIBO Rate for such Eurodollar Borrowing in effect for such interest period divided by (y) One minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such interest period; provided that the base rate shall not be less than 1.00% per annum. In addition to the base rate, we are required to pay a 7.50% margin for ED loans. During 2014, we classified the 2014 Second

Lien as an ED loan with an interest rate of 8.50% (1.00% base rate plus a 7.50% margin). Accrued interest is payable in arrears on a quarterly basis, on the last business day of each March, June, September and December. We are required to pay the principal balance of $490.0 million upon maturity of the 2014 Second Lien on November 3, 2021. We have the right at any time to prepay any borrowings, in whole or in part, provided that each partial prepayment shall be in an amount that is an integral multiple of $0.5 million and not less than $1.0 million. Within five business days after the earlier of (i) 90 days after the end of each fiscal year or (ii) the date on which financial statements have been delivered, we are required to make mandatory prepayments in amounts calculated in accordance with the excess cash flow provisions of the 2014 Second Lien. There were no excess cash flow payments required as of September 30, 2015.

We recorded $4.9 million and $13.6 million as a reduction of the carrying value of the 2014 Second Lien as original issue discount and amounts paid to lender for debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During the six months ended September 30, 2015, approximately $1.5 million was accreted to interest expense. We also paid $1.1 million in connection with obtaining the 2014 Second Lien and recorded this amount as debt issuance costs, which is presented as an asset, net of accumulated amortization of approximately $84,000 and $14,000, in the accompanying condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively.

The credit agreement that governs the 2014 Second Lien contains various covenants that include limitations on our indebtedness, liens, acquisitions and investments. It additionally includes the requirement that we maintain a maximum net leverage ratio. At September 30, 2015, we were in compliance with the covenants contained in the credit agreement. The 2014 Second Lien is collateralized by substantially all of our assets.

Other Debt Transactions

On January 27, 2014, we obtained $90.0 million in additional borrowings on the Credit Facilities to return capital to shareholders. We recorded $1.4 million and $2.9 million as a reduction of the carrying value of the additional borrowings as original issue discount and amounts paid to lender for debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During the nine months ended September 30, 2014, approximately $339,000 was accreted to interest expense. The $90.0 million in additional borrowings, including the related debt issuance costs, were included in the extinguishment of debt that was financed with the proceeds of the Facilities obtained in connection with the acquisition of Symbion on November 3, 2014.

Subordinated Notes

Effective April 11, 2013, we amended and reduced the size of our subordinated debt facility ("Subordinated Notes") to $1.0 million from $53.8 million. We accounted for the amendment as extinguishment of debt. H.I.G. Surgery Centers, LLC, our affiliate, purchased the Subordinated Notes from an independent third party. At September 30, 2015 and December 31, 2014, the debt is payable to H.I.G. Surgery Centers, LLC. and mature on August 4, 2017. Effective January 1, 2014, the Subordinated Notes bear interest of 17.00% per annum.

Notes Payable and Secured Loans

Certain of our subsidiaries have outstanding bank indebtedness, which is collateralized by the real estate and equipment owned by the surgical facilities to which the loans were made. The various bank indebtedness agreements contain covenants to maintain certain financial ratios and also restrict encumbrance of assets, creation of indebtedness, investing activities and payment of distributions. At September 30, 2015, we were in compliance with the covenants contained in the credit agreement. We and our subsidiaries had notes payable to financial institutions of $36.4 million and $31.6 million as of September 30, 2015 and December 31, 2014, respectively.

Letters of Credit

As of December 31, 2014, we had two outstanding letters of credit at our optical purchasing group of $200,000 and $730,000. In May 2015, we increased one of these letters of credit from $200,000 to $500,000. We had two outstanding letters of credit issued to the landlords for two of its surgical facilities in Orlando, Florida in the amount of $100,000 and in Lubbock, Texas for $1.0 million. In addition, we had one outstanding letter of credit related to the Symbion, Inc. workers compensation self-insured plan for $835,000.

Capital Lease Obligations

We are liable to various vendors for several equipment leases. The carrying value of the leased assets was $11.3 million and $13.3 million as of September 30, 2015 and December 31, 2014, respectively.

Summary

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

EBITDA and Adjusted EBITDA

When we use the term “EBITDA,” we are referring to net income minus (a) net income attributable to non-controlling interests plus (b) provision for income tax expense, (c) interest expense, net, and (d) depreciation and amortization. Non-controlling interests represent the interests of third parties, such as physicians, and in some cases, healthcare systems that own an interest in surgical facilities that we consolidate

for financial reporting purposes. Our operating strategy is to apply a market-based approach in structuring our partnerships with individual market dynamics driving the structure. We believe that it is helpful to investors to present EBITDA as defined above because it excludes the portion of net income attributable to these third-party interests and clarifies for investors our portion of EBITDA generated by our surgical facilities and other operations.

We use EBITDA as a measure of liquidity. We have included it because we believe that it provides investors with additional information about our ability to incur and service debt and make capital expenditures. We use "Adjusted EBITDA" to determine compliance with some of the covenants under the Credit Facility, as well as to determine the interest rate and commitment fee payable under our Credit Facility. When we use the term "Adjusted EBITDA", we are referring to EBITDA, as defined above, adjusted for (a) sponsor management fee, (b) merger transaction and practice acquisition costs, (c) non-cash stock compensation expense, (d) loss on debt extinguishment and (e) loss (gain) on disposal of investments and long-lived assets.

EBITDA and Adjusted EBITDA are not measurements of financial performance or liquidity under GAAP. They should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating, investing or financing activities, or any other measure calculated in accordance with generally accepted accounting principles. The items excluded from EBITDA and Adjusted EBITDA are significant components in understanding and evaluating financial performance and liquidity. Our calculation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies.

The following table reconciles Adjusted EBITDA to net income (in thousands and unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Condensed Consolidated Statements of Operations Data (in thousands):				
Net income	$ 13,784	$ 430	$ 36,751	$ 9,713
(Minus):				
Net income attributable to non-controlling interests	16,906	7,338	52,061	21,346
Plus (minus):				
Provision for income tax expense	3,917	7,961	8,368	12,043
Interest expense, net	26,573	11,263	78,507	32,718
Depreciation and amortization	8,611	2,834	25,538	8,557
EBITDA	35,979	15,150	97,103	41,685
Plus:				
Management fee [(1)]	750	500	2,250	1,500
Merger transaction and practice acquisition costs	1,541	325	15,189	442
Non-cash stock compensation expense	426	114	1,279	342
Loss on debt extinguishment	—	—	—	1,975
Loss (gain) on disposal of investments and long-lived assets, net	1,161	(8)	(1,522)	110
Adjusted EBITDA	$ 39,857	$ 16,081	$ 114,299	$ 46,054

(1): Fee payable pursuant the Management and Investment Advisory Services Agreement between the Company and Bayside Capital, Inc.

Inflation

Inflation and changing prices have not significantly affected our operating results or the markets in which we operate.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance, including guidance specific to the healthcare industry. This ASU provides companies the option of applying a full or modified retrospective approach upon adoption. This ASU was originally set to be effective for fiscal years beginning after December 15, 2016, and early adoption was not permitted. In July 2015, the FASB deferred the effective date for the standard to be effective for fiscal years beginning after December 15, 2017. The FASB will now permit companies to early adopt within one year of the new effective date. We will adopt this ASU on January 1, 2018 and is currently evaluating its plan for adoption and the impact on our revenue recognition policies, procedures and the resulting impact on our condensed consolidated financial position, results of operations and cash flows.

In February 2015, the FASB issued ASU 2015-02 "*Amendments to the Consolidation Analysis*," which amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity unless the limited partners

hold substantive kick-out rights or participating rights. The provisions of ASU 2015-02 are effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2015-02 will have on our financial position, results of operation, cash flows and financial disclosures.

In April 2015, the FASB issued ASU 2015-03, "*Simplifying the Presentation of Debt Issuance Costs*," which simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, and the new guidance should be applied retrospectively. We plan to adopt this ASU on January 1, 2016, and do not anticipate that such adoption will have a material effect on our consolidated financial position, results of operations, or cash flows.

In August 2015, the FASB issued ASU 2015-15, "*Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements"* which clarifies the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff has announced that it would "not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement." We plan to adopt this ASU on January 1, 2016, and do not anticipate that such adoption will have a material effect on our consolidated financial position, results of operations, or cash flows.

In September 2015, the FASB issued ASU 2015-16, "*Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments*" which eliminates the requirement for an acquirer to retrospectively adjust its financial statements for changes to provisional amounts that are identified during the measurement-period following the consummation of a business combination. Instead, ASU 2015-16 requires these types of adjustments to be made during the reporting period in which they are identified and would require additional disclosure or separate presentation of the portion of the adjustment that would have been recorded in the previously reported periods as if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those years. We are currently evaluating the impact that the adoption of ASU 2015-02 will have on our financial position, results of operation, cash flows and financial disclosures.

Sources of Revenue and Recent Regulatory Developments

General

The healthcare industry is highly regulated, and we cannot provide any assurance that the regulatory environment in which we operate will not significantly change in the future or that we will be able to successfully address any such changes.

Every state imposes licensing requirements on individual physicians and healthcare facilities. In addition, federal and state laws regulate HMOs and other managed care organizations. Many states require regulatory approval, including licensure and accreditation, and in some cases, certificates of need, before establishing certain types of healthcare facilities, including surgical hospitals and ASCs, offering certain services, including the services we offer, or making expenditures in excess of certain amounts for healthcare equipment, facilities or programs. Our ability to operate profitably will depend in part upon our surgical facilities obtaining and maintaining all necessary licenses, accreditation, certificates of need and other approvals and operating in compliance with applicable healthcare regulations. Failure to do so could have a material adverse effect on our business.

Our surgical facilities are subject to federal, state and local laws dealing with issues such as occupational safety, employment, medical leave, insurance regulations, civil rights, discrimination, building codes and medical waste and other environmental issues. Federal, state and local governments are expanding the regulatory requirements on businesses like ours. The imposition of these regulatory requirements may have the effect of increasing operating costs and reducing the profitability of our operations.

We believe that hospital, outpatient surgery, physician, laboratory and other diagnostic and healthcare services will continue to be subject to intense regulation at the federal and state levels. We are unable to predict what additional government regulations, if any, affecting our business may be enacted in the future or how existing or future laws and regulations might be interpreted. If we, or any of our surgical facilities, fail to comply with applicable laws, it might have a material adverse effect on our business.

Certificates of Need and Licensure

Capital expenditures for the construction of new healthcare facilities, the addition of beds or new healthcare services or the acquisition of existing healthcare facilities may be reviewable by state regulators under statutory schemes that are sometimes referred to as certificate of need laws. States with certificate of need laws place limits on the construction and acquisition of healthcare facilities and the expansion of existing facilities and services. In these states, approvals, generally known as certificates of need, are required for capital expenditures exceeding certain preset monetary thresholds for the development, acquisition and/or expansion of certain facilities or services, including surgical facilities. We have a concentration of surgical facilities in certificate of need states as we believe the regulations present a competitive advantage to existing operators.

Our healthcare facilities also are subject to state licensing requirements for medical providers. Our ASC facilities have licenses to operate in the states in which they operate and must meet all applicable requirements for ASCs. In addition, even though our surgical facilities that are licensed as hospitals primarily provide surgical services, they must meet all applicable requirements for general hospital licensure. To assure continued compliance with these regulations, governmental and other authorities periodically inspect our surgical

facilities. The failure to comply with these regulations could result in the suspension or revocation of a facility's license. In addition, based on the specific operations of our surgical facilities, some of these facilities maintain a pharmacy license, a controlled substance registration, a clinical laboratory certification waiver, and environmental protection permits for biohazards and/or radioactive materials, as required by applicable law.

Healthcare Reform

The Affordable Care Act has been subject to a number of challenges to their constitutionality. On June 28, 2012, the United States Supreme Court upheld challenges to the constitutionality of the "individual mandate" provision, which generally requires all individuals to purchase healthcare insurance or pay a penalty, but struck down as unconstitutional the provision that would have allowed the federal government to revoke all federal Medicaid funding to any state that did not expand its Medicaid program. As a result, many states have refused to extend Medicaid eligibility to more individuals as envisioned by the law.

On June 25, 2015, the United States Supreme Court upheld the legality of premium subsidies made available by the federal government to individuals residing in the 36 states that have federally-run health insurance exchanges. The subsidies are provided to low-income individuals to assist with the cost of purchasing health insurance through federally-run health insurance exchanges. Other legal challenges to the Affordable Care Act are pending.

In addition, several bills have been and will likely continue to be advanced in Congress that would defund, repeal or amend all or significant provisions of the Affordable Care Act, and a number of provisions of the Affordable Care Act that were supposed to become effective have been delayed by the Obama administration. As a result, it is difficult to predict the impact the Affordable Care Act will have on our business given the threats to and uncertainty surrounding key provisions of the Affordable Care Act. However, depending on how the Affordable Care Act is ultimately interpreted, amended and implemented, it could have an adverse effect on our business, financial condition and results of operations.

Moreover, other legislative changes have also been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This included aggregate reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013 and, due to subsequent legislative amendments, will remain in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These and other similar new laws may result in additional reductions in Medicare and other health care funding, which could have a material adverse effect on our financial operations.

Medicare and Medicaid Private Contractor Audits

CMS has implemented a number of programs that use private contractors that contract with CMS to identify overpayments and underpayments and other potential sources of billing fraud. These contractors, known as Recovery Audit Contractors ("RACs") and Zone Program Integrity Contractors ("ZPICs") conduct both post-payment and pre-payment review of claims submitted by Medicare providers. In addition, CMS employs Medicaid Integrity Contractors ("MICs") to perform post-payment audits of Medicaid claims and identify overpayments. Our facilities and providers continue to receive letters from auditors such as RACs and ZPICs requesting repayment of alleged overpayments for services and incur expenses associated with responding to and appealing these determinations, as well as the costs of repaying any overpayments. Moreover, in recent years, the increase in Medicare payment appeals has created a backlog such that resolving appeals often takes multiple years. For instance, we recently received the results of a MIC audit that resulted in an overpayment obligation. HMS Federal Solutions, a MIC, completed the audit of one of our surgical hospitals for the period July 1, 2009 through May 31, 2012 and determined an overpayment obligation in the amount of approximately $4.6 million based on its extrapolation of a statistical sampling of claims, as well as a civil monetary penalty in the amount of $162,000, for a total amount owed to Idaho's Department of Health and Welfare, Medicaid Program Integrity Unit of approximately $4.7 million for failure to comply with Medicaid rules by billing for (i) non-covered services, (ii) services provided by non-eligible providers, (iii) services not provided and (iv) unauthorized services. We are in the process of preparing an appeal to the audit. Although all other repayments requested to date as a result of RAC, MIC and ZPIC audits have not been material to our Company, we are unable to quantify the financial impact of these audits on our facilities given the pending appeals and uncertainty about the extent of future audits.

Quality Improvement

The Medicare program presently requires hospitals and ambulatory surgery centers to report performance data on a variety of quality metrics. Facilities that fail to report are penalized with reduced Medicare payments. Additionally, payments to hospitals are adjusted based on the hospital's performance on these quality measures. A substantial portion of hospital payment is at risk depending on its individual performance relative to benchmarks and other hospitals' performance. There is a substantial risk that our Medicare payments could be reduced if our hospitals fail to perform adequately on these measures. Additionally, there is a risk that Medicare payments could be reduced if our facilities-hospitals and ASCs-fail to adequate report data as required by CMS. Ambulatory surgery center payments are not yet adjusted based on performance against quality measures, but there is a substantial risk that Congress may soon link ASC Medicare

payments to actual performance, in addition to reporting. The Obama administration in early 2015 announced its intent to subject even more Medicare fee-for-service payments to value-based payment program, and has proposed several specific changes that could increase the percentage of our payments at risk based on quality performance.

If the public performance data becomes a primary factor in determining where patients choose to receive care, and if competing hospitals and ASCs have better results than our facilities on those measures, we would expect that our patient volumes could decline.

Medicare and Medicaid Participation

The majority of our revenue is expected to continue to be received from third-party payors, including federal and state programs, such as Medicare and Medicaid, and commercial payors. To participate in the Medicare program and receive Medicare payment, our surgical facilities must comply with regulations promulgated by the Department of Health and Human Services ("HHS"). Among other things, these regulations, known as "conditions for coverage" or "conditions of participation," impose numerous requirements on our facilities, their equipment, their personnel and their standards of medical care, as well as compliance with all applicable state and local laws and regulations. On April 26, 2007, CMS issued a policy memorandum that reaffirmed its prior interpretation of its conditions of participation that all hospitals (other than critical access hospitals) participating in the Medicare program are required to provide basic emergency care interventions regardless of whether or not the hospital maintains an emergency department. Our five facilities licensed as hospitals are required to meet this requirement to maintain their participating provider status in the Medicare program. Two of our hospitals, which do not have an emergency room, maintain a protocol for the transfer of patients requiring emergency treatment, which protocol may be interpreted as inconsistent with the 2007 CMS policy memorandum. Our surgical facilities must also satisfy the conditions of participation to be eligible to participate in the various state Medicaid programs. The requirements for certification under Medicare and Medicaid are subject to change and, in order to remain qualified for these programs, we may have to make changes from time to time in our facilities, equipment, personnel or services. Although we intend to continue to participate in these reimbursement programs, we cannot assure you that our surgical facilities will continue to qualify for participation.

The Affordable Care Act and its implementing regulations require a hospital to provide written disclosure of physician ownership interests to the hospital's patients and on the hospital's website and in any advertising, along with annual reports to the government detailing such interests. Additionally, hospitals that do not have 24/7 physician coverage are required to inform patients of this fact and receive signed acknowledgment from the patients of the disclosure. A hospital's provider agreement may be terminated if it fails to provide the required notices. In 2010, CMS issued a "self-referral disclosure protocol" for hospitals and other providers that wish to self-disclose potential violations of the Stark Law to CMS and to attempt to resolve those potential violations and any related overpayment liabilities at levels below the maximum penalties and amounts set forth in the statute. The disclosure requirements set forth in the Affordable Care Act and the self-referral disclosure protocol reflect a move towards increasing government scrutiny of the financial relationships between hospitals and referring physicians and increasing disclosure of potential violations of the Stark Law to the government by hospitals and other healthcare providers. We intend for all of our facilities to meet their disclosure obligations.

Survey and Accreditation

Hospitals and healthcare facilities are subject to periodic inspection by federal, state and local authorities to determine their compliance with applicable regulations and requirements necessary for licensing, certification and accreditation. All of our hospitals and surgical facilities currently are licensed under appropriate state laws and are qualified to participate in the Medicare and Medicaid programs. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, licenses or accreditations could reduce a facility's utilization or revenue, or its ability to operate all or a portion of its facilities.

Utilization Review

Federal law contains numerous provisions designed to ensure that services rendered by hospitals to Medicare and Medicaid patients meet professionally recognized standards and are medically necessary and that claims for reimbursement are properly filed. These provisions include a requirement that a sampling of admissions of Medicare and Medicaid patients must be reviewed by quality improvement organizations, which review the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, the validity of MS-DRG classifications and the appropriateness of cases of extraordinary length of stay or cost. Quality improvement organizations may deny payment for services provided or assess fines and also have the authority to recommend to HHS that a provider which is in substantial noncompliance with the standards of the quality improvement organization be excluded from participation in the Medicare program. Utilization review is also a requirement of most non-governmental managed care organizations.

Federal Anti-Kickback Statute and Medicare Fraud and Abuse Laws

The Social Security Act includes provisions addressing false statements, illegal remuneration and other instances of fraud and abuse in federal health care programs. These provisions include the statute commonly known as the federal Anti-Kickback statute (the "Anti-Kickback Statute"). The Anti-Kickback Statute prohibits providers and others from, among other things, soliciting, receiving, offering or paying, directly or indirectly, any remuneration in return for either making a referral for, or ordering or arranging for, or recommending the order of, any item or service covered by a federal healthcare program, including, but not limited to, the Medicare and Medicaid programs. Violations of the Anti-Kickback Statute are criminal offenses punishable by imprisonment and fines of up to $25,000 for each

violation. Civil violations are punishable by fines of up to $50,000 for each violation, as well as damages of up to three times the total amount of remuneration received from the government for healthcare claims.

Because physician-investors in our surgical facilities are in a position to generate referrals to the facilities, the distribution of available cash to those investors could come under scrutiny under the Anti-Kickback Statute. Some courts have held that the Anti-Kickback Statute is violated if one purpose (as opposed to a primary or the sole purpose) of a payment to a provider is to induce referrals. Further, Section 6402(f)(2) of the Affordable Care Act amends the Anti-Kickback Statute by adding a provision to clarify that a person need not have actual knowledge of such section or specific intent to commit a violation of the Anti-Kickback Statute. Because none of these cases involved a joint venture such as those owning and operating our surgical facilities, it is not clear how a court would apply these holdings to our activities. It is clear, however, that a physician's investment income from a surgical facility may not vary with the number of his or her referrals to the surgical facility, and we believe that we comply with this prohibition.

Under regulations issued by the OIG, certain categories of activities are deemed not to violate the Anti-Kickback Statute (commonly referred to as the safe harbors). According to the preamble to these safe harbor regulations, the failure of a particular business arrangement to comply with the regulations does not determine whether the arrangement violates the Anti-Kickback Statute. The safe harbor regulations do not make conduct illegal, but instead outline standards that, if complied with, protect conduct that might otherwise be deemed in violation of the Anti-Kickback Statute. Failure to meet a safe harbor does not indicate that the arrangement violates the Anti-Kickback Statute, although it may be subject to additional scrutiny.

We believe the ownership and operations of our surgery centers and hospitals do not fit wholly within any of the safe harbors, but we attempt to structure our ASCs to fit as closely as possible within the safe harbor designed to protect distributions to physician-investors in ambulatory surgery centers who directly refer patients to the ambulatory surgery center and personally perform the procedures at the center as an extension of their practice (the "ASC Safe Harbor"). The ASC Safe Harbor protects four categories of investors, including ASCs owned by (1) general surgeons, (2) single-specialty physicians, (3) multi-specialty physicians and (4) hospital/physician joint ventures, provided that certain requirements are satisfied. These requirements include the following:

- The ASC must be an ASC certified to participate in the Medicare program, and its operating and recovery room space must be dedicated exclusively to the ASC and not a part of a hospital (although such space may be leased from a hospital if such lease meets the requirements of the safe harbor for space rental).
- Each investor must be either (a) a physician who derived at least one-third of his or her medical practice income for the previous fiscal year or 12-month period from performing procedures on the list of Medicare-covered procedures for ASCs, (b) a hospital, or (c) a person or entity not in a position to make or influence referrals to the center, nor to provide items or services to the ASC, nor employed by the ASC or any investor.
- Unless all physician-investors are members of a single specialty, each physician-investor must perform at least one-third of his or her procedures at the ASC each year. This requirement is in addition to the requirement that the physician-investor has derived at least one-third of his or her medical practice income for the past year from performing procedures.
- Physician-investors must have fully informed their referred patients of the physician's investment.
- The terms on which an investment interest is offered to an investor are not related to the previous or expected volume of referrals, services furnished or the amount of business otherwise generated from that investor to the entity.
- Neither the ASC nor any other investor nor any person acting on their behalf may loan funds to or guarantee a loan for an investor if the investor uses any part of such loan to obtain the investment interest.
- The amount of payment to an investor in return for the investment interest is directly proportional to the amount of the capital investment (including the fair market value of any pre-operational services rendered) of that investor.
- All physician-investors, any hospital-investor and the center agree to treat patients receiving benefits or assistance under a federal healthcare program in a non-discriminatory manner.
- All Ancillary Services performed at the ASC for beneficiaries of federal healthcare programs must be directly and integrally related to primary procedures performed at the ASC and may not be billed separately.
- No hospital-investor may include on its cost report or any claim for payment from a federal healthcare program any costs associated with the ASC.
- The ASC may not use equipment owned by or services provided by a hospital-investor unless such equipment is leased in accordance with a lease that complies with the Anti-Kickback Statute equipment rental safe harbor and such services are provided in accordance with a contract that complies with the Anti-Kickback Statute personal services and management contract safe harbor.

- No hospital-investor may be in a position to make or influence referrals directly or indirectly to any other investor or the ASC.

We believe that the ownership and operations of our surgical centers will not satisfy this ASC Safe Harbor for investment interests in ASCs because, among other things, we or one of our subsidiaries will generally be an investor in and provide management services to each ambulatory surgery center. We cannot assure you that the OIG would view our activities favorably even though we strive to achieve compliance with the remaining elements of this safe harbor.

In addition, although we expect each physician-investor to utilize the ASC as an extension of his or her practice and ask each physician-investor to certify this practice, we cannot assure you that all physician-investors will derive at least one-third of their medical practice income from performing Medicare-covered ASC procedures, perform one-third of their procedures at the ASC or inform their referred patients of their investment interests. Interests in our ASC joint ventures are purchased at what we believe to be fair market value. Investors who purchase at a later time generally pay more for a given percentage interest than founding investors. The result is that while all investors are paid distributions in accordance with their ownership interests, for ASCs where there are later purchases, we cannot meet the safe harbor requirement that return on investment is directly proportional to the amount of capital investment. The OIG has on several occasions reviewed investments relating to ASCs, and in Advisory Opinion No. 07-05, raised concerns that (a) purchases of interests from physicians might yield gains on investment rather than capital infusion to the ASCs, (b) such purchases could be meant to reward or influence the selling physicians' referrals to the ASC or the hospital, and (c) such returns might not be directly proportional to the amount of capital invested. Nonetheless, we believe our fair market value purchase requirements and distribution policies comply with the Anti-Kickback Statute.

In OIG Advisory Opinion No. 09-09 (July 29, 2009), the OIG concluded that an arrangement involving an ASC joint venture between a hospital and physicians involving the combination of their two ASCs into a single, larger ASC presented minimal risk of fraud or abuse, despite the fact that it did not fit within any applicable Anti-Kickback safe harbors. Additionally, the OIG stated that fair market value should be determined based only on the tangible assets of each ASC since the physician investors are referral sources for the ASC. The OIG stated that a cash flow-based valuation of the business contributed by the physician investors potentially would include the value of the physician investors' referrals over the time that their ASC was in existence prior to the merger with the hospital's ASC. The OIG went on to note that a valuation involving intangible assets would not necessarily result in a violation of the Anti-Kickback Statute, but would require a review of all the facts and circumstances. It is not clear whether the OIG is concerned about using a cash flow-based valuation in most healthcare transactions involving referral sources, or just transactions, similar to this one, where the parties' contributions would be valued differently for contributing the same assets if only one party's contribution is valued as a going concern based on cash flow. Also, the OIG appears to be focused on historical cash flow rather than a projected, discounted cash flow, which is a commonly used valuation methodology. What is clear is that for the first time, the OIG addressed valuation methodologies, which could lead to increased scrutiny of all transactions involving physicians.

Our hospital investments do not fit wholly within the safe harbor for investments in small entities because more than 40.0% of the investment interests are held by investors who are either in a position to refer to the hospital or who provide services to the hospital and more than 40.0% of the hospital's gross revenue last year were derived from referrals generated by investors. However, we believe we comply with the remaining elements of the safe harbor.

In addition to the physician ownership in our surgical facilities, other financial relationships of ours with potential referral sources could potentially be scrutinized under the Anti-Kickback Statute. We have entered into management agreements to manage the majority of our surgical facilities. Most of these agreements call for our subsidiary to be paid a percentage-based management fee. Although there is a safe harbor for personal services and management contracts (the "Personal Services and Management Safe Harbor"), the Personal Services and Management Safe Harbor requires, among other things, that the amount of the aggregate compensation paid to the manager over the term of the agreement be set in advance. Because our management fees are generally based on a percentage of revenue, our management agreements do not typically meet this requirement. We do, however, believe that our management arrangements satisfy the other requirements of the Personal Services and Management Safe Harbor for personal services and management contracts. The OIG has taken the position in several advisory opinions that percentage-based management agreements are not protected by a safe harbor, and consequently, may violate the Anti-Kickback Statute. We have implemented formal compliance programs designed to safeguard against overbilling and believe that our management agreements comply with the requirements of the Anti-Kickback Statute. However, we cannot assure you that the OIG would find our compliance programs to be adequate or that our management agreements would be found to comply with the Anti-Kickback Statute.

Certain of our ASCs have entered into arrangements for professional services, including arrangements for anesthesia services. In a Special Advisory Bulletin issued in April 2003, the OIG focused on "questionable" contractual arrangements where a health care provider in one line of business (the "Owner") expands into a related health care business by contracting with an existing provider of a related item or service (the "Manager/Supplier") to provide the new item or service to the Owner's existing patient population, including federal health care program patients (so called "suspect Contractual Joint Ventures"). The Manager/Supplier not only manages the new line of business, but may also supply it with inventory, employees, space, billing, and other services. In other words, the Owner contracts out substantially the entire operation of the related line of business to the Manager/Supplier-otherwise a potential competitor-receiving in return the profits of the business as remuneration for its referrals. Through an Advisory Opinion, the OIG extended this suspect contractual joint venture analysis to arrangements between anesthesiologists and physician owners of ASCs. In Advisory Opinion 12-06, the OIG concluded that

certain proposed arrangements between anesthesia groups and physician-owned ASCs could result in prohibited remuneration under the federal Anti-Kickback Statute. We believe our arrangements for anesthesia services are distinguishable from those described in Advisory Opinion 12-06 (May 25, 2012) and are in compliance with the requirements of the federal Anti-Kickback Statute. However, we cannot assure you that regulatory authorities would agree with that position.

We also may guarantee a surgical facility's third-party debt financing and certain lease obligations as part of our obligations under a management agreement. Physician investors are generally not required to enter into similar guarantees. The OIG might take the position that the failure of the physician investors to enter into similar guarantees represents a special benefit to the physician investors given to induce patient referrals and that such failure constitutes a violation of the Anti-Kickback Statute. We believe that the management fees (and in some cases guarantee fees) are adequate compensation to us for the credit risk associated with the guarantees and that the failure of the physician investors to enter into similar guarantees does not create a material risk of violating the Anti-Kickback Statute. However, the OIG has not issued any guidance in this regard.

The OIG is authorized to issue advisory opinions regarding the interpretation and applicability of the Anti-Kickback Statute, including whether an activity constitutes grounds for the imposition of civil or criminal sanctions. We have not, however, sought such an opinion regarding any of our arrangements. If it were determined that our activities, or those of our surgical facilities or hospitals, violate the Anti-Kickback Statute, we, our subsidiaries, our officers, our directors and each surgical facility and hospital investor could be subject, individually, to substantial monetary liability, prison sentences and/or exclusion from participation in any healthcare program funded in whole or in part by the U.S. government, including Medicare, Medicaid, TRICARE or state healthcare programs.

Evolving interpretations of current, or the adoption of new, federal or state laws or regulations could affect many of our arrangements. Law enforcement authorities, including the OIG, the courts and Congress, are increasing their scrutiny of arrangements between healthcare providers and potential referral sources to ensure that the arrangements are not designed as a mechanism to exchange remuneration for patient care referrals or opportunities. Investigators have also demonstrated a willingness to look behind the formalities of a business transaction to determine the underlying purposes of payments between healthcare providers and potential referral sources.

Federal Physician Self-Referral Law

Congress has enacted the federal physician self-referral law, or Stark Law, that prohibits certain self-referrals for healthcare services. As currently enacted, the Stark Law prohibits a practitioner, including a physician, dentist or podiatrist, from referring patients to an entity with which the practitioner or a member of his or her immediate family has a "financial relationship" for the provision of certain "designated health services" that are paid for in whole or in part by Medicare or Medicaid unless an exception applies. The term "financial relationship" is broadly defined and includes most types of ownership and compensation relationships. The Stark Law also prohibits the entity from seeking payment from Medicare or Medicaid for services that are rendered through a prohibited referral. If an entity is paid for services provided through a prohibited referral, it may be required to refund the payments. Violations of the Stark Law may also result in the imposition of damages equal to three times the amount improperly claimed and civil monetary penalties of up to $15,000 per prohibited claim and $100,000 per prohibited circumvention scheme and exclusion from participation in the Medicare and Medicaid programs. For the purposes of the Stark Law, the term "designated health services" is defined to include:

- clinical laboratory services;
- physical therapy services;
- occupational therapy services;
- radiology services, including magnetic resonance imaging, computerized axial tomography scan and ultrasound services;
- radiation therapy services and supplies;
- durable medical equipment and supplies;
- parenteral and enteral nutrients, equipment and supplies;
- prosthetics, orthotics and prosthetic devices and supplies;
- home health services;
- outpatient prescription drugs; and
- inpatient and outpatient hospital services.

The list of designated health services does not, however, include surgical services that are provided in an ASC. Furthermore, in final Stark Law regulations published by HHS on January 4, 2001, the term "designated health services" was specifically defined to not include services that are reimbursed by Medicare as part of a composite rate, such as services that are provided in an ASC. However, if designated health services are provided by an ASC and separately billed, referrals to the ASC by a physician-investor would be prohibited by the Stark Law. Because our facilities that are licensed as ASCs do not have independent laboratories and do not provide designated health services

apart from surgical services, we do not believe referrals to these facilities by physician-investors are prohibited. If legislation or regulations are implemented that prohibit physicians from referring patients to surgical facilities in which the physician has a beneficial interest, our business and financial results would be materially adversely affected.

Five of our facilities are licensed as hospitals as of September 30, 2015. The Stark Law currently includes the Whole Hospital Exception, which applies to physician ownership of a hospital, provided such ownership is in the whole hospital and the physician is authorized to perform services at the hospital. We believe that physician investments in our facilities licensed as hospitals meet this requirement. However, changes to the Whole Hospital Exception have been the subject of recent regulatory action and legislation. Changes in the Affordable Care Act include:

- a prohibition on hospitals from having any physician ownership unless the hospital already had physician ownership and a Medicare provider agreement in effect as of December 31, 2010;
- a limitation on the percentage of total physician ownership or investment interests in the hospital or entity whose assets include the hospital to the percentage of physician ownership or investment as of March 23, 2010;
- a prohibition from expanding the number of beds, operating rooms, and procedure rooms for which it is licensed after March 23, 2010, unless the hospital obtains an exception from the Secretary;
- a requirement that return on investment be proportionate to the investment by each investor;
- restrictions on preferential treatment of physician versus non-physician investors;
- a requirement for written disclosures of physician ownership interests to the hospital’s patients and on the hospital’s website and in any advertising, along with annual reports to the government detailing such interests;
- a prohibition on the hospital or other investors from providing financing to physician investors;
- a requirement that any hospital that does not have 24/7 physician coverage inform patients of this fact and receive signed acknowledgments from the patients of the disclosure; and
- a prohibition on “grandfathered” status for any physician owned hospital that converted from an ASC to a hospital on or after March 23, 2010.

The Affordable Care Act also requires that each hospital with physician ownership submit an annual report of ownership and/or investment interest. Our hospitals have submitted their first reports. CMS has delayed the collection of the second report and publication of the first annual report. We cannot predict whether other proposed amendments to the Whole Hospital Exception will be included in any future legislation or if Congress will adopt any similar provisions that would prohibit or otherwise restrict physicians from holding ownership interests in hospitals. Any such changes could have an adverse effect on our financial condition and results of operations.

In addition to the physician ownership in our surgical facilities, we have other financial relationships with potential referral sources that potentially could be scrutinized under the Stark Law. We have entered into personal service agreements, such as medical director agreements, with physicians at our hospitals. We believe that our agreements with referral sources satisfy the requirements of the personal service arrangements exception to the Stark Law and have implemented formal compliance programs designed to ensure continued compliance. However, we cannot assure you that the OIG or CMS would find our compliance programs to be adequate or that our agreements with referral sources would be found to comply with the Stark Law.

False and Other Improper Claims

The U.S. government is authorized to impose criminal, civil and administrative penalties on any person or entity that files a false claim for payment from the Medicare or Medicaid programs or other federal and state healthcare programs. Claims filed with private insurers can also lead to criminal and civil penalties, including, but not limited to, penalties relating to violations of federal mail and wire fraud statutes, as well as penalties under the anti-fraud provisions of HIPAA. While the criminal statutes are generally reserved for instances of fraudulent intent, the U.S. government is applying its criminal, civil and administrative penalty statutes in an ever-expanding range of circumstances. For example, the U.S. government has taken the position that a pattern of claiming reimbursement for unnecessary services violates these statutes if the claimant merely should have known the services were unnecessary, even if the government cannot demonstrate actual knowledge. The U.S. government has also taken the position that claiming payment for low-quality services is a violation of these statutes if the claimant should have known that the care being provided was substandard.

Over the past several years, the U.S. government has investigated an increasing number of healthcare providers for potential violations of the federal False Claims Act. The federal False Claims Act prohibits a person from knowingly presenting, or causing to be presented, a false or fraudulent claim to the U.S. government. The statute defines “knowingly” to include not only actual knowledge of a claim’s falsity, but also reckless disregard for or intentional ignorance of the truth or falsity of a claim. The Fraud Enforcement and Recovery Act of 2009 further expanded the scope of the False Claims Act by, among other things, creating liability for knowingly and improperly avoiding or decreasing an obligation to pay money to the federal government. The Affordable Care Act also created federal False Claims Act liability

for the knowing failure to report and return an overpayment within 60 days of the identification of the overpayment or the date by which a corresponding cost report is due, whichever is later. This requirement has led to an increasing use of the self-disclosure protocols that have been implemented by CMS, the OIG and other governmental agencies by the healthcare industry. The Affordable Care Act also provided that claims submitted in connection with patient referrals that result from violations of the Anti-Kickback Statute constitute false claims for the purposes of the federal False Claims Act, and some courts have held that a violation of the Stark Law can result in False Claims Act liability as well. Because our surgical facilities perform hundreds of similar procedures a year for which they are paid by Medicare and other government health care programs, and there is a relatively long statute of limitations, a billing error or cost reporting error could result in significant civil or criminal penalties.

Under the qui tam, or whistleblower, provisions of the False Claims Act, private parties may bring actions on behalf of the U.S. government. These private parties, often referred to as relators, are entitled to share in any amounts recovered by the government through trial or settlement. Both whistleblower lawsuits and direct enforcement activity by the government have increased significantly in recent years and have increased the risk that a healthcare company, like us, will have to defend a false claims action, pay fines or be excluded from the Medicare and Medicaid programs and other federal and state healthcare programs as a result of an investigation resulting from a whistleblower case. Although we believe that our operations materially comply with both federal and state laws, they may nevertheless be the subject of a whistleblower lawsuit or may otherwise be challenged or scrutinized by governmental authorities. Providers found liable for False Claims Act violations are subject to damages of up to three times the actual damage sustained by the government plus mandatory civil monetary penalties between $5,500 and $11,000 for each separate false claim. A determination that we have violated these laws could have a material adverse effect on us.

Other Fraud and Abuse Laws

The Medicare Patient and Program Protection Act of 1987, as amended by the Health Insurance Portability and Accountability Act of 1996, ("HIPAA"), and the Balanced Budget Act of 1997, impose civil monetary penalties and exclusion from state and federal healthcare programs on providers who commit violations of fraud and abuse laws. HIPAA authorizes the Secretary of the Department of Health & Human Services ("Secretary"), and in some cases requires the Secretary, to exclude individuals and entities that the Secretary determines have "committed an act" in violation of applicable fraud and abuse laws or improperly filed claims in violation of such laws from participating in any federal healthcare program. HIPAA also expanded the Secretary's authority to exclude a person involved in fraudulent activity from participating in a program providing health benefits, whether directly or indirectly, in whole or in part, by the U.S. government. Additionally, under HIPAA, individuals who hold a direct or indirect ownership or controlling interest in an entity that is found to violate these laws may also be excluded from Medicare and Medicaid and other federal and state healthcare programs if the individual knew or should have known, or acted with deliberate ignorance or reckless disregard of, the truth or falsity of the information of the activity leading to the conviction or exclusion of the entity, or where the individual is an officer or managing employee of such entity. This standard does not require that specific intent to defraud be proven by OIG. Under HIPAA it is also a crime to defraud any commercial healthcare benefit program.

Federal and State Privacy and Security Requirements

On January 16, 2009, CMS published its 10th Edition of International Statistical Classification of Diseases and Related Health Problems ("ICD-10") and related changes to the formats used for certain electronic transactions. ICD-10 contains significantly more diagnostic and procedural codes than the existing ICD-9 coding system, and as a result, the coding for the services provided in our surgical facilities and hospitals require much greater specificity. ICD-10 requires a significant investment in technology and training. As a result, we may experience delays in reimbursement while our surgical facilities and the payors from which we seek reimbursement make the transition to ICD-10. While HIPAA originally required implementation of ICD-10 to be achieved by October 1, 2013, CMS extended this deadline to October 1, 2015. We are not able to predict the overall financial impact of our ongoing transition to ICD-10.

We are subject to HIPAA, including The HITECH Act, which was enacted as part of The American Recovery and Reinvestment Act of 2009. The HITECH Act strengthened the requirements and significantly increased the penalties for violations of the HIPAA privacy and security regulations. On January 25, 2013, HHS issued the HIPAA Omnibus Rule, which became effective on March 26, 2013. Prior to the HIPAA Omnibus Rule, the HITECH Act required us to notify patients of any unauthorized access, acquisition, or disclosure of their unsecured protected health information that poses significant risk of financial, reputational or other harm to a patient. The HIPAA Omnibus Rule eliminated this harm threshold standard and instead we are now required to notify patients of any unauthorized access, acquisition, or disclosure of their unsecured protected health information in all situations except those in which we can demonstrate that there is a low probability that the protected health information has been compromised. We now have the burden of demonstrating through a risk assessment that a breach of protected health information has not occurred. This new more objective standard may lead to an increased number of occurrences that require breach notifications. In addition, the HIPAA Omnibus Rule also modified the following aspects of the HIPAA privacy and security regulations:

- makes our facilities' business associates directly liable for compliance with certain of HIPAA's requirements;
- makes our facilities liable for violations by their business associates if HHS determines an agency relationship exists between the facility and the business associate under federal agency law;

- adds limitations on the use and disclosure of health information for marketing and fund-raising purposes, and prohibits the sale of protected health information without individual authorization;
- expands our patients' rights to receive electronic copies of their health information and to restrict disclosures to a health plan concerning treatment for which our patient has paid out of pocket in full;
- requires modifications to, and redistribution of, our facilities' notice of privacy practices;
- requires modifications to existing agreements with business associates;
- adopts the additional HITECH Act provisions not previously adopted addressing enforcement of noncompliance with HIPAA due to willful neglect;
- incorporates the increased and tiered civil money penalty structure provided by the HITECH Act; and
- revises the HIPAA privacy rule to increase privacy protections for genetic information as required by the Genetic Information Nondiscrimination Act of 2008.

The HIPAA privacy standards apply to individually identifiable information held or disclosed by a covered entity in any form, whether communicated electronically, on paper or orally. These standards impose extensive administrative requirements on us. These standards require our compliance with rules governing the use and disclosure of this health information. They create rights for patients in their health information, such as the right to amend their health information, and they require us to impose these rules, by contract, on any business associate to whom we disclose such information in order to perform functions on our behalf.

The HIPAA security standards require us to establish and maintain reasonable and appropriate administrative, technical and physical safeguards to ensure the integrity, confidentiality and the availability of electronic protected health and related financial information. Although the security standards do not reference or advocate a specific technology, and covered healthcare providers, plans and clearinghouses have the flexibility to choose their own technical solutions, the security standards have required us to implement significant new systems, business procedures and training programs.

Violations of the HIPAA privacy and security regulations may result in civil and criminal penalties. The HITECH Act strengthened the requirements of the HIPAA privacy and security regulations and significantly increased the penalties for violations by introducing a tiered penalty system, with penalties of up to $50,000 per violation with a maximum civil penalty of $1.5 million in a calendar year for violations of the same requirement. However, a single breach incident can result in violations of multiple requirements, resulting in possible penalties well in excess of $1.5 million. Under the HITECH Act, HHS is required to conduct periodic compliance audits of covered entities and their business associates. The HITECH Act and the HIPAA Omnibus Rule also extend the application of certain provisions of the security and privacy regulations to business associates and subjects business associates to civil and criminal penalties for violation of the regulations.

The HITECH Act authorizes State Attorneys General to bring civil actions seeking either an injunction or damages in response to violations of HIPAA privacy and security regulations or the new data breach law that affects the privacy of their state residents. We expect vigorous enforcement of the HITECH Act's requirements by HHS and State Attorneys General. Additionally, HHS conducted a pilot audit program that concluded December 2012 in the first phase of HHS' implementation of the HITECH Act's requirements of periodic audits of covered entities and business associates to ensure their compliance with the HIPAA privacy and security regulations. HHS has allocated increased funding towards HIPAA enforcement activity and such enforcement activity has seen a marked increase over recent years. We cannot predict whether our surgical facilities will be able to comply with the final rules and the financial impact to our surgical facilities in implementing the requirements under the final rules when they take effect, or whether our hospitals will be selected for an audit, or the results of such an audit.

Our facilities also remain subject to any state laws that relate to privacy or the reporting of data breaches that are more restrictive than the regulations issued under HIPAA and the requirements of the HITECH Act. For example, various state laws and regulations may require us to notify affected individuals in the event of a data breach involving certain personal information, such as social security numbers, dates of birth and credit card information.

Adoption of Electronic Health Records

The HITECH Act includes provisions designed to increase the use of EHR by both physicians and hospitals. Beginning in 2011 and extending through 2016, eligible hospitals may receive incentive payments based upon successfully demonstrating meaningful use of its certified EHR technology. Beginning in 2015, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reduced payments from Medicare. EHR meaningful use objectives and measures that hospitals and physicians must meet in order to qualify for incentive payments will be implemented in three stages. Stage 1 has been in effect since 2011 and Stage 2 took effect for hospitals beginning in fiscal year 2014. On October 16, 2015, CMS published a final rule that consolidated Stage 1 and Stage 2 into a "Modified Stage 2" effective as of 2015 and set out requirements for Stage 3, which is set to take full effect in 2018. In connection with the acquisition of Symbion, we acquired six surgical facilities that are licensed as hospitals, five of which we own as of September 30, 2015. These hospitals began the implementation of EHR initiatives in 2012. We strive to comply with the EHR meaningful use requirements of the HITECH Act so as to qualify for incentive payments. Continued implementation of EHR and compliance with the HITECH Act will

result in significant costs. We recorded expense for returned payments of $57,000 and $107,000 which was recognized during the three and nine months ended September 30, 2015, respectively. We incurred negligible costs for hardware, software and implementation expenses during the same three and nine month periods. We do not currently know the extent of additional costs that will be associated with implementation of additional systems or the amount of future incentives that we will receive.

HIPAA Administrative Simplification Requirements

The HIPAA transaction regulations were issued to encourage electronic commerce in the healthcare industry. These regulations include standards that healthcare providers must follow when electronically transmitting certain healthcare transactions, such as healthcare claims.

Emergency Medical Treatment and Active Labor Act

Our hospitals are subject to the Emergency Medical Treatment and Active Labor Act ("EMTALA"). This federal law requires any hospital that participates in the Medicare program to conduct an appropriate medical screening examination of every person who presents to the hospital's emergency department for treatment and, if the patient is suffering from an emergency medical condition, to either stabilize that condition or make an appropriate transfer of the patient to a facility that can handle the condition. The obligation to screen and stabilize emergency medical conditions or transfer exists regardless of a patient's ability to pay for treatment. Off-campus facilities such as surgery centers that lack emergency departments or otherwise do not treat emergency medical conditions generally are not subject to EMTALA. They must, however, have policies in place that explain how the location should proceed in an emergency situation, such as transferring the patient to the closest hospital with an emergency department. There are severe penalties under EMTALA if a hospital fails to screen or appropriately stabilize or transfer a patient or if the hospital delays appropriate treatment in order to first inquire about the patient's ability to pay, including civil monetary penalties and exclusion from participation in the government health care programs. In addition, an injured patient, the patient's family or a medical facility that suffers a financial loss as a direct result of another hospital's violation of the law can bring a civil suit against that other hospital. CMS has actively enforced EMTALA and has indicated that it will continue to do so in the future. Although we believe that our hospitals comply with EMTALA, we cannot predict whether CMS will implement new requirements in the future and, if so, whether our hospitals will comply with any new requirements.

State Regulation

Many of the states in which our surgical facilities operate have adopted statutes and/or regulations that prohibit the payment of kickbacks or any type of remuneration in exchange for patient referrals and that prohibit healthcare providers from, in certain circumstances, referring a patient to a healthcare facility in which the provider has an ownership or investment interest. While these statutes generally mirror the federal Anti-Kickback Statute and Stark Law, they vary widely in their scope and application. Some are specifically limited to healthcare services that are paid for in whole or in part by the Medicaid program; others apply to all healthcare services regardless of payor; and others apply only to state-defined designated services, which may differ from the designated health services under the Stark Law. In addition, many states have adopted statutes that mirror the False Claims Act and that prohibit the filing of a false or fraudulent claim with a state governmental agency. We intend to comply with all applicable state healthcare laws, rules and regulations. However, these laws, rules and regulations have typically been the subject of limited judicial and regulatory interpretation. As a result, we cannot assure you that our surgical facilities will not be investigated or scrutinized by the governmental authorities empowered to do so or, if challenged, that their activities would be found to be lawful. A determination of non-compliance with the applicable state healthcare laws, rules, and regulations could subject our surgical facilities to civil and criminal penalties and could have a material adverse effect on our operations.

We are also subject to various state insurance statutes and regulations that prohibit us from submitting inaccurate, incorrect or misleading claims. Many state insurance laws and regulations are broadly worded and could be implicated, for example, if our surgical facilities were to adjust an out-of-network co-payment or other patient responsibility amounts without fully disclosing the adjustment on the claim submitted to the payor. While some of our surgical facilities adjust the out-of-network costs of patient co-payment and deductible amounts to reflect in-network co-payment costs when providing services to patients whose health insurance is covered by a payor with which the surgical facilities are not contracted, our policy is to fully disclose adjustments in the claims submitted to the payors. We believe that our surgical facilities are in compliance with all applicable state insurance laws and regulations regarding the submission of claims. We cannot assure you, however, that none of our surgical facilities' insurance claims will ever be challenged. If we were found to be in violation of a state's insurance laws or regulations, we could be forced to discontinue the violative practice, which could have an adverse effect on our financial position and results of operations, and we could be subject to fines and criminal penalties.

Fee Splitting; Corporate Practice of Medicine

The laws of many states prohibit physicians from splitting fees with non-physicians (i.e., sharing in a percentage of professional fees), prohibit non-physician entities (such as us) from practicing medicine and exercising control over or employing physicians and prohibit referrals to facilities in which physicians have a financial interest. The existence, interpretation and enforcement of these laws vary significantly from state to state. In light of these restrictions, in certain states we facilitate the provision of physician services by maintaining long-term management services agreements through our subsidiaries with affiliated professional contractors, which employ or contract with physicians and other healthcare professionals to provide physician professional services. Under these arrangements, our subsidiaries perform only non-medical administrative services, do not represent that they offer medical services and do not exercise

influence or control over the practice of medicine by the physicians employed by the affiliated professional contractors. Although we believe that the fees we receive from affiliated professional contractors have been structured in a manner that is compliant with applicable fee-splitting laws, it is possible that a government regulator could interpret such fee arrangements to be in violation of certain fee-splitting laws. Future interpretations of, or changes in, these laws might require structural and organizational modifications of our existing relationships, and we cannot assure you that we would be able to appropriately modify such relationships. In addition, statutes in some states could restrict our expansion into those states.

Clinical Laboratory Regulation

Our clinical laboratories are subject to federal oversight under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA") which extends federal oversight to virtually all clinical laboratories by requiring that they be certified by the federal government or by a federally-approved accreditation agency. CLIA requires that all clinical laboratories meet quality assurance, quality control and personnel standards. Laboratories also must undergo proficiency testing and are subject to inspections. Standards for testing under CLIA are based on the complexity of the tests performed by the laboratory, with tests classified as "high complexity," "moderate complexity," or "waived." Laboratories performing high complexity testing are required to meet more stringent requirements than moderate complexity laboratories. Laboratories performing only waived tests, which are tests determined by the Food and Drug Administration to have a low potential for error and requiring little oversight, may apply for a certificate of waiver exempting them from most of the requirements of CLIA. Our operations also subject to state and local laboratory regulation. CLIA provides that a state may adopt laboratory regulations different from or more stringent than those under federal law, and a number of states have implemented their own laboratory regulatory requirements. State laws may require that laboratory personnel meet certain qualifications, specify certain quality controls, or require maintenance of certain records. We believe that we are in material compliance with all applicable laboratory requirements, but no assurances can be given that our laboratories will pass all future licensure or certification inspections.

Regulatory Compliance Program

It is our policy to conduct our business with integrity and in compliance with the law. We have in place and continue to enhance a company-wide compliance program that focuses on all areas of regulatory compliance including billing, reimbursement, cost reporting practices and contractual arrangements with referral sources.

This regulatory compliance program is intended to help ensure that high standards of conduct are maintained in the operation of our business and that policies and procedures are implemented so that employees act in full compliance with all applicable laws, regulations and company policies. Under the regulatory compliance program, every employee and certain contractors involved in patient care, and coding and billing, receive initial and periodic legal compliance and ethics training. In addition, we regularly monitor our ongoing compliance efforts and develop and implement policies and procedures designed to foster compliance with the law. The program also includes a mechanism for employees to report, without fear of retaliation, any suspected legal or ethical violations to their supervisors, designated compliance officers in our facilities, our compliance hotline or directly to our corporate compliance office. We believe our compliance program is consistent with standard industry practices. However, we cannot provide any assurances that our compliance program will detect all violations of law or protect against qui tam suits or government enforcement actions.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to market risk primarily from exposure to changes in interest rates based on our financing, investing and cash management activities. We utilize a balanced mix of maturities along with both fixed rate and variable rate debt to manage our exposures to changes in interest rates. Our variable debt instruments are primarily indexed to the prime rate or LIBOR. Interest rate changes would result in gains or losses in the market value of our fixed rate debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Although there can be no assurances that interest rates will not change significantly, we do not expect changes in interest rates to have a material effect on our net earnings or cash flows in 2015.

Item 4. Controls and Procedures

We are not currently required to comply with SEC rules that implement Sections 302 and 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal controls over financial reporting for that purpose. However, at such time as Section 302 of the Sarbanes-Oxley Act is applicable to us, we will be required to evaluate our internal controls over financial reporting

Limitations on the Effectiveness of Controls

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

reasons, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1. ***Legal Proceedings***

We are, from time to time, subject to claims and suits arising in the ordinary course of business, including claims for damages for personal injuries, breach of management contracts and employment related claims. In certain of these actions, plaintiffs request payment for damages, including punitive damages, that may not be covered by insurance. In the opinion of management, we are not currently a party to any proceedings that would have a material adverse effect on our business, financial condition or results of operations.

Item 1A. ***Risk Factors***

There have been no material changes with respect to the risk factors discussed in the final prospectus that we filed with the Securities and Exchange Commission on October 2, 2015 in connection with our IPO.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

During the past three years, Surgery Center Holdings, LLC, issued unregistered securities to its directors, officers and employees as set forth below.

Class B Units

In 2014, we issued 1,300,000 Class B units of Surgery Center Holdings, LLC to our directors, officers and employees at a grant date weighted average fair value of $2.89.

During 2015, 1,268,157 Class B units of Surgery Center Holdings, LLC were issued to certain of our directors, officers and employees, at a grant date weighted average fair value of $2.83.

All of these Class B units were issued in transactions exempt from registration under the Securities Act pursuant to Rule 701 of the Securities Act.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

No.	Description
3.1	Amended and Restated Certificate of Incorporation.
3.2	Amended and Restated By-Laws.
10.1	Tax Receivable Agreement, dated as of September 30, 2015, among Surgery Partners, Inc., H.I.G. Surgery Centers, LLC and certain other Stockholders party thereto.
10.2	Registration Rights Agreement, dated as of September 30, 2015, among Surgery Partners, Inc. and certain other Stockholders party thereto.
10.3	Reorganization Agreement, dated as of September 30, 2015, among Surgery Partners, Inc., Surgery Center Holdings, LLC, H.I.G. Surgery Centers, LLC and certain other Members party thereto.
10.4 [(a)]	2015 Omnibus Incentive Plan (previously filed as Exhibit 4.3 to Surgery Partners, Inc.'s Registration Statement on Form S-8 filed October 6, 2015 and incorporated herein by reference).
10.5 [(a)]	Form of Option Award under the 2015 Omnibus Incentive Plan.
10.6 [(a)]	Form of Director Option Award under the 2015 Omnibus Incentive Plan.
10.7	Form of Restricted Stock Agreement under the 2015 Omnibus Incentive Plan.
10.8 [(a)]	Cash Incentive Plan.
10.9	First Lien Incremental Amendment to First Lien Credit Agreement, dated as of October 7, 2015, among SP Holdco I, Inc., Surgery Center Holdings, Inc., Jefferies Finance LLC and the other guarantors and lenders party thereto (previously filed as Exhibit 10.1 to Surgery Partners, Inc.'s Current Report on Form 8-K filed October 9, 2015 and incorporated herein by reference).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(a) Management Contract or Compensatory Plan or Arrangement.

SIGNATURES

Pursuant to the requirements 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.

SURGERY PARTNERS, INC.

By: /s/ Teresa F. Sparks
Teresa F. Sparks
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 13, 2015

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Exhibit 3.1

SURGERY PARTNERS, INC.

Amended and Restated Certificate of Incorporation

Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, Surgery Partners, Inc. has adopted this Amended and Restated Certificate of Incorporation restating, integrating and amending its Certificate of Incorporation (originally filed April 2, 2015), which Amended and Restated Certificate of Incorporation has been duly proposed by the directors and adopted by the stockholders of this corporation (by written consent pursuant to Section 228 of the General Corporation Law of the State of Delaware) in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

ARTICLE I -- NAME

The name of the corporation is Surgery Partners, Inc. (the "Corporation").

ARTICLE II -- REGISTERED OFFICE AND AGENT

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE III --PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

ARTICLE IV --CAPITALIZATION

(a) Authorized Shares. The total number of shares of stock that the Corporation shall have authority to issue is 320,000,000, consisting of 300,000,000 shares of Common Stock, par value $0.01 per share ("Common Stock"), and 20,000,000 shares of Preferred Stock, par value $0.01 per share ("Preferred Stock"). Such stock may be issued from time to time by the Corporation for such consideration as may be fixed by the board of directors of the Corporation (the "Board of Directors").

(b) Common Stock. Subject to the powers, preferences and rights of any Preferred Stock, including any series thereof, having any preference or priority over, or rights superior to, the Common Stock and except as otherwise provided by law and this Article IV, the holders of the Common Stock shall have and possess all powers and voting and other rights pertaining to the stock of the Corporation.

(i) *Voting*. Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; provided, however, that to the fullest extent permitted by law, holders of Common Stock, as such, shall have no voting power with respect to, and shall not be entitled to vote on, any amendment to this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if only the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL. There shall be no cumulative voting.

(ii) *Dividends*. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock. Except as otherwise provided by the DGCL or this Amended

and Restated Certificate of Incorporation, the holders of record of shares of Common Stock shall share ratably in all dividends payable in cash, stock or otherwise and other distributions, whether in respect of liquidation or dissolution (voluntary or involuntary) or otherwise.

(iii) *No Preemptive Rights*. The holders of the Common Stock shall have no preemptive rights to subscribe for any shares of any class of stock of the Corporation whether now or hereafter authorized.

(iv) *No Conversion Rights*. The Common Stock shall not be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of the Corporation's capital stock.

(v) *Liquidation Rights*. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and of the preferential and other amounts, if any, to which the holders of Preferred Stock shall be entitled, the holders of all outstanding shares of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution ratably in proportion to the number of shares held by each such stockholder. A merger or consolidation of the Corporation with or into any other corporation or other entity or a sale or conveyance of all or any part of the assets of the Corporation, in any such case which shall not in fact result in the liquidation of the Corporation and the distribution of assets to its stockholders, shall not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

(c) Preferred Stock. Shares of Preferred Stock may be issued in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers relative to other classes or series of Preferred Stock, if any, or Common Stock, full or limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors, and the Board of Directors is hereby expressly vested with the authority, to the full extent now or hereafter provided by applicable law, to adopt any such resolution or resolutions. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of the Preferred Stock authorized by and complying with the conditions of this Amended and Restated Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation. Any shares of Preferred Stock that are redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law or this Amended and Restated Certificate of Incorporation. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors.

(d) No Class Vote on Changes in Authorized Number of Shares of Preferred Stock. Subject to the rights of the holders of any series of Preferred Stock pursuant to the terms of this Amended and Restated Certificate of Incorporation, any certificate of designations or any resolution providing for the issuance of such series of stock adopted by the Board of Directors, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL.

ARTICLE V --BOARD OF DIRECTORS

(a) Number of Directors; Vacancies and Newly Created Directorships. The number of directors constituting the Board of Directors shall be not fewer than three and not more than 15, each of whom shall be a natural person. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, the precise number of directors shall be fixed from time to time by a majority vote of the Board of Directors, provided that, prior to the date (the "Trigger Date") that investment funds affiliated with H.I.G. Capital, LLC and its respective successors, Transferees and Affiliates (each, as defined below) (collectively, the "Sponsor Entities") cease collectively to beneficially own (directly or indirectly) fifty percent (50%) or more of the then outstanding Common Stock, the size

of the Board of Directors will be determined by the affirmative vote of at least a majority of the Corporation's then outstanding Common Stock. Vacancies and newly-created directorships shall be filled exclusively by vote of a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, except that (i) any vacancy created by the removal of a director by the stockholders for cause shall only be filled, in addition to any other vote otherwise required by law, by vote of a majority of the then outstanding Common Stock and (ii) prior to the Trigger Date, vacancies will be filled by vote of a majority of the then outstanding Common Stock. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of his or her successor and to his or her earlier death, resignation or removal. "Affiliate" means, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person; the term "control," as used in this definition, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlled" and "controls" have meanings correlative to the foregoing. "Person" means an individual, any general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity. "Transferee" means, any Person who becomes a beneficial owner of Common Stock upon having purchased such shares from the investment funds affiliated with the Sponsor Entities or their respective Affiliates, provided, however, that a purchaser of Common Stock in an registered public offering shall not be a "Transferee." For the purpose of this Amended and Restated Certificate of Incorporation, "beneficial ownership" shall be determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) Classified Board of Directors. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, the Board of Directors (other than those directors elected by the holders of any series of Preferred Stock) shall be classified into three classes: Class I; Class II; and Class III. Each class shall consist, as nearly as practicable, of one-third of the total number of directors constituting the entire Board of Directors and the allocation of directors among the three classes shall be determined by the Board of Directors. The initial Class I Directors shall serve for a term expiring at the first annual meeting of stockholders of the Corporation following the filing of this Amended and Restated Certificate of Incorporation; the initial Class II Directors shall serve for a term expiring at the second annual meeting of stockholders following the filing of this Amended and Restated Certificate of Incorporation; and the initial Class III Directors shall serve for a term expiring at the third annual meeting of stockholders following the filing of this Amended and Restated Certificate of Incorporation. Each director in each class shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. At each annual meeting of stockholders beginning with the first annual meeting of stockholders following the filing of this Amended and Restated Certificate of Incorporation, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders to be held in the third year following the year of their election, with each director in each such class to hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible and such apportionment shall be determined by the Board of Directors.

(c) Removal. Subject to the special rights of the holders of any series of Preferred Stock to elect directors, the directors of the Corporation may be removed only for cause by the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, at a meeting of the stockholders called for that purpose.

ARTICLE VI --LIMITATION OF DIRECTOR LIABILITY

To the fullest extent that the DGCL or any other law of the State of Delaware (as they exist on the date hereof or as they may hereafter be amended) permits the limitation or elimination of the liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. No amendment to, or modification or repeal of, this Article VI shall adversely affect any right or protection

of a director of the Corporation existing hereunder with respect to any state of facts existing or act or omission occurring, or any cause of action, suit or claim that, but for this Article VI, would accrue or arise, prior to such amendment, modification or repeal. If the DGCL is amended after the Effective Time to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

ARTICLE VII --MEETINGS OF STOCKHOLDERS

(a) No Action by Written Consent. From and after the Trigger Date, any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

(b) Special Meetings of Stockholders. Subject to any special rights of the holders of any series of Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation may be called only (i) by or at the direction of the Board of Directors pursuant to a written resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies, or (ii) prior to the Trigger Date, by the Secretary of the Corporation at the request of the holders of fifty percent (50%) or more of the outstanding shares of Common Stock. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

(c) Election of Directors by Written Ballot. Election of directors need not be by written ballot.

ARTICLE VIII -- AMENDMENTS TO THE
CERTIFICATE OF INCORPORATION AND BYLAWS

(a) Bylaws. In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to make, alter, amend or repeal the bylaws of the Corporation subject to the power of the stockholders of the Corporation entitled to vote with respect thereto to make, alter, amend or repeal the bylaws both before and after the Trigger Date; provided, that with respect to the powers of stockholders entitled to vote with respect thereto to make, alter, amend or repeal the bylaws, from and after the Trigger Date, in addition to any other vote otherwise required by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote with respect thereto, voting together as a single class, shall be required to make, alter, amend or repeal the bylaws of the Corporation.

(b) Amendments to the Certificate of Incorporation. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the DGCL, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding anything to the contrary contained in this Amended and Restated Certificate of Incorporation, and notwithstanding that a lesser percentage may be permitted from time to time by applicable law, no provision of Article V, Article VI, paragraphs (a) and (b) of Article VII, Article VIII, Article IX, Article X and Article XI may be altered, amended or repealed in any respect, nor may any provision or bylaw inconsistent therewith be adopted, unless, in addition to any other vote required by this Amended and Restated Certificate of Incorporation or otherwise required by law, (i) prior to the Trigger Date, such alteration, amendment, repeal or adoption is approved by, in addition to any other vote otherwise required by law, the affirmative vote of the holders of a majority of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, and (ii) from and after the Trigger Date, such alteration, amendment, repeal or adoption is approved by, in addition to any other vote otherwise required by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, at a meeting of the stockholders called for that purpose.

ARTICLE IX -- BUSINESS COMBINATIONS

(a) Opt Out of DGCL 203. The Corporation shall not be governed by Section 203 of the DGCL.

(b) Limitations on Business Combinations. Notwithstanding the foregoing, the Corporation shall not engage in any business combination (as defined below), at any point in time at which the Corporation's Common Stock is registered under Sections 12(b) or 12(g) of the Exchange Act, with any interested stockholder (as defined below) for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

(i) prior to such time, the Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, or

(ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock (as defined below) of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers or (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or

(iii) at or subsequent to such time, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two thirds of the outstanding voting stock of the Corporation which is not owned by the interested stockholder.

(c) Definitions. For purposes of this Article IX, references to:

(i) "affiliate" means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(ii) "associate," when used to indicate a relationship with any person, means: (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(iii) "business combination," when used in reference to the Corporation and any interested stockholder of the Corporation, means:

(1) any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation (a) with the interested stockholder, or (b) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation paragraph (b) of this Article IX is not applicable to the surviving entity;

(2) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

(3) any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (a) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation

or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (b) pursuant to a merger under Section 251(g) of the DGCL; (c) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which security is distributed, pro rata to all holders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (d) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all holders of said stock; or (e) any issuance or transfer of stock by the Corporation; *provided, however*, that in no case under items (c)-(e) of this subsection (3) shall there be an increase in the interested stockholder's proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

(4) any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary which is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

(5) any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subsections (1)-(4) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(iv) "control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of the Corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Article IX, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(v) "interested stockholder" means any person (other than the Corporation or any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting stock of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting stock of the Corporation at any time within the three (3) year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder, and the affiliates and associates of such person; provided, however, that the term "interested stockholder" shall not include (a) the Sponsor Entities, or (b) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of any action taken solely by the Corporation; provided that such person specified in this clause (b) shall be an interested stockholder if thereafter such person acquires additional shares of voting stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the voting stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through application of the definition of "owner" below but shall not include any other unissued stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(i) "owner," including the terms "own" and "owned," when used with respect to any stock, means a person that individually or with or through any of its affiliates or associates:

(1) beneficially owns such stock, directly or indirectly; or

(2) has (a) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; *provided, however*, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person's affiliates or associates until such tendered stock is accepted for purchase or exchange; or (b) the right to vote such stock pursuant to any agreement, arrangement or understanding; *provided, however*, that a person shall not be deemed the owner of any stock because of such person's right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten (10) or more persons; or

(3) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (b) of subsection (2) above), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

(ii) "person" means any individual, corporation, partnership, unincorporated association or other entity.

(iii) "stock" means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.

(iv) "voting stock" means stock of any class or series entitled to vote generally in the election of directors.

ARTICLE X -- RENOUNCEMENT OF CORPORATE OPPORTUNITY

(a) Scope. The provisions of this Article X are set forth to define, to the extent permitted by applicable law, the duties of Exempted Persons (as defined below) to the Corporation with respect to certain classes or categories of business opportunities. "Exempted Persons" means the Sponsor Entities and all of their respective partners, principals, directors, officers, members, managers and/or employees, including any of the foregoing who serve as officers or directors of the Corporation.

(b) Competition and Allocation of Corporate Opportunities. The Exempted Persons shall not have any fiduciary duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as the Corporation or any of its subsidiaries. To the fullest extent permitted by applicable law, the Corporation, on behalf of itself and its subsidiaries, renounces any interest or expectancy of the Corporation and its subsidiaries in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to the Exempted Persons, even if the opportunity is one that the Corporation or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so, and each such Exempted Person shall have no duty to communicate or offer such business opportunity to the Corporation and, to the fullest extent permitted by applicable law, shall not be liable to the Corporation or any of its subsidiaries for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such Exempted Person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation or its subsidiaries.

(c) Certain Matters Deemed Not Corporate Opportunities. In addition to and notwithstanding the foregoing provisions of this Article X, a corporate opportunity shall not be deemed to belong to the Corporation if it is a business opportunity that the Corporation is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Corporation's business or is of no practical advantage to it or that is one in which the Corporation has no interest or reasonable expectancy.

(d) Amendment of this Article. No amendment or repeal of this Article X in accordance with the provisions of paragraph (b) of Article VIII shall apply to or have any effect on the liability or alleged liability of any

Exempted Person for or with respect to any activities or opportunities of which such Exempted Person becomes aware prior to such amendment or repeal. This Article X shall not limit any protections or defenses available to, or indemnification or advancement rights of, any director or officer of the Corporation under this Amended and Restated Certificate of Incorporation, the Corporation's bylaws or applicable law.

ARTICLE XI -- EXCLUSIVE JURISDICTION FOR CERTAIN ACTIONS

The Court of Chancery of the State of Delaware shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or the Corporation's Amended and Restated Certificate of Incorporation or bylaws or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine, in each case excluding actions in which the Court of Chancery of the State of Delaware concludes that an indispensable party is not subject to the jurisdiction of the Delaware courts and can be subject to the jurisdiction of another court within the United States. Any person or entity purchasing or otherwise acquiring any interest in the shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XI.

ARTICLE XII -- SEVERABILITY

If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any paragraph of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

* * *

IN WITNESS WHEREOF, the undersigned has caused this Amended and Restated Certificate of Incorporation to be executed by the officer below this 21st day of September, 2015.

SURGERY PARTNERS, INC.

By: /s/ Michael T. Doyle
Name: Michael T. Doyle
Title: Chief Executive Officer

[Signature Page to Amended and Restated Certificate of Incorporation]

Exhibit 3.2

AMENDED AND RESTATED BYLAWS
OF
SURGERY PARTNERS, INC.

SECTION 1—STOCKHOLDERS

Section 1.1. Annual Meeting.

An annual meeting of the stockholders of Surgery Partners, Inc., a Delaware corporation (the "Corporation"), for the election of directors to succeed those whose term expire and for the transaction of such other business as may properly come before the meeting shall be held at the place, if any, within or without the State of Delaware, on the date and at the time that the Board of Directors of the Corporation (the "Board of Directors") shall each year fix. Unless stated otherwise in the notice of the annual meeting of the stockholders of the Corporation, such annual meeting shall be at the principal office of the Corporation.

Section 1.2. Advance Notice of Nominations and Proposals of Business.

(a) Nominations of persons for election to the Board of Directors and proposals for other business to be transacted by the stockholders at an annual meeting of stockholders may be made (i) pursuant to the Corporation's notice with respect to such meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors or any committee thereof or (iii) by any stockholder of record of the Corporation who (A) was a stockholder of record at the time of the giving of the notice contemplated in Section 1.2(b), (B) is entitled to vote at such meeting and (C) has complied with the notice procedures set forth in this Section 1.2. Subject to Section 1.2(i) and except as otherwise required by law, clause (iii) of this Section 1.2(a) shall be the exclusive means for a stockholder to make nominations or propose other business (other than nominations and proposals properly brought pursuant to applicable provisions of federal law, including the Securities Exchange Act of 1934 (as amended from time to time, the "Act") and the rules and regulations of the Securities and Exchange Commission thereunder) before an annual meeting of stockholders.

(b) Except as otherwise required by law, for nominations or proposals to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 1.2(a), (i) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation with the information contemplated by Section 1.2(c) including, where applicable, delivery to the Corporation of timely and completed questionnaires as contemplated by Section 1.2(c), and (ii) the business must be a proper matter for stockholder action under the General Corporation Law of the State of Delaware (the "DGCL"). The notice requirements of this Section 1.2 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Act and such stockholder's proposal has been included in a proxy statement prepared by the Corporation to solicit proxies for such annual meeting.

(c) To be timely for purposes of Section 1.2(b), a stockholder's notice must be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation on a date (i) not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the anniversary date of the prior year's annual meeting or (ii) if there was no annual meeting in the prior year or if the date of the current year's annual meeting is more than 30 days before or after the anniversary date of the prior year's annual meeting, on or before 10 days after the day on which the date of the current year's annual meeting is first disclosed in a public announcement. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the delivery of such notice. Such notice from a stockholder must state (i) as to each nominee that the stockholder proposes for election or reelection as a director, (A) all information relating to such nominee that would be required to be disclosed in solicitations of proxies for the election of such nominee as a director pursuant to Regulation 14A under the Act and such nominee's written consent to serve as a director if elected, and (B) a description of all direct and indirect compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between or concerning such stockholder, any Stockholder Associated Person (as defined below) or any of their respective affiliates or associates, on the one hand, and the proposed nominee or any of his or her affiliates or associates, on the

other hand; (ii) as to each proposal that the stockholder seeks to bring before the meeting, a brief description of such proposal, the reasons for making the proposal at the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the Corporation, the language of the proposed amendment) and any material interest that the stockholder has in the proposal; and (iii) (A) the name and address of the stockholder giving the notice and the Stockholder Associated Persons, if any, on whose behalf the nomination or proposal is made, (B) the class (and, if applicable, series) and number of shares of stock of the Corporation that are, directly or indirectly, owned beneficially or of record by the stockholder or any Stockholder Associated Person, (C) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class (or, if applicable, series) of shares of stock of the Corporation or with a value derived in whole or in part from the value of any class (or, if applicable, series) of shares of stock of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (each, a "Derivative Instrument") directly or indirectly owned beneficially or of record by such stockholder or any Stockholder Associated Person and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of stock of the Corporation of the stockholder or any Stockholder Associated Person, (D) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (E) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or beneficially owns, directly or indirectly, an interest in a general partner, (F) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of the shares of stock of the Corporation or Derivative Instruments, (G) any other information relating to such stockholder or any Stockholder Associated Person, if any, required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Act and the rules and regulations of the Securities and Exchange Commission thereunder, (H) a representation that the stockholder is a holder of record of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (I) a certification as to whether or not the stockholder and all Stockholder Associated Persons, have complied with all applicable federal, state and other legal requirements in connection with the stockholder's and each Stockholder Associated Person's acquisition of shares of capital stock or other securities of the Corporation and the stockholder's and each Stockholder Associated Person's acts or omissions as a stockholder (or beneficial owner of securities) of the Corporation, and (J) whether either the stockholder intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares reasonably believed by such stockholder to be sufficient to elect such nominee or nominees or otherwise to solicit proxies or votes from stockholders in support of such proposal or nomination. For purposes of these bylaws, a "Stockholder Associated Person" of any stockholder means (i) any "affiliate" or "associate" (as those terms are defined in Rule 12b-2 under the Act) of such stockholder, (ii) any beneficial owner of any capital stock or other securities of the Corporation owned of record or beneficially by such stockholder, (iii) any person directly or indirectly controlling, controlled by or under common control with any such Stockholder Associated Person referred to in clause (i) or (ii) above, and (iv) any person acting in concert in respect of any matter involving the Corporation or its securities with either such stockholder or any beneficial owner of any capital stock or other securities of the Corporation owned of record or beneficially by such stockholder. In addition, in order for a nomination to be properly brought before an annual or special meeting by a stockholder pursuant to clause (iii) of Section 1.2(a), any nominee proposed by a stockholder shall complete a questionnaire, in a form provided by the Corporation, and deliver a signed copy of such completed questionnaire to the Corporation within 10 days of the date that the Corporation makes available to the stockholder seeking to make such nomination or such nominee the form of such questionnaire. The Corporation may require any proposed nominee to furnish such other information as may be reasonably requested by the Corporation to determine the eligibility of the proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of the nominee. The information required to be included in a notice pursuant to this Section 1.2(c) shall be provided as of the date of such notice and shall be supplemented by the stockholder not later than 10 days after the record date for the determination of

stockholders entitled to notice of the meeting to disclose any changes to such information as of the record date. The information required to be included in a notice pursuant to this Section 1.2(c) shall not include any ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is directed to prepare and submit the notice required by this Section 1.2(c) on behalf of a beneficial owner of the shares held of record by such broker, dealer, commercial bank, trust company or other nominee and who is not otherwise affiliated or associated with such beneficial owner.

(d) Subject to the amended and restated certificate of incorporation of the Corporation (the "Certificate of Incorporation"), Section 1.2(i) and applicable law, only persons nominated in accordance with procedures stated in this Section 1.2 shall be eligible for election as and to serve as members of the Board of Directors and the only business that shall be conducted at an annual meeting of stockholders is the business that has been brought before the meeting in accordance with the procedures set forth in this Section 1.2. The chairman of the meeting shall have the power and the duty to determine whether a nomination or any proposal has been made according to the procedures stated in this Section 1.2 and, if any nomination or proposal does not comply with this Section 1.2, unless otherwise required by law, the nomination or proposal shall be disregarded.

(e) For purposes of this Section 1.2, "public announcement" means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable news service or in a document publicly filed or furnished by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Act.

(f) Notwithstanding the foregoing provisions of this Section 1.2, a stockholder shall also comply with applicable requirements of the Act and the rules and regulations thereunder with respect to matters set forth in this Section 1.2. Nothing in this Section 1.2 shall affect any rights, if any, of stockholders to request inclusion of nominations or proposals in the Corporation's proxy statement pursuant to applicable provisions of federal law, including the Act.

(g) Notwithstanding the foregoing provisions of this Section 1.2, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business or does not provide the information required by Section 1.2(c), including any required supplement thereto, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 1.2, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(h) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or any committee thereof or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 1.2 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting upon such election and who complies with the notice procedures set forth in this Section 1.2. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (b) of this Section 1.2 shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an

adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(i) All provisions of this Section 1.2 are subject to, and nothing in this Section 1.2 shall in any way limit the exercise, or the method or timing of the exercise of, the rights of any person granted by the Corporation to nominate directors, which rights may be exercised without compliance with the provisions of this Section 1.2.

Section 1.3. Special Meetings; Notice.

Special meetings of the stockholders of the Corporation may be called only in the manner set forth in the Certificate of Incorporation. Notice of every special meeting of the stockholders of the Corporation shall state the purpose or purposes of such meeting. Except as otherwise required by law, the business conducted at a special meeting of stockholders of the Corporation shall be limited exclusively to the business set forth in the Corporation's notice of meeting, and the individual or group calling such meeting shall have exclusive authority to determine the business included in such notice.

Section 1.4. Notice of Meetings.

Notice of the place, if any, date and time of all meetings of stockholders of the Corporation, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and the means of remote communications, if any, by which stockholders and proxy holders may be deemed present and vote at such meeting, and, in the case of all special meetings of stockholders, the purpose or purposes of the meeting, shall be given, not less than 10 nor more than 60 days before the date on which such meeting is to be held, to each stockholder entitled to notice of the meeting.

The Corporation may postpone or cancel any previously called annual or special meeting of stockholders of the Corporation by making a public announcement (as defined in Section 1.2(e)) of such postponement or cancellation prior to the meeting. When a previously called annual or special meeting is postponed to another time, date or place, if any, notice of the place (if any), date and time of the postponed meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and the means of remote communications, if any, by which stockholders and proxy holders may be deemed present and vote at such postponed meeting, shall be given in conformity with this Section 1.4 unless such meeting is postponed to a date that is not more than 60 days after the date that the initial notice of the meeting was provided in conformity with this Section 1.4.

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place, if any, thereof and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting, or if after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting the Board of Directors shall fix a new record date for notice of such adjourned meeting in conformity herewith and such notice shall be given to each stockholder of record entitled to vote at such adjourned meeting as of the record date for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted that may have been transacted at the original meeting.

Section 1.5. Quorum.

At any meeting of the stockholders, the holders of shares of stock of the Corporation entitled to cast a majority of the total votes entitled to be cast by the holders of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors ("Voting Stock"), present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number is required by applicable law or the Certificate of Incorporation. If a separate vote by one or more classes or series is required, the holders of shares entitled to cast a majority of the total votes entitled to be cast by the holders of the shares of the class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date and time.

Section 1.6. Organization.

The Chairman of the Board of Directors or, in his or her absence, the person whom the Board of Directors designates or, in the absence of that person or the failure of the Board of Directors to designate a person, the Chief Executive Officer of the Corporation or, in his or her absence, the person chosen by the holders of a majority of the shares of capital stock entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders of the Corporation and act as chairman of the meeting. In the absence of the Secretary or any Assistant Secretary of the Corporation, the secretary of the meeting shall be the person the chairman of the meeting appoints.

Section 1.7. Conduct of Business.

The chairman of any meeting of stockholders of the Corporation shall determine the order of business and the rules of procedure for the conduct of such meeting, including the manner of voting and the conduct of discussion as he or she determines to be in order. The chairman shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to convene and (for any or no reason) to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The chairman of the meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a nomination or matter of business was not properly brought before the meeting and if such chairman should so determine, such chairman shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 1.8. Proxies; Inspectors.

(a) At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by applicable law.

(b) Prior to a meeting of the stockholders of the Corporation, the Corporation shall appoint one or more inspectors to act at a meeting of stockholders of the Corporation and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by applicable law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before beginning the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of inspectors. The inspectors shall have the duties prescribed by applicable law.

Section 1.9. Voting.

Except as otherwise required by the rules or regulations of any stock exchange applicable to the Corporation or pursuant to any law or regulation applicable to the Corporation or its securities or by the Certificate of Incorporation or these bylaws, all matters other than the election of directors shall be determined by a majority of

the votes cast on the matter affirmatively or negatively. All elections of directors shall be determined by a plurality of the votes cast.

Section 1.10. Action by Written Consent.

Except as otherwise provided in the Certificate of Incorporation, stockholders may not take any action by written consent in lieu of a meeting of stockholders.

Section 1.11. Stock Ledger.

A complete list of stockholders of the Corporation entitled to vote at any meeting of stockholders of the Corporation, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in the name of such stockholder, shall be open to the examination of any such stockholder, for any purpose germane to a meeting of the stockholders of the Corporation, for a period of at least 10 days before the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting or (ii) during ordinary business hours at the principal place of business of the Corporation; provided, however, if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the 10th day before such meeting date. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Except as otherwise provided by law, the stock ledger shall be the sole evidence of the identity of the stockholders entitled to vote at a meeting and the number of shares held by each stockholder.

SECTION 2—BOARD OF DIRECTORS

Section 2.1. General Powers and Qualifications of Directors.

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities these bylaws expressly confer upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by the DGCL or by the Certificate of Incorporation or by these bylaws required to be exercised or done by the stockholders. Directors need not be stockholders of the Corporation to be qualified for election or service as a director of the Corporation.

Section 2.2. Removal; Resignation.

The directors of the Corporation may be removed in accordance with the Certificate of Incorporation. Any director may resign at any time upon notice given in writing, including by electronic transmission, to the Corporation.

Section 2.3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at the place (if any), on the date and at the time as shall have been established by the Board of Directors and publicized among all directors. A notice of a regular meeting, the date of which has been so publicized, shall not be required.

Section 2.4. Special Meetings.

Special meetings of the Board of Directors may be called by the Chief Executive Officer, the President or by two or more directors then in office or, if the Board of Directors then includes a director affiliated with investment funds affiliated with H.I.G. Capital, LLC and its respective successors and affiliates (collectively, the "Sponsor Holders"), by such director, and shall be held at the place, if any, on the date and at the time as he, she or they shall fix. Notice of the place, if any, date and time of each special meeting shall be given to each director either (a) by

mailing written notice thereof not less than five days before the meeting, or (b) by telephone, facsimile or other means of electronic transmission providing notice thereof not less than twenty-four hours before the meeting. Any and all business may be transacted at a special meeting of the Board of Directors.

Section 2.5. Quorum.

At any meeting of the Board of Directors, a majority of the total number of directors then in office shall constitute a quorum for all purposes, provided that so long as the Sponsor Holders beneficially own (directly or indirectly) a majority of the voting power of the Voting Stock, it shall be necessary to constitute a quorum, in addition to a majority of the total number of directors then in office, that a director affiliated with the Sponsor Holders be present (other than attendance for the sole purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened). For an action of the Board of Directors taken at a meeting to be valid, directors that constitute a quorum (including a director affiliated with the Sponsor Holders) must be present (as described in Section 2.6 below) at the time that the vote on such action is taken. For the avoidance of doubt, so long as the Sponsor Holders collectively beneficially own (directly or indirectly) a majority of the voting power of the Voting Stock, if directors that constitute a quorum (including a director affiliated with the Sponsor Holders) are not present (as described in Section 2.6 below) at the time that the vote on any action is taken, a quorum shall not be constituted with respect to such action, and any vote taken with respect to such action shall not be a valid action of the Board of Directors, notwithstanding that a quorum of the Board of Directors may have been present at the commencement of such meeting. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, if applicable, date or time, without further notice or waiver thereof.

Section 2.6. Participation in Meetings By Conference Telephone or Other Communications Equipment.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of the Board of Directors or committee thereof by means of conference telephone or other communications equipment by means of which all directors participating in the meeting can hear each other director, and such participation shall constitute presence in person at the meeting.

Section 2.7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in the order and manner that the Board of Directors may from time to time determine, and all matters shall be determined by the vote of a majority of the directors present, provided a quorum is present at the time such matter is acted upon, except as otherwise provided in the Certificate of Incorporation or these bylaws or required by applicable law. The Board of Directors or any committee thereof may take action without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings, or electronic transmission or electronic transmissions, are filed with the minutes of proceedings of the Board of Directors or any committee thereof. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.8. Compensation of Directors.

The Board of Directors shall be authorized to fix the compensation of directors. The directors of the Corporation shall be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be reimbursed a fixed sum for attendance at each meeting of the Board of Directors, paid an annual retainer or paid other compensation, including equity compensation, as the Board of Directors determines. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees shall have their expenses, if any, of attendance of each meeting of such committee reimbursed and may be paid compensation for attending committee meetings or being a member of a committee.

SECTION 3—COMMITTEES

Section 3.1. Committees of the Board of Directors.

The Board of Directors may designate a chairman of the Board of Directors (or co-chairmen) (the "Chairman"). Additionally, the Board of Directors may designate committees of the Board of Directors, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board of Directors and shall, for those committees, appoint a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. All provisions of this Section 3.1 are subject to, and nothing in this Section 3.1 shall in any way limit the exercise, or method or timing of the exercise of, the rights of any person granted by the Corporation with respect to the existence, duties, composition or conduct of any committee of the Board of Directors.

SECTION 4—OFFICERS

Section 4.1. Generally.

The officers of the Corporation shall be elected by the Board of Directors and may consist of a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Chief Financial Officer, Treasurer, one or more Assistant Treasurers and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. At the discretion of the Board of Directors, the Chairman of the Board of Directors may have authority as an officer of the Corporation. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person. The compensation of officers appointed by the Board of Directors shall be determined from time to time by the Board of Directors or a committee thereof or by the officers as may be designated by resolution of the Board of Directors.

Section 4.2. Chief Executive Officer.

Unless otherwise determined by the Board of Directors, the Chief Executive Officer shall have the powers and perform the duties incident to that position. Subject to the powers of the Board of Directors and the Chairman of the Board of Directors (if applicable), the Chief Executive Officer shall be in general and active charge of the entire business and affairs of the Corporation, and shall be its chief policy making officer. The Chief Executive Officer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or provided in these bylaws. The Chief Executive Officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The Chief Executive Officer shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, subject in all cases to the orders and resolutions of the Board of Directors.

Section 4.3. President.

The President shall have the powers and duties delegated to him or her by the Board of Directors or the Chief Executive Officer.

Section 4.3. Vice Presidents.

Each Vice President shall have the powers and duties delegated to him or her by the Board of Directors, the Chief Executive Officer or the President. One Vice President may be designated by the Board of Directors to perform the duties and exercise the powers of the President in the event of the President's absence or disability.

Section 4.3. Secretary and Assistant Secretaries.

The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board of Directors. He or she shall have charge of the corporate books and shall perform other duties as the Board of Directors may from time to time prescribe.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the Chief Executive Officer, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

Section 4.4. Chief Financial Officer, Treasurer and Assistant Treasurers.

The Chief Financial Officer shall keep or cause to be kept the books of account of the Corporation in a thorough and proper manner and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the Corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time. The Chief Executive Officer or the President may direct the Treasurer or any Assistant Treasurer to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time.

Section 4.5. Delegation of Authority.

The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 4.6. Removal.

The Board of Directors may remove any officer of the Corporation at any time, with or without cause.

Section 4.7. Action with Respect to Securities of Other Companies.

Unless otherwise directed by the Board of Directors, the Chief Executive Officer, the President or any officer of the Corporation authorized by the Chief Executive Officer or the President, shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders or equityholders of, or with respect to any action of, stockholders or equityholders of any other entity in which the Corporation may hold securities and otherwise to exercise any and all rights and powers which the Corporation may possess by reason of its ownership of securities in such other entity.

SECTION 5—STOCK

Section 5.1. Certificates of Stock.

Shares of the capital stock of the Corporation may be certificated or uncertificated, as provided in the DGCL. Stock certificates shall be signed by, or in the name of the Corporation by, (i) the Chairman of the Board of Directors (if any) or the vice-Chairman of the Board of Directors (if any), or the President or a Vice President, and (ii) the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by such stockholder. Any signatures on a certificate may be by facsimile.

Section 5.2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation (within or without the State of Delaware) or by transfer agents designated to transfer shares of the stock of the Corporation.

Section 5.3. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to regulations as the Board of Directors may establish concerning proof of the loss, theft or destruction and concerning the giving of a satisfactory bond or indemnity, if deemed appropriate.

Section 5.4. Regulations.

The issue, transfer, conversion and registration of certificates of stock of the Corporation shall be governed by other regulations as the Board of Directors may establish.

Section 5.5. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than 60 days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 6—INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

Section 6.1. Indemnification.

The Corporation shall indemnify, defend and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "Indemnitee") who was or is made, or is threatened to be made, a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or an officer of the Corporation or, while a director or an officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, member, trustee or agent of another corporation or of a partnership, joint venture, trust, nonprofit entity or other enterprise (including, but not limited to, service with respect to employee benefit plans) (any such entity, an "Other Entity"), against all liability and loss suffered (including, but not limited to, expenses (including, but not limited to, attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Indemnitee in connection with such Proceeding). Notwithstanding the preceding sentence, the Corporation shall be required to

indemnify an Indemnitee in connection with a Proceeding (or part thereof) commenced by such Indemnitee only if the commencement of such Proceeding (or part thereof) by the Indemnitee was authorized by the Board of Directors or the Proceeding (or part thereof) relates to the enforcement of the Corporation's obligations under this Section 6.1.

Section 6.2. Advancement of Expenses.

The Corporation shall to the fullest extent not prohibited by applicable law pay, on an as-incurred basis, all expenses (including, but not limited to attorneys' fees and expenses) incurred by an Indemnitee in defending any proceeding in advance of its final disposition. Such advancement shall be unconditional, unsecured and interest free and shall be made without regard to Indemnitee's ability to repay any expenses advanced; provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an unsecured undertaking by the Indemnitee to repay all amounts advanced if it should be ultimately determined that the Indemnitee is not entitled to be indemnified under this Section 6 or otherwise.

Section 6.3. Claims.

If a claim for indemnification (following the final disposition of such proceeding) or advancement of expenses under this Section 6 is not paid in full within 60 days after a written claim therefor by the Indemnitee has been received by the Corporation, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the Corporation shall have the burden of proving that the Indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 6.4. Insurance.

The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, trustee, employee, member, trustee or agent of the Corporation, or was serving at the request of the Corporation as a director, officer, trustee, employee or agent of an Other Entity, against any liability asserted against the person and incurred by the person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Section 6 or the DGCL.

Section 6.5. Non-Exclusivity of Rights.

The rights conferred on any Indemnitee by this Section 6 are not exclusive of other rights arising under any bylaw, agreement, vote of directors or stockholders or otherwise, and shall inure to the benefit of the heirs and legal representatives of such Indemnitee.

Section 6.6. Amounts Received from an Other Entity.

Subject to Section 6.7, the Corporation's obligation, if any, to indemnify or to advance expenses to any Indemnitee who was or is serving at the Corporation's request as a director, officer, employee or agent of an Other Entity shall be reduced by any amount such Indemnitee may collect as indemnification or advancement of expenses from such Other Entity.

Section 6.7. Indemnification Priority.

As between the Corporation and any other person (other than an entity directly or indirectly controlled by the Corporation) who provides indemnification to the Indemnitees for their service to, or on behalf of, the Corporation (collectively, the "Secondary Indemnitors") (i) the Corporation shall be the full indemnitor of first resort in respect of indemnification or advancement of expenses in connection with any Jointly Indemnifiable Claims (as defined below), pursuant to and in accordance with the terms of this Section 6, irrespective of any right of indemnification, advancement of expenses or other right of recovery any Indemnitee may have from any Secondary Indemnitor or any right to insurance coverage that Indemnitee may have under any insurance policy issued to any Secondary Indemnitor (i.e., the Corporation's obligations to such Indemnitees are primary and any obligation of any Secondary Indemnitor, or any insurer of any Secondary Indemnitor, to advance expenses or to provide indemnification or insurance coverage for the same loss or liability incurred by such Indemnitees is secondary to the Corporation's

obligations), (ii) the Corporation shall be required to advance the full amount of expenses incurred by any such Indemnitee and shall be liable for the full amount of all liability and loss suffered by such Indemnitee (including, but not limited to, expenses (including, but not limited to, attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Indemnitee in connection with such Proceeding), without regard to any rights any such Indemnitee may have against any Secondary Indemnitor or against any insurance carrier providing insurance coverage to Indemnitee under any insurance policy issued to a Secondary Indemnitor, and (iii) the Corporation irrevocably waives, relinquishes and releases each Secondary Indemnitor from any and all claims against such Secondary Indemnitor for contribution, subrogation or any other recovery of any kind in respect thereof. The Corporation shall indemnify each Secondary Indemnitor directly for any amounts that such Secondary Indemnitor pays as indemnification or advancement on behalf of any such Indemnitee and for which such Indemnitee may be entitled to indemnification from the Corporation in connection with Jointly Indemnifiable Claims. No right of indemnification, advancement of expenses or other right of recovery that an Indemnitee may have from any Secondary Indemnitor shall reduce or otherwise alter the rights of the Indemnitee or the obligations of the Corporation hereunder. No advancement or payment by any Secondary Indemnitor on behalf of any such Indemnitee with respect to any claim for which such Indemnitee has sought indemnification from the Corporation shall affect the foregoing and the Secondary Indemnitors shall be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Indemnitee against the Corporation. Each Indemnitee shall execute all papers reasonably required and shall do all things that may be reasonably necessary to secure the rights of such Indemnitee's Secondary Indemnitors under this Section 6.7, including the execution of such documents as may be necessary to enable the Secondary Indemnitors effectively to bring suit to enforce such rights, including in the right of the Corporation. Each of the Secondary Indemnitors shall be third-party beneficiaries with respect to this Section 6.7, entitled to enforce this Section 6.7. As used in this Section 6.7, the term "Jointly Indemnifiable Claims" shall be broadly construed and shall include, without limitation, any action, suit, proceeding or other matter for which an Indemnitee shall be entitled to indemnification, reimbursement, advancement of expenses or insurance coverage from both a Secondary Indemnitor (or an insurance carrier providing insurance coverage to any Secondary Indemnitor) and the Corporation, whether pursuant to Delaware law (or other applicable law in the case of any Secondary Indemnitor), any agreement or certificate of incorporation, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or other organizational or governing documents of the Corporation or the Secondary Indemnitors or any insurance policy providing insurance coverage to any Secondary Indemnitor, as applicable.

Section 6.8. Amendment or Repeal.

Any right to indemnification or to advancement of expenses of any Indemnitee arising hereunder shall not be eliminated or impaired by an amendment to or repeal of this Section 6 after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit, proceeding or other matter for which indemnification or advancement of expenses is sought.

Section 6.9. Other Indemnification and Advancement of Expenses.

This Section 6 shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action.

Section 6.10. Reliance.

Indemnitees who after the date of the adoption of this Section 6 become or remain an Indemnitee described in Section 6.1 will be conclusively presumed to have relied on the rights to indemnity, advancement of expenses and other rights contained in this Section 6 in entering into or continuing the service. The rights to indemnification and to the advancement of expenses conferred in this Section 6 will apply to claims made against any Indemnitee described in Section 6.1 arising out of acts or omissions that occurred or occur either before or after the adoption of this Section 6 in respect of service as a director or officer of the corporation or other service described in Section 6.1.

Section 6.11. Successful Defense.

In the event that any proceeding to which an Indemnitee is a party is resolved in any manner other than by adverse judgment against the Indemnitee (including, without limitation, settlement of such proceeding with or without payment of money or other consideration) it shall be presumed that the Indemnitee has been successful on the merits or otherwise in such proceeding for purposes of Section 145(c) of the DGCL. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

SECTION 7—NOTICES

Section 7.1. Notices.

Except as otherwise provided herein or permitted by applicable law, notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation. If mailed, notice to a stockholder of the Corporation shall be deemed given when deposited in the mail, postage prepaid, directed to a stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders of the Corporation may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

Section 7.2. Waivers.

A written waiver of any notice, signed by a stockholder or director, or a waiver by electronic transmission by such person or entity, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person or entity. Neither the business nor the purpose of any meeting need be specified in the waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the sole purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 8—MISCELLANEOUS

Section 8.1. Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Corporation. If and when so directed by the Board of Directors, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary, Assistant Treasurer or the Chief Financial Officer.

Section 8.2. Reliance upon Books, Reports, and Records.

Each director and each member of any committee designated by the Board of Directors of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books and records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers, agents or employees, or committees of the Board of Directors so designated, or by any other person or entity as to matters which such director or committee member reasonably believes are within such other person's or entity's professional or expert competence and that has been selected with reasonable care by or on behalf of the Corporation.

Section 8.3. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 8.4. Time Periods.

In applying any provision of these bylaws that requires that an act be done or not be done a specified number of days before an event or that an act be done during a specified number of days before an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

SECTION 9—AMENDMENTS

These bylaws may be altered, amended or repealed in accordance with the Certificate of Incorporation and the DGCL.

Exhibit 10.1

INCOME TAX RECEIVABLE AGREEMENT

Dated as of September 30, 2015

Table of Contents

This INCOME TAX RECEIVABLE AGREEMENT (as amended from time to time, this "**Agreement**"), dated as of September 30, 2015, is hereby entered into by and among Surgery Partners, Inc., a Delaware corporation (the "**Corporation**"), H.I.G. Surgery Centers LLC, a Delaware limited liability company (the "**Stockholders Representative**," in its capacity as such), the persons listed on Annex A hereto (each a "**Stockholder**" and collectively the "**Stockholders**") and each of the permitted successors and assigns thereto.

RECITALS

WHEREAS, prior to the IPO, the Stockholders transferred 100% of their equity interests in Surgery Center Holdings, LLC, a Delaware limited liability company to the Corporation in exchange for capital stock of the Corporation;

WHEREAS, pursuant to the IPO, the Corporation will become a public company;

WHEREAS, after the IPO, the Corporation and its Subsidiaries (collectively, the "**Taxable Entities**" and each a "**Taxable Entity**") will have Pre-IPO NOLs;

WHEREAS, the Pre-IPO NOLs and the Imputed Interest may reduce the reported liability for Taxes that the Taxable Entities might otherwise be required to pay;

WHEREAS, the parties to this Agreement desire to make certain arrangements with respect to the effect of the Pre-IPO NOLs and Imputed Interest on the liability for Taxes of the Taxable Entities.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. As used in this Agreement, the terms set forth in this Article I shall have the following meanings.

"**Advisory Firm**" means (i) Ernst & Young LLP or (ii) any other law or accounting firm that is (A) nationally recognized as being expert in Tax matters and (B) that is agreed to by the Corporation and the Stockholders Representative.

"**Advisory Firm Letter**" means a letter from the Advisory Firm stating, as applicable, that the relevant Schedule, notice, or other information to be provided by the Corporation to the Stockholders Representative and all supporting schedules and work papers were prepared in a manner consistent with the terms of this Agreement and, to the extent not expressly provided in this Agreement, on a reasonable basis in light of the facts and applicable law in existence on the date to which such Schedule, notice or other information relates.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person.

"**Agreed Rate**" means LIBOR plus 300 basis points.

"**Agreement**" is defined in the preamble of this Agreement.

"**Amended Schedule**" is defined in Section 2.03(b) of this Agreement.

"**Applicable Percentage**" means, with respect to any Stockholder, the percentage set forth opposite such Stockholder's name on Annex A, as amended from time to time to reflect any Permitted Assignment.

"**Bankruptcy Code**" means Title 11 of the United States Code.

"**Business Day**" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

"**Change of Control**" means:

(i) a merger, reorganization, consolidation or similar form of business transaction directly involving the Corporation or indirectly involving the Corporation through one or more intermediaries unless, immediately

following such transaction, more than 50% of the voting power of the then outstanding voting stock or other equity securities of the Corporation resulting from consummation of such transaction (including any parent or ultimate parent corporation of such Person that as a result of such transaction owns directly or indirectly the Corporation and all or substantially all of the Corporation's assets) is held by the existing equityholders of the Corporation (determined immediately prior to such transaction and related transactions); or

(ii) a transaction in which the Corporation, directly or indirectly, sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to another Person other than an Affiliate; or

(iii) a transaction in which there is an acquisition of control of the Corporation by a Person or group of Persons (other than Stockholders and their Affiliates). For purposes of this definition, the term "control" shall mean the possession, directly or indirectly, of the power to either (A) vote more than 50% of the securities having ordinary voting power for the election of directors (or comparable positions in the case of partnerships and limited liability companies), or (B) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise (for the avoidance of doubt, consent rights do not constitute "control" for the purpose of this definition); or

(iv) the liquidation or dissolution of the Corporation.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Control**" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"**Corporation**" is defined in the preamble of this Agreement.

"**Default Rate**" means LIBOR plus 500 basis points.

"**Determination**" shall (a) have the meaning ascribed to such term in Section 1313(a) of the Code or similar provision of state or local Tax law, as applicable, or (b) mean any other event (including the execution of a Form 870-AD) that finally and conclusively establishes the amount of any liability for Tax.

"**Divestiture**" means the sale or other divestiture of any Taxable Entity, other than (x) any such sale that is or is part of a Change of Control or (y) a liquidation or merger of a Taxable Entity with and into another Taxable Entity so long as such other Taxable Entity inherits the Pre-IPO NOLs, if any, of such first-mentioned Taxable Entity as of the time of such transaction.

"**Divestiture Acceleration Payment**" is defined in Section 4.03(c) of this Agreement.

"**Early Termination Date**" means the date of delivery of an Early Termination Notice for purposes of determining the Early Termination Payment or such other date as may be agreed to by the Stockholders Representative and the Corporation.

"**Early Termination Notice**" is defined in Section 4.02 of this Agreement.

"**Early Termination Payment**" is defined in Section 4.03(b) of this Agreement.

"**Early Termination Rate**" means LIBOR plus 100 basis points.

"**Early Termination Schedule**" is defined in Section 4.02 of this Agreement.

"**Expert**" is defined in Section 7.08 of this Agreement.

"**Imputed Interest**" shall mean any interest imputed under Section 1272, 1274 or 483 or other provision of the Code and any similar provision of state and local tax law with respect to the Corporation's payment obligations under this Agreement.

"**Initial Debt Documents**" is defined in Section 5.02 of this Agreement.

"**Interest Amount**" is defined in Section 3.01(b) of this Agreement.

"**IPO**" means the initial public offering of common stock of the Corporation pursuant to the registration statement on Form S-1 (File No. 333-206439) of the Corporation.

"**ITR Payment**" means any Tax Benefit Payment, Early Termination Payment, or Divestiture Acceleration Payment required to be made by the Corporation to the Stockholders under this Agreement.

"**LIBOR**" means, during any period, an interest rate per annum equal to the one-year LIBOR reported, on the date two days prior to the first day of such period, on the Reuters Screen page "LIBOR01" (or if such screen shall cease to be publicly available, as reported by any other publicly available source of such market rate) for London interbank offered rates for U.S. dollar deposits for such period.

"**Material Objection Notice**" is defined in Section 2.03(a) of this Agreement.

"**Net Tax Benefit**" is defined in Section 3.01(b) of this Agreement.

"**NOLs**" means for applicable Tax purposes, net operating losses, capital losses, charitable deductions, alternative minimum tax credit carryforwards, and federal and state tax credits.

"**Non-NOL Tax Liability**" means, with respect to any federal Taxable Year, the liability for Taxes of the Taxable Entities for such federal Taxable Year, and the state and local Taxable Years ending with or within such federal Taxable Year, determined using the same methods, elections, conventions and similar practices used on (x) the relevant Taxable Entity Returns for such federal Taxable Year and, without duplication, (y) the relevant Taxable Entity Returns for any state or local Taxable Year ending with or within such federal Taxable Year, but in each case without taking into account the Pre-IPO NOLs, or the deduction attributable to Imputed Interest, if any. If all or any portion of the liability for Taxes for a Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Non-NOL Tax Liability unless and until there has been a Determination with respect to such liability.

"**Payment Date**" means any date on which a payment is required to be made pursuant to this Agreement.

"**Permitted Assignee**" means any Person who receives rights under this Agreement pursuant to a Permitted Assignment.

"**Permitted Assignment**" means any assignment of all or a portion of the rights of a Stockholder in accordance with this Agreement.

"**Permitted Debt Documents**" is defined in Section 5.02 of this Agreement.

"**Person**" means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

"**Pre-IPO NOLs**" means NOLs that have accrued or otherwise relate to taxable periods (or portions thereof) beginning prior to the date of the IPO; provided, that, in the case of a taxable period of a Taxable Entity beginning on or prior to the date of the IPO and ending after the date of the IPO (a "**Straddle Period**"), the Pre-IPO NOLs of a Taxable Entity for such Straddle Period shall for purposes of this Agreement be calculated based on an interim closing of the books as of the close of the date of the IPO (and for such purpose, the taxable period of any partnership or other pass-through entity or any "controlled foreign corporation" within the meaning of Section 957 of the Code in which the Taxable Entity owns a beneficial interest shall be deemed to terminate at such time), except that the amount of exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, with respect to such Straddle Period shall be treated as apportioned on a daily basis; provided, further, Pre-IPO NOLs shall not include NOLs of any corporation or other entity acquired by a Taxable Entity by purchase, merger, or otherwise (in each case, from a Person or Persons other than a Taxable Entity and whether or not such corporation or other entity survives) after the IPO that relate to periods (or portions thereof) ending on or prior to the date of such acquisition.

"**Realized Tax Benefit**" means, for a federal Taxable Year, the excess, if any, of the Non-NOL Tax Liability over the actual liability for Taxes of the Taxable Entities for (x) such federal Taxable Year and, without duplication, (y) any state or local Taxable Year ending with or within such federal Taxable Year, and assuming for purposes of calculating any actual liability that the Taxable Entities utilize the Pre-IPO NOLs and any deduction attributable to Imputed Interest to the maximum extent permitted by law as early as may be permitted by applicable law. If all or a portion of the actual Tax liability for Taxes for a Taxable Year arises as a result of an audit by a Taxing Authority

of any Taxable Year, such liability shall not be included in determining the Realized Tax Benefit unless and until there has been a Determination with respect to such liability.

"**Reconciliation Dispute**" is defined in Section 7.08 of this Agreement.

"**Reconciliation Procedures**" means those procedures set forth in Section 7.08 of this Agreement.

"**Schedule**" means, as applicable, any Tax Benefit Schedule and the Early Termination Schedule.

"**Stockholder**" and "**Stockholders**" are defined in the preamble of this Agreement.

"**Stockholders Representative**" is defined in the preamble of this Agreement.

"**Straddle Period**" is defined in the definition of "Pre-IPO NOLs".

"**Subsidiaries**" means, with respect to any Person, as of any date of determination, any other Person as to which such Person owns, directly or indirectly, or otherwise controls more than 50% of the voting power (or other similar interests) or the sole general partner interest or managing member or similar interest of such Person.

"**Tax Benefit Payment**" is defined in Section 3.01(b) of this Agreement.

"**Tax Benefit Schedule**" is defined in Section 2.02 of this Agreement.

"**Tax Return**" means any return, declaration, report or similar statement required to be filed with respect to Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

"**Taxable Entity**" is defined in the recitals of this Agreement.

"**Taxable Entity Return**" means the federal income Tax Return of a Taxable Entity filed with respect to a federal Taxable Year and/or state and/or local income (or similar, including franchise, as applicable) Tax Return, as applicable, of the Taxable Entity filed with respect to a Taxable Year ending with or within such federal Taxable Year.

"**Taxable Year**" means a taxable year as defined in Section 441(b) of the Code or comparable section of state or local Tax law, as applicable (and, therefore, for the avoidance of doubt, may include a period of less than 12 months for which a Tax Return is made), ending on or after the date hereof.

"**Tax**" and "**Taxes**" means any and all U.S. federal, state and local taxes, assessments or similar charges measured with respect to net income or profits, and any interest related to such taxes.

"**Taxing Authority**" means any domestic, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising any taxing authority or any other authority exercising Tax regulatory authority.

"**Transferred NOLs**" means, in the event of a Divestiture, the Pre-IPO NOLs attributable to the Taxable Entities sold in such Divestiture to the extent such Pre-IPO NOLs are transferred with such Taxable Entities under applicable Tax law (including under Sections 381 and 1502 of the Code and the Treasury Regulations promulgated thereunder, and any corresponding provisions of state and local law) following the Divestiture (disregarding any limitation on the use of such Pre-IPO NOLs as a result of the Divestiture) and do not remain under applicable Tax law with the Corporation or any of its Subsidiaries (other than the Taxable Entities sold in such Divestiture).

"**Valuation Assumptions**" means, as of an Early Termination Date, the assumptions that (i) in each Taxable Year ending on or after such Early Termination Date (and each prior Taxable Year with respect to which the Tax Benefit Schedule has not become final in accordance with the terms of this Agreement), each Taxable Entity will generate an amount of taxable income sufficient to fully use the Pre-IPO NOLs and deductions or loss carryforwards with respect to any Imputed Interest that are available for use in such year (taking into account the rules and limitations under Section 382 of the Code and the Treasury Regulations promulgated thereunder as well as the rules relating to the treatment of "net unrealized built-in gain" and "net unrealized built-in loss," applying the principles described in Notice 2003-65, 2003-2 C.B. 747; it being understood for the avoidance of doubt that any deductions that would have arisen as a result of a portion of a hypothetical Tax Benefit Payment being treated as Imputed Interest pursuant to this Agreement and that are treated as Pre-IPO NOLs available for use in a taxable year pursuant to this Agreement are not subject to such rules and

limitations described in Section 382 of the Code and the Treasury Regulations promulgated thereunder or as the rules relating to the treatment of "net unrealized built-in gain" and "net unrealized built-in loss" described in Notice 2003-65, 2003-2 C.B. 747), (ii) the utilization of the Pre-IPO NOLs and the deductions or loss carryforwards with respect to any Imputed Interest for such Taxable Year or future Taxable Years, as applicable, will be determined based on the Tax laws in effect on the Early Termination Date, and (iii) the income Tax rates that will be in effect for each such Taxable Year will be those specified for each such Taxable Year by the Code and other laws as in effect on the Early Termination Date (or, with respect to any Taxable Year for which such income Tax rates are not specified by the Code and other law as in effect on the Early Termination Date, such income Tax rates that are in effect on the Early Termination Date).

Section 1.02. Terms Generally. In this Agreement, unless otherwise specified or where the context otherwise requires:

(a) the headings of particular provisions of this Agreement are inserted for convenience only and will not be construed as a part of this Agreement or serve as a limitation or expansion on the scope of any term or provision of this Agreement;

(b) words importing any gender shall include other genders;

(c) words importing the singular only shall include the plural and vice versa;

(d) the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation";

(e) the words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement;

(f) references to "Articles," "Exhibits," "Sections" or "Schedules" shall be to Articles, Exhibits, Sections or Schedules of or to this Agreement;

(g) references to any Person include the successors and permitted assigns of such Person;

(h) references to any agreement, contract or schedule, unless otherwise stated, are to such agreement, contract or schedule as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; and

(i) the parties hereto have participated collectively in the negotiation and drafting of this Agreement; accordingly, in the event an ambiguity or question of intent or interpretation arises, it is the intention of the parties that this Agreement shall be construed as if drafted collectively by the parties hereto, and that no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provisions of this Agreement.

ARTICLE II
DETERMINATION OF REALIZED TAX BENEFIT

Section 2.01. Pre-IPO NOLs. The Corporation, on the one hand, and the Stockholders, on the other hand, acknowledge that the Taxable Entities may utilize the Pre-IPO NOLs to reduce the amount of Taxes that the Taxable Entities would otherwise be required to pay in the future.

Section 2.02. Tax Benefit Schedule. Within ninety (90) calendar days after the filing of the U.S. federal income Tax Return of the Corporation for any federal Taxable Year in which there is a Realized Tax Benefit, the Corporation shall provide to the Stockholders Representative a schedule showing, in reasonable detail, (i) the calculation of the Realized Tax Benefit for such federal Taxable Year, and (ii) the calculation of any payment to be made to the Stockholders pursuant to Article III with respect to such federal Taxable Year (collectively a "**Tax Benefit Schedule**"). Concurrently, the Corporation shall also deliver to the Stockholders Representative all supporting information (including work papers and valuation reports) reasonably necessary to support the calculation of such payment. Each Schedule will become final as provided in Section 2.03(a) and may be amended as provided in Section 2.03(b) (subject to the procedures set forth in Section 2.03(a)).

Section 2.03. Procedures; Amendments.

(a) Procedure. Each time the Corporation delivers to the Stockholders Representative an applicable Schedule under this Agreement, including any Amended Schedule delivered pursuant to Section 2.03(b), and including any Early Termination Schedule or amended Early Termination Schedule, the Corporation shall also (x) deliver to the Stockholders Representative the schedules, valuation reports, if any, and work papers necessary to provide reasonable detail regarding the preparation of the Schedule and an Advisory Firm Letter related to such Schedule (the cost and expense of which shall be paid by the Corporation) and (y) allow the Stockholders Representative reasonable access at no cost to the appropriate representatives at each of the Corporation and the Advisory Firm in connection with a review of such Schedule. The applicable Schedule shall become final and binding on all parties unless the Stockholders Representative, within thirty (30) calendar days after receiving any Schedule or amendment thereto, provides the Corporation with notice of a material objection to such Schedule (a "**Material Objection Notice**") made in good faith. A Schedule will also become final and binding upon the Stockholders Representative confirming in writing that it will not provide a Material Objection Notice with respect to such Schedule. If the parties, for any reason, are unable to successfully resolve the issues raised in any Material Objection Notice within thirty (30) calendar days of receipt by the Corporation of such Material Objection Notice, the Corporation and the Stockholders Representative shall employ the Reconciliation Procedures.

(b) Amended Schedule. The applicable Schedule for any Taxable Year may be amended from time to time by the Corporation (i) in connection with a Determination affecting such Schedule, (ii) to correct material inaccuracies in the Schedule identified as a result of the receipt of additional factual information relating to a Taxable Year after the date the Schedule was provided to the Stockholders Representative, (iii) to comply with the Expert's determination under the Reconciliation Procedures, (iv) to reflect a material change (relative to the amounts in the original Schedule) in the Realized Tax Benefit for the relevant federal Taxable Year attributable to a carryback or carryforward of a loss or other Tax item to a Taxable Year, or (v) to reflect a material change (relative to the amounts in the original Schedule) in the Realized Tax Benefit for the relevant federal Taxable Year attributable to an amended Tax Return filed for a Taxable Year (such Schedule, an "**Amended Schedule**"); provided, however, that an amendment under clause (i) attributable to an audit of a Tax Return by an applicable Taxing Authority shall not be made on an Amended Schedule unless and until there has been a Determination with respect to such change. The Corporation shall provide any Amended Schedule to the Stockholders Representative within thirty (30) calendar days of the occurrence of an event referred to in clauses (i) through (v) of the preceding sentence, and any such Amended Schedule shall be subject to approval procedures similar to those described in Section 2.03(a).

ARTICLE III
TAX BENEFIT PAYMENTS

Section 3.01. Payments.

(a) Timing of Payments. Within five (5) Business Days of a Tax Benefit Schedule with respect to a federal Taxable Year (for the avoidance of doubt, including, without duplication, any state or local Taxable Year ending with or within such Taxable Year) delivered to the Stockholders Representative becoming final in accordance with the terms hereof, the Corporation shall pay to each Stockholder for such Taxable Year(s) its share (based on such Stockholder's Applicable Percentage) of the Tax Benefit Payment for such federal Taxable Year determined pursuant to Section 3.01(b). Each such share of a Tax Benefit Payment shall be made by wire transfer of immediately available funds to a bank account of the applicable Stockholder previously designated by the Stockholder to the Corporation, or as otherwise agreed by the Corporation and the Stockholder. For the avoidance of doubt, no Tax Benefit Payment shall be made in respect of estimated Tax payments, including estimated federal income Tax payments.

(b) A "**Tax Benefit Payment**" for a federal Taxable Year means an amount, not less than zero, equal to eighty-five percent (85%) of the sum of the Net Tax Benefit (as defined below) for such Taxable Year and the Interest Amount (as defined below) for such Taxable Year. The "**Net Tax Benefit**" for a federal Taxable Year shall equal: (i) the Taxable Entities' Realized Tax Benefit, if any, for such Taxable Year *plus* (ii) the amount of the excess (if any) of the Realized Tax Benefit reflected on an Amended Schedule for a previous federal Taxable Year over the Realized Tax Benefit reflected on the previous Tax Benefit Schedule for such previous Taxable Year, *minus* (iii) the excess (if any) of

the Realized Tax Benefit reflected on a previous Tax Benefit Schedule for a previous federal Taxable Year over the Realized Tax Benefit reflected on the Amended Schedule for such previous Taxable Year; provided, however, that, to the extent the excess amounts described in clauses (ii) and (iii) of this definition were taken into account in determining any Tax Benefit Payment in a preceding federal Taxable Year, such amounts shall not be taken into account in determining a Tax Benefit Payment attributable to any other Taxable Year; provided, further, that the Stockholders shall not be required to return any portion of any previously made Tax Benefit Payment. The "**Interest Amount**" for a federal Taxable Year shall equal the interest on any Net Tax Benefit for such Taxable Year calculated at the Agreed Rate from the due date (without extensions) for filing the Corporation's U.S. federal income Tax Return with respect to Taxes for the Taxable Year for which the Net Tax Benefit is being measured through the applicable Payment Date; provided, that, in the case of a state or local Taxable Year of a Taxable Entity that ends within and not with such federal Taxable Year, the interest on the portion of the Net Tax Benefit attributable to such state or local Taxable Year shall be calculated at the Agreed Rate from the due date (without extensions) for filing the Taxable Entity's corresponding state or local income Tax Return with respect to Taxes for such state or local Taxable Year through the applicable Payment Date.

Section 3.02. No Duplicative Payments. It is intended that the provisions of this Agreement will not result in duplicative payment of any amount (including interest) required under this Agreement, and this Agreement shall be construed and interpreted in accordance with such intention. It is intended that 85% of all Realized Tax Benefits for all Taxable Years (in addition to the Interest Amounts contemplated by this Agreement) be paid by the Corporation (subject to the provisions of ARTICLE IV).

ARTICLE IV

TERMINATION

Section 4.01. Termination, Early Termination and Breach of Agreement.

(a) The Corporation may terminate this Agreement by paying each Stockholder its share (based on such Stockholder's Applicable Percentage) of the Early Termination Payment. Upon payment of the Early Termination Payment by the Corporation to the Stockholders, no Taxable Entity will have any further payment obligations under this Agreement, other than any Tax Benefit Payment agreed to by the Corporation and the Stockholders Representative as due and payable but unpaid as of the Early Termination Date (except to the extent that such amount is included in the Early Termination Payment).

(b) In the event that the Corporation breaches any of its material obligations under this Agreement, whether as a result of failure to make any payment when due, failure to honor any other material obligation required hereunder or by operation of law as a result of the rejection of this Agreement in a case commenced under the Bankruptcy Code or otherwise, then all obligations hereunder shall accelerate, and such obligations shall be calculated and finalized pursuant to this Article IV as if an Early Termination Notice had been delivered on the date of such breach and shall include (1) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the date of such breach and (2) any Tax Benefit Payment agreed to by the Corporation and the Stockholders Representative as due and payable but as yet unpaid (except to the extent that such amount is included in the Early Termination Payment). Except as otherwise provided in the last sentence of Section 7.06(a), the Stockholders Representative is the only person that may assert the Corporation has breached any of its material obligations under this Agreement. Notwithstanding the foregoing, in the event that the Corporation breaches this Agreement, the Stockholders Representative shall be entitled to elect for the Stockholders to receive the amounts set forth in (1), (2) and (3) above or to seek specific performance of the terms hereof. The parties agree that the failure to make any payment due pursuant to this Agreement within three months of the date such payment is due shall be deemed to be a breach of a material obligation under this Agreement for all purposes of this Agreement and that it will not be considered to be a breach of a material obligation under this Agreement to make a payment due pursuant to this Agreement within three months of the date such payment is due; provided, that, in the event that payment is not made within three months of the date such payment is due, the Stockholders Representative shall, prior to claiming a breach by the Corporation pursuant to this Section 4.01(c) for making untimely payments, be required to give written notice to the Corporation that the Corporation has breached its material obligations, and so long as such payment is made within five (5) Business Days of the delivery of such notice to the Corporation, the Corporation shall no longer be deemed to be in breach of its material obligations under this Agreement as a result of such untimely

payments. The parties agree that any breach of Section 7.13 of this Agreement by the Corporation (without obtaining the advance written consent of the Stockholders Representative) shall be deemed to be a breach of a material obligation under this Agreement.

(c) Change of Control. In the event of a Change of Control, all obligations hereunder shall accelerate, and such obligations shall (except as otherwise provided in this Section 4.01(c)) be calculated and finalized pursuant to this ARTICLE IV as if an Early Termination Notice had been delivered on the date of the Change of Control and shall include (1) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the effective date of the Change of Control, and (2) any Tax Benefit Payment agreed to by the Corporation and the Stockholders Representative as due and payable but as yet unpaid (except to the extent that such amount is included in the Early Termination Payment). In the event of a Change of Control, the Early Termination Payment shall be calculated utilizing the Valuation Assumptions, substituting in each case the phrase "closing date of a Change of Control" for the phrase "Early Termination Date." The Early Termination Payment arising as a result of a Change of Control shall be payable on the date of such Change of Control, and the Corporation shall use all reasonable efforts to provide to the Stockholders Representative an Early Termination Schedule with respect to an expected Change of Control as far in advance as is reasonably practicable of such Change of Control (but no more than thirty Business Days in advance) so as to enable the calculation of the Early Termination Payment to be finalized prior to the date of the Change of Control. Notwithstanding the foregoing, where the parties anticipate a Change of Control but are not certain of the date on which such Change of Control will occur, the Corporation and the Stockholders Representative may agree to base the calculations contemplated by this Section 4.01(c) on a date other than the Change of Control.

(d) Divestiture Acceleration Payment. In the event of a Divestiture, the Corporation shall pay to the Stockholders, in accordance with their Applicable Percentages, the Divestiture Acceleration Payment in respect of such Divestiture, which shall be calculated and finalized pursuant to this ARTICLE IV as if an Early Termination Notice had been delivered on the date of the Divestiture (but solely with respect to the Taxable Entities sold in the Divestiture). In the event of a Divestiture, the Divestiture Acceleration Payment shall be calculated utilizing the Valuation Assumptions, substituting in each case the phrase "closing date of the Divestiture" for the phrase "Early Termination Date."

Section 4.02. Early Termination Notice. If the Corporation chooses to exercise its right of early termination under Section 4.01 above, the Corporation shall deliver to the Stockholders Representative notice of such intention to exercise such right (an "**Early Termination Notice**") and a schedule (the "**Early Termination Schedule**") specifying the Corporation's intention to exercise such right and showing in reasonable detail the information required pursuant to Section 2.02 and the calculation of the Early Termination Payment. The Early Termination Schedule shall become final and binding on all parties unless the Stockholders Representative, within thirty (30) calendar days after receiving the Early Termination Schedule, provides the Corporation with a Material Objection Notice. An Early Termination Schedule will also become final and binding upon the Stockholders Representative confirming in writing that it will not provide a Material Objection Notice with respect to such Schedule. If the parties, for any reason, are unable to successfully resolve the issues raised in such Material Objection Notice within thirty (30) calendar days after receipt by the Corporation of the Material Objection Notice, the Corporation and the Stockholders Representative shall employ the Reconciliation Procedures as described in Section 7.08 of this Agreement.

Section 4.03. Payment upon Early Termination.

i. Within three (3) Business Days after agreement is reached between the Stockholders Representative and the Corporation concerning the Early Termination Schedule or such Schedule is finalized pursuant to the Reconciliation Procedures, the Corporation shall pay to each Stockholder its share (based on such Stockholder's Applicable Percentage) of the Early Termination Payment or Divestiture Acceleration Payment. Such payment shall be made by wire transfer of immediately available funds to a bank account designated by the applicable Stockholders, or as otherwise agreed by the Corporation and the Stockholder.

ii. The "**Early Termination Payment**" means, as of the Early Termination Date, the present value, discounted at the Early Termination Rate as of such date, of all Tax Benefit Payments (other than those payable in addition to the Early Termination Payment, where contemplated by Section 4.01) that would be required to be paid by the

Corporation beginning from the Early Termination Date, assuming the Valuation Assumptions are applied, all as may be adjusted further in a manner agreed to by the Corporation and the Stockholders Representative. For purposes of calculating, pursuant to this Section 4.03(b), the present value of all Tax Benefit Payments that would be required to be paid (1) it shall be assumed that, absent the Early Termination Notice, all Tax Benefit Payments would be paid on the due date (without extensions) for filing the Corporation's U.S. federal income Tax Return with respect to Taxes for each Taxable Year (or the due date (without extensions) for filing the applicable Taxable Entity's state or local income Tax Returns, to the extent such Tax Benefit Payments are attributable to the portion of the Net Tax Benefit attributable to such corresponding state or local Taxable Year) and and (2) any deductions that would have arisen as a result of a portion of any such hypothetical Tax Benefit Payment being treated as Imputed Interest shall be treated as Pre-IPO NOLs available for use in the taxable year in which such Tax Benefit Payment would have been paid based on the application of the provisions of this Section 4.03(b) and the Valuation Assumptions. A simplified example of the calculation of a Stockholder's Early Termination Payment will be included as Annex B to this Agreement upon the review and approval of such example by the Stockholders Representative.

iii. The "**Divestiture Acceleration Payment**" as of the date of any Divestiture means the present value, discounted at the Early Termination Rate as of such date, of the Tax Benefit Payment resulting solely from the Transferred NOLs that would be required to be paid by the Corporation beginning from the date of such Divestiture assuming the Valuation Assumptions are applied, provided that the Divestiture Acceleration Payment shall be calculated without giving effect to any limitation on the use of the Transferred NOLs resulting from the Divestiture, all as may be adjusted further in a manner agreed to by the Corporation and the Stockholders Representative. For purposes of calculating the present value pursuant to this Section 4.03(c) of all Tax Benefit Payments that would be required to be paid (1) it shall be assumed that absent the Divestiture all Tax Benefit Payments would be paid on the due date (without extensions) for filing the Corporation's U.S. federal income Tax Return with respect to Taxes for each Taxable Year (or the due date (without extensions) for filing the applicable Taxable Entity's state or local income Tax Returns, to the extent such Tax Benefit Payments are attributable to the portion of the Net Tax Benefit attributable to such corresponding state or local Taxable Year) and (2) any deductions that would have arisen as a result of a portion of any such hypothetical Tax Benefit Payment being treated as Imputed Interest shall be treated as Pre-IPO NOLs available for use in the taxable year in which such Tax Benefit Payment would have been paid based on the application of the provisions of this Section 4.03(c) and the Valuation Assumptions.

ARTICLE V
LATE PAYMENTS AND COMPLIANCE WITH INDEBTEDNESS

Section 5.01. Late Payments by the Corporation. The amount of all or any portion of any ITR Payment not made to the Stockholders when due under the terms of this Agreement shall be payable together with any interest thereon, computed at the Default Rate and commencing from the date on which such ITR Payment was due and payable.

Section 5.02. Compliance with Indebtedness. Notwithstanding anything in this Agreement to the contrary, it shall not be a breach of this Agreement if the Corporation fails to make or cause to be made any Tax Benefit Payment (or portion thereof) when due (other than, for clarity, any Early Termination Payment payable in connection with a Change of Control) to the extent that the Corporation determines in good faith that the Corporation has insufficient funds (taking into account funds of its wholly-owned Subsidiaries that are permitted to be distributed or loaned to the Corporation pursuant to the terms of any applicable credit agreements or other documents evidencing indebtedness (each as reasonably interpreted by the Corporation), but not taking into account funds of its wholly-owned Subsidiaries that are not permitted to be distributed or loaned pursuant to the terms of such agreements or documents and not taking into account funds reasonably reserved for reasonably expected liabilities or expenses) to make such payment; provided that the interest provisions of Section 5.01 shall apply to such late payment (unless the Corporation determines in good faith that (x) the Corporation does not have sufficient cash to make such payment as a result of limitations imposed by credit agreements or any other documents evidencing indebtedness to which the Corporation or its wholly-owned Subsidiaries is a party, guarantor or otherwise an obligor as of the date of this Agreement (the "**Initial Debt Documents**") or any other document evidencing indebtedness to which the Corporation or its wholly-owned Subsidiaries becomes a party, guarantor or otherwise an obligor thereafter to the extent the terms of such other documents are not materially more restrictive in respect of the Corporation's ability to receive from its direct or indirect Subsidiaries funds sufficient to make such

payments compared to the terms of the Initial Debt Documents, as determined by the Corporation in good faith (any such document, collectively with the Initial Debt Documents, the "**Permitted Debt Documents**"), or (y) such payments could (I) be set aside as fraudulent transfers or conveyances or similar actions under fraudulent transfer laws or (II) could cause the Corporation and/or its wholly-owned Subsidiaries to be undercapitalized, in which case Section 5.01 shall apply, but the Default Rate shall be replaced by the Agreed Rate).

ARTICLE VI
NO DISPUTES: CONSISTENCY: COOPERATION

Section 6.01. The Stockholders Representative's Participation in the Corporation's Tax Matters. Except as otherwise provided herein, the Corporation shall have full responsibility for, and sole discretion over, all Tax matters concerning the Corporation, including the preparation, filing or amendment of any Tax Return and the defense, contest, or settlement of any issue pertaining to Taxes, subject to a requirement that the Corporation act in good faith in connection with its control of any matter which is reasonably expected to affect any Stockholder's rights and obligations under this Agreement. Notwithstanding the foregoing, the Corporation shall notify the Stockholders Representative of, and keep the Stockholders Representative reasonably informed with respect to, the portion of any audit of the Corporation or other Taxable Entity by a Taxing Authority the outcome of which is reasonably expected to affect any Stockholder's rights and obligations under this Agreement, and shall give the Stockholders Representative reasonable opportunity to provide information and participate in the applicable portion of such audit.

Section 6.02. Consistency. The Corporation and the Stockholders agree to report and cause to be reported for all purposes, including federal, state, and local Tax purposes and financial reporting purposes, except upon a contrary final determination by an applicable Taxing Authority (i) the ITR Payments as described in Section 351(b) of the Code as partial consideration to the Stockholders for their transfer of equity interests in Surgery Center Holdings, LLC to the Corporation, other than amounts required to be treated as Imputed Interest, and (ii) all other Tax-related items in a manner consistent with that specified by the Corporation in any Schedule or statement required or permitted to be provided by or on behalf of the Corporation under this Agreement and agreed by the Stockholders Representative.

Section 6.03. Cooperation. Each of the Corporation and the Stockholders (through the Stockholders Representative) shall (a) furnish to the other party in a timely manner such information, documents and other materials as the other party may reasonably request for purposes of making or approving any determination or computation necessary or appropriate under this Agreement, preparing any Tax Return or contesting or defending any audit, examination or controversy with any Taxing Authority, (b) make itself available to the other party and its representatives to provide explanations of documents and materials and such other information as the requesting party or its representatives may reasonably request in connection with any of the matters described in clause (a) above, and (c) reasonably cooperate in connection with any such matter, and the requesting party shall reimburse the other party for any reasonable third-party costs and expenses incurred pursuant to this Section 6.03.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax, by electronic mail (delivery receipt requested) or by certified or registered mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be as specified in a notice given in accordance with this Section 7.01). All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to the Corporation, to:

Surgery Partners, Inc.
40 Burton Hills Boulevard
Suite 500
Nashville, Tennessee 37215
Fax: (615) 234-5998
Attention: Chief Financial Officer and Chief Executive Officer

Email: tsparks@surgerypartners.com and mdoyle@surgerypartners.com

with a copy (which shall not constitute notice) to :

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036
Fax: (646) 728-1523
Attention: Carl Marcellino
Email: carl.marcellino@ropesgray.com

If to the Stockholders Representative, to:

H.I.G. Surgery Centers, LLC
c/o H.I.G. Capital
600 Fifth Avenue
New York, New York 10020
Fax: (212) 506-0559
Attention: Chris Latiala and Matthew Lozow
Email: claitala@higcapital.com and mlozow@higcapital.com

with a copy (which shall not constitute notice) to :

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036
Fax: (646) 728-1523
Attention: Carl Marcellino
Email: carl.marcellino@ropesgray.com

Any party may change its address, fax number or e-mail by giving the other party written notice of its new address, fax number or e-mail in the manner set forth above.

Section 7.02. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. Delivery of an executed signature page to this Agreement by facsimile transmission (or similar electronic transmission) shall be as effective as delivery of a manually signed counterpart of this Agreement.

Section 7.03. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns. Other than as provided in the preceding sentence, nothing in this Agreement, express or implied, is intended to, or shall, confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 7.04. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 7.05. Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced as a result of any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner, in order that the transactions contemplated hereby may be consummated as originally contemplated to the greatest extent possible.

Section 7.06. Successors; Assignment; Amendments; Waivers.

(a) Each Stockholder may freely assign or transfer its rights under this Agreement without the prior written consent of the Corporation to any Person as long as such transferee has executed and delivered, or, in connection with such transfer, executes and delivers, a joinder to this Agreement, in form and substance reasonably satisfactory to the Corporation, agreeing to be bound by all provisions of this Agreement. If the Stockholders Representative assigns all or a portion of its rights as a Stockholder under this Agreement, such transferee shall, at the election of the Stockholders Representative, also have the rights provided to the Stockholders Representative in its capacity as such; provided further that the Stockholders Representative may assign its rights in its capacity as such to an Affiliate.

(b) The Corporation may not assign any of its rights and obligations under this Agreement without the prior written consent of the Stockholders Representative.

(c) No provision of this Agreement may be amended unless such amendment is approved in writing by the Corporation and the Stockholders Representative. No provision of this Agreement may be waived unless such waiver is in writing and signed by the party against whom the waiver is to be effective.

(d) All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives, including any Permitted Assignee pursuant to a Permitted Assignment. The Corporation shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

Section 7.07. Resolution of Disputes.

(a) Other than with respect to any disputes under Section 2.03, Section 4.02, Section 4.03, or Section 6.02 (which are to be resolved pursuant to Section 7.08), any and all disputes which cannot be settled amicably between the Corporation and the Stockholders Representative, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce. The place of arbitration shall be New York, New York. The parties shall jointly select a single arbitrator who shall have the authority to hold hearings and to render a decision in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce. If the Corporation and the Stockholders Representative fail to agree on the selection of an arbitrator within thirty (30) calendar days of the receipt of the request for arbitration, the arbitrator shall be selected by the International Chamber of Commerce. The arbitrator shall be a lawyer. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1, et seq., and judgment on the award may be entered by any court having jurisdiction thereof. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of Section 7.07(a), either the Corporation or the Stockholders Representative may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this Section 7.07(b), the Stockholders Representative (i) expressly consents to the application of Section 7.07(c) to any such action or proceeding, and (ii) irrevocably appoints the Corporation as its agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise the Stockholders Representative of any such service of process, shall be deemed in every respect effective service of process upon such Stockholder in any such action or proceeding.

(c) (i) THE CORPORATION AND EACH STOCKHOLDER (THROUGH THE STOCKHOLDERS REPRESENTATIVE) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK AND AGREES THAT ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF Section 7.07(b) SHALL BE BROUGHT AND DETERMINED EXCLUSIVELY IN THE SUPREME COURT OF THE STATE OF NEW YORK AND ANY STATE APPELLATE

COURT THEREFROM WITHIN THE STATE OF NEW YORK (OR, IF THE SUPREME COURT OF THE STATE OF NEW YORK REFUSES TO ACCEPT JURISDICTION OVER A PARTICULAR MATTER, ANY STATE OR FEDERAL COURT WITHIN THE STATE OF NEW YORK). The parties acknowledge that the forum designated by this Section 7.07(c) has a reasonable relation to this Agreement and to the parties' relationship with one another.

(ii) The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding brought in any court referred to in Section 7.07(c)(i) and such parties agree not to plead or claim the same.

(iii) AS A SPECIFICALLY BARGAINED INDUCEMENT FOR EACH OF THE PARTIES TO ENTER INTO THIS AGREEMENT (WITH EACH PARTY HAVING HAD OPPORTUNITY TO CONSULT COUNSEL), EACH OF THE PARTIES EXPRESSLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, REGARDLESS OF WHICH PARTY INITIATES SUCH ACTION OR PROCEEDING, AND ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

Section 7.08. Reconciliation Procedures. In the event that the Corporation and the Stockholders Representative are unable to resolve a disagreement with respect to the matters governed by Section 2.03, Section 4.02, Section 4.03, and Section 6.02 within the relevant period designated in this Agreement (or the amount of a payment in the case of an early termination, breach of agreement, Change of Control, or Divestiture Acceleration Payment to which Section 4.01 applies) (a "**Reconciliation Dispute**"), the Reconciliation Dispute shall be submitted for determination to a nationally recognized expert in the particular area of disagreement (the "**Expert**") mutually acceptable to both parties. The Expert shall be a partner in a nationally recognized accounting firm or a law firm (other than the Advisory Firm), and the Expert shall not, and the firm that employs the Expert shall not, have any material relationship with the Corporation or any of the Stockholders or any other actual or potential conflict of interest. If the Reconciliation Dispute is not resolved before any payment that is the subject of the Reconciliation Dispute is due or any Tax Return reflecting the subject of the Reconciliation Dispute is due, such payment shall be made on the date prescribed by this Agreement and such Tax Return may be filed as prepared by the Corporation, subject to adjustment or amendment upon resolution. The costs and expenses relating to the engagement of such Expert or the amendment of any Tax Return shall be borne by the Corporation, except as provided in the next sentence. Each of the Corporation and the Stockholders shall bear their own costs and expenses of such proceeding. Any dispute as to whether a dispute is a Reconciliation Dispute, within the meaning of this Section 7.08 shall be decided by the Expert. The Expert shall finally determine any Reconciliation Dispute and the determinations of the Expert pursuant to this Section 7.08 shall be binding on the Corporation and the Stockholders and may be entered and enforced in any court having jurisdiction.

Section 7.09. Withholding. The Corporation shall be entitled to deduct and withhold from any payment payable pursuant to this Agreement such amounts as the Corporation is required to deduct and withhold with respect to the making of such payment under the Code, or any applicable provision of state or local or foreign Tax law, provided that the Corporation (i) gives 10 days advance written notice of its intention to make such withholding to the Stockholders Representative, (ii) identifies the legal basis requiring such withholding and (iii) gives the Stockholders Representative an opportunity to establish that such withholding is not legally required. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority by the Corporation, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Stockholders. The Corporation shall provide evidence of such payments to the Stockholders (through the Stockholders Representative) to the extent that such evidence is available.

Section 7.10. Affiliated Corporations; Admission of the Corporation into a Consolidated Group; Transfers of Corporate Assets.

(a) If a Taxable Entity is or becomes a member of an affiliated or consolidated group of corporations that files a consolidated income Tax Return pursuant to Sections 1501 et seq. of the Code (other than if the Taxable Entity becomes a member of such a group as a result of a Change of Control or Divestiture, in which case the

provisions of Article IV shall control), or a member of a consolidated, combined or unitary group of any corresponding provisions of state, local or foreign law, then: (i) the provisions of this Agreement shall be applied with respect to the group (or groups, as applicable) as a whole; and (ii) Tax Benefit Payments shall be computed with reference to the consolidated taxable income of the group (or groups, as applicable) as a whole.

(b) If any Person the income of which is included in the income of the Corporation's affiliated or consolidated group transfers one or more assets to a corporation with which such Person does not file a consolidated Tax Return pursuant to Section 1501 of the Code, for purposes of calculating the amount of any Tax Benefit Payment (e.g., calculating the gross income of the Corporation's affiliated or consolidated group and determining the Realized Tax Benefit) due hereunder, such Person shall be treated as having disposed of such asset in a fully taxable transaction on the date of such transfer. The consideration deemed to be received by such entity shall be equal to the fair market value of the transferred asset, plus (i) the amount of debt to which such asset is subject, in the case of a transfer of an encumbered asset, or (ii) the amount of debt allocated to such asset, in the case of a transfer of a partnership interest.

Section 7.11. Confidentiality. (a) Each Stockholder (through the Stockholders Representative) and each of its assignees acknowledges and agrees that the information of the Corporation is confidential and, except in the course of performing any duties as necessary for the Corporation and its Affiliates, as required by law or legal process or to enforce the terms of this Agreement, shall keep and retain in the strictest confidence and not to disclose to any Person all confidential matters, acquired pursuant to this Agreement, of the Corporation or the Stockholders. This Section 7.11 shall not apply to (i) any information that has been made publicly available by the Corporation or any of its Affiliates, becomes public knowledge (except as a result of an act of a Stockholder or affiliate in violation of this Agreement) or is generally known to the business community or (ii) the disclosure of information to the extent necessary for any Stockholder or affiliate to prepare and file its Tax Returns, to respond to any inquiries regarding the same from any Taxing Authority or to prosecute or defend any action, proceeding or audit by any Taxing Authority with respect to such returns. Notwithstanding anything to the contrary herein, each Stockholder and each assignee (and each employee, representative or other agent of such Stockholder or assignee) may disclose to any and all Persons, without limitation of any kind, the Tax treatment and Tax structure of (w) the Corporation and its Subsidiaries, (x) the transactions entered into in connection with the IPO, (y) this Agreement and (z) any of the transactions of the Corporation and its Subsidiaries, and all materials of any kind (including opinions or other Tax analyses) that are provided to such Stockholder or assignee relating to such Tax treatment and Tax structure.

(b) If the Stockholders Representative or any of its assignees commits a breach, or threatens to commit a breach, of any of the provisions of this Section 7.11, the Corporation shall have the right and remedy to have the provisions of this Section 7.11 specifically enforced by injunctive relief or otherwise by any court of competent jurisdiction without the need to post any bond or other security, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to the Corporation or any of its Subsidiaries and the accounts and funds managed by the Corporation, and that money damages alone shall not provide an adequate remedy to such Persons. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available at law or in equity.

Section 7.12. Appointment of Stockholders Representative.

(a) Appointment. Without further action of any of the Corporation, the Stockholders Representative or any Stockholder, and as partial consideration of the benefits conferred by this Agreement, the Stockholders Representative is hereby irrevocably constituted and appointed, with full power of substitution, to act in the name, place and stead of each Stockholder with respect to the taking by the Stockholders Representative of any and all actions and the making of any decisions required or permitted to be taken by the Stockholders Representatives under this Agreement (and any potential agreement with the Corporation to terminate this Agreement earlier than such time as is provided in Section 4.01 provided that any payment made by the Corporation upon such an early termination shall be paid to each Stockholder based on such Stockholder's Applicable Percentage). The power of attorney granted herein is coupled with an interest and is irrevocable and may be delegated by the Stockholders Representatives. No bond shall be required of the Stockholders Representatives, and the Stockholders Representatives shall receive no compensation for its services.

(b) Expenses. If at any time the Stockholders Representative shall incur out of pocket expenses in connection with the exercise of its duties hereunder, upon written notice to the Corporation from the Stockholders Representative of documented costs and expenses (including fees and disbursements of counsel and accountants) incurred by the Stockholders Representative in connection with the performance of its rights or obligations under this Agreement and the taking of any and all actions in connection therewith, the Corporation shall reduce any future payments (if any) due to the Stockholders hereunder pro rata (based on their respective Applicable Percentages in the Corporation) by the amount of such expenses which it shall instead remit directly to the Stockholders Representative. In connection with the performance of its rights and obligations under this Agreement and the taking of any and all actions in connection therewith, the Stockholders Representative shall not be required to expend any of its own funds (though, for the avoidance of doubt, it may do so at any time and from time to time in its sole discretion).

(c) Limitation on Liability. The Stockholders Representative shall not be liable to any Stockholder for any act of the Stockholders Representative arising out of or in connection with the acceptance or administration of its duties under this Agreement, except to the extent any liability, loss, damage, penalty, fine, cost or expense is actually incurred by such Stockholder as a proximate result of the bad faith or willful misconduct of the Stockholders Representative (it being understood that any act done or omitted pursuant to the advice of legal counsel shall be conclusive evidence of such action or omission being made in good faith and with reasonable judgment). The Stockholders Representative shall not be liable for, and shall be indemnified by the Stockholders (on a several but not joint basis) for, any liability, loss, damage, penalty or fine incurred by the Stockholders Representative (and any cost or expense incurred by the Stockholders Representative in connection therewith and herewith and not previously reimbursed pursuant to subsection (b) above) arising out of or in connection with the acceptance or administration of its duties under this Agreement, except to the extent that any such liability, loss, damage, penalty, fine, cost or expense is the proximate result of the bad faith or willful misconduct of the Stockholders Representative (it being understood that any act done or omitted pursuant to the advice of legal counsel shall be conclusive evidence of such action or omission being made in good faith and with reasonable judgment); *provided*, *however*, in no event shall any Stockholder be obligated to indemnify the Stockholders Representative hereunder for any liability, loss, damage, penalty, fine, cost or expense to the extent (and only to the extent) that the aggregate amount of all liabilities, losses, damages, penalties, fines, costs and expenses indemnified by such Stockholder hereunder is or would be in excess of the aggregate payments under this Agreement actually remitted to such Stockholder. Each Stockholder's receipt of any and all benefits to which such Stockholder is entitled under this Agreement, if any, is conditioned upon and subject to such Stockholder's acceptance of all obligations, including the obligations of this Section 7.12(c), applicable to such Stockholder under this Agreement.

(d) Actions of the Stockholders Representative. Any decision, act, consent or instruction of the Stockholders Representative shall constitute a decision of all Stockholders and shall be final, binding and conclusive upon each Stockholder, and the Corporation may rely upon any decision, act, consent or instruction of the Stockholders Representative as being the decision, act, consent or instruction of each Stockholder. The Corporation is hereby relieved from any liability to any Person for any acts done by the Corporation in accordance with any such decision, act, consent or instruction of the Stockholders Representative.

Section 7.13. Conflicting Agreements. Other than with respect to the Permitted Debt Documents, the Corporation shall not, and shall cause its Subsidiaries to not, enter into any agreement or indenture or any amendment or other modification to any agreement or indenture (including, in each case, in connection with any refinancing) that would, directly or indirectly, restrict or otherwise encumber (or in the case of amendments or other modifications, further restrict or encumber) its ability to make payments under this Agreement in accordance with its terms, including any agreement that would, directly or indirectly, restrict or otherwise encumber (or in the case of amendments or other modifications, further restrict or encumber) the ability of the Corporation's Subsidiaries to upstream cash (by dividend or loan) to the Corporation to fund amounts payable by the Corporation under this Agreement.

[Signatures pages follow]

IN WITNESS WHEREOF, the Corporation, Stockholders Representative, and each Stockholder have duly executed this Agreement as of the date first written above.

SURGERY PARTNERS, INC.

By: /s/ Michael T. Doyle
Name: Michael T. Doyle
Title: Chief Executive Officer

H.I.G. SURGERY CENTERS, LLC, as Stockholders Representative

By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

STOCKHOLDERS

H.I.G. Surgery Centers LLC
By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

THL Credit, Inc.
By: /s/ Christopher J. Flynn
Name: Christopher J. Flynn
Title: Co-Chief Executive Officer

Multi Strategy IC Limited
By: /s/ Lisa Crowson and /s/ Brett McFarlane
Name: Lisa Crowson and Brett McFarlane
Title: Director and Authorised Signatory

Partners Group Access 74 L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Authorised Signatory

Partners Group Direct Mezzanine 2011, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance III, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance IV, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group MRP, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Private Equity (Master Fund), LLC
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

/s/ Scott Macomber
Scott Macomber

/s/ John Lawrence
John Lawrence

/s/ Myra Fernandez Doyle

Myra Fernandez Doyle, as Trustee of the Makayla Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Myra Fernandez Doyle

Myra Fernandez Doyle, as Trustee of the Michael Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Myra Fernandez Doyle

Myra Fernandez Doyle, as Trustee of the Mason Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Michael T. Doyle

Michael T. Doyle

/s/ Marcy Atheney

Marcy Atheney

/s/ Preston Bain

Preston Bain

/s/ Jennifer Baldock

Jennifer Baldock

/s/ Chad Baldwin

Chad Baldwin

/s/ Derek Bell

Derek Bell

/s/ Randy Bissel

Randy Bissel

/s/ John Blanck

John Blanck

/s/ Brian Blankenship

Brian Blankenship

/s/ Philip Bodie

Philip Bodie

/s/ Jane Bradford

Jane Bradford

/s/ Ronald Brank

Ronald Brank

/s/ Laurie Brocato Scovell

Laurie Brocato Scovell

/s/ Jeff Bruener

Jeff Bruener

/s/ John Calta

John Calta

/s/ Elizabeth Campbell

Elizabeth Campbell

/s/ Eric Chandler

Eric Chandler

/s/ Armando Cremata

Armando Cremata

/s/ John Crysel

John Crysel

/s/ Dennis Dean

Dennis Dean

/s/ Kevin Dowdy

Kevin Dowdy

/s/ Michelle Faccinello-Jones

Michelle Faccinello-Jones

/s/ George Goodwin

George Goodwin

/s/ Elise Gregory

Elise Gregory

/s/ David Harkins

David Harkins

/s/ Craig Hethcox

Craig Hethcox

/s/ Lainie Kennedy

Lainie Kennedy

/s/ Miles Kennedy

Miles Kennedy

/s/ Julie Lewis

Julie Lewis

/s/ Brandan Lingle

Brandan Lingle

/s/ Lisa Mann

Lisa Mann

/s/ Justin McCann

Justin McCann

/s/ Will Milo

Will Milo

/s/ Ken Mitchell

Ken Mitchell

/s/ Matt Musso

Matt Musso

/s/ Darrell Naish

Darrell Naish

/s/ David Neal

David Neal

/s/ Jeff Parks

Jeff Parks

/s/ James B. Parnell

James B. Parnell

/s/ Rick Payne

Rick Payne

/s/ Matt Petty

Matt Petty

/s/ Stephanie Plummer

Stephanie Plummer

/s/ Katherine Rendall

Katherine Rendall

/s/ Linda Simmons

Linda Simmons

/s/ Michele Simon

Michele Simon

/s/ Colleen Smallwood

Colleen Smallwood

/s/ Teresa Sparks

Teresa Sparks

/s/ Anthony Taparo

Anthony Taparo

/s/ Chris Throckmorton

Chris Throckmorton

/s/ Chris Toepke

Chris Toepke

/s/ Joe Vesneski

Joe Vesneski

/s/ Leonard Warren

Leonard Warren

/s/ Trent Webb

Trent Webb

/s/ Kelly Whelan

Kelly Whelan

/s/ Lauren Whitsett

Lauren Whitsett

/s/ David Williamson

David Williamson

/s/ Ron Zelhof

Ron Zelhof

Annex A

List of Stockholders (and Applicable Percentages)

Stockholder	Applicable Percentage
H.I.G. Surgery Centers, LLC	82.02%
THL Credit, Inc.	0.82%
Multi Strategy IC Limited	0.00%
Partners Group Access 74 L.P.	0.25%
Partners Group Direct Mezzanine 2011, L.P. Inc.	0.02%
Partners Group Mezzanine Finance III, L.P.	0.23%
Partners Group Mezzanine Finance IV, L.P.	0.01%
Partners Group MRP, L.P.	0.06%
Partners Group Private Equity (Master Fund), LLC	0.04%
Scott Macomber	0.76%
John Lawrence	0.51%
Makayla Doyle 2012 Irrevocable Trust	0.14%
Mason Doyle 2012 Irrevocable Trust	0.14%
Michael Doyle 2012 Irrevocable Trust	0.14%
Michael T. Doyle	9.05%
Anthony Taparo	0.20%
Armando Cremata	0.18%
Dennis Dean	0.26%
George Goodwin	0.23%
Jeff Parks	0.85%
Jennifer Baldock	0.17%
John Crysel	0.26%
Julie Lewis	0.18%
Ken Mitchell	0.07%
Matt Petty	0.10%
Michele Simon	0.18%
Ronald P. Zelhof	0.36%
Teresa Sparks	0.43%
William Milo	0.72%
Chris Throckmorton	0.20%
Chris Toepke	0.20%
David Harkins	0.07%
David Neal	0.07%
Brandan Lingle	0.07%
Brian Blankenship	0.03%
Chad Baldwin	0.03%
Colleen Smallwood	0.01%
Darrell Naish	0.06%

David Williamson	0.03%
Derek Bell	0.03%
Elizabeth Campbell	0.03%
Eric Chandler	0.01%
Garrett Miles Kennedy	0.05%
James B. Parnell	0.01%
Jane Bradford	0.01%
Jeff Bruener	0.04%
Joe Vesneski	0.01%
John Blanck	0.04%
John Calta	0.04%
Justin McCann	0.01%
Katie Rendall	0.01%
Kelly Whelan	0.01%
Kevin Dowdy	0.02%
Lauren Whitsett	0.03%
Laurie Brocato-Scovell	0.01%
Leonard Warren	0.02%
Linda Simmons	0.04%
Lisa Mann	0.02%
Marcy Atheney	0.04%
Marialaina Kennedy	0.07%
Matt Musso	0.04%
Michelle Facchinello	0.02%
Philip Bodie	0.01%
Phillip C. Hethcox	0.04%
Preston Bain	0.03%
Randy Bissel	0.04%
Rebecca Elise Gregory	0.01%
Rick Payne	0.01%
Ronald Brank	0.06%
Stephanie Plummer	0.01%
Trent Webb	0.04%

Exhibit 10.2

Registration Rights Agreement

by and among

Surgery Partners, Inc.,

Certain Stockholders of Surgery Partners, Inc.

and

Certain other parties hereto.

Dated as of September 30, 2015

TABLE OF CONTENTS

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made as of September 30, 2015 by and among Surgery Partners, Inc., a Delaware corporation (the "Company"), H.I.G. Surgery Centers, LLC, a Delaware limited liability company ("H.I.G."), and each other Stockholder party hereto as listed on the signature pages to this Agreement or who becomes a party hereto pursuant to Section 4.1 (each, individually, a "Stockholder" and together, the "Stockholders").

RECITALS

1. The Company is contemplating an underwritten Initial Public Offering of shares of its common stock, $0.01 par value per share ("Common Stock") registered on Form S-1 under the Securities Act (the "IPO").

2. In connection with the IPO, the parties hereto have agreed to set forth their agreements regarding registration rights with respect to the Common Stock and certain other matters following the IPO.

AGREEMENT

Therefore, the parties hereto hereby agree as follows:

ARTICLE I
EFFECTIVENESS; DEFINITIONS.

1.1 Effectiveness. This Agreement shall become effective upon consummation of the closing of the IPO (the "Closing").

1.2 Definitions. Certain terms are used in this Agreement as specifically defined herein. These definitions are set forth or referred to in Section 6 hereof.

ARTICLE II
REGISTRATION RIGHTS.

The Company will perform and comply, and cause each of its subsidiaries to perform and comply, with such of the following provisions as are applicable to it. Each Holder will perform and comply with such of the following provisions as are applicable to such Holder.

2.1 Demand Registration Rights. The H.I.G. Parties, at any time more than 180 days after the Initial Public Offering may, by written notice to the Company, request that the Company effect the registration for a Public Offering of Registrable Shares having an anticipated net aggregate offering price of at least $10,000,000 ($25,000,000 in the case of an underwritten offering) (for the avoidance of doubt, the H.I.G. Parties may deliver a demand for registration under this Section 2.1 whether or not the H.I.G. Parties own Registrable Shares at the time of such request). If the H.I.G. Party initiating the registration intends to distribute the Registrable Shares in an underwritten offering, it will so advise the Company in their request. Promptly after receipt of notice requesting registration pursuant to this Section 2.1, the Company will give written notice of such requested registration to all other holders of Registrable Shares (a "Demand Notice"). Subject to the limitations set forth in Sections 2.1.1, the Company will use its commercially reasonable efforts to effect the registration under the Securities Act of the Registrable Shares that the Company has been requested to register by the H.I.G. Party requesting such registration and all other Registrable Shares that the Company has been requested to register by other holders of Registrable Shares by notice delivered to the Company within 20 days after the giving of such notice by the Company.

2.1.1 Limitations. The Company will not be required to effect more than five registrations at the request of an H.I.G. Party; provided, that, the H.I.G. Party shall be charged with a request only if a Registration Statement covering at least 25% of the applicable Registrable Shares shall have been declared effective by the SEC and remained effective for not less than one hundred eighty (180) days. If from the

time of any request to register Registrable Shares pursuant to this Section 2.1 to but not including the date when such registration becomes effective, the Company is engaged or has firm plans to engage within 90 days of the time of such request in a registered public offering as to which the holders may include Registrable Shares pursuant to Section 2.2, then the Company may, at its option, decline such request.

2.2 Piggyback Registration Rights.

2.2.1 Piggyback Registration. Whenever the Company (for itself or for any other Stockholder) proposes to register any of its equity securities under the Securities Act on a form of Registration Statement that would allow registration of Registrable Shares for sale to the public (except with respect to Registration Statements on Form S-4, Form S-8 or their respective successor forms) the Company will, prior to such filing, give written notice to each Stockholder of the Company's intention to so register. Upon the written request of any Stockholder given within 10 days after the Company provides such notice, the Company shall use reasonable efforts to cause all of such parties' requested Registrable Shares to be registered under the Securities Act; *provided, however*, that the Company shall have the right to postpone or withdraw any registration proposed pursuant to this Section 2.2 without obligation to any Stockholder.

2.2.2 Selection of Underwriter. In the case of any offering under this Section 2.2 involving an underwriting, the Board shall have the right to designate the managing underwriter; *provided*, *however*, that such managing underwriter shall be an investment bank of national reputation.

2.2.3 Allocation of Shares. In connection with any offering under this Section 2.2 involving an underwriting, the Company shall not be required to include any Registrable Shares in such underwriting unless the holders thereof accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it. Further, if the managing underwriter advises the Company that, in its view, the number of Registrable Shares requested to be included in such registration exceeds the Maximum Offering Size, the Company will include in such registration, in the following priority, up to the Maximum Offering Size: first, so many shares of Common Stock proposed to be registered by the Company (for itself or for any other Stockholder pursuant to a Demand Notice) as would not cause the offering to exceed the Maximum Offering Size; and second, any Registrable Shares requested to be included in such registration by the Stockholders, allocated, if necessary, pro rata on the basis of their relative number of Registrable Shares so held.

2.2.4 Registration and Offering Procedures. In connection with the registration of Registrable Shares under the Securities Act, the Company shall:

(a) Prepare and file with the Commission the Registration Statement and use its commercially reasonable efforts to cause such Registration Statement to become effective.

(b) Following the effectiveness of the Registration Statement, use its commercially reasonable efforts to prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to keep the Registration Statement continuously effective under the Securities Act until the Registrable Shares requested to be registered thereunder are sold; provided further that the Company shall promptly amend, renew or replace, as necessary, any Registration Statement that shall have expired or otherwise been deemed unusable and shall use its commercially reasonable efforts to keep such amended, renewed or replaced Registration Statement continuously effective under the Securities Act until the Registrable Shares requested to be registered thereunder are sold.

(c) Furnish to each selling Stockholder such reasonable numbers of copies of the prospectus included in the Registration Statement, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as the selling Stockholder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by such selling Stockholder;

(d) Use commercially reasonable efforts to promptly remove restrictive legends from any Registrable Shares to be sold pursuant to the Registration Statement.

(e) Use commercially reasonable efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or blue sky laws of such states as the selling Stockholder shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable the selling Stockholder to consummate the public sale or other disposition within such states of the Registrable Shares owned by the selling Stockholder; *provided*, *however*, that the Company shall not be required in connection with this paragraph (e) to qualify as a foreign corporation in any jurisdiction, execute a general consent to service of process in any jurisdiction, or subject itself to taxation in any jurisdiction;

(f) Enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the sale of such Registrable Shares, including without limitation providing reasonable access for due diligence to a representative appointed by the majority of the Holders covered by the applicable Registration Statement, any underwriter participating in any disposition to be effected pursuant to such Registration Statement or any attorney, accountant or other agent retained by such Holders or any such underwriter, including such information in the prospectus as is reasonably requested by the representative, managing underwriter or attorney, accountant or other agent and making management available to participate in a "roadshow" as reasonably requested by the representative, managing underwriter or attorney, accountant or other agent;

(g) To the extent practicable, provide legal opinions covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by the holders of Registrable Shares and the underwriter, and an auditor's "comfort letter" addressed to the selling Stockholder;

(h) Following a Public Offering , provide adequate current public information necessary for compliance with Rule 144(c) of the Securities Act; and

(i) Otherwise cooperate reasonably with, and take such customary actions as may reasonably be requested by the holders of Registrable Shares in connection with such registration.

2.2.5 Amended Prospectus. If the Company has delivered preliminary or final prospectuses to the selling Stockholders and after having done so the prospectus is amended to comply with the requirements of the Securities Act, the Company shall promptly notify the selling Stockholders and, if requested, the selling Stockholders shall immediately cease making offers of Registrable Shares and return all prospectuses to the Company. The Company shall promptly provide the selling Stockholders with revised prospectuses and, following receipt of the revised prospectuses and compliance with any related requirements of the Securities Act and any applicable state securities or blue sky laws, the selling Stockholders shall be free to resume making offers of the Registrable Shares. Any period during which a prospectus is unusable pursuant to this Section 2.2 shall be added to the 180-day period in Section 2.2.4(b).

2.2.6 Allocation of Expenses. The Company will pay all expenses in complying with this Article II, including all registration and filing fees, exchange listing fees, printing, messenger and delivery expenses, applicable stock exchange fees, fees of accountants for the Company, fees and disbursements of counsel of the Company and the reasonable fees and expenses of one counsel selected by the holder(s) of a majority of the Registrable Shares included in such registration, state securities or blue sky reasonable fees and expenses, the expense of any special audits incident to or required by any such registration, any fees and disbursements customarily paid by the issuers of securities and expenses incurred in connection with any road show (including the reasonable out-of-pocket expenses of the selling Stockholders) but excluding underwriting discounts, selling commissions or any other brokerage or underwriting fees and expenses and the fees and expenses of the selling Stockholders' own counsel (other than the one counsel selected as

provided above and, if an additional counsel to certain selling Stockholders is used that is also counsel to the Company, such counsel).

2.3 Short-Form Registration.

2.3.1 Request for Short-Form Registration. At any time following the one-year anniversary of the Closing, the H.I.G. Parties shall have the right to make a written request to the Company to register, and the Company shall register in accordance with the terms of this Agreement, the sale of the number of Registrable Shares stated in such request under the Securities Act on Form S-3 or any similar short-form registration (other than a Shelf Registration) (a "Short-Form Registration"); *provided, however*, that the Company shall not be obligated to effect such demand for a Short-Form Registration (i) if the aggregate offering price of the Registrable Shares to be sold in such offering (including piggyback shares and before deduction of any underwriting discounts or commissions) is not reasonably expected to be at least $25,000,000 or (ii) within 90 days after the effective date of a previous Short-Form Registration or other previous registration in which the Holders of Registrable Shares were given piggyback rights pursuant to Section 2.2. Each request for a Short-Form Registration by the H.I.G. Parties shall state the amount of the Registrable Shares proposed to be sold and the intended method of disposition thereof.

If on the date of the request for Short Form Registration: (i) the Company is a WKSI, then the Short Form Registration request may request Registration of an unspecified amount of Registrable Securities; and (ii) the Company is not a WKSI, then the Short Form Registration request shall specify the aggregate amount of Registrable Securities to be registered. The Company shall provide to the H.I.G. Parties the information necessary to determine the Company's status as a WKSI upon request.

2.4 Secondary Offering. If at any time the SEC takes the position that the offering of some or all of the Registrable Securities in a Registration Statement are not eligible to be made as a secondary offering, the Company shall use commercially reasonable best efforts to persuade the SEC that the offering contemplated by the Registration Statement is a bona fide secondary offering. In the event that the SEC refuses to alter its position, the Company shall (i) remove from the Registration Statement such portion of the Registrable Securities (the "Cut Back Shares") and/or (ii) agree to such restrictions and limitations on the registration and resale of the Registrable Securities as the SEC may require to assure that the Registration Statement is deemed a secondary offering (collectively, the "SEC Restrictions"); provided, however, that the Company shall not agree to name any Holder as an "underwriter" in such Registration Statement without the prior written consent of such Holder. Any cut-back imposed pursuant to this Section 2.5 shall be allocated among the Holders on a pro rata basis in accordance with the number of shares that such Holders have requested to be included in such Registration Statement, unless the SEC Restrictions otherwise require or provide or the participating Holders otherwise agree. From and after the date that the Company is able to effect the registration of such Cut Back Shares in accordance with any SEC Restrictions, all of the provisions of this Section 2.5 shall again be applicable to such Cut Back Shares.

2.5 Indemnification and Contribution.

2.5.1 Indemnities by the Company. The Company will indemnify and hold harmless each seller of Registrable Shares, each underwriter of Registrable Shares, and each other person, if any, who controls any such seller or underwriter within the meaning of the Securities Act or the Securities Exchange Act of 1934 against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or blue sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement including such Registrable Shares, any preliminary prospectus or final prospectus contained in such Registration Statement, any amendment or supplement to such Registration Statement, or any other disclosure document, or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and, the Company will reimburse each such seller, underwriter and each such controlling person for any legal or any other expenses reasonably incurred by such seller, underwriter or

controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; *provided*, *however*, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (a) any untrue statement or omission made in such Registration Statement, preliminary prospectus or prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company, in writing, relating to such seller by or on behalf of such seller, underwriter or controlling person specifically for use in the preparation thereof or (b) the failure of such seller to deliver copies of the prospectus in the manner required by the Securities Act.

2.5.2 Indemnities to the Company. Each seller of Registrable Shares, severally (and not jointly or jointly and severally), will indemnify and hold harmless the Company, each of its directors and officers and each underwriter, if any, and each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Company, such director, officer, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or blue sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or any other disclosure document, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if the statement or omission was made in reliance upon and in conformity with information furnished in writing to the Company relating to such seller by or on behalf of such seller, specifically for use in connection with the preparation of such Registration Statement, prospectus, amendment, supplement or other disclosure document; *provided*, *however*, that the obligations of an Stockholder hereunder shall be limited to an amount equal to the net proceeds to the Stockholder arising from the sale of Registrable Shares as contemplated herein.

2.5.3 Notice of Claims. Each party entitled to indemnification under this Section 2.6.3 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") within a reasonable period of time after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; *provided*, *however*, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be withheld unreasonably). The Indemnified Party may participate in such defense at such party's expense; *provided*, *however*, that the Indemnifying Party shall pay such expense if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding. No Indemnifying Party in the defense of any such claim or litigation shall, except with the prior written consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld).

2.5.4 Contribution. If the indemnification provided for herein is for any reason unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, will contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative fault of the Company, the sellers of Registrable Shares and any underwriter in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company, the sellers of Registrable Shares and any underwriter will be determined by reference to, among

other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and sellers of Registrable Shares agree that it would not be just and equitable if contribution pursuant to this Section 2.6.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding sentence. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding sentence will be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 2.6.4, no seller of Registrable Shares will be required to contribute any amount in excess of the amount by which the total price at which the Registrable Shares of such seller of Registrable Shares was offered to the public (less underwriters discounts and commissions) exceeds the amount of any damages which such seller of Registrable Shares has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

2.6 Certain Other Provisions

2.6.1 Information by Holder. Each Holder of Registrable Shares included in any registration shall furnish to the Company such information regarding such holder and the distribution proposed by such holder as the Company may reasonably request in writing if it is required in connection with any registration, qualification or compliance referred to in this Article II.

2.6.2 Information by Company. In the event that any "bought deal," "block trade" or "block sale" to a financial institution is conducted as an underwritten Public Offering, the Company shall comply with the requirements of 2.2.4.

2.6.3 Lock-Up. Each Stockholder, if requested by the Board and an underwriter of Common Stock or other securities of the Company, shall agree pursuant to a written agreement not to sell or otherwise transfer or dispose of any Registrable Shares or other securities of the Company held by such Stockholder for a specified period of time (not longer than seven days) prior to the effective date of a Registration Statement and for a specified period of time (not longer than 180 days) following the effective date of a Registration Statement; *provided*, *however*, that such agreement shall not apply to any Registrable Shares (or other securities of the Company) held by such Stockholder if they are included in the Registration Statement. The Company may impose stop transfer instructions with respect to the Registrable Shares or other securities subject to the foregoing restrictions, until the end of the lock-up period. The written agreement referred to in the first sentence of this Section 2.7.2 is in addition to and not in replacement of other transfer restrictions contained in this Agreement.

ARTICLE III
REMEDIES.

3.1 Generally. The parties shall have all remedies available at law, in equity or otherwise in the event of any breach or violation of this Agreement or any default hereunder. The parties acknowledge and agree that in the event of any breach of this Agreement, in addition to any other remedies which may be available, each of the parties hereto shall be entitled to specific performance of the obligations of the other parties hereto and, in addition, to such other equitable remedies (including preliminary or temporary relief) as may be appropriate in the circumstances.

ARTICLE IV

4.1 Permitted Registration Rights Assignees. The rights of a Stockholder hereunder to cause the Company to register its Registrable Securities pursuant to Section 2.1, Section 2.2 or Section 2.3 may be assigned (but only with all related obligations as set forth below) in connection with a Transfer of such Shares effected in accordance with the terms of this Agreement to a Permitted Registration Rights Assignee of such Holder. Without prejudice to any other or similar conditions imposed hereunder with respect to any such Transfer, no assignment permitted under the terms of this Section 4.1 shall be effective unless the Permitted Registration Rights Assignee, if not a Stockholder, has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that the Shares in respect of which such assignment is made shall continue to be deemed Shares and shall be subject to all of the provisions of this Agreement relating to Shares and that such Permitted Registration Rights Assignee shall be bound by, and shall be a party to, this Agreement. A Permitted Registration Rights Assignee to whom rights are transferred pursuant to this Section 4.1 may not again Transfer such rights to any other Permitted Registration Rights Assignee, other than as provided in this Section 4.1.

ARTICLE V
AMENDMENT, TERMINATION, ETC.

5.1 Oral Modifications. This Agreement may not be orally amended, modified, extended or terminated, nor shall any oral waiver of any of its terms be effective.

5.2 Written Modifications. This Agreement may be amended, modified, extended or terminated, and the provisions hereof may be waived, only by an agreement in writing signed by the Company and the Stockholders that hold a majority of the Shares held by all Stockholders: *provided*, *however*, that any amendment, modification, extension, termination or waiver (an "Amendment") shall also require the consent of any Stockholder who would be disproportionately and adversely affected thereby. Each such Amendment shall be binding upon each party hereto and each holder of Shares subject hereto. In addition, each party hereto and each holder of Shares subject hereto may waive any right hereunder by an instrument in writing signed by such party or holder.

5.3 Effect of Termination. No termination under this Agreement shall relieve any Person of liability for breach prior to termination. In the event this Agreement is terminated, each party hereto shall retain the indemnification rights pursuant to Section 2.6 hereof with respect to any matter that (i) may be an indemnified liability thereunder and (ii) occurred prior to such termination.

ARTICLE VI
DEFINITIONS.

For purposes of this Agreement:

6.1 Certain Matters of Construction. In addition to the definitions referred to or set forth below in this Section 6:

(i) The words "hereof", "herein", "hereunder" and words of similar import shall refer to this Agreement as a whole and not to any particular Section or provision of this Agreement, and reference to a particular Section of this Agreement shall include all subsections thereof;

(ii) The word "including" shall mean including, without limitation;

(iii) Definitions shall be equally applicable to both nouns and verbs and the singular and plural forms of the terms defined; and

(iv) The masculine, feminine and neuter genders shall each include the other.

6.2 Definitions. The following terms shall have the following meanings:

"Affiliate" shall mean, with respect to any specified Person, any Person that directly or through one or more intermediaries controls or is controlled by or is under common control with the specified Person (as used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise).

"Agreement" shall have the meaning set forth in the Preamble.

"Amendment" shall have the meaning set forth in Section 5.2.

"Board" shall mean the board of directors of the Company.

"business day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the City of New York.

"Closing" shall have the meaning set forth in Section 1.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" shall mean the common stock of the Company, par value $0.01 per share.

"Company" shall have the meaning set forth in the Preamble.

"Convertible Securities" shall mean any evidence of indebtedness, shares of stock (other than Common Stock) or other securities (other than Options and Warrants) which are directly or indirectly convertible into or exchangeable or exercisable for shares of Common Stock.

"Cut Back Shares" shall have the meaning set forth in Section 2.5.

"Demand Notice" shall have the meaning set forth in Section 2.1.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as in effect from time to time.

"H.I.G. Parties" shall mean H.I.G. Surgery Centers, LLC and any of its Affiliates.

"Holders" shall mean the holders of Registrable Securities under this Agreement.

"Initial Public Offering" shall mean the initial Public Offering of the Company with an aggregate public offering price of at least $25,000,000 and an initial Public Offering price equivalent to at least $4.00 per share of Common Stock.

"IPO" shall have the meaning set forth in the Recitals.

"LLC Agreement" means the Second Amended and Restated Limited Liability Company Agreement of Surgery Center Holdings, LLC, dated as of September 30, 2015.

"Maximum Offering Size" shall mean the largest aggregate number of shares which can be sold without having a material adverse effect on such offering, as determined by the managing underwriter.

"Members of the Immediate Family" shall mean, with respect to any individual, (i) each spouse, or natural or adopted child or grandchild of such individual or natural or adopted child or grandchild of such individual's spouse, (ii) each trust created solely for the benefit of one or more of such individual and the Persons listed in clause (i) above, and solely for estate planning purposes, (iii) each custodian or guardian of any property of one or more of the Persons listed in clause (i) above, in his capacity as such custodian or guardian and (iv) each corporation, limited partnership or limited liability company controlled by such individual or one or more of the Persons listed in clause (i) above for the benefit of one or more of such Persons.

"Options" shall mean any options to subscribe for, purchase or otherwise directly acquire Common Stock, other than any such option held by the Company or any right to purchase shares pursuant to this Agreement.

"Permitted Registration Rights Assignee" shall mean a transfer: (a) with respect to each holder which is not a natural person, to any Affiliate or to a Person for whom such holder (or an Affiliate of such holder) acts as investment advisor or investment manager; or (b) with respect to each holder who is a natural person: (i) to a Member of the immediate family of such holder; (ii) to a charitable entity, immediate family member or any trust for the direct or indirect benefit of the holder; or (iii) and upon the death of a holder, pursuant to the will or other instrument of such holder or by applicable laws of descent and distribution to such holder's estate, executors, administrators and personal representatives, and then to such holder's heirs, legatees or distributees, whether or not such recipients are Members of the Immediate Family of such holder; provided, however no part of an Interest may be transferred to a minor or an incompetent except in trust or pursuant to the Uniform Gifts to Minors Act.

"Person" shall mean any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organization, entity or division, or any government, governmental department or agency or political subdivision thereof.

"Public Offering" shall mean a public offering and sale of Common Stock for cash pursuant to an effective registration statement under the Securities Act.

"Registrable Shares" or "Registrable Securities" shall mean any shares of Common Stock issued through the exchange of units in Surgery Center Holdings, LLC in the Reorganization in connection with this IPO; *provided*, *however*, that shares of common stock which are Registrable Shares shall cease to be Registrable Shares (a) upon any sale pursuant to a Registration Statement, Section 4(1) of the Securities Act or Rule 144 under the Securities Act or any successor rule under the Securities Act, or (b) at such time as such securities may be distributed without volume limitation or other restrictions on transfer under Rule 144 (including without application of paragraphs (c), (e) (f) and (h) of Rule 144).

"Registration Statement" means a registration statement (on Form S-1 or Form S-3) filed by the Company with the Commission for a public offering and sale of securities of the Company.

"Reorganization" means the reorganization of the Company and Surgery Center Holdings, LLC in connection with the Company's IPO, pursuant to the Reorganization Agreement, dated as of September 30, 2015.

"Rule 144" shall mean Rule 144 under the Securities Act (or any successor Rule).

"SEC" means the United States Securities and Exchange Commission.

"SEC Restrictions" shall have the meaning set forth in Section 2.3.3.

"Securities Act" shall mean the Securities Act of 1933, as amended, as in effect from time to time.

"Shares" shall mean all shares of Common Stock held by a Stockholder, whenever issued, including all shares of Common Stock issued upon the exercise, conversion or exchange of any Options, Warrants or Convertible Securities.

"Short-Form Registration" shall have the meaning set forth in Section 2.3.1.

"Stockholders" shall have the meaning set forth in the Preamble.

"Transfer" shall mean any sale, pledge, assignment, encumbrance or other transfer or disposition of any Shares to any other Person, whether directly, indirectly, voluntarily, involuntarily, by operation of law, pursuant to judicial process or otherwise.

"Warrants" shall mean any warrants to subscribe for, purchase or otherwise directly acquire Common Stock.

"WKSI" means any Securities Act registrant that is a well-known seasoned issuer as defined in Rule 405 under the Securities Act at the most recent eligibility determination date specified in paragraph (2) of that definition.

ARTICLE VII
MISCELLANEOUS.

7.1 Authority: Effect. Each party hereto represents and warrants to and agrees with each other party that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized on behalf of such party and do not violate any agreement or other instrument applicable to such party or by which its assets are bound. This Agreement does not, and shall not be construed to, give rise to the creation of a partnership among any of the parties hereto, or to constitute any of such parties members of a joint venture or other association.

7.2 Notices. Any notices, requests, demands, claims and other communications required or permitted to be delivered, given or otherwise provided under this Agreement shall be in writing and shall be (a) delivered or given personally, (b) sent by facsimile or email, or (c) sent by overnight courier in each case, to the address (or facsimile number) listed below:

If to the Company:

Surgery Partners, Inc.
40 Burton Hills Boulevard
Suite 500
Nashville, Tennessee 37215
Attention: Teresa Sparks and Michael Doyle
E-mail: tsparks@surgerypartners.com and mdoyle@surgerypartners.com

If to an H.I.G. Party:

H.I.G. Surgery Centers, LLC
c/o H.I.G. Capital
600 Fifth Avenue, 24th Floor
New York, New York 10020
Attention: Chris Latiala and Matthew Lozow
Email: claitala@higcapital.com and mlozow@higcapital.com
with a copy to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10007
Attention: Carl Marcellino

Email: carl.marcellino@ropesgray.com
Facsimile: 646.728.1523

Notice to the holder of record of any shares of capital stock shall be deemed to be notice to the holder of such shares for all purposes hereof.

Unless otherwise specified herein, such notices or other communications shall be deemed effective (a) on the date received, if personally delivered, (b) on the date received if delivered by facsimile or email on a business day, or if delivered on other than a business day, on the first business day thereafter and (c) 2 business days after being sent by overnight courier. Each of the parties hereto shall be entitled to specify a different address by giving notice as aforesaid to each of the other parties hereto.

7.3 Merger: Binding Effect, Etc. This Agreement, together with the Stockholders Agreement and LLC Agreement, constitute the entire agreement of the parties with respect to their subject matter, supersede all prior or contemporaneous oral or written agreements or discussions with respect to such subject matter, and shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective heirs, representatives, successors and permitted assigns. Except as otherwise expressly provided herein, no Stockholder or other party hereto may assign any of its respective rights or delegate any of its respective obligations under this Agreement without the prior written consent of the other parties hereto, and any attempted assignment or delegation in violation of the foregoing shall be null and void.

7.4 Descriptive Headings. The descriptive headings of this Agreement are for convenience of reference only, are not to be considered a part hereof and shall not be construed to define or limit any of the terms or provisions hereof.

7.5 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one instrument.

7.6 Severability. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, such provision shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

7.7 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, the Company and each Stockholder covenant, agree and acknowledge that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against any current or future director, officer, employee, general or limited partner, member or stockholder of any Stockholder or of any Affiliate or assignee thereof, as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any current or future director, officer, employee, partner, member or stockholder of any Stockholder or of any Affiliate or assignee thereof, as such, for any obligation of any Stockholder under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

ARTICLE VIII
GOVERNING LAW.

8.1 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of Delaware without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

8.2 Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, (a) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of Delaware for

the purpose of any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof, (b) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, and agrees not to allow any of its subsidiaries to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such proceeding brought in one of the above-named courts is improper, or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (c) hereby agrees not to commence or maintain any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof or thereof other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation to any court other than one of the above-named courts, whether on the grounds of inconvenient forum or otherwise. Notwithstanding the foregoing, to the extent that any party hereto is or becomes a party in any litigation in connection with which it may assert indemnification rights set forth in this Agreement, the court in which such litigation is being heard shall be deemed to be included in clause (a) above. Each party hereto hereby consents to service of process in any such proceeding in any manner permitted by Delaware law, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 7.4 hereof is reasonably calculated to give actual notice. The provisions of this Section 8.2 shall not restrict the ability of any party to enforce in any court any judgment obtained in a federal or state court of the State of Delaware.

8.3 WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 8.3 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 8.3 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

8.4 Exercise of Rights and Remedies. No delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any such delay, omission nor waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement (or caused this Agreement to be executed on its behalf by its officer or representative thereunto duly authorized) as of the date and year first above written.

COMPANY: Surgery Partners, Inc.

By: /s/ Michael Doyle
Name: Michael Doyle
Title: Chief Executive Officer

[Signature Page to Surgery Partners, Inc. Registration Rights Agreement]

STOCKHOLDERS:

H.I.G. Surgery Centers, LLC

By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

Multi Strategy IC Limited

By: /s/ Lisa Crowson and /s/ Brett McFarlane
Name: Lisa Crowson and Brett McFarlane
Title: Director and Authorized Signatory

Partners Group Access 74 L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Authorised Signatory

Partners Group MRP, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Private Equity (Master Fund), LLC

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance III, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Direct Mezzanine 2011, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance IV, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Makayla Doyle 2012 Irrevocable Trust

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Michael Doyle 2012 Irrevocable Trust

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Mason Doyle 2012 Irrevocable Trust

/s/ Michael T. Doyle
Michael T. Doyle

/s/ Marcy Atheney
Marcy Atheney

/s/ Preston Bain
Preston Bain

/s/ Jennifer Baldock
Jennifer Baldock

/s/ Chad Baldwin
Chad Baldwin

/s/ Derek Bell
Derek Bell

/s/ Randy Bissel
Randy Bissel

/s/ John Blanck
John Blanck

/s/ Brian Blankenship
Brian Blankenship

/s/ Philip Bodie
Philip Bodie

/s/ Jane Bradford
Jane Bradford

/s/ Ronald Brank
Ronald Brank

/s/ Laurie Brocato Scovell
Laurie Brocato Scovell

/s/ Jeff Bruener
Jeff Bruener

/s/ John Calta
John Calta

/s/ Elizabeth Campbell
Elizabeth Campbell

/s/ Eric Chandler
Eric Chandler

/s/ Armando Cremata
Armando Cremata

/s/ John Crysel
John Crysel

/s/ Dennis Dean
Dennis Dean

/s/ Kevin Dowdy
Kevin Dowdy

/s/ Michelle Faccinello-Jones
Michelle Faccinello-Jones

/s/ George Goodwin
George Goodwin

/s/ Elise Gregory
Elise Gregory

/s/ David Harkins
David Harkins

/s/ Craig Hethcox
Craig Hethcox

/s/ Lainie Kennedy
Lainie Kennedy

/s/ Miles Kennedy
Miles Kennedy

/s/ Julie Lewis
Julie Lewis

/s/ Brandan Lingle
Brandan Lingle

/s/ Lisa Mann
Lisa Mann

/s/ Justin McCann
Justin McCann

/s/ Will Milo
Will Milo

/s/ Ken Mitchell
Ken Mitchell

/s/ Matt Musso
Matt Musso

/s/ Darrell Naish
Darrell Naish

/s/ David Neal
David Neal

/s/ Jeff Parks
Jeff Parks

/s/ James B. Parnell
James B. Parnell

/s/ Rick Payne
Rick Payne

/s/ Matt Petty
Matt Petty

/s/ Stephanie Plummer
Stephanie Plummer

/s/ Katherine Rendall
Katherine Rendall

/s/ Linda Simmons
Linda Simmons

/s/ Michele Simon
Michele Simon

/s/ Colleen Smallwood
Colleen Smallwood

/s/ Teresa Sparks
Teresa Sparks

/s/ Anthony Taparo
Anthony Taparo

/s/ Chris Throckmorton
Chris Throckmorton

/s/ Chris Toepke
Chris Toepke

/s/ Joe Vesneski
Joe Vesneski

/s/ Leonard Warren
Leonard Warren

/s/ Trent Webb
Trent Webb

/s/ Kelly Whelan
Kelly Whelan

/s/ Lauren Whitsett
Lauren Whitsett

/s/ David Williamson
David Williamson

/s/ Ron Zelhof
Ron Zelhof

[Signature Page to Surgery Partners, Inc. Registration Rights Agreement]

Exhibit 10.3

SURGERY PARTNERS, INC.

REORGANIZATION AGREEMENT

SEPTEMBER 30, 2015

This REORGANIZATION AGREEMENT (this "**Agreement**"), dated as of September 30, 2015, is hereby entered into by and among Surgery Partners, Inc., a Delaware corporation (the "**Corporation**"), Surgery Center Holdings, LLC, a Delaware limited liability company (the "**Holdings LLC**"), H.I.G. Surgery Centers, LLC, a Delaware limited liability company ("**Holdings LLC Representative**" in its capacity as such), and the persons listed on Schedule I hereto (each a "**Member**" and collectively the "**Members**").

RECITALS

WHEREAS, the Board of Directors of the Corporation (the "**Board**") has determined to effect an underwritten initial public offering (the "**IPO**") of shares of Common Stock (as defined below) on the terms and subject to the conditions contained in the Underwriting Agreement (as defined below);

WHEREAS, in contemplation of, in connection with and immediately prior to, the IPO Effective Time, or, in the event that the IPO does not occur by June 30, 2016, on that date, the parties desire to and agree to effect the Contribution (as defined below); and

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement (the "**Parties**") hereby agree as follows:

1. Definitions. *Certain Defined Terms*. As used herein, the following terms shall have the following meanings:

"**Affiliate**" when used with reference to another Person means any Person directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with, such other Person. In addition, Affiliates of a Person that is an entity shall include all the directors, managers, officers and employees of such entity in their capacities as such.

"**Agreement**" has the meaning set forth in the Preamble hereof.

"**Board**" has the meaning set forth in the Recitals hereof.

"**Class A Units**" has the meaning given such term in the Existing Holdings LLC Agreement.

"**Class B Units**" has the meaning given such term in the Existing Holdings LLC Agreement.

"**Common Stock**" means Common Stock, par value $0.01 per share, of the Corporation.

"**Code**" has the meaning set forth in Section 9.d.i.

"**Contribution**" has the meaning set forth in Section 3

"**Corporation**" has the meaning set forth in the Preamble hereof.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Existing Holdings LLC Agreement**" the limited liability company agreement of the Holdings LLC as in effect prior to the execution of the Holdings LLC Amendment.

"**Holdings LLC**" has the meaning set forth in the Preamble hereof.

"**Holdings LLC Amendment**" has the meaning set forth in Section 4 hereof.

"**Holdings LLC Representative**" has the meaning set forth in the Preamble hereof.

"**Holdings LLC Returns**" has the meaning set forth in Section 9.d.ii.

"**IPO**" has the meaning set forth in the Recitals hereof.

"**IPO Effective Time**" means the date and time on which the Registration Statement becomes effective.

"**ITR Agreement**" means the Income Tax Receivable Agreement being entered into by the Corporation, the Holdings LLC Representative and the Members, substantially in the form attached hereto as EXHIBIT A, simultaneously with the Contribution.

"**Member**" has the meaning set forth in the Preamble hereof.

"**Parties**" has the meaning set forth in the Recitals hereof.

"**Person**" means an individual, a partnership, a joint venture, an association, a corporation, a trust, an estate, a limited liability company, a limited liability partnership, an unincorporated entity of any kind, a governmental entity or any other legal entity.

"**Pre-Closing Tax Period**" means any taxable period or portion thereof ending on or before the date of the Contribution.

"**Registration Statement**" means the Exchange Act registration statement filed by the Corporation on Form N1-A with the SEC to register the Common Stock.

"**Reorganization Documents**" means each of the documents attached as an exhibit hereto and all other agreements and documents entered into in connection with the Contribution.

"**SEC**" means the Securities and Exchange Commission.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Subsidiary**" means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall control the management of any such limited liability company, partnership, association or other business entity.

"**Survival Period**" has the meaning set forth in Section 8 hereof.

"**Tax Return**" means any tax-related return, declaration, election, report, claim for refund or information return or statement filed or required to be filed with a taxing authority, including any schedule or attachment thereto, and including any amendment thereof.

"**Transfer Taxes**" has the meaning set forth in Section 9.e.

"**Underwriting Agreement**" means the underwriting agreement, dated as of the day of the IPO Effective Time, by and among the Corporation and the underwriters of the IPO.

"**Units**" has the meaning given such term in the Existing Holdings LLC Agreement.

2. Other Definitional Provisions. In this Agreement, unless otherwise specified or where the context otherwise requires:

a. the headings of particular provisions of this Agreement are inserted for convenience only and will not be construed as a part of this Agreement or serve as a limitation or expansion on the scope of any term or provision of this Agreement;

b. words importing the singular only shall include the plural and vice versa;

c. the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation";

d. the words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement;

e. references to "Exhibits," "Sections" or "Schedules" shall be to Exhibits, Sections or Schedules of or to this Agreement;

f. references to any Person include the successors and permitted assigns of such Person;

g. the use of the words "or," "either" and "any" shall not be exclusive;

h. wherever a conflict exists between this Agreement and any other agreement among Parties hereto, this Agreement shall control but solely to the extent of such conflict;

i. references to "$" or "dollars" means the lawful currency of the United States of America;

j. references to any agreement, contract or schedule, unless otherwise stated, are to such agreement, contract or schedule as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; and

k. the Parties hereto have participated collectively in the negotiation and drafting of this Agreement; accordingly, in the event an ambiguity or question of intent or interpretation arises, it is the intention of the Parties that this Agreement shall be construed as if drafted collectively by the Parties hereto, and that no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provisions of this Agreement.

3. The Contribution.

a. Subject to the terms and conditions set forth herein, and on the basis of and in reliance upon the representations, warranties, covenants and agreements set forth herein, the Parties shall take the actions described in this Section 3. Upon the earlier to occur of (i) immediately prior to the IPO Effective Time and (ii) June 30, 2016, the Members hereby contribute all of their Units (as defined in the Holdings LLC Agreement (as defined below)) to the Corporation in exchange for (x) the number of shares of restricted and unrestricted Common Stock to be set forth opposite such person's name on Schedule I under the columns titled "Number of Shares of Restricted Common Stock of Surgery Partners, Inc." and "Number of Shares of Unrestricted Common Stock of Surgery Partners, Inc." and (y) amounts payable pursuant to and subject to the terms of the ITR Agreement, which contributions the Parties agree occur on the date of and immediately prior to the IPO Effective Time or June 30, 2016, as applicable (collectively, the "**Contribution**"). With respect to any shares of restricted Common Stock received as part of the Reorganization, each Member hereby agrees to make an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "**Code**"). Each of the Parties acknowledges that the Schedule I attached to this Agreement on the date hereof

(the "**Initial Schedule I**") has been initially prepared with assumption that the Common Stock will be offered to the public at a price per share of $19.00. In the event that the Contribution occurs immediately prior to the IPO Effective Time, when the price per share of Common Stock for the IPO is definitively determined by the Company, the Company and the Holdings LLC Representative will update Schedule I to reflect such actual price per share, and each of the shares of restricted and unrestricted Common Stock to be issued to the Members shall be updated using the same principles and methodology that were used in preparing the Initial Schedule I. At such time that it is prepared by the Company and the Holdings LLC Representative, such updated Schedule I shall be valid and binding on all Members, without any further action or right to object or otherwise challenge, and shall be affixed to this Agreement in place of the Initial Schedule I. In the event that the Contribution occurs on June 30, 2016, Schedule I, as attached hereto on the date of this Agreement, shall be valid and binding on all Members, without any further action or right to object or otherwise challenge.

b. Each of the Parties hereby acknowledges, agrees and consents to the Contribution and shall take all action necessary or appropriate in order to effect, or cause to be effected, to the extent within its control, the Contribution and the IPO. There shall be no conditions to the Contribution.

c. At the time of the Contribution and effective as of immediately prior to the IPO Effective Time or on June 30, 2016, as applicable, by virtue of the Contribution and without any action from the holders of Units held immediately prior to the Contribution (the "**Cancelled Units**"), each Unit of the Cancelled Units shall automatically be cancelled and retired and cease to exist, and no consideration or payment shall be delivered therefor or in respect thereto (the "**Cancellation**"). The Corporation shall indemnify, hold harmless and reimburse each holder of any Cancelled Units against any loss incurred by such holder directly from the Cancellation.

4. Execution of Additional Documents. The Parties hereto shall, and each hereby agrees to, enter into the Reorganization Documents to which it is a party, together with any other documents and instruments necessary or desirable to be delivered in connection with the Contribution. In furtherance of the foregoing, the Corporation, the Holdings LLC Representative and the Members shall, and each hereby agrees to, enter into the ITR Agreement simultaneously with the execution of this Agreement. Further, immediately following the Contribution, the Corporation, as the sole member of the Holdings LLC, will amend and restate the limited liability company agreement of the Holdings LLC.

5. Representations and Warranties of all Parties. Each Party hereby represents and warrants to all of the other Parties hereto as follows as of the date of this Agreement and as of immediately prior to the time of the Contribution:

a. To the extent such Party is not an individual, such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization or incorporation. The execution, delivery and performance by such Party of this Agreement and of the applicable Reorganization Documents, to the extent a party thereto and to the extent such Party is not an individual, has been duly authorized by all necessary action.

b. To the extent such Party is not an individual, such Party has the requisite power, authority and legal right to execute and deliver this Agreement and each of the Reorganization Documents, to the extent a party thereto, and to consummate the transactions contemplated hereby and thereby, as the case may be.

c. This Agreement and each of the Reorganization Documents to which it is a party has been (or when executed will be) duly executed and delivered by such Party and constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

d. Neither the execution, delivery and performance by such Party of this Agreement and the applicable Reorganization Documents, to the extent a party thereto, nor the consummation by such Party of the transactions

contemplated hereby, nor compliance by such Party with the terms and provisions hereof, will, directly or indirectly (with or without notice or lapse of time or both), (i) contravene or conflict with, or result in a breach or termination of, or constitute a default under (or with notice or lapse of time or both, result in the breach or termination of or constitute a default under) the organization documents of such Party (to the extent such Party is not an individual), (ii) constitute a violation by such Party of any existing requirement of law applicable to such Party or any of its properties, rights or assets or (iii) require the consent or approval of any Person, except in the case of clauses (ii) and (iii), as would not reasonably be expected to result in, individual or in the aggregate, a material adverse effect on the ability of such Party to consummate the transaction contemplated by this Agreement.

e. Such Party (either alone or together with its advisors) has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the Contribution. Such Party has had the opportunity to ask questions and receive answers concerning the terms and conditions of the Contribution and has had full access to such other information concerning the Contribution as it has requested. Such Party has received all information that it believes is necessary or appropriate in connection with the Contribution. Such Party is an informed and sophisticated party and has engaged, to the extent such Party deems appropriate, expert advisors experienced in the evaluation of transactions of the type contemplated hereby. Such Party is an accredited investor as that term is defined in Regulation D under the Securities Act of 1933. Such Party understands that the securities acquired hereunder have not been registered and agrees to resell such securities pursuant to registration under the Securities Act, pursuant to an available exemption from registration, or, if applicable, in accordance with the provisions of Regulation S under the Securities Act.

6. Additional Representations of the Corporation. The Corporation hereby further represents and warrants to the Members as follows as of the date of this Agreement and as of immediately prior to the time of the Contribution that all of the shares of Common Stock have been duly authorized, validly issued, fully paid and non-assessable.

7. Additional Representations of the Members. Each Member hereby further represents and warrants to all of the other Parties as follows as of the date of this Agreement and as of immediately prior to the time of the Contribution:

a. Such Member is the record and beneficial owner of a number of Class A Units equal to the number set forth opposite such Member's name on Schedule I hereto under the column titled "Number of Class A Units". Such Member is the record and beneficial owner of a number of Class B Units equal to the number set forth opposite such Member's name on Schedule I hereto under the column titled "Total Number of Vested and Unvested Class B Units." Such Member has good and marketable title to all of its Units free and clear of all encumbrances.

b. Except in connection with a selling stockholder component of the IPO, if any, such Member does not have a binding obligation to sell, transfer or otherwise exchange (or to cause or allow any action that would result in a transfer or deemed transfer for U.S. federal income tax purposes) the Common Stock it will receive in connection with the Contribution.

8. Survival. The representations and warranties of the Parties contained in this Agreement shall survive until the first anniversary of the date hereof (the "**Survival Period**").

9. Tax Matters.

a. *The Contribution*. The Parties agree to report and cause to be reported for all purposes, including federal, state, and local Tax purposes and financial reporting purposes, except upon a contrary final determination by an applicable taxing authority, (i) the Contribution, combined with the IPO, if applicable, as a contribution of the equity interests of the Holdings LLC in a transaction described in Code Section 351 and (ii) the payments pursuant to the ITR Agreement as described in Section 351(b) of the Code as partial consideration to the Members for their transfer of equity interests in the Holdings LLC to the Corporation, other than amounts required to be treated as Imputed Interest (as that term is defined in the ITR Agreement). The Corporation shall also comply with the reporting requirements described in Treasury Regulations Section 1.351-3.

b. *Tax Forms*. Prior to the time of the Contribution,

i. The Holdings LLC shall cause SP Holdco I, Inc. to deliver to each Member a certification in a form reasonably acceptable to the Holdings LLC Representative, conforming to the requirements of Treasury Regulations Section 1.897-2(h) and 1.1445-2(c); and

ii. The Holdings LLC shall deliver to the Corporation a certification in a form reasonably acceptable to the Corporation conforming to the requirements of Treasury Regulations Section 1.1445-11T(d).

c. *Tax Sharing Agreements; Powers of Attorney*. Without the consent of the Corporation, all Tax sharing or similar agreements and all powers of attorney with respect to or involving the Holdings LLC and its Subsidiaries shall be terminated prior to the Contribution, and, after the Contribution, none of the Corporation or any of its Affiliates shall be bound thereby or have any liability thereunder.

d. *Holdings LLC Tax Returns*.

i. The Parties agree that the Holdings LLC will terminate pursuant to Section 708 of the Code on the date of the Contribution. The Corporation shall cause the Holdings LLC and its subsidiaries to not take any action on the date of the Contribution outside of the ordinary course of operations of the Holdings LLC and its subsidiaries.

ii. The Corporation shall prepare and file (or cause to be prepared and filed) (i) all Tax Returns of the Holdings LLC required to be filed after the date hereof for any Pre-Closing Tax Period and (ii) all Tax Returns required to be filed with respect to Transfer Taxes described in Section 9.e (collectively, "**Holdings LLC Returns**"). All Tax Returns described in clause (i) of the definition of "Holdings LLC Returns" shall be prepared on a basis consistent with the most recent Tax Returns of the Holdings LLC (and the terms of this Agreement and the ITR Agreement) unless the Corporation and the Holdings LLC Representative determine that a contrary position is required by applicable law. Not later than thirty (30) days prior to the due date for the filing of a Holdings LLC Return, the Corporation shall provide a copy of such Holdings LLC Return to the Holdings LLC Representative for review and approval. Notwithstanding anything in this Agreement or the Reorganization Documents to the contrary, except as may be required by applicable law, neither the Corporation nor any of its Affiliates (including the Holdings LLC) may amend any Tax Return for any Pre-Closing Tax Period of or with respect to the Holdings LLC without the consent of the Holdings LLC Representative.

e. *Transfer Taxes*. The Corporation shall be responsible for and shall timely pay all transfer, documentary, sales, use, stamp, registration and other similar Taxes, and any conveyance fees or recording charges (collectively, "**Transfer Taxes**") incurred in connection with the Contribution.

f. *Cooperation*. Each Party will cooperate fully, as and to the extent reasonably requested by the other Parties, in connection with any Tax matters relating to the matters described herein. The Party requesting such cooperation will pay the reasonable costs and expenses of the cooperating Party.

10. Miscellaneous.

a. *Amendments and Waivers*. This Agreement may be modified, amended or waived only with the written approval of the Corporation and the Holdings LLC Representative, provided, however that an amendment or modification that would affect any other Party in a manner materially and disproportionately adverse to such Party shall be effective against such Party so materially and adversely affected only with the prior written consent of such Party, such consent not to be unreasonably withheld or delayed. The failure of any Party to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such Party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

b. *Successors, Assigns and Transferees*. This Agreement shall bind and inure to the benefit of and be enforceable by the Parties hereto and their respective successors and assigns.

c. *Notices*. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the Party to be notified; (b) when sent by confirmed facsimile if sent during normal business hours of the recipient, if not, then on the next business day, provided that a copy of such notice is also sent via nationally recognized overnight courier, specifying next day delivery, with written verification of receipt; (c) three days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (d) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery with written verification of receipt. All communications shall be sent to such Party's address as set forth below or at such other address as the Party shall have furnished to each other Party in writing in accordance with this provision:

If to the Corporation or to the Holdings LLC, to:

Surgery Partners, Inc.
40 Burton Hills Boulevard
Suite 500
Nashville, Tennessee 37215
Attention: Teresa Sparks
E-mail: tsparks@surgerypartners.com

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036
Attention: Carl Marcellino
E-mail: carl.marcellino@ropesgray.com

If to the Holdings LLC Representative, to:

H.I.G. Capital
600 Fifth Avenue
New York, NY 10020
Attention: Chris Latiala
Matthew Lozow
E-mail: claitala@higcapital.com
mlozow@higcapital.com

with a copy (which shall not constitute notice) to:
Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036
Attention: Carl Marcellino

E-mail: carl.marcellino@ropesgray.com

If to a Member, to the address of such Member reflected on the books and records of the Holdings LLC.

d. *Further Assurances*. At any time or from time to time after the date hereof, the Parties agree to cooperate with each other, and at the request of any other Party, to execute and deliver any further instruments or documents and to take all such further action as another Party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the Parties hereunder.

e. *Entire Agreement*. Except as otherwise expressly set forth herein, this Agreement, together with the Reorganization Documents, embodies the complete agreement and understanding among the Parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, that may have related to the subject matter hereof in any way.

f. *Governing Law; Jurisdiction; Waiver of Jury Trial*. This Agreement shall be governed by the laws of the state of Delaware. To the fullest extent permitted by law, no suit, action or proceeding with respect to this Agreement may be brought in any court or before any similar authority other than in the Delaware Chancery Court, and the Parties hereto hereby submit to the exclusive jurisdiction of such courts for the purpose of such suit, proceeding or judgment. To the fullest extent permitted by law, each Party hereto irrevocably waives any right it may have had to bring such an action in any other court, domestic or foreign, or before any similar domestic or foreign authority. Each of the Parties hereto hereby irrevocably and unconditionally waives trial by jury in any legal action or proceeding in relation to this Agreement and for any counterclaim herein.

g. *Severability*. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

h. *Enforcement*. Each Party hereto acknowledges that money damages would not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limiting any other remedy or right it may have, the non-breaching Party will have the right to an injunction, temporary restraining order or other equitable relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof.

i. *No Third-Party Beneficiaries*. This Agreement shall be solely for the benefit of the Parties and no other Person or entity shall be a third Party beneficiary hereof.

j. *Counterparts; Electronic Signatures*. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. A facsimile signature page (or signature page in similar electronic form) hereto shall be treated by the Parties for all purposes as equivalent to a manually signed signature page.

* * * * *

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Corporation

Surgery Partners, Inc.

By: /s/ Michael T. Doyle
Name: Michael T. Doyle
Title: Chief Executive Officer

Holdings LLC

Surgery Center Holdings, LLC

By: /s/ Michael T. Doyle
Name: Michael T. Doyle
Title: Chief Executive Officer

Holdings LLC Representative

H.I.G. Surgery Centers, LLC

By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

Members

H.I.G. Surgery Centers, LLC

By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

THL Credit Opportunities, L.P.

By: /s/ Christopher J. Flynn
Name: Christopher J. Flynn
Title: Co-Chief Executive Officer

Partners Group Access 74 L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Authorised Signatory

Partners Group MRP, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Private Equity (Master Fund), LLC

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance III, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Direct Mezzanine 2011, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance IV, L.P.

By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Multi Strategy IC Limited

By: /s/ Lisa Crowson and /s/ Brett McFarlane
Name: Lisa Crowson and Brett McFarlane
Title: Director and Authorised Signatory

/s/ Scott Macomber
Scott Macomber

/s/ John Lawrence
John Lawrence

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Makayla Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Michael Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Mason Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Michael T. Doyle
Michael T. Doyle

/s/ Jeff Parks
Jeff Parks

/s/ Will Milo
Will Milo

/s/ Ron Zelhof
Ron Zelhof

/s/ Armando Cremata
Armando Cremata

/s/ Julie Lewis
Julie Lewis

/s/ Michele Simon
Michele Simon

/s/ Teresa Sparks
Teresa Sparks

/s/ John Crysel
John Crysel

/s/ Dennis Dean
Dennis Dean

/s/ George Goodwin
George Goodwin

/s/ Anthony Taparo
Anthony Taparo

/s/ Jennifer Baldock
Jennifer Baldock

/s/ Matt Petty
Matt Petty

/s/ Ken Mitchell
Ken Mitchell

/s/ Chris Toepke
Chris Toepke

/s/ Chris Throckmorton
Chris Throckmorton

/s/ David Harkins
David Harkins

/s/ Lainie Kennedy
Lainie Kennedy

/s/ Brandan Lingle
Brandan Lingle

/s/ David Neal
David Neal

/s/ Katherine Rendall
Katherine Rendall

/s/ John Blanck
John Blanck

/s/ John Calta
John Calta

/s/ Craig Hethcox
Craig Hethcox

/s/ Marcy Atheney
Marcy Atheney

/s/ Preston Bain
Preston Bain

/s/ Chad Baldwin
Chad Baldwin

/s/ Derek Bell
Derek Bell

/s/ Randy Bissel
Randy Bissel

/s/ Brian Blankenship
Brian Blankenship

/s/ Philip Bodie
Philip Bodie

/s/ Jane Bradford
Jane Bradford

/s/ Ronald Brank
Ronald Brank

/s/ Laurie Brocato
Laurie Brocato

/s/ Jeff Bruener
Jeff Bruener

/s/ Elizabeth Campbell
Elizabeth Campbell

/s/ Eric Chandler
Eric Chandler

/s/ Kevin Dowdy
Kevin Dowdy

/s/ Michelle Faccinello-Jones
Michelle Faccinello-Jones

/s/ Elise Gregory
Elise Gregory

/s/ Miles Kennedy
Miles Kennedy

/s/ Lisa Mann
Lisa Mann

/s/ Justin McCann
Justin McCann

/s/ Matt Musso
Matt Musso

/s/ Darrell Naish
Darrell Naish

/s/ James B. Parnell
James B. Parnell

/s/ Rick Payne
Rick Payne

/s/ Stephanie Plummer
Stephanie Plummer

/s/ Linda Simmons
Linda Simmons

/s/ Colleen Smallwood
Colleen Smallwood

/s/ Joe Vesneski
Joe Vesneski

/s/ Leonard Warren
Leonard Warren

/s/ Trent Webb
Trent Webb

/s/ Kelly Whelan
Kelly Whelan

/s/ Lauren Whitsett
Lauren Whitsett

/s/ David Williamson
David Williamson

SCHEDULE I

Member Name	Number of Class A Units	Number of Vested Class B Units	Number of Unvested Class B Units	Total Number of Vested and Unvested Class B Units	Number of Shares of Unrestricted Common Stock of Surgery Partners, Inc.	Number of Shares of Restricted Common Stock of Surgery Partners, Inc.
H.I.G. Surgery Centers, LLC	47,054,245	-	-	-	27,780,115	-
THL Credit, Inc.	469,673	-	-	-	277,288	-
Multi Strategy IC Limited	1,600	-	-	-	945	-
Partners Group Access 74 L.P.	143,005	-	-	-	84,428	-
Partners Group Direct Mezzanine 2011, L.P. Inc.	14,039	-	-	-	8,288	-
Partners Group Mezzanine Finance III, L.P.	131,942	-	-	-	77,897	-
Partners Group Mezzanine Finance IV, L.P.	5,420	-	-	-	3,200	-
Partners Group MRP, L.P.	36,977	-	-	-	21,831	-
Partners Group Private Equity (Master Fund), LLC	22,162	-	-	-	13,084	-
Scott Macomber	434,541	-	-	-	256,546	-
John Lawrence	290,692	-	-	-	171,620	-
Makayla Doyle 2012 Irrevocable Trust	80,000	-	-	-	47,231	-
Mason Doyle 2012 Irrevocable Trust	80,000	-	-	-	47,231	-
Michael Doyle 2012 Irrevocable Trust	80,000	-	-	-	47,231	-
Michael T. Doyle	2,760,000	1,663,918	770,485	2,434,403	3,066,697	-
Anthony Taparo	-	15,000	135,000	150,000	67,316	-
Armando Cremata	-	67,600	35,579	103,179	60,915	-
Dennis Dean	-	20,000	180,000	200,000	89,755	-
George Goodwin	-	17,500	157,500	175,000	78,535	-
Jeff Parks	-	318,117	167,430	485,547	286,660	-
Jennifer Baldock	-	12,500	112,500	125,000	56,097	-
John Crysel	-	20,000	180,000	200,000	89,755	-
Julie Lewis	-	67,600	35,579	103,179	60,915	-
Ken Mitchell	-	5,000	45,000	50,000	22,439	-
Matt Petty	-	7,500	67,500	75,000	33,658	-
Michele Simon	-	67,600	35,579	103,179	60,915	-

[Schedule I to Reorganization Agreement]

Member Name	Number of Class A Units	Number of Vested Class B Units	Number of Unvested Class B Units	Total Number of Vested and Unvested Class B Units	Number of Shares of Unrestricted Common Stock of Surgery Partners, Inc.	Number of Shares of Restricted Common Stock of Surgery Partners, Inc.
Ronald P. Zelhof	-	135,199	71,158	206,357	121,830	-
Teresa Sparks	-	32,500	292,500	325,000	145,851	-
William Milo	-	270,399	142,316	412,715	243,661	-
Chris Throckmorton	-	-	150,000	150,000	67,316	-
Chris Toepke	-	-	150,000	150,000	67,316	-
David Harkins	-	-	50,000	50,000	22,439	-
David Neal	-	-	50,000	50,000	22,439	-
Brandan Lingle	-	-	50,000	50,000	11,219	11,219
Brian Blankenship	-	-	25,127	25,127	5,638	5,638
Chad Baldwin	-	-	25,127	25,127	5,638	5,638
Colleen Smallwood	-	-	9,080	9,080	2,037	2,037
Darrell Naish	-	-	44,077	44,077	9,890	9,890
David Williamson	-	-	25,127	25,127	5,638	5,638
Derek Bell	-	-	19,152	19,152	4,297	4,297
Elizabeth Campbell	-	-	25,284	25,284	5,673	5,673
Eric Chandler	-	-	10,000	10,000	2,244	2,244
Garrett Miles Kennedy	-	-	38,000	38,000	8,527	8,527
James B. Parnell	-	-	10,043	10,043	2,254	2,254
Jane Bradford	-	-	10,898	10,898	2,445	2,445
Jeff Bruener	-	-	29,188	29,188	6,549	6,549
Joe Vesneski	-	-	7,710	7,710	1,731	1,731
John Blanck	-	-	28,390	28,390	6,370	6,370
John Calta	-	-	28,390	28,390	6,370	6,370
Justin McCann	-	-	10,136	10,136	2,274	2,274
Katie Rendall	-	-	10,000	10,000	2,244	2,244
Kelly Whelan	-	-	4,670	4,670	1,049	1,049
Kevin Dowdy	-	-	14,000	14,000	3,141	3,141
Lauren Whitsett	-	-	19,905	19,905	4,466	4,466
Laurie Brocato-Scovell	-	-	9,847	9,847	2,210	2,210

Member Name	Number of Class A Units	Number of Vested Class B Units	Number of Unvested Class B Units	Total Number of Vested and Unvested Class B Units	Number of Shares of Unrestricted Common Stock of Surgery Partners, Inc.	Number of Shares of Restricted Common Stock of Surgery Partners, Inc.
Leonard Warren	-	-	14,524	14,524	3,259	3,259
Linda Simmons	-	-	29,188	29,188	6,549	6,549
Lisa Mann	-	-	14,622	14,622	3,281	3,281
Marcy Atheney	-	-	30,523	30,523	6,849	6,849
Marialaina Kennedy	-	-	50,000	50,000	11,219	11,219
Matt Musso	-	-	27,675	27,675	6,210	6,210
Michelle Facchinello	-	-	15,561	15,561	3,492	3,492
Philip Bodie	-	-	5,218	5,218	1,172	1,172
Phillip C. Hethcox	-	-	28,390	28,390	6,370	6,370
Preston Bain	-	-	25,555	25,555	5,734	5,734
Randy Bissel	-	-	30,146	30,146	6,764	6,764
Rebecca Elise Gregory	-	-	8,690	8,690	1,950	1,950
Rick Payne	-	-	7,710	7,710	1,730	1,730
Ronald Brank	-	-	46,451	46,451	10,423	10,423
Stephanie Plummer	-	-	9,882	9,882	2,217	2,217
Trent Webb	-	-	27,410	27,410	6,150	6,150

EXHIBIT A

ITR Agreement

[See Attached]

[Exhibit A to Reorganization Agreement]

INCOME TAX RECEIVABLE AGREEMENT

Dated as of September 30, 2015

Table of Contents

This INCOME TAX RECEIVABLE AGREEMENT (as amended from time to time, this "**Agreement**"), dated as of September 30, 2015, is hereby entered into by and among Surgery Partners, Inc., a Delaware corporation (the "**Corporation**"), H.I.G. Surgery Centers LLC, a Delaware limited liability company (the "**Stockholders Representative**," in its capacity as such), the persons listed on Annex A hereto (each a "**Stockholder**" and collectively the "**Stockholders**") and each of the permitted successors and assigns thereto.

RECITALS

WHEREAS, prior to the IPO, the Stockholders transferred 100% of their equity interests in Surgery Center Holdings, LLC, a Delaware limited liability company to the Corporation in exchange for capital stock of the Corporation;

WHEREAS, pursuant to the IPO, the Corporation will become a public company;

WHEREAS, after the IPO, the Corporation and its Subsidiaries (collectively, the "**Taxable Entities**" and each a "**Taxable Entity**") will have Pre-IPO NOLs;

WHEREAS, the Pre-IPO NOLs and the Imputed Interest may reduce the reported liability for Taxes that the Taxable Entities might otherwise be required to pay;

WHEREAS, the parties to this Agreement desire to make certain arrangements with respect to the effect of the Pre-IPO NOLs and Imputed Interest on the liability for Taxes of the Taxable Entities.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements set forth herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. As used in this Agreement, the terms set forth in this Article I shall have the following meanings.

"**Advisory Firm**" means (i) Ernst & Young LLP or (ii) any other law or accounting firm that is (A) nationally recognized as being expert in Tax matters and (B) that is agreed to by the Corporation and the Stockholders Representative.

"**Advisory Firm Letter**" means a letter from the Advisory Firm stating, as applicable, that the relevant Schedule, notice, or other information to be provided by the Corporation to the Stockholders Representative and all supporting schedules and work papers were prepared in a manner consistent with the terms of this Agreement and, to the extent not expressly provided in this Agreement, on a reasonable basis in light of the facts and applicable law in existence on the date to which such Schedule, notice or other information relates.

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such first Person.

"**Agreed Rate**" means LIBOR plus 300 basis points.

"**Agreement**" is defined in the preamble of this Agreement.

"**Amended Schedule**" is defined in Section 2.03(b) of this Agreement.

"**Applicable Percentage**" means, with respect to any Stockholder, the percentage set forth opposite such Stockholder's name on Annex A, as amended from time to time to reflect any Permitted Assignment.

"**Bankruptcy Code**" means Title 11 of the United States Code.

"**Business Day**" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

"**Change of Control**" means:

(i) a merger, reorganization, consolidation or similar form of business transaction directly involving the Corporation or indirectly involving the Corporation through one or more intermediaries unless, immediately following such transaction, more than 50% of the voting power of the then outstanding voting stock or other equity securities of the Corporation resulting from consummation of such transaction (including any parent or ultimate parent corporation of such Person that as a result of such transaction owns directly or indirectly the Corporation and all or substantially all of the Corporation's assets) is held by the existing equityholders of the Corporation (determined immediately prior to such transaction and related transactions); or

(ii) a transaction in which the Corporation, directly or indirectly, sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to another Person other than an Affiliate; or

(iii) a transaction in which there is an acquisition of control of the Corporation by a Person or group of Persons (other than Stockholders and their Affiliates). For purposes of this definition, the term "control" shall mean the possession, directly or indirectly, of the power to either (A) vote more than 50% of the securities having ordinary voting power for the election of directors (or comparable positions in the case of partnerships and limited liability companies), or (B) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise (for the avoidance of doubt, consent rights do not constitute "control" for the purpose of this definition); or

(iv) the liquidation or dissolution of the Corporation.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Control**" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"**Corporation**" is defined in the preamble of this Agreement.

"**Default Rate**" means LIBOR plus 500 basis points.

"**Determination**" shall (a) have the meaning ascribed to such term in Section 1313(a) of the Code or similar provision of state or local Tax law, as applicable, or (b) mean any other event (including the execution of a Form 870-AD) that finally and conclusively establishes the amount of any liability for Tax.

"**Divestiture**" means the sale or other divestiture of any Taxable Entity, other than (x) any such sale that is or is part of a Change of Control or (y) a liquidation or merger of a Taxable Entity with and into another Taxable Entity so long as such other Taxable Entity inherits the Pre-IPO NOLs, if any, of such first-mentioned Taxable Entity as of the time of such transaction.

"**Divestiture Acceleration Payment**" is defined in Section 4.03(c) of this Agreement.

"**Early Termination Date**" means the date of delivery of an Early Termination Notice for purposes of determining the Early Termination Payment or such other date as may be agreed to by the Stockholders Representative and the Corporation.

"**Early Termination Notice**" is defined in Section 4.02 of this Agreement.

"**Early Termination Payment**" is defined in Section 4.03(b) of this Agreement.

"**Early Termination Rate**" means LIBOR plus 100 basis points.

"**Early Termination Schedule**" is defined in Section 4.02 of this Agreement.

"**Expert**" is defined in Section 7.08 of this Agreement.

"**Imputed Interest**" shall mean any interest imputed under Section 1272, 1274 or 483 or other provision of the Code and any similar provision of state and local tax law with respect to the Corporation's payment obligations under this Agreement.

"**Initial Debt Documents**" is defined in Section 5.02 of this Agreement.

"**Interest Amount**" is defined in Section 3.01(b) of this Agreement.

"**IPO**" means the initial public offering of common stock of the Corporation pursuant to the registration statement on Form S-1 (File No. 333-206439) of the Corporation.

"**ITR Payment**" means any Tax Benefit Payment, Early Termination Payment, or Divestiture Acceleration Payment required to be made by the Corporation to the Stockholders under this Agreement.

"**LIBOR**" means, during any period, an interest rate per annum equal to the one-year LIBOR reported, on the date two days prior to the first day of such period, on the Reuters Screen page "LIBOR01" (or if such screen shall cease to be publicly available, as reported by any other publicly available source of such market rate) for London interbank offered rates for U.S. dollar deposits for such period.

"**Material Objection Notice**" is defined in Section 2.03(a) of this Agreement.

"**Net Tax Benefit**" is defined in Section 3.01(b) of this Agreement.

"**NOLs**" means for applicable Tax purposes, net operating losses, capital losses, charitable deductions, alternative minimum tax credit carryforwards, and federal and state tax credits.

"**Non-NOL Tax Liability**" means, with respect to any federal Taxable Year, the liability for Taxes of the Taxable Entities for such federal Taxable Year, and the state and local Taxable Years ending with or within such federal Taxable Year, determined using the same methods, elections, conventions and similar practices used on (x) the relevant Taxable Entity Returns for such federal Taxable Year and, without duplication, (y) the relevant Taxable Entity Returns for any state or local Taxable Year ending with or within such federal Taxable Year, but in each case without taking into account the Pre-IPO NOLs, or the deduction attributable to Imputed Interest, if any. If all or any portion of the liability for Taxes for a Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Non-NOL Tax Liability unless and until there has been a Determination with respect to such liability.

"**Payment Date**" means any date on which a payment is required to be made pursuant to this Agreement.

"**Permitted Assignee**" means any Person who receives rights under this Agreement pursuant to a Permitted Assignment.

"**Permitted Assignment**" means any assignment of all or a portion of the rights of a Stockholder in accordance with this Agreement.

"**Permitted Debt Documents**" is defined in Section 5.02 of this Agreement.

"**Person**" means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

"**Pre-IPO NOLs**" means NOLs that have accrued or otherwise relate to taxable periods (or portions thereof) beginning prior to the date of the IPO; provided, that, in the case of a taxable period of a Taxable Entity beginning on or prior to the date of the IPO and ending after the date of the IPO (a "**Straddle Period**"), the Pre-IPO NOLs of a Taxable Entity for such Straddle Period shall for purposes of this Agreement be calculated based on an interim closing of the books as of the close of the date of the IPO (and for such purpose, the taxable period of any partnership or other pass-through entity or any "controlled foreign corporation" within the meaning of Section 957 of the Code in which the Taxable Entity owns a beneficial interest shall be deemed to terminate at such time), except that the amount of exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, with respect to such Straddle Period shall be treated as apportioned on a daily basis; provided, further, Pre-IPO NOLs shall not include NOLs of any corporation or other entity acquired by a Taxable Entity by purchase, merger, or otherwise (in each case, from a Person or Persons other than a Taxable Entity and whether or not such corporation or other entity survives) after the IPO that relate to periods (or portions thereof) ending on or prior to the date of such acquisition.

"**Realized Tax Benefit**" means, for a federal Taxable Year, the excess, if any, of the Non-NOL Tax Liability over the actual liability for Taxes of the Taxable Entities for (x) such federal Taxable Year and, without duplication, (y) any state or local Taxable Year ending with or within such federal Taxable Year, and assuming for purposes of calculating any actual liability that the Taxable Entities utilize the Pre-IPO NOLs and any deduction attributable to Imputed Interest to the maximum extent permitted by law as early as may be permitted by applicable law. If all or a portion of the actual Tax liability for Taxes for a Taxable Year arises as a result of an audit by a Taxing Authority of any Taxable Year, such liability shall not be included in determining the Realized Tax Benefit unless and until there has been a Determination with respect to such liability.

"**Reconciliation Dispute**" is defined in Section 7.08 of this Agreement.

"**Reconciliation Procedures**" means those procedures set forth in Section 7.08 of this Agreement.

"**Schedule**" means, as applicable, any Tax Benefit Schedule and the Early Termination Schedule.

"**Stockholder**" and "**Stockholders**" are defined in the preamble of this Agreement.

"**Stockholders Representative**" is defined in the preamble of this Agreement.

"**Straddle Period**" is defined in the definition of "Pre-IPO NOLs".

"**Subsidiaries**" means, with respect to any Person, as of any date of determination, any other Person as to which such Person owns, directly or indirectly, or otherwise controls more than 50% of the voting power (or other similar interests) or the sole general partner interest or managing member or similar interest of such Person.

"**Tax Benefit Payment**" is defined in Section 3.01(b) of this Agreement.

"**Tax Benefit Schedule**" is defined in Section 2.02 of this Agreement.

"**Tax Return**" means any return, declaration, report or similar statement required to be filed with respect to Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

"**Taxable Entity**" is defined in the recitals of this Agreement.

"**Taxable Entity Return**" means the federal income Tax Return of a Taxable Entity filed with respect to a federal Taxable Year and/or state and/or local income (or similar, including franchise, as applicable) Tax Return, as applicable, of the Taxable Entity filed with respect to a Taxable Year ending with or within such federal Taxable Year.

"**Taxable Year**" means a taxable year as defined in Section 441(b) of the Code or comparable section of state or local Tax law, as applicable (and, therefore, for the avoidance of doubt, may include a period of less than 12 months for which a Tax Return is made), ending on or after the date hereof.

"**Tax**" and "**Taxes**" means any and all U.S. federal, state and local taxes, assessments or similar charges measured with respect to net income or profits, and any interest related to such taxes.

"**Taxing Authority**" means any domestic, federal, national, state, county or municipal or other local government, any subdivision, agency, commission or authority thereof, or any quasi-governmental body exercising any taxing authority or any other authority exercising Tax regulatory authority.

"**Transferred NOLs**" means, in the event of a Divestiture, the Pre-IPO NOLs attributable to the Taxable Entities sold in such Divestiture to the extent such Pre-IPO NOLs are transferred with such Taxable Entities under applicable Tax law (including under Sections 381 and 1502 of the Code and the Treasury Regulations promulgated thereunder, and any corresponding provisions of state and local law) following the Divestiture (disregarding any limitation on the use of such Pre-IPO NOLs as a result of the Divestiture) and do not remain under applicable Tax law with the Corporation or any of its Subsidiaries (other than the Taxable Entities sold in such Divestiture).

"**Valuation Assumptions**" means, as of an Early Termination Date, the assumptions that (i) in each Taxable Year ending on or after such Early Termination Date (and each prior Taxable Year with respect to which the Tax Benefit Schedule has not become final in accordance with the terms of this Agreement), each Taxable Entity will generate an amount of taxable income sufficient to fully use the Pre-IPO NOLs and deductions or loss carryforwards with respect to any Imputed Interest that are available for use in such year (taking into account the rules and limitations under Section 382 of the Code and the Treasury Regulations promulgated thereunder as well as the rules relating to the treatment of "net unrealized built-in gain" and "net unrealized built-in loss," applying the principles described in Notice 2003-65, 2003-2 C.B. 747; it being understood for the avoidance of doubt that any deductions that would have arisen as a result of a portion of a hypothetical Tax Benefit Payment being treated as Imputed Interest pursuant to this Agreement and that are treated as Pre-IPO NOLs available for use in a taxable year pursuant to this Agreement are not subject to such rules and limitations described in Section 382 of the Code and the Treasury Regulations promulgated thereunder or as the rules relating to the treatment of "net unrealized built-in gain" and "net unrealized built-in loss" described in Notice 2003-65, 2003-2 C.B. 747), (ii) the utilization of the Pre-IPO NOLs and the deductions or loss carryforwards with respect to any Imputed Interest for such Taxable Year or future Taxable Years, as applicable, will be determined based on the Tax laws in effect on the Early Termination Date, and (iii) the income Tax rates that will be in effect for each such Taxable Year will be those specified for each such Taxable Year by the Code and other laws as in effect on the Early Termination Date (or, with respect to any Taxable Year for which such income Tax rates are not specified by the Code and other law as in effect on the Early Termination Date, such income Tax rates that are in effect on the Early Termination Date).

Section 1.02. Terms Generally. In this Agreement, unless otherwise specified or where the context otherwise requires:

(a) the headings of particular provisions of this Agreement are inserted for convenience only and will not be construed as a part of this Agreement or serve as a limitation or expansion on the scope of any term or provision of this Agreement;

(b) words importing any gender shall include other genders;

(c) words importing the singular only shall include the plural and vice versa;

(d) the words "include," "includes" or "including" shall be deemed to be followed by the words "without limitation";

(e) the words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement;

(f) references to "Articles," "Exhibits," "Sections" or "Schedules" shall be to Articles, Exhibits, Sections or Schedules of or to this Agreement;

(g) references to any Person include the successors and permitted assigns of such Person;

(h) references to any agreement, contract or schedule, unless otherwise stated, are to such agreement, contract or schedule as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; and

(i) the parties hereto have participated collectively in the negotiation and drafting of this Agreement; accordingly, in the event an ambiguity or question of intent or interpretation arises, it is the intention of the parties that this Agreement shall be construed as if drafted collectively by the parties hereto, and that no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of the authorship of any provisions of this Agreement.

ARTICLE II
DETERMINATION OF REALIZED TAX BENEFIT

Section 2.01. Pre-IPO NOLs. The Corporation, on the one hand, and the Stockholders, on the other hand, acknowledge that the Taxable Entities may utilize the Pre-IPO NOLs to reduce the amount of Taxes that the Taxable Entities would otherwise be required to pay in the future.

Section 2.02. Tax Benefit Schedule. Within ninety (90) calendar days after the filing of the U.S. federal income Tax Return of the Corporation for any federal Taxable Year in which there is a Realized Tax Benefit, the Corporation shall provide to the Stockholders Representative a schedule showing, in reasonable detail, (i) the calculation of the Realized Tax Benefit for such federal Taxable Year, and (ii) the calculation of any payment to be made to the Stockholders pursuant to Article III with respect to such federal Taxable Year (collectively a "**Tax Benefit Schedule**"). Concurrently, the Corporation shall also deliver to the Stockholders Representative all supporting information (including work papers and valuation reports) reasonably necessary to support the calculation of such payment. Each Schedule will become final as provided in Section 2.03(a) and may be amended as provided in Section 2.03(b) (subject to the procedures set forth in Section 2.03(a)).

Section 2.03. Procedures; Amendments.

(a) Procedure. Each time the Corporation delivers to the Stockholders Representative an applicable Schedule under this Agreement, including any Amended Schedule delivered pursuant to Section 2.03(b), and including any Early Termination Schedule or amended Early Termination Schedule, the Corporation shall also (x) deliver to the Stockholders Representative the schedules, valuation reports, if any, and work papers necessary to provide reasonable detail regarding the preparation of the Schedule and an Advisory Firm Letter related to such Schedule (the cost and expense of which shall be paid by the Corporation) and (y) allow the Stockholders Representative reasonable access at no cost to the appropriate representatives at each of the Corporation and the Advisory Firm in connection with a review of such Schedule. The applicable Schedule shall become final and binding on all parties unless the Stockholders Representative, within thirty (30) calendar days after receiving any Schedule or amendment thereto, provides the Corporation with notice of a material objection to such Schedule (a "**Material Objection Notice**") made in good faith. A Schedule will also become final and binding upon the Stockholders Representative confirming in writing that it will not provide a Material Objection Notice with respect to such Schedule. If the parties, for any reason, are unable to successfully resolve the issues raised in any Material

Objection Notice within thirty (30) calendar days of receipt by the Corporation of such Material Objection Notice, the Corporation and the Stockholders Representative shall employ the Reconciliation Procedures.

(b) Amended Schedule. The applicable Schedule for any Taxable Year may be amended from time to time by the Corporation (i) in connection with a Determination affecting such Schedule, (ii) to correct material inaccuracies in the Schedule identified as a result of the receipt of additional factual information relating to a Taxable Year after the date the Schedule was provided to the Stockholders Representative, (iii) to comply with the Expert's determination under the Reconciliation Procedures, (iv) to reflect a material change (relative to the amounts in the original Schedule) in the Realized Tax Benefit for the relevant federal Taxable Year attributable to a carryback or carryforward of a loss or other Tax item to a Taxable Year, or (v) to reflect a material change (relative to the amounts in the original Schedule) in the Realized Tax Benefit for the relevant federal Taxable Year attributable to an amended Tax Return filed for a Taxable Year (such Schedule, an "**Amended Schedule**"); provided, however, that an amendment under clause (i) attributable to an audit of a Tax Return by an applicable Taxing Authority shall not be made on an Amended Schedule unless and until there has been a Determination with respect to such change. The Corporation shall provide any Amended Schedule to the Stockholders Representative within thirty (30) calendar days of the occurrence of an event referred to in clauses (i) through (v) of the preceding sentence, and any such Amended Schedule shall be subject to approval procedures similar to those described in Section 2.03(a).

ARTICLE III
TAX BENEFIT PAYMENTS

Section 3.01. Payments.

(a) Timing of Payments. Within five (5) Business Days of a Tax Benefit Schedule with respect to a federal Taxable Year (for the avoidance of doubt, including, without duplication, any state or local Taxable Year ending with or within such Taxable Year) delivered to the Stockholders Representative becoming final in accordance with the terms hereof, the Corporation shall pay to each Stockholder for such Taxable Year(s) its share (based on such Stockholder's Applicable Percentage) of the Tax Benefit Payment for such federal Taxable Year determined pursuant to Section 3.01(b). Each such share of a Tax Benefit Payment shall be made by wire transfer of immediately available funds to a bank account of the applicable Stockholder previously designated by the Stockholder to the Corporation, or as otherwise agreed by the Corporation and the Stockholder. For the avoidance of doubt, no Tax Benefit Payment shall be made in respect of estimated Tax payments, including estimated federal income Tax payments.

(b) A "**Tax Benefit Payment**" for a federal Taxable Year means an amount, not less than zero, equal to eighty-five percent (85%) of the sum of the Net Tax Benefit (as defined below) for such Taxable Year and the Interest Amount (as defined below) for such Taxable Year. The "**Net Tax Benefit**" for a federal Taxable Year shall equal: (i) the Taxable Entities' Realized Tax Benefit, if any, for such Taxable Year *plus* (ii) the amount of the excess (if any) of the Realized Tax Benefit reflected on an Amended Schedule for a previous federal Taxable Year over the Realized Tax Benefit reflected on the previous Tax Benefit Schedule for such previous Taxable Year, *minus* (iii) the excess (if any) of the Realized Tax Benefit reflected on a previous Tax Benefit Schedule for a previous federal Taxable Year over the Realized Tax Benefit reflected on the Amended Schedule for such previous Taxable Year; provided, however, that, to the extent the excess amounts described in clauses (ii) and (iii) of this definition were taken into account in determining any Tax Benefit Payment in a preceding federal Taxable Year, such amounts shall not be taken into account in determining a Tax Benefit Payment attributable to any other Taxable Year; provided, further, that the Stockholders shall not be required to return any portion of any previously made Tax Benefit Payment. The "**Interest Amount**" for a federal Taxable Year shall equal the interest on any Net Tax Benefit for such Taxable Year calculated at the Agreed Rate from the due date (without extensions) for filing the Corporation's U.S. federal income Tax Return with respect to Taxes for the Taxable Year for which the Net Tax

Benefit is being measured through the applicable Payment Date; provided, that, in the case of a state or local Taxable Year of a Taxable Entity that ends within and not with such federal Taxable Year, the interest on the portion of the Net Tax Benefit attributable to such state or local Taxable Year shall be calculated at the Agreed Rate from the due date (without extensions) for filing the Taxable Entity's corresponding state or local income Tax Return with respect to Taxes for such state or local Taxable Year through the applicable Payment Date.

Section 3.02. No Duplicative Payments. It is intended that the provisions of this Agreement will not result in duplicative payment of any amount (including interest) required under this Agreement, and this Agreement shall be construed and interpreted in accordance with such intention. It is intended that 85% of all Realized Tax Benefits for all Taxable Years (in addition to the Interest Amounts contemplated by this Agreement) be paid by the Corporation (subject to the provisions of ARTICLE IV).

ARTICLE IV

TERMINATION

Section 4.01. Termination, Early Termination and Breach of Agreement.

(a) The Corporation may terminate this Agreement by paying each Stockholder its share (based on such Stockholder's Applicable Percentage) of the Early Termination Payment. Upon payment of the Early Termination Payment by the Corporation to the Stockholders, no Taxable Entity will have any further payment obligations under this Agreement, other than any Tax Benefit Payment agreed to by the Corporation and the Stockholders Representative as due and payable but unpaid as of the Early Termination Date (except to the extent that such amount is included in the Early Termination Payment).

(b) In the event that the Corporation breaches any of its material obligations under this Agreement, whether as a result of failure to make any payment when due, failure to honor any other material obligation required hereunder or by operation of law as a result of the rejection of this Agreement in a case commenced under the Bankruptcy Code or otherwise, then all obligations hereunder shall accelerate, and such obligations shall be calculated and finalized pursuant to this Article IV as if an Early Termination Notice had been delivered on the date of such breach and shall include (1) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the date of such breach and (2) any Tax Benefit Payment agreed to by the Corporation and the Stockholders Representative as due and payable but as yet unpaid (except to the extent that such amount is included in the Early Termination Payment). Except as otherwise provided in the last sentence of Section 7.06(a), the Stockholders Representative is the only person that may assert the Corporation has breached any of its material obligations under this Agreement. Notwithstanding the foregoing, in the event that the Corporation breaches this Agreement, the Stockholders Representative shall be entitled to elect for the Stockholders to receive the amounts set forth in (1), (2) and (3) above or to seek specific performance of the terms hereof. The parties agree that the failure to make any payment due pursuant to this Agreement within three months of the date such payment is due shall be deemed to be a breach of a material obligation under this Agreement for all purposes of this Agreement and that it will not be considered to be a breach of a material obligation under this Agreement to make a payment due pursuant to this Agreement within three months of the date such payment is due; provided, that, in the event that payment is not made within three months of the date such payment is due, the Stockholders Representative shall, prior to claiming a breach by the Corporation pursuant to this Section 4.01(c) for making untimely payments, be required to give written notice to the Corporation that the Corporation has breached its material obligations, and so long as such payment is made within five (5) Business Days of the delivery of such notice to the Corporation, the Corporation shall no longer be deemed to be in breach of its material obligations under this Agreement as a result of such untimely payments. The parties agree that any breach of Section 7.13 of this Agreement by the Corporation (without obtaining the advance written consent of the Stockholders Representative) shall be deemed to be a breach of a material obligation under this Agreement.

(c) Change of Control. In the event of a Change of Control, all obligations hereunder shall accelerate, and such obligations shall (except as otherwise provided in this Section 4.01(c)) be calculated and finalized pursuant to this ARTICLE IV as if an Early Termination Notice had been delivered on the date of the Change of Control and shall include (1) the Early Termination Payment calculated as if an Early Termination Notice had been delivered on the effective date of the Change of Control, and (2) any Tax Benefit Payment agreed to by the Corporation and the Stockholders Representative as due and payable but as yet unpaid (except to the extent that such amount is included in the Early Termination Payment). In the event of a Change of Control, the Early Termination Payment shall be calculated utilizing the Valuation Assumptions, substituting in each case the phrase "closing date of a Change of Control" for the phrase "Early Termination Date." The Early Termination Payment arising as a result of a Change of Control shall be payable on the date of such Change of Control, and the Corporation shall use all reasonable efforts to provide to the Stockholders Representative an Early Termination Schedule with respect to an expected Change of Control as far in advance as is reasonably practicable of such Change of Control (but no more than thirty Business Days in advance) so as to enable the calculation of the Early Termination Payment to be finalized prior to the date of the Change of Control. Notwithstanding the foregoing, where the parties anticipate a Change of Control but are not certain of the date on which such Change of Control will occur, the Corporation and the Stockholders Representative may agree to base the calculations contemplated by this Section 4.01(c) on a date other than the Change of Control.

(d) Divestiture Acceleration Payment. In the event of a Divestiture, the Corporation shall pay to the Stockholders, in accordance with their Applicable Percentages, the Divestiture Acceleration Payment in respect of such Divestiture, which shall be calculated and finalized pursuant to this ARTICLE IV as if an Early Termination Notice had been delivered on the date of the Divestiture (but solely with respect to the Taxable Entities sold in the Divestiture). In the event of a Divestiture, the Divestiture Acceleration Payment shall be calculated utilizing the Valuation Assumptions, substituting in each case the phrase "closing date of the Divestiture" for the phrase "Early Termination Date."

Section 4.02. Early Termination Notice. If the Corporation chooses to exercise its right of early termination under Section 4.01 above, the Corporation shall deliver to the Stockholders Representative notice of such intention to exercise such right (an "**Early Termination Notice**") and a schedule (the "**Early Termination Schedule**") specifying the Corporation's intention to exercise such right and showing in reasonable detail the information required pursuant to Section 2.02 and the calculation of the Early Termination Payment. The Early Termination Schedule shall become final and binding on all parties unless the Stockholders Representative, within thirty (30) calendar days after receiving the Early Termination Schedule, provides the Corporation with a Material Objection Notice. An Early Termination Schedule will also become final and binding upon the Stockholders Representative confirming in writing that it will not provide a Material Objection Notice with respect to such Schedule. If the parties, for any reason, are unable to successfully resolve the issues raised in such Material Objection Notice within thirty (30) calendar days after receipt by the Corporation of the Material Objection Notice, the Corporation and the Stockholders Representative shall employ the Reconciliation Procedures as described in Section 7.08 of this Agreement.

Section 4.03. Payment upon Early Termination.

i. Within three (3) Business Days after agreement is reached between the Stockholders Representative and the Corporation concerning the Early Termination Schedule or such Schedule is finalized pursuant to the Reconciliation Procedures, the Corporation shall pay to each Stockholder its share (based on such Stockholder's Applicable Percentage) of the Early Termination Payment or Divestiture Acceleration Payment. Such payment shall be made by wire transfer of immediately available funds to a bank account designated by the applicable Stockholders, or as otherwise agreed by the Corporation and the Stockholder.

ii. The "**Early Termination Payment**" means, as of the Early Termination Date, the present value, discounted at the Early Termination Rate as of such date, of all Tax Benefit Payments (other than those payable in addition to the Early Termination Payment, where contemplated by Section 4.01) that would be required to be paid by the Corporation beginning from the Early Termination Date, assuming the Valuation Assumptions are applied, all as may be adjusted further in a manner agreed to by the Corporation and the Stockholders Representative. For purposes of calculating, pursuant to this Section 4.03(b), the present value of all Tax Benefit Payments that would be required to be paid (1) it shall be assumed that, absent the Early Termination Notice, all Tax Benefit Payments would be paid on the due date (without extensions) for filing the Corporation's U.S. federal income Tax Return with respect to Taxes for each Taxable Year (or the due date (without extensions) for filing the applicable Taxable Entity's state or local income Tax Returns, to the extent such Tax Benefit Payments are attributable to the portion of the Net Tax Benefit attributable to such corresponding state or local Taxable Year) and and (2) any deductions that would have arisen as a result of a portion of any such hypothetical Tax Benefit Payment being treated as Imputed Interest shall be treated as Pre-IPO NOLs available for use in the taxable year in which such Tax Benefit Payment would have been paid based on the application of the provisions of this Section 4.03(b) and the Valuation Assumptions. A simplified example of the calculation of a Stockholder's Early Termination Payment will be included as Annex B to this Agreement upon the review and approval of such example by the Stockholders Representative.

iii. The "**Divestiture Acceleration Payment**" as of the date of any Divestiture means the present value, discounted at the Early Termination Rate as of such date, of the Tax Benefit Payment resulting solely from the Transferred NOLs that would be required to be paid by the Corporation beginning from the date of such Divestiture assuming the Valuation Assumptions are applied, provided that the Divestiture Acceleration Payment shall be calculated without giving effect to any limitation on the use of the Transferred NOLs resulting from the Divestiture, all as may be adjusted further in a manner agreed to by the Corporation and the Stockholders Representative. For purposes of calculating the present value pursuant to this Section 4.03(c) of all Tax Benefit Payments that would be required to be paid (1) it shall be assumed that absent the Divestiture all Tax Benefit Payments would be paid on the due date (without extensions) for filing the Corporation's U.S. federal income Tax Return with respect to Taxes for each Taxable Year (or the due date (without extensions) for filing the applicable Taxable Entity's state or local income Tax Returns, to the extent such Tax Benefit Payments are attributable to the portion of the Net Tax Benefit attributable to such corresponding state or local Taxable Year) and (2) any deductions that would have arisen as a result of a portion of any such hypothetical Tax Benefit Payment being treated as Imputed Interest shall be treated as Pre-IPO NOLs available for use in the taxable year in which such Tax Benefit Payment would have been paid based on the application of the provisions of this Section 4.03(c) and the Valuation Assumptions.

ARTICLE V
LATE PAYMENTS AND COMPLIANCE WITH INDEBTEDNESS

Section 5.01. Late Payments by the Corporation. The amount of all or any portion of any ITR Payment not made to the Stockholders when due under the terms of this Agreement shall be payable together with any interest thereon, computed at the Default Rate and commencing from the date on which such ITR Payment was due and payable.

Section 5.02. Compliance with Indebtedness. Notwithstanding anything in this Agreement to the contrary, it shall not be a breach of this Agreement if the Corporation fails to make or cause to be made any Tax Benefit Payment (or portion thereof) when due (other than, for clarity, any Early Termination Payment payable in connection with a Change of Control) to the extent that the Corporation determines in good faith that the Corporation has insufficient funds (taking into account funds of its wholly-owned Subsidiaries that are permitted to be distributed or loaned to the Corporation pursuant to the terms of any applicable credit agreements or other

documents evidencing indebtedness (each as reasonably interpreted by the Corporation), but not taking into account funds of its wholly-owned Subsidiaries that are not permitted to be distributed or loaned pursuant to the terms of such agreements or documents and not taking into account funds reasonably reserved for reasonably expected liabilities or expenses) to make such payment; provided that the interest provisions of Section 5.01 shall apply to such late payment (unless the Corporation determines in good faith that (x) the Corporation does not have sufficient cash to make such payment as a result of limitations imposed by credit agreements or any other documents evidencing indebtedness to which the Corporation or its wholly-owned Subsidiaries is a party, guarantor or otherwise an obligor as of the date of this Agreement (the "**Initial Debt Documents**") or any other document evidencing indebtedness to which the Corporation or its wholly-owned Subsidiaries becomes a party, guarantor or otherwise an obligor thereafter to the extent the terms of such other documents are not materially more restrictive in respect of the Corporation's ability to receive from its direct or indirect Subsidiaries funds sufficient to make such payments compared to the terms of the Initial Debt Documents, as determined by the Corporation in good faith (any such document, collectively with the Initial Debt Documents, the "**Permitted Debt Documents**"), or (y) such payments could (I) be set aside as fraudulent transfers or conveyances or similar actions under fraudulent transfer laws or (II) could cause the Corporation and/or its wholly-owned Subsidiaries to be undercapitalized, in which case Section 5.01 shall apply, but the Default Rate shall be replaced by the Agreed Rate).

ARTICLE VI
NO DISPUTES: CONSISTENCY: COOPERATION

Section 6.01. The Stockholders Representative's Participation in the Corporation's Tax Matters. Except as otherwise provided herein, the Corporation shall have full responsibility for, and sole discretion over, all Tax matters concerning the Corporation, including the preparation, filing or amendment of any Tax Return and the defense, contest, or settlement of any issue pertaining to Taxes, subject to a requirement that the Corporation act in good faith in connection with its control of any matter which is reasonably expected to affect any Stockholder's rights and obligations under this Agreement. Notwithstanding the foregoing, the Corporation shall notify the Stockholders Representative of, and keep the Stockholders Representative reasonably informed with respect to, the portion of any audit of the Corporation or other Taxable Entity by a Taxing Authority the outcome of which is reasonably expected to affect any Stockholder's rights and obligations under this Agreement, and shall give the Stockholders Representative reasonable opportunity to provide information and participate in the applicable portion of such audit.

Section 6.02. Consistency. The Corporation and the Stockholders agree to report and cause to be reported for all purposes, including federal, state, and local Tax purposes and financial reporting purposes, except upon a contrary final determination by an applicable Taxing Authority (i) the ITR Payments as described in Section 351(b) of the Code as partial consideration to the Stockholders for their transfer of equity interests in Surgery Center Holdings, LLC to the Corporation, other than amounts required to be treated as Imputed Interest, and (ii) all other Tax-related items in a manner consistent with that specified by the Corporation in any Schedule or statement required or permitted to be provided by or on behalf of the Corporation under this Agreement and agreed by the Stockholders Representative.

Section 6.03. Cooperation. Each of the Corporation and the Stockholders (through the Stockholders Representative) shall (a) furnish to the other party in a timely manner such information, documents and other materials as the other party may reasonably request for purposes of making or approving any determination or computation necessary or appropriate under this Agreement, preparing any Tax Return or contesting or defending any audit, examination or controversy with any Taxing Authority, (b) make itself available to the other party and its representatives to provide explanations of documents and materials and such other information as the requesting party or its representatives may reasonably request in connection with any of the matters described in clause (a)

above, and (c) reasonably cooperate in connection with any such matter, and the requesting party shall reimburse the other party for any reasonable third-party costs and expenses incurred pursuant to this Section 6.03.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax, by electronic mail (delivery receipt requested) or by certified or registered mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be as specified in a notice given in accordance with this Section 7.01). All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to the Corporation, to:

Surgery Partners, Inc.
40 Burton Hills Boulevard
Suite 500
Nashville, Tennessee 37215
Fax: (615) 234-5998
Attention: Chief Financial Officer and Chief Executive Officer
Email: tsparks@surgerypartners.com and mdoyle@surgerypartners.com

with a copy (which shall not constitute notice) to :

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036
Fax: (646) 728-1523
Attention: Carl Marcellino
Email: carl.marcellino@ropesgray.com

If to the Stockholders Representative, to:

H.I.G. Surgery Centers, LLC
c/o H.I.G. Capital
600 Fifth Avenue
New York, New York 10020
Fax: (212) 506-0559
Attention: Chris Latiala and Matthew Lozow
Email: claitala@higcapital.com and mlozow@higcapital.com

with a copy (which shall not constitute notice) to :

Ropes & Gray LLP
1211 Avenue of the Americas
New York, New York 10036
Fax: (646) 728-1523
Attention: Carl Marcellino
Email: carl.marcellino@ropesgray.com

Any party may change its address, fax number or e-mail by giving the other party written notice of its new address, fax number or e-mail in the manner set forth above.

Section 7.02. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have

been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. Delivery of an executed signature page to this Agreement by facsimile transmission (or similar electronic transmission) shall be as effective as delivery of a manually signed counterpart of this Agreement.

Section 7.03. Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective successors and permitted assigns. Other than as provided in the preceding sentence, nothing in this Agreement, express or implied, is intended to, or shall, confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 7.04. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 7.05. Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or incapable of being enforced as a result of any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner, in order that the transactions contemplated hereby may be consummated as originally contemplated to the greatest extent possible.

Section 7.06. Successors; Assignment; Amendments; Waivers.

(a) Each Stockholder may freely assign or transfer its rights under this Agreement without the prior written consent of the Corporation to any Person as long as such transferee has executed and delivered, or, in connection with such transfer, executes and delivers, a joinder to this Agreement, in form and substance reasonably satisfactory to the Corporation, agreeing to be bound by all provisions of this Agreement. If the Stockholders Representative assigns all or a portion of its rights as a Stockholder under this Agreement, such transferee shall, at the election of the Stockholders Representative, also have the rights provided to the Stockholders Representative in its capacity as such; provided further that the Stockholders Representative may assign its rights in its capacity as such to an Affiliate.

(b) The Corporation may not assign any of its rights and obligations under this Agreement without the prior written consent of the Stockholders Representative.

(c) No provision of this Agreement may be amended unless such amendment is approved in writing by the Corporation and the Stockholders Representative. No provision of this Agreement may be waived unless such waiver is in writing and signed by the party against whom the waiver is to be effective.

(d) All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators and legal representatives, including any Permitted Assignee pursuant to a Permitted Assignment. The Corporation shall require and cause any direct or indirect successor (whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, by written agreement, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

Section 7.07. Resolution of Disputes.

(a) Other than with respect to any disputes under Section 2.03, Section 4.02, Section 4.03, or Section 6.02 (which are to be resolved pursuant to Section 7.08), any and all disputes which cannot be settled

amicably between the Corporation and the Stockholders Representative, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce. The place of arbitration shall be New York, New York. The parties shall jointly select a single arbitrator who shall have the authority to hold hearings and to render a decision in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce. If the Corporation and the Stockholders Representative fail to agree on the selection of an arbitrator within thirty (30) calendar days of the receipt of the request for arbitration, the arbitrator shall be selected by the International Chamber of Commerce. The arbitrator shall be a lawyer. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1, et seq., and judgment on the award may be entered by any court having jurisdiction thereof. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings.

(b) Notwithstanding the provisions of Section 7.07(a), either the Corporation or the Stockholders Representative may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, and/or enforcing an arbitration award and, for the purposes of this Section 7.07(b), the Stockholders Representative (i) expressly consents to the application of Section 7.07(c) to any such action or proceeding, and (ii) irrevocably appoints the Corporation as its agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise the Stockholders Representative of any such service of process, shall be deemed in every respect effective service of process upon such Stockholder in any such action or proceeding.

(c) (i) THE CORPORATION AND EACH STOCKHOLDER (THROUGH THE STOCKHOLDERS REPRESENTATIVE) HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF COURTS LOCATED IN NEW YORK AND AGREES THAT ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF Section 7.07(b) SHALL BE BROUGHT AND DETERMINED EXCLUSIVELY IN THE SUPREME COURT OF THE STATE OF NEW YORK AND ANY STATE APPELLATE COURT THEREFROM WITHIN THE STATE OF NEW YORK (OR, IF THE SUPREME COURT OF THE STATE OF NEW YORK REFUSES TO ACCEPT JURISDICTION OVER A PARTICULAR MATTER, ANY STATE OR FEDERAL COURT WITHIN THE STATE OF NEW YORK). The parties acknowledge that the forum designated by this Section 7.07(c) has a reasonable relation to this Agreement and to the parties' relationship with one another.

(ii) The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding brought in any court referred to in Section 7.07(c)(i) and such parties agree not to plead or claim the same.

(iii) AS A SPECIFICALLY BARGAINED INDUCEMENT FOR EACH OF THE PARTIES TO ENTER INTO THIS AGREEMENT (WITH EACH PARTY HAVING HAD OPPORTUNITY TO CONSULT COUNSEL), EACH OF THE PARTIES EXPRESSLY AND IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, REGARDLESS OF WHICH PARTY INITIATES SUCH ACTION OR PROCEEDING, AND ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

Section 7.08. Reconciliation Procedures. In the event that the Corporation and the Stockholders Representative are unable to resolve a disagreement with respect to the matters governed by Section 2.03, Section 4.02, Section 4.03, and Section 6.02 within the relevant period designated in this Agreement (or the amount of a payment in the case of an early termination, breach of agreement, Change of Control, or Divestiture Acceleration Payment to which Section 4.01 applies) (a "**Reconciliation Dispute**"), the Reconciliation Dispute shall be submitted for determination to a nationally recognized expert in the particular area of disagreement (the "**Expert**") mutually acceptable to both parties. The Expert shall be a partner in a nationally recognized accounting firm or a law firm (other than the Advisory Firm), and the Expert shall not, and the firm that employs the Expert shall not, have any material relationship with the Corporation or any of the Stockholders or any other actual or potential conflict of interest. If the Reconciliation Dispute is not resolved before any payment that is the subject of the Reconciliation Dispute is due or any Tax Return reflecting the subject of the Reconciliation Dispute is due, such payment shall be made on the date prescribed by this Agreement and such Tax Return may be filed as prepared by the Corporation, subject to adjustment or amendment upon resolution. The costs and expenses relating to the engagement of such Expert or the amendment of any Tax Return shall be borne by the Corporation, except as provided in the next sentence. Each of the Corporation and the Stockholders shall bear their own costs and expenses of such proceeding. Any dispute as to whether a dispute is a Reconciliation Dispute, within the meaning of this Section 7.08 shall be decided by the Expert. The Expert shall finally determine any Reconciliation Dispute and the determinations of the Expert pursuant to this Section 7.08 shall be binding on the Corporation and the Stockholders and may be entered and enforced in any court having jurisdiction.

Section 7.09. Withholding. The Corporation shall be entitled to deduct and withhold from any payment payable pursuant to this Agreement such amounts as the Corporation is required to deduct and withhold with respect to the making of such payment under the Code, or any applicable provision of state or local or foreign Tax law, provided that the Corporation (i) gives 10 days advance written notice of its intention to make such withholding to the Stockholders Representative, (ii) identifies the legal basis requiring such withholding and (iii) gives the Stockholders Representative an opportunity to establish that such withholding is not legally required. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority by the Corporation, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Stockholders. The Corporation shall provide evidence of such payments to the Stockholders (through the Stockholders Representative) to the extent that such evidence is available.

Section 7.10. Affiliated Corporations; Admission of the Corporation into a Consolidated Group; Transfers of Corporate Assets.

(a) If a Taxable Entity is or becomes a member of an affiliated or consolidated group of corporations that files a consolidated income Tax Return pursuant to Sections 1501 et seq. of the Code (other than if the Taxable Entity becomes a member of such a group as a result of a Change of Control or Divestiture, in which case the provisions of Article IV shall control), or a member of a consolidated, combined or unitary group of any corresponding provisions of state, local or foreign law, then: (i) the provisions of this Agreement shall be applied with respect to the group (or groups, as applicable) as a whole; and (ii) Tax Benefit Payments shall be computed with reference to the consolidated taxable income of the group (or groups, as applicable) as a whole.

(b) If any Person the income of which is included in the income of the Corporation's affiliated or consolidated group transfers one or more assets to a corporation with which such Person does not file a consolidated Tax Return pursuant to Section 1501 of the Code, for purposes of calculating the amount of any Tax Benefit Payment (e.g., calculating the gross income of the Corporation's affiliated or consolidated group and determining the Realized Tax Benefit) due hereunder, such Person shall be treated as having disposed of such asset in a fully taxable transaction on the date of such transfer. The consideration deemed to be received by such entity shall be equal to the fair market value of the transferred asset, plus (i) the amount of debt to which such asset is

subject, in the case of a transfer of an encumbered asset, or (ii) the amount of debt allocated to such asset, in the case of a transfer of a partnership interest.

Section 7.11. Confidentiality. (a) Each Stockholder (through the Stockholders Representative) and each of its assignees acknowledges and agrees that the information of the Corporation is confidential and, except in the course of performing any duties as necessary for the Corporation and its Affiliates, as required by law or legal process or to enforce the terms of this Agreement, shall keep and retain in the strictest confidence and not to disclose to any Person all confidential matters, acquired pursuant to this Agreement, of the Corporation or the Stockholders. This Section 7.11 shall not apply to (i) any information that has been made publicly available by the Corporation or any of its Affiliates, becomes public knowledge (except as a result of an act of a Stockholder or affiliate in violation of this Agreement) or is generally known to the business community or (ii) the disclosure of information to the extent necessary for any Stockholder or affiliate to prepare and file its Tax Returns, to respond to any inquiries regarding the same from any Taxing Authority or to prosecute or defend any action, proceeding or audit by any Taxing Authority with respect to such returns. Notwithstanding anything to the contrary herein, each Stockholder and each assignee (and each employee, representative or other agent of such Stockholder or assignee) may disclose to any and all Persons, without limitation of any kind, the Tax treatment and Tax structure of (w) the Corporation and its Subsidiaries, (x) the transactions entered into in connection with the IPO, (y) this Agreement and (z) any of the transactions of the Corporation and its Subsidiaries, and all materials of any kind (including opinions or other Tax analyses) that are provided to such Stockholder or assignee relating to such Tax treatment and Tax structure.

(b) If the Stockholders Representative or any of its assignees commits a breach, or threatens to commit a breach, of any of the provisions of this Section 7.11, the Corporation shall have the right and remedy to have the provisions of this Section 7.11 specifically enforced by injunctive relief or otherwise by any court of competent jurisdiction without the need to post any bond or other security, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to the Corporation or any of its Subsidiaries and the accounts and funds managed by the Corporation, and that money damages alone shall not provide an adequate remedy to such Persons. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available at law or in equity.

Section 7.12. Appointment of Stockholders Representative.

(a) Appointment. Without further action of any of the Corporation, the Stockholders Representative or any Stockholder, and as partial consideration of the benefits conferred by this Agreement, the Stockholders Representative is hereby irrevocably constituted and appointed, with full power of substitution, to act in the name, place and stead of each Stockholder with respect to the taking by the Stockholders Representative of any and all actions and the making of any decisions required or permitted to be taken by the Stockholders Representatives under this Agreement (and any potential agreement with the Corporation to terminate this Agreement earlier than such time as is provided in Section 4.01 provided that any payment made by the Corporation upon such an early termination shall be paid to each Stockholder based on such Stockholder's Applicable Percentage). The power of attorney granted herein is coupled with an interest and is irrevocable and may be delegated by the Stockholders Representatives. No bond shall be required of the Stockholders Representatives, and the Stockholders Representatives shall receive no compensation for its services.

(b) Expenses. If at any time the Stockholders Representative shall incur out of pocket expenses in connection with the exercise of its duties hereunder, upon written notice to the Corporation from the Stockholders Representative of documented costs and expenses (including fees and disbursements of counsel and accountants) incurred by the Stockholders Representative in connection with the performance of its rights or obligations under this Agreement and the taking of any and all actions in connection therewith, the Corporation shall reduce any future payments (if any) due to the Stockholders hereunder pro rata (based on their respective Applicable Percentages in the Corporation) by the amount of such expenses which it shall instead remit directly to the

Stockholders Representative. In connection with the performance of its rights and obligations under this Agreement and the taking of any and all actions in connection therewith, the Stockholders Representative shall not be required to expend any of its own funds (though, for the avoidance of doubt, it may do so at any time and from time to time in its sole discretion).

(c) Limitation on Liability. The Stockholders Representative shall not be liable to any Stockholder for any act of the Stockholders Representative arising out of or in connection with the acceptance or administration of its duties under this Agreement, except to the extent any liability, loss, damage, penalty, fine, cost or expense is actually incurred by such Stockholder as a proximate result of the bad faith or willful misconduct of the Stockholders Representative (it being understood that any act done or omitted pursuant to the advice of legal counsel shall be conclusive evidence of such action or omission being made in good faith and with reasonable judgment). The Stockholders Representative shall not be liable for, and shall be indemnified by the Stockholders (on a several but not joint basis) for, any liability, loss, damage, penalty or fine incurred by the Stockholders Representative (and any cost or expense incurred by the Stockholders Representative in connection therewith and herewith and not previously reimbursed pursuant to subsection (b) above) arising out of or in connection with the acceptance or administration of its duties under this Agreement, except to the extent that any such liability, loss, damage, penalty, fine, cost or expense is the proximate result of the bad faith or willful misconduct of the Stockholders Representative (it being understood that any act done or omitted pursuant to the advice of legal counsel shall be conclusive evidence of such action or omission being made in good faith and with reasonable judgment); *provided*, *however*, in no event shall any Stockholder be obligated to indemnify the Stockholders Representative hereunder for any liability, loss, damage, penalty, fine, cost or expense to the extent (and only to the extent) that the aggregate amount of all liabilities, losses, damages, penalties, fines, costs and expenses indemnified by such Stockholder hereunder is or would be in excess of the aggregate payments under this Agreement actually remitted to such Stockholder. Each Stockholder's receipt of any and all benefits to which such Stockholder is entitled under this Agreement, if any, is conditioned upon and subject to such Stockholder's acceptance of all obligations, including the obligations of this Section 7.12(c), applicable to such Stockholder under this Agreement.

(d) Actions of the Stockholders Representative. Any decision, act, consent or instruction of the Stockholders Representative shall constitute a decision of all Stockholders and shall be final, binding and conclusive upon each Stockholder, and the Corporation may rely upon any decision, act, consent or instruction of the Stockholders Representative as being the decision, act, consent or instruction of each Stockholder. The Corporation is hereby relieved from any liability to any Person for any acts done by the Corporation in accordance with any such decision, act, consent or instruction of the Stockholders Representative.

Section 7.13. Conflicting Agreements. Other than with respect to the Permitted Debt Documents, the Corporation shall not, and shall cause its Subsidiaries to not, enter into any agreement or indenture or any amendment or other modification to any agreement or indenture (including, in each case, in connection with any refinancing) that would, directly or indirectly, restrict or otherwise encumber (or in the case of amendments or other modifications, further restrict or encumber) its ability to make payments under this Agreement in accordance with its terms, including any agreement that would, directly or indirectly, restrict or otherwise encumber (or in the case of amendments or other modifications, further restrict or encumber) the ability of the Corporation's Subsidiaries to upstream cash (by dividend or loan) to the Corporation to fund amounts payable by the Corporation under this Agreement.

[Signatures pages follow]

IN WITNESS WHEREOF, the Corporation, Stockholders Representative, and each Stockholder have duly executed this Agreement as of the date first written above.

SURGERY PARTNERS, INC.

By: /s/ Michael T. Doyle
Name: Michael T. Doyle
Title: Chief Executive Officer

H.I.G. SURGERY CENTERS, LLC, as Stockholders Representative

By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

STOCKHOLDERS

H.I.G. Surgery Centers LLC
By: /s/ Richard Siegel
Name: Richard Siegel
Title: Authorized Signatory

THL Credit, Inc.
By: /s/ Christopher J. Flynn
Name: Christopher J. Flynn
Title: Co-Chief Executive Officer

Multi Strategy IC Limited
By: /s/ Lisa Crowson and /s/ Brett McFarlane
Name: Lisa Crowson and Brett McFarlane
Title: Director and Authorised Signatory

Partners Group Access 74 L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Authorised Signatory

Partners Group Direct Mezzanine 2011, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance III, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Mezzanine Finance IV, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group MRP, L.P.
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

Partners Group Private Equity (Master Fund), LLC
By: /s/ Brett McFarlane and /s/ Daniel Stopher
Name: Brett McFarlane and Daniel Stopher
Title: Authorised Signatory and Director

/s/ Scott Macomber
Scott Macomber

/s/ John Lawrence
John Lawrence

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Makayla Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Michael Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Myra Fernandez Doyle
Myra Fernandez Doyle, as Trustee of the Mason Doyle 2012 Irrevocable Trust under agreement dated July 20, 2012

/s/ Michael T. Doyle
Michael T. Doyle

/s/ Marcy Atheney
Marcy Atheney

/s/ Preston Bain
Preston Bain

/s/ Jennifer Baldock
Jennifer Baldock

/s/ Chad Baldwin
Chad Baldwin

/s/ Derek Bell
Derek Bell

/s/ Randy Bissel
Randy Bissel

/s/ John Blanck
John Blanck

/s/ Brian Blankenship
Brian Blankenship

/s/ Philip Bodie
Philip Bodie

/s/ Jane Bradford
Jane Bradford

/s/ Ronald Brank
Ronald Brank

/s/ Laurie Brocato Scovell
Laurie Brocato Scovell

/s/ Jeff Bruener
Jeff Bruener

/s/ John Calta
John Calta

/s/ Elizabeth Campbell
Elizabeth Campbell

/s/ Eric Chandler
Eric Chandler

/s/ Armando Cremata
Armando Cremata

/s/ John Crysel
John Crysel

/s/ Dennis Dean
Dennis Dean

/s/ Kevin Dowdy
Kevin Dowdy

/s/ Michelle Faccinello-Jones
Michelle Faccinello-Jones

/s/ George Goodwin
George Goodwin

/s/ Elise Gregory
Elise Gregory

/s/ David Harkins
David Harkins

/s/ Craig Hethcox
Craig Hethcox

/s/ Lainie Kennedy
Lainie Kennedy

/s/ Miles Kennedy
Miles Kennedy

/s/ Julie Lewis
Julie Lewis

/s/ Brandan Lingle
Brandan Lingle

/s/ Lisa Mann
Lisa Mann

/s/ Justin McCann
Justin McCann

/s/ Will Milo
Will Milo

/s/ Ken Mitchell
Ken Mitchell

/s/ Matt Musso
Matt Musso

/s/ Darrell Naish
Darrell Naish

/s/ David Neal
David Neal

/s/ Jeff Parks
Jeff Parks

/s/ James B. Parnell
James B. Parnell

/s/ Rick Payne
Rick Payne

/s/ Matt Petty
Matt Petty

/s/ Stephanie Plummer
Stephanie Plummer

/s/ Katherine Rendall
Katherine Rendall

/s/ Linda Simmons
Linda Simmons

/s/ Michele Simon
Michele Simon

/s/ Colleen Smallwood
Colleen Smallwood

/s/ Teresa Sparks
Teresa Sparks

/s/ Anthony Taparo
Anthony Taparo

/s/ Chris Throckmorton
Chris Throckmorton

/s/ Chris Toepke
Chris Toepke

/s/ Joe Vesneski
Joe Vesneski

/s/ Leonard Warren
Leonard Warren

/s/ Trent Webb
Trent Webb

/s/ Kelly Whelan
Kelly Whelan

/s/ Lauren Whitsett
Lauren Whitsett

/s/ David Williamson
David Williamson

/s/ Ron Zelhof
Ron Zelhof

Annex A

List of Stockholders (and Applicable Percentages)

Stockholder	Applicable Percentage
H.I.G. Surgery Centers, LLC	82.02%
THL Credit, Inc.	0.82%
Multi Strategy IC Limited	0.00%
Partners Group Access 74 L.P.	0.25%
Partners Group Direct Mezzanine 2011, L.P. Inc.	0.02%
Partners Group Mezzanine Finance III, L.P.	0.23%
Partners Group Mezzanine Finance IV, L.P.	0.01%
Partners Group MRP, L.P.	0.06%
Partners Group Private Equity (Master Fund), LLC	0.04%
Scott Macomber	0.76%
John Lawrence	0.51%
Makayla Doyle 2012 Irrevocable Trust	0.14%
Mason Doyle 2012 Irrevocable Trust	0.14%
Michael Doyle 2012 Irrevocable Trust	0.14%
Michael T. Doyle	9.05%
Anthony Taparo	0.20%
Armando Cremata	0.18%
Dennis Dean	0.26%
George Goodwin	0.23%
Jeff Parks	0.85%
Jennifer Baldock	0.17%
John Crysel	0.26%
Julie Lewis	0.18%
Ken Mitchell	0.07%
Matt Petty	0.10%
Michele Simon	0.18%
Ronald P. Zelhof	0.36%
Teresa Sparks	0.43%
William Milo	0.72%
Chris Throckmorton	0.20%
Chris Toepke	0.20%
David Harkins	0.07%
David Neal	0.07%
Brandan Lingle	0.07%
Brian Blankenship	0.03%
Chad Baldwin	0.03%

Colleen Smallwood	0.01%
Darrell Naish	0.06%
David Williamson	0.03%
Derek Bell	0.03%
Elizabeth Campbell	0.03%
Eric Chandler	0.01%
Garrett Miles Kennedy	0.05%
James B. Parnell	0.01%
Jane Bradford	0.01%
Jeff Bruener	0.04%
Joe Vesneski	0.01%
John Blanck	0.04%
John Calta	0.04%
Justin McCann	0.01%
Katie Rendall	0.01%
Kelly Whelan	0.01%
Kevin Dowdy	0.02%
Lauren Whitsett	0.03%
Laurie Brocato-Scovell	0.01%
Leonard Warren	0.02%
Linda Simmons	0.04%
Lisa Mann	0.02%
Marcy Atheney	0.04%
Marialaina Kennedy	0.07%
Matt Musso	0.04%
Michelle Facchinello	0.02%
Philip Bodie	0.01%
Phillip C. Hethcox	0.04%
Preston Bain	0.03%
Randy Bissel	0.04%
Rebecca Elise Gregory	0.01%
Rick Payne	0.01%
Ronald Brank	0.06%
Stephanie Plummer	0.01%
Trent Webb	0.04%

Exhibit 10.5

Name:	**[●]**
Number of Shares of Stock subject to Option:	**[●]**
Price Per Share:	**$[●]**
Date of Grant:	**[●]**

SURGERY PARTNERS, INC.
2015 OMNIBUS INCENTIVE PLAN

NON-STATUTORY STOCK OPTION AGREEMENT

This agreement (the "Agreement") evidences a stock option granted by Surgery Partners, Inc. (the "Company") to the undersigned (the "Optionee"), pursuant to and subject to the terms of the Surgery Partners, Inc. 2015 Omnibus Incentive Plan (as amended from time to time, the "Plan").

1. Grant of Stock Option. The Company grants to the Optionee on the date set forth above (the "Date of Grant") an option (the "Stock Option") to purchase, on the terms provided herein and in the Plan, the number of shares of Stock set forth above (the "Shares") with an exercise price per Share as set forth above, in each case subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

The Stock Option evidenced by this Agreement is a non-statutory option (that is, an option that does not qualify as an incentive stock option under Section 422 of the Code) and is granted to the Optionee in connection with the Optionee's employment by the Company and its qualifying subsidiaries. For purposes of the immediately preceding sentence, "qualifying subsidiary" means a subsidiary of the Company as to which the Company has a "controlling interest" as described in Treas. Regs. §1.409A-1(b)(5)(iii)(E)(1).

2. Meaning of Certain Terms. Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

3. Vesting; Method of Exercise; Treatment of the Stock Option upon Cessation of Employment.

(a) Vesting. As used herein with respect to the Stock Option or any portion thereof, the term "vest" means to become exercisable and the term "vested" as applied to any outstanding Stock Option (or any portion thereof) means that the Stock Option is then exercisable, subject in each case to the terms of the Plan. Unless earlier terminated, forfeited, relinquished or expired, the Stock Option will vest as to [●] of the Shares subject to the Stock Option on each of [●]. The number of Shares that vest on any of the foregoing dates will be rounded down to the nearest whole Share, with the Stock Option becoming vested as to 100% of the Shares on the final vesting date. Notwithstanding the foregoing, Shares subject to the Stock Option shall not vest on any vesting date unless the Optionee has remained in continuous Employment from the Date of Grant through such vesting date.

(b) Exercise of the Stock Option. No portion of the Stock Option may be exercised until such portion vests. Each election to exercise any vested portion of the Stock Option will be subject to the terms and conditions of the Plan and shall be in writing, signed by the Optionee or a permitted transferee, if any (or in such other form as is acceptable to the Administrator). Each such exercise election must be received by the Company at its principal office or by such other party as the Administrator may prescribe and be accompanied by payment in full as provided in the Plan. The exercise price may be paid (i) by cash or check acceptable to the Administrator, (ii) to the extent permitted by the Administrator, through a broker-assisted cashless exercise program acceptable to the

Administrator, (iii) by such other means, if any, as may be acceptable to the Administrator, or (iv) by any combination of the foregoing permissible forms of payment. In the event that the Stock Option is exercised by a person other than the Optionee, the Company will be under no obligation to deliver the Shares unless and until it is satisfied as to the authority of such person to exercise the Stock Option and compliance with applicable securities laws. The latest date on which the Stock Option or any portion thereof may be exercised will be the 10th anniversary of the Date of Grant (the "Final Exercise Date"). If the Stock Option is not exercised by the Final Exercise Date, the Stock Option or any remaining portion thereof will thereupon immediately terminate.

(c) Treatment of the Stock Option upon Cessation of Employment. If the Optionee's Employment ceases, the Stock Option, to the extent not already vested will be immediately forfeited, and any vested portion of the Stock Option that is then outstanding will be treated as follows:

(i) Subject to clauses (ii) and (iii) below, the Stock Option to the extent vested immediately prior to the cessation of the Optionee's Employment will remain exercisable until the earlier of (A) three months following the date of such cessation of Employment, or (B) the Final Exercise Date, and except to the extent previously exercised as permitted by this Section 3(c)(i) will thereupon immediately terminate.

(ii) Subject to clause (iii) below, the Stock Option, to the extent vested immediately prior to the cessation of the Optionee's Employment due to his or her death or due to the termination of the Optionee's Employment by the Company due to his or her Disability, will remain exercisable until the earlier of (A) one year following the date of such cessation of Employment, or (B) the Final Exercise Date, and except to the extent previously exercised as permitted by this Section 3(c)(ii) will thereupon immediately terminate.

(iii) The Stock Option (whether or not vested) will terminate and be forfeited immediately prior to the cessation of Optionee's Employment if the Optionee's Employment is terminated for Cause or if the cessation of the Optionee's Employment occurs in circumstances that in the sole determination of the Administrator would have constituted grounds for the Participant's Employment to be terminated for Cause.

4. Forfeiture; Recovery of Compensation.

(a) The Administrator may cancel, rescind, withhold or otherwise limit or restrict the Stock Option at any time if the Optionee is not in compliance with all applicable provisions of this Agreement and the Plan.

(b) By accepting the Stock Option, the Optionee expressly acknowledges and agrees that his or her rights and those of any permitted transferee of the Stock Option, under the Stock Option, including to any Stock acquired under the Stock Option or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). Nothing in the preceding sentence shall be construed as limiting the general application of Section 8 of this Agreement.

5. Transfer of Stock Option. The Stock Option may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

6. Withholding. The Optionee expressly acknowledges and agrees that the Optionee's rights hereunder, including the right to be issued Shares upon exercise, are subject to the Optionee promptly paying to the Company in cash (or by such other means as may be acceptable to the Administrator in its discretion) all taxes required to be withheld. No Shares will be transferred pursuant to the exercise of this Stock Option unless and until the person exercising this Stock Option has remitted to the Company an

amount sufficient to satisfy any federal, state or local withholding tax requirements, or has made other arrangements satisfactory to the Company with respect to such taxes. The Optionee authorizes the Company and its Affiliates to withhold such amounts from any amounts otherwise owed to the Optionee, but nothing in this sentence shall be construed as relieving the Optionee of any liability for satisfying his or her obligations under the preceding provisions of this Section.

7. Effect on Employment. Neither the grant of the Stock Option, nor the issuance of Shares upon exercise of the Stock Option, will give the Optionee any right to be retained in the employ or service of the Company or any of its Affiliates, affect the right of the Company or any of its Affiliates to discharge or discipline such Optionee at any time, or affect any right of such Optionee to terminate his or her Employment at any time.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished to the Optionee. By acceptance of the Stock Option, the Optionee agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall control.

9. Acknowledgements. The Optionee acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument, (ii) this agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, shall constitute an original signature for all purposes hereunder and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Optionee.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer.

SURGERY PARTNERS, INC.

By:_____
Name:
Title:

Dated:

Acknowledged and Agreed:

By_____
[Optionee's Name]

Exhibit 10.6

Name:	**[●]**
Number of Shares of Stock subject to Option:	**[●]**
Price Per Share:	**$[●]**
Date of Grant:	**[●]**

SURGERY PARTNERS, INC.
2015 OMNIBUS INCENTIVE PLAN

NON-EMPLOYEE DIRECTOR NON-STATUTORY STOCK OPTION AGREEMENT

This agreement (the "Agreement") evidences a stock option granted by Surgery Partners, Inc. (the "Company") to the undersigned (the "Optionee"), pursuant to and subject to the terms of the Surgery Partners, Inc. 2015 Omnibus Incentive Plan (as amended from time to time, the "Plan").

1. Grant of Stock Option. The Company grants to the Optionee on the date set forth above (the "Date of Grant") an option (the "Stock Option") to purchase, on the terms provided herein and in the Plan, the number of shares of Stock set forth above (the "Shares") with an exercise price per Share as set forth above, in each case subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

The Stock Option evidenced by this Agreement is a non-statutory option (that is, an option that does not qualify as an incentive stock option under Section 422 of the Code) and is granted to the Optionee in connection with the Optionee's service as a Director.

2. Meaning of Certain Terms. Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

3. Vesting; Method of Exercise; Treatment of the Stock Option upon Cessation of Board Service.

(a) Vesting. As used herein with respect to the Stock Option or any portion thereof, the term "vest" means to become exercisable and the term "vested" as applied to any outstanding Stock Option (or any portion thereof) means that the Stock Option is then exercisable, subject in each case to the terms of the Plan. Unless earlier terminated, forfeited, relinquished or expired, the Stock Option will vest as to [●] of the Shares subject to the Stock Option on each of [●]. The number of Shares that vest on any of the foregoing dates will be rounded down to the nearest whole Share, with the Stock Option becoming vested as to 100% of the Shares on the final vesting date. Notwithstanding the foregoing, Shares subject to the Stock Option shall not vest on any vesting date unless the Optionee has remained in continuous service as a Director (or other service provider to the Company) from the Date of Grant until such vesting date.

(b) Exercise of the Stock Option. No portion of the Stock Option may be exercised until such portion vests. Each election to exercise any vested portion of the Stock Option will be subject to the terms and conditions of the Plan and shall be in writing, signed by the Optionee or a permitted transferee, if any (or in such other form as is acceptable to the Administrator). Each such exercise election must be received by the Company at its principal office or by such other party as the Administrator may prescribe and be accompanied by payment in full as provided in the Plan. The exercise price may be paid (i) by cash or check acceptable to the Administrator, (ii) to the extent permitted by the

Administrator, through a broker-assisted cashless exercise program acceptable to the Administrator, (iii) by such other means, if any, as may be acceptable to the Administrator, or (iv) by any combination of the foregoing permissible forms of payment. In the event that the Stock Option is exercised by a person other than the Optionee, the Company will be under no obligation to deliver the Shares unless and until it is satisfied as to the authority of such person to exercise the Stock Option and compliance with applicable securities laws. The latest date on which the Stock Option or any portion thereof may be exercised will be the 10th anniversary of the Date of Grant (the "Final Exercise Date"). If the Stock Option is not exercised by the Final Exercise Date, the Stock Option or any remaining portion thereof will thereupon immediately terminate.

(c) Treatment of the Stock Option upon Cessation of Board Service. If the Optionee's service as a Director ceases, the Stock Option, to the extent not already vested will be immediately forfeited, and any vested portion of the Stock Option that is then outstanding will be treated as follows:

(i) Subject to clauses (ii) below, the Stock Option to the extent vested immediately prior to the cessation of the Optionee's service as a Director, will remain exercisable until the earlier of (A) three months following the date of such cessation of service and (B) the Final Exercise Date, and except to the extent previously exercised as permitted by this Section 3(c)(i) will thereupon immediately terminate.

(ii) Subject to clause (iii) below, the Stock Option, to the extent vested immediately prior to the cessation of the Optionee's service as a Director due to his or her death, will remain exercisable until the earlier of (A) one year following the date of such cessation of service and (B) the Final Exercise Date, and except to the extent previously exercised as permitted by this Section 3(c)(ii) will thereupon immediately terminate.

4. Forfeiture; Recovery of Compensation.

(a) The Administrator may cancel, rescind, withhold or otherwise limit or restrict the Stock Option at any time if the Optionee is not in compliance with all applicable provisions of this Agreement and the Plan.

(b) By accepting the Stock Option, the Optionee expressly acknowledges and agrees that his or her rights and those of any permitted transferee of the Stock Option, under the Stock Option, including to any Stock acquired under the Stock Option or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). Nothing in the preceding sentence shall be construed as limiting the general application of Section 8 of this Agreement.

5. Transfer of Stock Option. The Stock Option may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

6. Certain Tax Matters. The Optionee shall be responsible for satisfying and paying all taxes arising from or due in connection with respect to the exercise of, and the delivery of Shares under, this Stock Option. The Company and its subsidiaries shall have no liability or obligation related to the foregoing.

7. Effect on Service. Neither the grant of the Stock Option, nor the issuance of Shares upon exercise of the Stock Option, will give the Optionee any right to continue as a Director of, or other service provider to, the Company or any of its Affiliates, or affect the right of the Company's shareholders to take

any action permitted by law in respect of the removal of such Optionee as a Director at any time, or affect any right of such Optionee to resign from service at any time.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished to the Optionee. By acceptance of the Stock Option, the Optionee agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall control.

9. Acknowledgements. The Optionee acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument, (ii) this agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, shall constitute an original signature for all purposes hereunder and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Optionee.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer.

SURGERY PARTNERS, INC.

By:_____
Name:
Title:

Dated:

Acknowledged and Agreed:

By_____
[Optionee's Name]

Exhibit 10.7

Name:	**[●]**
Number of Shares of Restricted Stock:	**[●]**
Date of Issue:	**September 30, 2015**

SURGERY PARTNERS, INC.
2015 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

This agreement (the "Agreement") evidences the exchange of **[●]** Class B Units (the "Units") of Surgery Center Holdings, LLC, a Delaware limited liability company ("Holdings LLC"), for Restricted Stock of Surgery Partners, Inc., a Delaware corporation (the "Company") together with the right to certain payments under the Income Tax Receivable Agreement (the "ITR Agreement") as described in, and in connection with the transactions contemplated by, that certain Reorganization Agreement, dated as of September 30, 2015, between the Company, Holdings, H.I.G. Surgery Centers, LLC (together with its affiliates, "H.I.G."), and the Members (as such term is defined in the Reorganization Agreement) (the "Reorganization Agreement"), pursuant to which the Recipient agreed to exchange a portion of the Recipient's outstanding Class B Units in exchange for Restricted Stock.

1. Restricted Stock. In connection with the transactions contemplated by the Reorganization Agreement, on the date set forth above (the "Date of Issue"), the Company hereby issues to **[●]** (the "Recipient") the number of shares of Restricted Stock set forth above (the "Restricted Stock") (together with the right to certain payments under the ITR Agreement as described in the Reorganization Agreement) in exchange for the Units, as set forth on Schedule I of the Reorganization Agreement. The Restricted Stock is issued on the terms provided herein and subject to the terms of the Company's 2015 Omnibus Incentive Plan (as amended from time to time, the "Plan"), and the Recipient's right to the Restricted Stock is subject to the restrictions described in this Agreement and the Plan.

2. Meaning of Certain Terms. Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

3. Vesting. As used in this Agreement with respect to any share of Restricted Stock, the term "vest" means the lapsing of the restrictions described herein with respect to such share, subject to the terms of the Plan. Unless earlier terminated, relinquished, expired or forfeited, (a) 20% of the Restricted Stock shall vest on each of the first, second, third, fourth and fifth anniversaries of January 7, 2015; and (b) 100% of any then outstanding and unvested Restricted Stock shall vest upon the earlier to occur of: (i) a Covered Transaction after the Date of Issue, or (ii) the sale for cash by H.I.G., in one transaction or a series of transactions, of eighty five percent (85%) or more of the shares of common stock held by H.I.G. immediately following the transactions contemplated by the Reorganization Agreement and prior to the completion of the Company's initial public offering; in all cases subject to the Recipient remaining in continuous Employment through each applicable vesting date.

4. Forfeiture. Upon termination of the Recipient's Employment for any reason, including death, any shares of Restricted Stock subject to this Agreement that are then outstanding and unvested shall be automatically and immediately forfeited; moreover, any such Restricted Stock shall be automatically and immediately forfeited for no consideration, upon violation by the Recipient of any of the Restrictive Covenants (as defined below). The Recipient hereby (a) appoints the Company as his or her attorney-in-fact to take such actions as may be necessary or appropriate to effectuate a transfer of the record ownership of any such shares that are unvested and forfeited hereunder, (b) agrees to deliver to the Company, as a precondition to the issuance of any certificate or certificates with respect to unvested Restricted Stock hereunder, one or more stock powers, endorsed in blank, with respect to such shares, and (c) agrees to sign such other powers and take such other actions as the Company may reasonably request to accomplish the transfer or forfeiture of any unvested Restricted Stock that is forfeited hereunder.

5. Transfer. The Restricted Stock may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

6. Retention of Certificates, *etc.* Any certificates representing unvested Restricted Stock shall be held by the Company. If unvested Restricted Stock is held in book entry form, the Recipient agrees that the Company may give stop transfer instructions to the depository to ensure compliance with the provisions hereof.

7. Legends, Etc. Any certificates representing unvested Restricted Stock will bear such legends as determined by the Company that discloses the restrictions on transferability imposed on such Restricted Stock as a result of this Agreement and the Plan. As soon as practicable following the vesting of any such Restricted Stock, the Company shall cause a certificate or certificates covering such shares, without the aforesaid legend, to be issued and delivered to the Recipient, if applicable. If any shares of Restricted Stock or Stock are held in book-entry form, the Company may take such steps as it deems necessary or appropriate to record and manifest the restrictions applicable to such shares.

8. Dividends, etc. The Recipient shall be entitled to (a) receive any and all dividends or other distributions paid with respect to those shares of Stock of which he or she is the record owner on the record date for such dividend or other distribution, and (b) vote any shares of Stock of which he or she is the record owner on the record date for such vote; provided, however, that any property (other than cash) distributed with respect to a share of Stock (the "associated share") acquired hereunder, including without limitation a distribution of Stock by reason of a stock dividend, stock split or otherwise, or a distribution of other securities with respect to an associated share, shall be subject to the restrictions of this Agreement in the same manner and for so long as the associated share remains subject to such restrictions, and shall be promptly forfeited if and when the associated share is so forfeited; and further provided, that the Administrator may require that any cash distribution with respect to the shares of Stock be placed in escrow or otherwise made subject to such restrictions as the Administrator deems appropriate to carry out the intent of the Plan. References in this Section 8 to Stock shall refer, *mutatis mutandis*, to any shares of Restricted Stock.

9. Sale of Vested Stock. The Recipient understands that he or she will be free to sell any share of Restricted Stock once it has vested, subject to (a) satisfaction of any applicable tax withholding requirements with respect to the vesting or transfer of such share, (b) the completion of any administrative steps (for example, but without limitation, the transfer of certificates) that the Company may reasonably impose, and (c) applicable requirements of federal and state securities laws. Shares of unvested Restricted Stock may not be sold, transferred, pledged, assigned or otherwise encumbered or disposed of except as the Administrator may provide.

10. Certain Tax Matters. The Recipient expressly acknowledges the following:

(a) The Recipient acknowledges and agrees that he or she will execute and deliver to the Company promptly following the Date of Issue a copy of the Election Pursuant to Section 83(b) of the Code, substantially in the form attached hereto as Exhibit A (the "Election Form"). The Election Form shall be filed by the Recipient with the appropriate Internal Revenue Service office(s) no later than thirty (30) days after the Date of Issue. Prior to making such filing(s), the Recipient shall provide a completed draft of such Election Form to the Company for its review and approval. The Recipient acknowledges and agrees that he or she has the sole responsibility to consult with his or her tax advisor to determine if there is a comparable election to file in the state of his or her residence and whether such a filing is desirable under the circumstances.

(b) The issuance or vesting of the Restricted Stock acquired hereunder, and the payment of dividends with respect to such shares, may give rise to "wages" subject to withholding. The Recipient expressly acknowledges and agrees that the Recipient's rights hereunder are subject to the Recipient promptly paying to the Company in cash or by such other means) as may be acceptable to the Administrator in its sole discretion (including through the Company's withholding of shares of Stock, but not in excess of the minimum withholding required by law), all amounts required to be withheld with respect to U.S. federal, state, local and non-U.S. taxes. The Recipient authorizes the Company and its Affiliates to withhold such amounts from any amounts otherwise payable to the Recipient, but nothing in this sentence should be construed as relieving the Recipient of any liability for satisfying his or her obligation under the preceding provisions of this Section.

(c) The Company and the Recipient acknowledge and agree that as of the Date of Issue, the fair market value of each of the Restricted Stock and of the Units exchanged therefore is $**[●]**. The parties shall prepare and file all tax returns, including the Election Form, consistent with such fair market value.

11. Forfeiture; Recovery of Compensation. By accepting the Restricted Stock, the Recipient expressly acknowledges and agrees that his or her rights, and those of any permitted transferee of the Restricted Stock, under this Agreement, with respect to the Restricted Stock or any Stock received following the vesting of the Restricted Stock or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). Nothing in the preceding sentence shall be construed as limiting the general application of Section 15 of this Agreement.

12. Confidential Information. Other than in the performance of his or her duties as an Employee, during the Restrictive Period (as defined below) and thereafter, the Recipient shall keep secret and retain in strictest confidence, and shall not, without the prior written consent of the Company, furnish, make available or disclose to any third party or use for the benefit of the Recipient or any third party, any Confidential Information. As used in this Agreement, "Confidential Information" shall mean any information relating to the business or affairs of the Company, any of its Affiliates or the business of owning, operating, developing and/or managing, or providing management or administrative services to, (a) ambulatory surgery centers anywhere in the United States or (b) physician-owned surgical hospitals within a fifty (50) mile radius of any hospital that is owned, operated, developed or managed by Company or any Affiliate of Company (the "Business"), including but not limited to any technical or non-technical data, formulae, compilations, programs, devices, methods, techniques, designs, processes, procedures, improvements, models, manuals, financial data, acquisition strategies and information, information relating to operating procedures and marketing strategies, and any other proprietary information used by the Company or any of its Affiliates in connection with the Business, irrespective of its form; provided, however, that Confidential Information shall not include any information which is in the public domain or becomes known in the industry, in each case through no wrongful act on the part of the Recipient. The Recipient acknowledges that the Confidential Information is vital, sensitive, confidential and proprietary to the Company and its Affiliates. The Recipient will immediately notify the Company of any unauthorized possession, use, disclosure, copying, removal or destruction, or attempt thereof, of any Confidential Information by anyone of which the Recipient becomes aware and of all details thereof. The Recipient shall take all reasonably appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Recipient shall deliver to the Company at the termination or expiration of the Recipient's Employment, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, computers, printouts and software and other documents and data (and copies thereof) embodying or relating to the Confidential Information or the business of the Company or any of its Affiliates which the Recipient may then possess or have under his or her control.

13. Restrictive Covenants. The Recipient acknowledges that in the course of the Recipient's Employment, the Recipient has been or will be given access to and has or will become familiar with trade secrets of the Company or of its Affiliates, or of their predecessors or successors, and with other Confidential Information and that the Recipient's services have been and shall be of special, unique and extraordinary value to the Company and its Affiliates. Therefore, and in further consideration of the Restricted Stock issued hereunder and compensation to be paid to the Recipient by the Company and its Affiliates, and to protect the Company's and its Affiliates' Confidential Information, business interests and goodwill:

(a) Non-compete. The Recipient hereby agrees that for a period commencing on the date hereof and ending on the date of termination of the Recipient's Employment (the "Termination Date"), and thereafter, through the period ending on the first anniversary of the Termination Date (collectively, the "Restrictive Period"), the Recipient shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, co-partner or in any other individual or representative capacity, own, operate, manage, control, engage in, invest in or participate in any manner in, act as a consultant or advisor to, render services for (alone or in association with any person, firm, corporation or entity), or otherwise assist any person or entity (other than the Company and its Affiliates) that engages in or owns, invests in, operates, manages or controls any venture or enterprise that directly or indirectly engages or is actively developing or attempting to develop in any element of the Business anywhere within a 50-mile radius of the Nashville metropolitan area or within a 50-mile radius of any area (or in the event such area is a major city, the metropolitan area relating to such city) in which the Company or any of its Affiliates on the Termination Date actively engages or is actively developing or attempting to develop in any element of the Business (the "Territory"); provided, however, that nothing contained herein shall be construed to prevent the Recipient from investing in the stock of any competing corporation listed on a national securities exchange or traded in the over-the-counter market, but only if the Recipient is not involved in the business of said corporation and if

the Recipient and the Recipient's associates (as such term is defined in Regulation 14(A) promulgated under the Securities Exchange Act of 1934, as in effect on the date hereof), collectively, do not own more than an aggregate of 3% of the stock of such corporation. With respect to the Territory, the Recipient specifically acknowledges that the Company intends to expand the Business into and throughout the United States. The restrictions set forth in this Section 13(a) shall not apply to the Recipient if the Recipient's Employment is terminated by the Company or any of its Affiliates without Cause or due to the Recipient's resignation for Good Reason. If the Recipient is party to an effective employment or severance-benefit agreement with the Company or an Affiliate that contains a definition of "Good Reason," the definition set forth in such agreement will apply with respect to the Recipient under this Agreement for so long as such agreement is in effect. Otherwise, for purposes of this Agreement, "Good Reason" will mean any of the following events or conditions occurring without the Recipient's express written consent: (i) a material reduction in the Recipient's base compensation, (ii) a material diminution of the Recipient's level of responsibilities for the Company, (iii) a material reduction in the aggregate level of deferred compensation and health and welfare benefits provided by the Company to the Recipient, other than any such reduction that affects, or that is similar to a change in benefits that affects, all other similarly situated Employees, or (iv) a change of fifty (50) miles or more in the Recipient's principal work location; provided, however, that in order to be able to terminate his or her employment for Good Reason, (A) the Recipient must notify the Company in writing of the first occurrence of the Good Reason condition within thirty (30) days of the first occurrence of such condition; (B) the Recipient must cooperate in good faith with the Company's efforts, for a period not less than thirty (30) days following such notice (the "Cure Period"), to remedy the condition; (C) notwithstanding such efforts, there shall have been a continuation of the Good Reason condition beyond the end of the Cure Period; and (D) the Recipient must terminate his or her employment within thirty (30) days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred. Termination of employment for Good Reason is intended to be an involuntary separation of service for purposes of Section 409A, and will be construed accordingly.

(b) Interference with Relationships. Without limiting the generality of the provisions of Section 13(a) hereof, the Recipient hereby agrees that, for a period commencing on the date hereof and ending on the Termination Date, and thereafter, through the period ending on the second anniversary of the Termination Date (the "Non-Solicit Restrictive Period"), the Recipient will not, directly or indirectly, as employee, agent, consultant, stockholder, director, partner or in any other individual or representative capacity, (i) solicit or encourage, or participate in any business which solicits or encourages (A) any person, firm, corporation or other entity which has executed, or proposes to execute, a management services agreement or other services agreement with the Company or any of its Affiliates at any time during the term of this Agreement, or from any successor in interest to any such person, firm, corporation or other entity, for the purpose of securing business or contracts related to any element of the Business, or (B) any present customer or patient of the Company or of any of its Affiliates or of any practice or facility (i) in which the Company or any of its Affiliates has an ownership interest or (ii) that is managed by or receives other services from the Company or any of its Affiliates in connection with any element of the Business (an "Affiliated Practice") to terminate or otherwise alter his, her or its relationship with the Company or any of its Affiliates or such Affiliated Practice; provided, however, that nothing contained herein shall be construed to prohibit or restrict the Recipient from soliciting business from any such parties on behalf of the Company or any of its Affiliates in performance of the Recipient's duties as an Employee, or (ii) divert, entice away, solicit or encourage, or attempt to divert, entice away, solicit or encourage, any physician who utilizes or has invested in an Affiliated Practice to become an owner, investor or user of another practice or facility that is not an Affiliated Practice or approach any such physician for any of the foregoing purposes or authorize or assist in the taking of any such action by any third party. In addition, at all times from and after the Termination Date, the Recipient shall not contact or communicate in any manner with any of the Company's or any of its Affiliates' suppliers or vendors, or any other third party providing services to the Company or any of its Affiliates, regarding the Company, any of its Affiliates or any Company- or any such Affiliate-related matter (which suppliers, vendors or third party service providers will include, without limitation, any third party with whom the Company or any of its Affiliates was, during the term of the Recipient's Employment, contemplating engaging, or negotiating with, for the future provision of products or services).

(c) Non-solicitation. Other than in the performance of the Recipient's duties in connection with the Recipient's Employment, during the Non-Solicit Restrictive Period, the Recipient shall not, directly or indirectly, as employee, agent, consultant, stockholder, director, co partner or in any other individual or

representative capacity, employ, recruit or solicit for employment or engagement, any person who is employed or engaged by the Company or any of its Affiliates or any of its Affiliated Practices during the Non-Solicit Restrictive Period, or otherwise seek to influence or alter any such person's relationship with any of the Affiliated Practices, the Company or any of their Affiliates; provided, however that responses to a general solicitation (such as an internet or newspaper solicitation) that are not targeted towards any particular person shall not be deemed to be a violation of the restrictions set forth in this Section 13(c).

(d) Blue Pencil. If any court of competent jurisdiction shall at any time deem the term of this Agreement or any particular Restrictive Covenant (as defined below) too lengthy or the Territory too extensive, the other provisions of this Section 13 shall nevertheless stand, the Restrictive Period herein shall be deemed to be the longest period permissible by law under the circumstances and the Territory herein shall be deemed to comprise the largest territory permissible by law under the circumstances. The court in each case shall reduce the time period and/or Territory to permissible duration or size.

(e) Covenant Not to Disparage. During the Restrictive Period and thereafter, the Recipient shall not disparage, denigrate or derogate in any way, directly or indirectly, the Company, any of its Affiliates, or any of its or their respective agents, officers, directors, employees, parent, subsidiaries, affiliates, Affiliated Practices, affiliated doctors (including any physicians who utilize or have invested in any Affiliated Practice), representatives, attorneys, executors, administrators, successors and assigns (collectively, the "Protected Parties"), nor shall the Recipient disparage, denigrate or derogate in any way, directly or indirectly, her experience with any Protected Party, or any actions or decisions made by any Protected Party.

(f) Remedies. The Recipient acknowledges and agrees that the covenants set forth in this Section 13 and the preceding Section 12 (collectively, the "Restrictive Covenants") are reasonable and necessary for the protection of the business interests of the Company and its Affiliates, that irreparable injury may result to the Company and its Affiliates if the Recipient breaches any of the terms of said Restrictive Covenants, and that in the event of the Recipient's actual or threatened breach of any such Restrictive Covenants, the Company and its Affiliates will have no adequate remedy at law. The Recipient accordingly agrees that in the event of any actual or threatened breach by her of any of the Restrictive Covenants, the Company and its Affiliates shall be entitled to immediate temporary injunctive and other equitable relief subject to hearing as soon thereafter as possible. Nothing contained herein shall be construed as prohibiting the Company or any of its Affiliates from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of any damages which it is able to prove. In addition and supplementary to other rights and remedies existing in its (or their) favor, in the event of the material breach by the Recipient of any of the provisions of this Section 13, the Company (and/or its Affiliates) shall be entitled to require the Recipient to account for and pay over to the Company (and/or its Affiliates) all compensation, profits, moneys, accruals, increments or other benefits actually derived from or received as a result of any transactions constituting a breach of the covenants contained in this Agreement. In addition, in the event of an alleged breach or violation by the Recipient of this Section 13, the restricted periods set forth in this Section 13 shall be tolled until such breach or violation has been duly cured.

(g) Acknowledgement. The Recipient understands that the foregoing restrictions may limit his or her ability to earn a livelihood in a business similar to the business of the Company and its Affiliates, but the Recipient nevertheless believes that the Recipient has received and will receive sufficient consideration and other benefits as an Employee of the Company and as otherwise provided hereunder to clearly justify such restrictions which, in any event (given his or her education, skills and ability), the Recipient does not believe would prevent him or her from otherwise earning a living. The Recipient acknowledges that the Restrictive Covenants are reasonable and that the Recipient has reviewed the provisions of this Agreement with his or her legal counsel. The Recipient shall inform any prospective or future employer of any and all restrictions contained in this Agreement and provide such employer with a copy of such restrictions, prior to the commencement of that employment.

14. Effect on Employment. The issuance of the Restricted Stock will not give the Recipient any right to be retained as an employee of, or other service provider to, the Company or any of its Affiliates, affect the right of the Company or any of its Affiliates to discharge or discipline such Recipient at any time, or affect any right of such Recipient to terminate his or her Employment at any time.

15. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Issue has been furnished

to the Recipient. By acceptance of the Restricted Stock, the Recipient agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan shall control.

16. Acknowledgements. The Recipient acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument, (ii) this agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, shall constitute an original signature for all purposes hereunder and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Recipient.

[The remainder of this page is intentionally left blank]

Executed as of the _____ day of September, 2015.

Company: SURGERY PARTNERS, INC.

By: _____
Name:
Title:

Recipient: _____
Name:

Address:

_____

_____

_____

[Signature Page to Restricted Stock Agreement]

EXHIBIT A

ELECTION PURSUANT TO SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in gross income as compensation for services the excess (if any) of the fair market value of the property described below over the amount paid for such property.

1. The name, taxpayer identification number, address of the undersigned, and the taxable year for which this election is being made are:

   Taxpayer's Name: __
   Taxpayer's Social Security Number: __
   Address: __
   Taxable Year: Calendar Year 2015

2. The property that is the subject of this election is **[●]** unvested shares of common stock of Surgery Partners, Inc., a Delaware corporation (the "Company"), representing restricted shares of common stock of the Company ("Restricted Stock").

3. The Restricted Stock was transferred to the undersigned on September 30, 2015.

4. The Restricted Stock is subject to the following restrictions: (a) restrictions on vesting based on continued service through the applicable vesting date, (b) immediate forfeiture upon a termination of employment with the Company or an affiliate, and (c) restrictions should the undersigned wish to transfer the Restricted Stock (in whole or in part).

5. The fair market value of the Restricted Stock at the time of transfer (determined without regard to any restrictions other than a nonlapse restriction as defined in Section 1.83-3(h) of the Income Tax Regulations) is $**[●]**.

6. For the Restricted Stock transferred, the undersigned transferred $**[●]** worth of Class B Units of Surgery Center Holdings, LLC, a Delaware limited liability company.

7. The amount to include in gross income is $0.

The undersigned taxpayer will file this election with the Internal Revenue Service office with which taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the person for whom the services were performed. Additionally, the undersigned will include a copy of the election with his or her income tax return for the taxable year in which the property is transferred. The undersigned is the person performing the services in connection with which the property was transferred.

Date: _____ _____

Taxpayer

Exhibit 10.8

SURGERY PARTNERS, INC.
CASH INCENTIVE PLAN

1. PURPOSE

This Cash Incentive Plan (the "Plan") has been established to advance the interests of Surgery Partners, Inc. (the "Company") by providing for the grant of Cash Incentive Awards (as defined below) to eligible employees of the Company and its affiliates, including Cash Incentive Awards intended to qualify for the performance-based compensation exemption ("Exempt Cash Incentive Awards") under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") (Section 162(m) of the Code, together with the regulations thereunder, "Section 162(m)"), to the extent applicable.

2. ADMINISTRATION

The Plan will be administered by the Committee and its delegates (the Committee and its delegates, to the extent of such delegation, are referred to herein as the "Administrator"); *provided*, that all determinations and other actions of the Administrator required by the performance-based compensation provisions of Section 162(m) to be made or taken by a "compensation committee" (as defined in Section 162(m)) will be made or taken hereunder directly by the Committee, and all references to the Administrator herein are to be construed accordingly. For purposes of the Plan, "Committee" means the Compensation Committee of the Board of Directors of the Company, except that if any member of the Compensation Committee is not an "outside director" (as defined in Section 162(m)), "Committee" means a subcommittee of the Compensation Committee consisting solely of those Compensation Committee members who are "outside directors" as so defined.

The Administrator has the authority to interpret the Plan and Cash Incentive Awards, to determine eligibility for Cash Incentive Awards, to determine the terms of and the conditions applicable to any Cash Incentive Award, and generally to do all things necessary to administer the Plan. Any interpretation or decision by the Administrator with respect to the Plan or any Cash Incentive Award will be final and conclusive as to all parties.

3. ELIGIBILITY; PARTICIPANTS

The Administrator will select from among the executive officers and other key employees of the Company and its affiliates those employees who will from time to time participate in the Plan (each, a "Participant"). Participation with respect to one Cash Incentive Award under the Plan will not entitle an individual to participate with respect to a subsequent Cash Incentive Award or Cash Incentive Awards, if any, and will not entitle a Participant to continued employment or constitute the basis for any claim of damages in connection with a termination of employment or otherwise.

4. GRANT OF AWARDS

The term "Cash Incentive Award" as used in the Plan means an award opportunity that is payable in cash and is granted to a Participant with respect to a specified performance period (consisting of the Company's fiscal year or such other period as the Administrator may determine, each a "Performance Period"). A Participant who is granted a Cash Incentive Award will be entitled to a payment, if any, under the Cash Incentive Award only if all conditions to payment have been satisfied in accordance with the Plan and the terms of the Cash Incentive Award. By accepting (or, under such rules as the Administrator may prescribe, being deemed to have accepted) a Cash Incentive Award, the Participant agrees (or will be deemed to have agreed) to the terms of the Cash Incentive Award and the Plan. For each Cash Incentive Award, the Administrator shall establish the following:

(a) the Performance Criteria (as defined in Section 5 below) applicable to the Cash Incentive Award;

(b) the amount or amounts that will be payable (subject to adjustment in accordance with Section 6) if the Performance Criteria are achieved; and

(c) such other terms and conditions as the Administrator deems appropriate, subject in each case to the terms of the Plan.

For Exempt Cash Incentive Awards, (i) such terms shall be established by the Committee not later than (A) the ninetieth (90th) day after the beginning of the Performance Period, in the case of a Performance Period of 360 days or longer, or (B) the end of the period constituting the first quarter of the Performance Period, in the case of a Performance Period of less than 360 days, and (ii) once the Committee has established the terms of such Exempt Cash Incentive Award in accordance with the foregoing, it shall not thereafter adjust such terms, except to reduce payments, if any, under the Exempt Cash Incentive Award in accordance with Section 6 or as otherwise permitted in accordance with the requirements of Section 162(m).

5. PERFORMANCE CRITERIA

As used in the Plan, "Performance Criteria" means specified criteria, other than the mere continuation of employment or the mere passage of time, the satisfaction of which is a condition for the vesting, payment or full enjoyment of a Cash Incentive Award. A Performance Criterion and any targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss, may consist of individual and/or Company-related goals and may be applied to a Participant or Participants on an individual basis or with respect to a business unit or division or the Company as a whole. For Exempt Cash Incentive Awards, a Performance Criterion will mean an objectively determinable measure of performance relating to any or any combination of the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or a specified peer group) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, facility, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Committee specifies, consistent with the requirements of Section 162(m)): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or equity expense, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital, capital employed or assets; one or more operating ratios; operating income or profit, including on an after tax basis; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; customer satisfaction; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. To the extent consistent with the requirements of Section 162(m), the Committee may establish, by the deadline that otherwise applies to the establishment of the terms of an Exempt Cash Incentive Award, that, in the case of any such Exempt Cash Incentive Award, one or more of the Performance Criteria applicable to such Cash Incentive Award will be adjusted in an objectively determinable manner to reflect events (for example, the impact of charges for restructurings, discontinued operations, mergers, acquisitions, and other unusual or infrequently occurring items, and the cumulative effects of tax or accounting changes, each as defined by U.S. generally accepted accounting principles) occurring during the Performance Period that affect the applicable Performance Criterion or Criteria. With respect to Cash Incentive Awards other than Exempt Cash Incentive Awards, the Administrator may provide that such Cash Incentive Award, and any related Performance Criterion or Criteria, will be adjusted in any manner prescribed by the Administrator in its sole discretion.

6. CERTIFICATION OF PERFORMANCE; AMOUNT PAYABLE UNDER AWARDS

As soon as practicable after the close of a Performance Period, the Administrator will determine whether and to what extent, if at all, the Performance Criterion or Criteria applicable to a Cash Incentive Award granted for the Performance Period have been satisfied and, in the case of Exempt Cash Incentive Awards, will take such steps as it determines to be sufficient to satisfy the certification requirement under Section 162(m) as to such performance results. The Administrator shall then determine the actual payment, if any, under each Cash Incentive Award. No amount may be paid under any Exempt Cash Incentive Award unless such certification requirement has been satisfied as set forth above, except as provided by the Administrator consistent with the requirements of Section 162(m). The Administrator may, in its sole and absolute discretion and with or without specifying its reasons for doing so, after determining the amount that would otherwise be payable under any Cash Incentive Award for a Performance Period, reduce (including to zero) the actual payment, if any, to be made under such Cash Incentive Award or, in the case of Cash Incentive Awards other than Exempt Cash Incentive Awards, otherwise adjust or increase the amount payable under such Cash Incentive Award. The Administrator may exercise the discretion described in the immediately preceding sentence either in individual cases or in ways that affect more than one Participant. The actual payment under an Exempt Cash Incentive Award may be less than (but in no event more

than) the amount indicated by the certified level of achievement under such Cash Incentive Award. The actual payment under a Cash Incentive Award other than an Exempt Cash Incentive Award may be more or less than the amount indicated by the level of achievement under the Cash Incentive Award. In each case, the Administrator's discretionary determination, which may affect different Cash Incentive Awards differently, will be binding on all parties.

7. PAYMENT UNDER AWARDS

Except as otherwise determined by the Administrator or as otherwise provided in this Section 7, all payments under the Plan will be made, if at all, not later than March 15th of the calendar year following the calendar year in which the Performance Period ends; provided, that the Administrator may authorize elective deferrals of any Cash Incentive Award payments in accordance with the deferral rules of Section 409A of the Code. Unless otherwise determined by the Administrator, a Cash Incentive Award payment will not be made unless a Participant has remained employed with the Company and its affiliates through the date of payment.

8. PAYMENT LIMITS

The maximum amount payable to any person in any fiscal year of the Company under Exempt Cash Incentive Awards will be $3,000,000, which limitation, with respect to any such Cash Incentive Awards for which payment is deferred in accordance with Section 7 above, shall be applied without regard to such deferral.

9. TAX WITHHOLDING; LIMITATION ON LIABILITY

All payments under the Plan will be subject to reduction for applicable tax and other legally or contractually required withholdings.

Neither the Company nor any affiliate, nor the Administrator, nor any person acting on behalf of the Company, any affiliate, or the Administrator, will be liable for any adverse tax or other consequences to any Participant or to the estate or beneficiary of any Participant or to any other holder of a Cash Incentive Award that may arise or otherwise be asserted with respect to a Cash Incentive Award, including, but not limited to, by reason of the application of Section 11 below or any acceleration of income or any additional tax (including any interest and penalties) asserted by reason of the failure of a Cash Incentive Award to satisfy the requirements of Section 409A of the Code or by reason of Section 4999 of the Code, or otherwise asserted with respect to the Cash Incentive Award.

10. AMENDMENT AND TERMINATION

The Committee or the Board of Directors of the Company may amend the Plan at any time and from time to time, and may terminate the Plan at any time.

11. MISCELLANEOUS

The Administrator may provide that Cash Incentive Awards will be subject to forfeiture, termination or rescission, and that a Participant will be obligated to return to the Company payments received with respect to a Cash Incentive Award, in connection with (i) a breach by the Participant of a Cash Incentive Award agreement or the Plan, or any non-competition, non-solicitation, confidentiality or similar covenant or agreement with the Company or any of its affiliates or (ii) an overpayment to the Participant of incentive compensation due to inaccurate financial data. Without limiting the generality of the foregoing, the Administrator may recover Cash Incentive Awards and payments under any Cash Incentive Award in accordance with any applicable Company clawback or recoupment policy, as such policy may be amended and in effect from time to time, or as otherwise required by applicable law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Securities Exchange Act of 1934, as amended. Each Participant, by accepting a Cash Incentive Award pursuant to the Plan, agrees to return the full amount required under this Section X at such time and in such manner as the Administrator shall determine in its sole discretion, consistent with applicable law.

In the case of any Exempt Cash Incentive Award, the Plan and such Exempt Cash Incentive Award will be construed and administered to the maximum extent permitted by law in a manner consistent with qualifying the Exempt Cash Incentive Award for the exemption for performance-based compensation under Section 162(m), notwithstanding anything to the contrary in the Plan. Cash Incentive Awards will not be required to comply with the provisions of the Plan applicable to Exempt Cash Incentive Awards (including, without limitation, the composition of the Committee as set forth in Section 2 above) if and to the extent they are eligible (as determined by the

Committee) for exemption from such limitations by reason of the transition relief set forth in Treas. Reg. § 1.162-27(f).

The Plan shall be effective upon adoption of the Plan by the Board of Directors of the Company (the "Effective Date") and shall supersede and replace the Company's annual cash bonus program with respect to Cash Incentive Awards granted to eligible executive officers and employees for fiscal years beginning after the Effective Date.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) AND RULE 15d- 14(a) OF THE SECURITIES AND EXCHANGE ACT, AS AMENDED AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael T. Doyle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Surgery Partners, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Michael T. Doyle
Michael T. Doyle
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2015

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) AND RULE 15d- 14(a) OF THE SECURITIES AND EXCHANGE ACT, AS AMENDED AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Teresa F. Sparks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Surgery Partners, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Teresa F. Sparks
Teresa F. Sparks
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 13, 2015

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Surgery Partners, Inc. (the "Company") for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael T. Doyle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

By: /s/ Michael T. Doyle
Michael T. Doyle
Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2015

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q of Surgery Partners, Inc. (the "Company") for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Teresa F. Sparks, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

By: /s/ Teresa F. Sparks
Teresa F. Sparks
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 13, 2015