

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1
to
FORM S-1
REGISTRATION STATEMENT**

UNDER
THE SECURITIES ACT OF 1933

Surgery Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

8062
(Primary standard industrial
classification code number)
40 Burton Hills Boulevard
Suite 500
Nashville, Tennessee 37215
(615) 234-5900

47-3620923
(I.R.S. employer
identification number)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael Doyle
Chief Executive Officer
40 Burton Hills Boulevard
Suite 500
Nashville, Tennessee 37215
(615) 234-5900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Carl Marcellino, Esq.
Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036
Telephone: (212) 596-9000
Facsimile: (212) 596-9090

Rachel W. Sheridan, Esq.
John H. Chory, Esq.
Latham & Watkins LLP
555 Eleventh Street, NW
Suite 100
Washington, DC 20004
Telephone: (202) 637-2200

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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. (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee(3) |
|---|--|----------------------------------|
| Common Stock, \$0.01 par value per share | \$ | \$ |

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended (the "Securities Act").

(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase to cover over-allotments, if any.

(3) Calculated pursuant to Rule 457(o) of the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated June 22, 2015

Shares
Surgery Partners, Inc.
Common Stock

This is the initial public offering of shares of common stock of Surgery Partners, Inc. We are offering _____ shares of common stock.

Prior to this offering, there has been no public market for our common stock. The initial public offering price per share of our common stock is expected to be between \$ _____ and \$ _____. We intend to apply to list our common stock on the _____ under the symbol “_____.”

Our business is currently conducted through Surgery Center Holdings, Inc. and its subsidiaries. Immediately prior to the completion of this offering, Surgery Partners, Inc. will become the direct or indirect parent of Surgery Center Holdings, Inc.

After the completion of this offering, certain investment funds affiliated with H.I.G. Capital, LLC will continue to own a majority of the voting power of our outstanding shares of common stock. As a result, we expect to be a “controlled company” within the meaning of the corporate governance rules of _____. See the section entitled “Management—Board Composition Following this Offering” in this prospectus.

We are an “emerging growth company” as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with certain reduced public company reporting requirements. See the section entitled “Prospectus Summary—Implications of Being an Emerging Growth Company” in this prospectus.

Investing in our common stock involves risks that are described in the “[Risk Factors](#)” section beginning on page 21.

| | <u>Per share</u> | <u>Total</u> |
|--|------------------|--------------|
| Public offering price | \$ _____ | \$ _____ |
| Underwriting discounts and commissions | \$ _____ | \$ _____ |
| Proceeds, before expenses, to us | \$ _____ | \$ _____ |

The underwriters have an option to purchase up to _____ additional shares from us at the initial public offering price, less the underwriting discount. The underwriters can exercise this option at any time and from time to time within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Delivery of the shares of our common stock will be made on or about _____, 2015.

BofA Merrill Lynch

Goldman, Sachs & Co.

Jefferies

Citigroup

Morgan Stanley

Credit Suisse

Raymond James

The date of this Prospectus is _____, 2015.

TABLE OF CONTENTS

| | |
|---|-----|
| Prospectus Summary | 1 |
| Risk Factors | 21 |
| Cautionary Note Regarding Forward-Looking Statements | 58 |
| Use of Proceeds | 60 |
| Dividend Policy | 61 |
| Capitalization | 62 |
| Dilution | 63 |
| Unaudited Pro Forma As Adjusted Condensed Combined Financial Information | 65 |
| Selected Consolidated Financial and Other Data | 68 |
| Management’s Discussion and Analysis of Financial Condition and Results of Operations | 71 |
| Business | 96 |
| Management | 135 |
| Executive Compensation | 140 |
| Certain Relationships and Related Party Transactions | 145 |
| Description of Indebtedness | 147 |
| Principal Stockholders | 152 |
| Description of Capital Stock | 153 |
| Shares Eligible for Future Sale | 157 |
| Material U.S. Federal Income Tax Considerations for Non-U.S. Holders of Common Stock | 159 |
| Underwriting | 163 |
| Legal Matters | 170 |
| Experts | 170 |
| Where You Can Find More Information | 170 |
| Index to Consolidated Financial Statements | F-1 |

You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

Market and Other Industry Data

Unless otherwise indicated, market data and certain industry forecasts used throughout this prospectus were obtained from various sources, including internal surveys, market research, consultant surveys, publicly available information and industry publications and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in these publications and reports.

Trademarks and Other Intellectual Property Rights

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, tag-lines, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. Solely for convenience, some of the copyrights, trade names and trademarks referred to in this prospectus are listed without their ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trade names and trademarks.

PROSPECTUS SUMMARY

The following summary highlights information appearing elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, and in particular, the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes relating to those statements included elsewhere in this prospectus. Some of the statements in this prospectus constitute forward-looking statements. See the section entitled “Cautionary Note Regarding Forward-Looking Statements.”

Unless otherwise indicated or the context otherwise requires, references in this prospectus 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 the consummation of this offering and (ii) Surgery Partners, Inc. and its consolidated subsidiaries, including Surgery Center Holdings, LLC and Surgery Center Holdings, Inc., immediately following the Reorganization and the consummation of this offering. 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. References to the “period ended December 31, 2014,” or “2014” made in connection with financial or other data are to the Company’s fiscal year ended December 31, 2014, which includes the results of Symbion Holdings Corporation (“Symbion”) following its acquisition for the period from November 3, 2014 through December 31, 2014. References to financial or other data presented as “pro forma” or “on a pro forma basis” refer to a presentation that applies adjustments to give pro forma effect to the Symbion acquisition over the applicable time period or as of the relevant date. For more information, see the section entitled “Unaudited Pro Forma As Adjusted Condensed Combined Financial Information” included elsewhere in this prospectus. All information in this prospectus assumes no exercise of the underwriters’ option to purchase additional shares, unless otherwise noted.

Our Company

We are a leading healthcare services company with a differentiated outpatient delivery model focused on providing high quality, cost effective solutions for surgical and related ancillary care in support of our patients and physicians. Founded in 2004, we are now one of the largest and fastest growing surgical services businesses in the country. As of March 31, 2015, we owned or operated, primarily in partnership with physicians, a portfolio of 102 surgical facilities comprised of 96 ambulatory surgery centers (“ASCs” or “surgery centers”) and six surgical hospitals (“surgical hospitals,” and together with ASCs referred to as “surgical facilities” or “facilities”) across 29 states. On a pro forma basis in 2014, approximately 4,000 physicians provided services to over 500,000 patients in our surgical facilities. As of March 31, 2015, approximately 70% of these facilities were multi-specialty focused. Our innovative strategy provides a suite of targeted and complementary ancillary services in support of our patients and physicians. This suite of ancillary services is comprised of a diagnostic laboratory, multi-specialty physician practices, urgent care facilities, anesthesia services, optical services and specialty pharmacy services (our “Ancillary Services”). We believe this approach improves the quality of care provided to our patients, results in superior clinical outcomes and allows us to realize the revenue associated with these Ancillary Services that are otherwise outsourced to unrelated third-party providers.

Driven by an experienced and innovative management team, the implementation of our differentiated strategy resulted in industry leading same-facility revenue growth of approximately 9% during 2014, and an average of approximately 8% annually on a pro forma basis from 2012 to 2014. Our transformational acquisition of Symbion in November of 2014, a private owner and operator of 55 surgical facilities at the time of the acquisition, has further diversified our geographic footprint, surgical specialty mix and ancillary network, while significantly enhancing our scale and providing significant cost and revenue synergy opportunities that we believe we are

positioned to achieve over the next two to three years. To that end, we have been actively executing our integration plan to realize these synergies, which include 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 the Symbion portfolio. Without giving effect to the Symbion acquisition, we would have derived approximately 27% of our 2014 revenue from our Ancillary Services. On a pro forma basis, approximately 10% of our 2014 revenue was derived from these same services, a percentage that we will focus on increasing as we continue to deploy our Ancillary Services offerings.

Our patient- and physician-centric culture, our commitment to high quality care, our differentiated approach to physician engagement and our suite of complementary Ancillary Services have been instrumental to our growth. These areas of focus, along with investments in systems and processes, strategic acquisitions and favorable industry trends, have all contributed to our industry leading track record of growth.

Our pro forma revenue for 2014 was \$871.2 million, which represents a compound annual growth rate (“CAGR”) of approximately 83% compared to revenue of \$260.2 million for the year ended December 31, 2012. For the three months ended March 31, 2015, our revenue was \$224.1 million, compared to revenue of \$70.5 million for the same period during 2014. In 2014, on a pro forma basis, we experienced a net loss of \$8.6 million as compared to net income of \$1.9 million for the year ended December 31, 2012. For the three months ended March 31, 2015, we experienced a net loss of \$6.8 million as compared to \$4.1 million for the same period during 2014. Our pro forma Adjusted EBITDA was \$153.3 million for 2014, representing an approximately 74% CAGR when compared to Adjusted EBITDA of \$51.0 million for the year ended December 31, 2012. For the three months ended March 31, 2015, our Adjusted EBITDA was \$36.0 million as compared to Adjusted EBITDA of \$13.5 million for the same period during 2014. For a definition of EBITDA, Adjusted EBITDA, pro forma EBITDA and pro forma Adjusted EBITDA and a reconciliation of Adjusted EBITDA and pro forma Adjusted EBITDA to net income (loss) and pro forma net income (loss), respectively, see “—Summary Historical and Pro Forma Condensed Consolidated Financial and Other Data.”

Our Differentiated Business Strategy and Powerful Value Proposition

Our portfolio of outpatient surgical facilities is complemented by our suite of Ancillary Services, which support our physicians in providing high quality and cost-efficient patient care. Our differentiated business strategy provides meaningful value to patients, physicians and payors, and enables us to capitalize on recent trends in the healthcare industry. As a result, we believe we are positioned for continued growth.

As of March 31, 2015, we owned or operated 102 surgical facilities primarily in partnership with physicians and, on a select basis, physicians and health systems. We provide care across a variety of specialties, including ear, nose and throat (“ENT”), gastrointestinal (“GI”), general surgery, ophthalmology, orthopedics and pain management. Many of our surgical patients require additional complementary healthcare services, and our suite of Ancillary Services aims to address the needs of patients and physicians through the provision of these services in a high quality, cost effective manner. We believe this strategy provides numerous benefits to patients and physicians as it improves our coordination of the various services they require, and enhances the quality of our patients’ clinical outcomes as well as their overall experience.

Our flexible facility ownership model further supports our strategy and growth objectives. We primarily hold majority ownership positions in our surgical facilities in partnership with physicians. In select cases, we enter into three-way joint venture partnerships with physicians and leading in-market health systems. Our flexible ownership model:

- facilitates successful implementation of our differentiated business strategy;
- provides us financial control as well as geographic and operational flexibility;

- drives economic alignment with physician partners to enhance operational efficiency;
- contributes to high levels of physician satisfaction and successful recruitment and retention efforts;
- provides us control to selectively implement operational and strategic changes to enhance site performance, such as expanding service offerings and recruiting new physicians; and
- allows us to best position our facilities against evolving market-specific dynamics.

We believe that our differentiated business strategy and our flexible ownership model ultimately benefit our patients, physicians and payors.

Patients: Our approach delivers superior clinical outcomes for patients in a more convenient, comfortable and cost-efficient setting. According to internal surveys conducted in 2014 and distributed to approximately 192,000 of our patients, we had an approximately 94% patient satisfaction rate among the approximately 61,000 respondents. We believe our patient satisfaction rate is a direct result of our patient-centric approach and our focus on quality. On average, our facilities exceeded industry averages for each of Centers for Medicare and Medicaid Services', or CMS', 2014 Ambulatory Surgical Center Quality Reporting (ASCQR) program's five key core ASC quality measures, of which four are outcome measures (patient burn, patient fall, prophylactic intravenous antibiotic timing and surgical errors) and one is a process of care measure (hospital transfer admission). Patients benefit from our intense focus on their care and our ability to conveniently and cost-effectively provide targeted Ancillary Services. We believe that patients realize cost savings when undergoing surgery in one of our ASCs as compared to a hospital outpatient department ("HOPD"). Based on Medicare fee schedules, it is estimated that the costs associated with the facility for surgeries performed at an ASC cost patients, in the aggregate, approximately 45% less as compared to having the same procedures performed in an HOPD. According to the Office of Inspector General, this translates into potential savings of approximately \$3 billion to Medicare beneficiaries between 2012 through 2017.

Physicians: Physicians choose us because of our flexible approach to physician engagement, our patient- and physician-centric culture, our convenient and efficient facilities, and our differentiated outpatient delivery model that enhances the coordination of services to improve quality and outcomes. We engage with physicians pursuant to three primary arrangements to best suit their needs and the needs of the communities we serve. These include (i) partnering with physicians in the ownership of our surgical facilities, (ii) directly employing physicians and (iii) allowing physicians to utilize our facilities to perform procedures. Our physician-centric focus and our sophisticated administrative and clinical infrastructure improve productivity and reduce administrative burdens, allowing physicians to focus their time on delivering superior patient care. These attributes have been important contributors to our approximately 96% physician partner retention rate from 2009 through 2014.

Payors: Payors, employers and other health plan sponsors rely on our platform for the provision of high quality care at a significantly lower cost compared to an HOPD. For outpatient procedures commonly performed in both HOPDs and ASCs, the cost benefits to Medicare of having such procedures performed in an ASC such as ours instead of in an HOPD was identified by the Office of Inspector General as an opportunity to potentially save Medicare approximately \$12 billion from calendar year 2012 through calendar year 2017. Commercial payors can also expect to save approximately 45% on their reimbursement obligation with respect to the costs associated with the facility for procedures at an ASC as compared to an HOPD, since reimbursement rates are generally derived from Medicare rates.

Incorporating our Ancillary Services strategy with our broader surgical facilities platform has been a primary focus for us since early 2011. The 15 ASCs in which we have incorporated multiple Ancillary Services

have experienced, from 2011 to 2014, an operating income CAGR of approximately 20% and an improvement in operating income margin of approximately 10%. We see significant opportunity to continue to further deploy this strategy throughout our portfolio to continue to drive our Company's growth.

Our Innovative Approach Differentiates Us from Competitors

Based on our innovative approach, we believe we are well positioned as a surgical services platform of choice for patients, physicians and payors. Our focus on providing care, complemented by our targeted suite of Ancillary Services, is a key differentiating factor of our strategy. We believe this approach drives physician engagement, better coordination of care, continuous clinical and administrative improvement and enhanced efficiency, all while reducing costs. We believe the following are key differentiators of our platform:

- One of the Nation's Largest and Fastest Growing Surgical Services Platforms with a Highly Favorable Business and Surgical Specialty Mix
- Complementary Suite of Rapidly Growing Ancillary Services Targeted to Meet the Needs of Patients and Physicians in Existing and New Markets
- Differentiated Operating Model with Suite of Ancillary Services Offerings, which Creates a Significant Value Proposition for Patients and Physicians and Drives Robust Organic Growth
- Proven Track Record of Delivering Synergies and Creating Value from Transformational and Independent Surgical Facility Acquisitions
- Experienced and Innovative Management Team that has Successfully Driven Industry Leading Growth

One of the Nation's Largest and Fastest Growing Surgical Services Platforms with a Highly Favorable Business and Surgical Specialty Mix

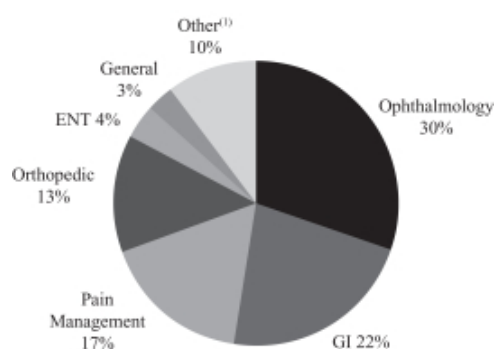
Our surgical services platform is among the largest in the country and is growing its revenue faster than any of its competitors. Founded with a single facility in Florida in 2004, we have since expanded our footprint nationally, establishing a high growth, diversified platform across 29 states. As of March 31, 2015, our multi-specialty and single-specialty surgical facilities portfolio was comprised of 96 ASCs and six surgical hospitals primarily owned in partnership with physicians. On a pro forma basis, approximately 4,000 physicians provided services to over 500,000 patients in our surgical facilities during 2014. Our portfolio of surgical facilities is further complemented with our suite of Ancillary Services. We experienced approximately 9% same-facility revenue growth during 2014 and have averaged approximately 8% annual same-facility revenue growth on a pro forma basis from 2012 to 2014.

We have a strong presence in growing markets, such as Florida and Texas, where demographic trends are expected to lead to increased demand for outpatient surgical services. According to the U.S. Census Bureau, our markets possess several favorable qualities as compared to national averages. The majority of our markets have a higher concentration of senior populations, a higher median household income than the national average and a lower unemployment rate. For example, as of 2012, the median household income of our markets exceeded the national average by approximately 10%.

Our diversified business and surgical specialty mixes provide several advantages, including: (i) driving increased stable and predictable revenue, (ii) providing multiple levers to grow volume and increase profitability,

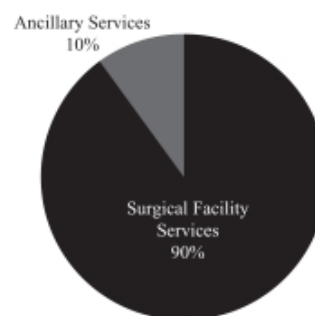
(iii) allowing flexibility to enter primary and secondary markets, (iv) generating strong free cash flow conversion and (v) broadening the pool of surgical specialists from which we recruit.

**Surgical Case Mix: Pro Forma
for Year-Ended December 31, 2014**



(1) Other is comprised of cardiology, obstetrics/gynecology, plastic surgery, podiatry, neurology and urology.

**Revenue Mix: Pro Forma
for Year-Ended December 31, 2014⁽²⁾**



(2) For segment reporting purposes, revenue from anesthesia services is included within our Surgical Facility Services Segment. Our 2014 pro forma revenue for segment reporting purposes is as follows: Surgical Facility Services Segment: 92%; Ancillary Services: 6%; Optical Services: 2%.

Complementary Suite of Rapidly Growing Ancillary Services Targeted to Meet the Needs of Patients and Physicians in Existing and New Markets

A differentiated aspect of our model is our Ancillary Services strategy supporting our patients and physicians. These services present significant growth opportunities for our Company and are not additive to the cost of care for patients and payors as these services are otherwise provided by unrelated third-parties. We believe our Ancillary Services better support our physicians by providing control over the quality of these services and less variation in clinical outcomes.

The 15 ASCs in our portfolio where we have incorporated multiple Ancillary Services demonstrate the successful execution of our Ancillary Services strategy. In these surgical facilities, we have experienced, from 2011 to 2014, an operating income CAGR of approximately 20% and an improvement in operating income margin of approximately 10%. We have been, and plan to, continue deploying our Ancillary Services strategy across the rest of our platform, which we believe will be an important driver of our future growth.

Differentiated Operating Model with Suite of Ancillary Services Offerings, which Creates a Significant Value Proposition for Patients and Physicians and Drives Robust Organic Growth

We believe our business model provides us with the platform to drive significant growth through multiple channels:

Physician Recruitment, Engagement and Retention

Over 4,000 physicians performed procedures in our facilities in 2014 on a pro forma basis. We have a tailored physician model that provides flexibility in how we engage and build relationships with our physicians to suit their needs and preferences. We partner with physicians in the ownership of most of our surgical facilities. In addition, through our 30 owned or operated physician practices, we employed over 100 physicians across multiple

specialties as of March 31, 2015. Finally, we recruit physicians who are neither owners nor employees to utilize our facilities to perform procedures. This flexible model, combined with our patient- and physician-centric culture, contributed to our outstanding track record of recruiting high quality physicians, and our approximately 96% physician partner retention rate from 2009 through 2014. In addition to driving high quality patient care, we believe our approach best enables us to effectively and efficiently utilize the capacity in our facilities.

Flexibility to Expand in Existing Markets and Enter New Markets

Our flexible ownership structure, combined with our expertise operating multi-specialty surgical facilities, enables us to tailor our surgical specialty offerings based on market demand. We strive to maximize efficiency and are positioned to leverage excess capacity in certain of our facilities to drive incremental growth. When mutually beneficial, we also enter into three-way joint ventures with physicians and health systems.

Successful Continued Deployment of Ancillary Services in Existing and New Markets

We have the opportunity to leverage our Ancillary Services for growth through multiple channels, including expanding our offerings to currently unaffiliated physicians in existing and new markets as well as further penetrating our existing and newly acquired facilities. Our recent acquisition of Symbion provides us with a significant opportunity to accelerate the growth of our Ancillary Services by offering these services to legacy Symbion physicians. Additionally, we intend to continue to broaden our suite of Ancillary Services, enhancing the services we can offer to our patients and physicians.

Operating Leverage from Scalability of the Current Platform

Our national presence and large scale afford us significant operating leverage as our business continues to grow. As our platform expands, we will continue to leverage our centralized corporate infrastructure, including essential functions such as accounting, finance, billing, credentialing, regulatory compliance and legal, to drive operational efficiencies and enhance our financial performance. We also have the opportunity to benefit from operating leverage and scale at the facility level as we increase utilization. Our ability to deliver superior quality of care in the most cost efficient manner attracts physicians and patients, which enhance utilization and drive growth at our facilities.

Proven Track Record of Delivering Synergies and Creating Value from Transformational and Independent Surgical Facility Acquisitions

We have a consistent track record of creating value through acquisitions. Within 15 months of our acquisition of NovaMed, Inc. (“NovaMed”) in 2011, we had fully integrated the acquired company and realized synergies by eliminating approximately \$5.2 million in expenses and generating approximately \$9.3 million of incremental revenue, representing approximately 5% and 6%, of NovaMed’s pre-acquisition operating expenses and revenue, respectively. We believe our transformational acquisition of Symbion not only further diversified our geographic footprint, business and surgical specialty mix, but also potentially provides even greater synergy opportunities than realized through the NovaMed acquisition. We believe that over the next two to three years we are positioned to achieve significant cost and revenue synergies in connection with our acquisition of Symbion. Approximately \$9 million of these synergies are reflected in our pro forma Adjusted EBITDA for 2014 presented below under “—Summary Consolidated Historical and Pro Forma Condensed Combined Financial and Other Data.” 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 the Symbion portfolio. We are currently executing on our integration plans relative to the Symbion acquisition and have achieved significant cost synergies to date.

In addition, we have also completed other independent surgical facility acquisitions (also referred to as “tuck-in” acquisitions) and have achieved consistent value creation through these acquisitions. Our surgical facility acquisitions have largely been completed at effective multiples we believe to be accretive and attractive, in part due to our systematic approach to integration. Our integration strategy typically includes the rationalization of operating and overhead costs, improvement in managed care contracting, continued physician recruitment and the targeted utilization of our Ancillary Services platform. We have a robust pipeline of additional tuck-in acquisitions and, with the top ten providers in the industry operating less than 20% of the 5,400 Medicare-certified ASCs in the United States, we believe there is significant opportunity to continue our strategy of consolidating the highly fragmented surgical facility industry.

Experienced and Innovative Management Team that has Successfully Driven Industry Leading Growth

Our Company is led by an exceptional management team with strong operational capabilities and an ability to deliver industry leading growth and margins, while executing accretive tuck-ins as well as large-scale transformational acquisitions. We are led by Michael Doyle, our Chief Executive Officer and Director, and Teresa Sparks, our Executive Vice President and Chief Financial Officer, who together have over 40 years of combined experience in the healthcare industry. Mr. Doyle started as our President and Chief Operating Officer in 2004 before being appointed Chief Executive Officer in 2009. Mr. Doyle was instrumental in leading the successful acquisition and integration of NovaMed in 2011, as well as the acquisition of Symbion in 2014. He brings to the position both clinical experience and an extensive healthcare management background. Teresa Sparks joined us through the acquisition of Symbion, where she was Chief Financial Officer since 2007. Through the combined work of Mr. Doyle, Ms. Sparks and our entire management team, meaningful cost and revenue synergies on our combined platform have been achieved to date. The team’s deep operational and acquisition integration experience, combined with our model and our platform’s sophisticated infrastructure, position us well to execute on our ongoing integration and growth strategies.

Our Growth Strategies

Our differentiated operating model employs a multifaceted strategy to grow revenue, earnings and cash flow. We believe the following are key components to this strategy:

Deliver Outstanding Patient Care and Clinical Outcomes

Rising consumerism in healthcare services, along with greater transparency in outcomes data, is expected to empower patients to make more informed healthcare decisions. We expect this trend will significantly benefit overall outpatient surgical facility case volume due to the clinical and cost benefits that surgical facilities offer relative to alternative sites of care such as outpatient departments of acute care hospitals. We believe the industry wide implementation of CMS’ ASCQR Program will further differentiate our facilities as high quality locations based on the strength of our performance across the key quality measures, providing an additional opportunity to gain market share.

We have established a dedicated clinical team of experienced professionals focused on ensuring that the highest level of quality is targeted throughout our platform. Our proprietary quality reporting system generates detailed case-level analytics that we use to measure our clinical results on a physician-by-physician basis against a robust set of quality metrics, providing opportunities to quickly and effectively identify areas for improvement, implement initiatives and track progress. Additionally, our suite of complementary Ancillary Services allows us to provide greater coordination over the provision of these services.

Expand Ancillary Services Across Our National Platform

Our differentiated business strategy and established infrastructure allow us to retain Ancillary Service revenue that is otherwise outsourced to unrelated third-party providers. We have a successful track record of executing on our strategy of incorporating Ancillary Services throughout our surgical facilities portfolio, which has been a key contributor to our strong same-facility pro forma revenue growth of approximately 9% in 2014, and annual average same-facility pro forma revenue growth of approximately 8% from 2012 to 2014. As an example, over the course of four years following the acquisition of one of our surgical hospitals, capacity was expanded via the addition of multiple operating rooms, a state of the art radiation oncology center, several oncology practices, multiple urgent care facilities and several high volume physicians. These initiatives drove approximately 40% growth in this surgical hospital's net income from 2011 through 2014.

While many of our Ancillary Service lines have been established and growing for a number of years, we see significant growth opportunities from further penetration of these services across our national portfolio of ASCs and surgical hospitals. In particular, our recent acquisition of the Symbion portfolio, with its 55 facilities and network of approximately 700 physician partners represents a large and relatively untapped opportunity for the provision of Ancillary Services. Further, in addition to penetrating our Ancillary Service offerings through our employed and partnered physicians, we believe a substantial opportunity exists to market many of these services to the approximately 800,000 practicing physicians in the U.S. not currently affiliated with our Company.

Continue to Execute and Expand Upon our Physician Engagement Strategy in Attractive Markets

We have a successful track record of owning and operating physician groups dating back to our inception. We believe our flexible approach to physician engagement, including partnering, employing and affiliating with physicians, best allows us to drive high quality patient care, efficiently utilize the capacity in our facilities, implement our complementary Ancillary Services strategy and drive organic growth. Through our recruiting efforts and capital-efficient acquisitions, as of March 31, 2015, we had 30 owned or operated physician practices that comprised of over 100 physicians across multiple surgical specialties (including ENT, GI, general surgery, ophthalmology, orthopedics and pain management). Our infrastructure, including scheduling, billing and collections, regulatory compliance, staffing, and analytics, among other services, facilitates significant improvement in efficiency and performance of our practices. In building our existing platform of 30 owned or operated physician practices, we have a demonstrated track record of delivering on our value proposition to physicians, executing on our strategy of growing practice profitability and creating value for our Company.

Our physician engagement strategy also benefits our existing physician partners. We focus on strategically recruiting physicians, and acquiring high quality physician practices complementary to our existing surgical facilities, to better utilize the capacity in our facilities. We believe our ability to implement this strategy ultimately improves our relationships with our existing physician partners and is a powerful differentiator for our platform.

We also believe there is significant opportunity to accelerate our physician engagement strategy. Based on a national survey of over 5,000 physicians in 2014, we estimate approximately 25% of the approximately 300,000 independent practicing physicians in the U.S. are considering selling their practice, resulting in a meaningful pipeline of physician practice targets to affiliate with or acquire.

Drive Organic Growth at Existing Facilities through Targeted Physician Recruitment, Service Line Expansion and Implementing our Efficient Operating Model

We have achieved industry leading organic growth through our differentiated operating strategy. We work closely with our physicians to achieve greater efficiency through optimal scheduling and facility utilization, reduction in administrative costs, and better procurement. As a complement to our initiatives to drive organic growth, we have executed and will continue to execute on select, strategic service line expansion opportunities to capture and address patient needs in our markets, exemplified by our successful introduction of orthopedic and spine services in legacy NovaMed facilities.

Our acquisition of Symbion significantly enhanced our scale and provides us with significant cost and revenue synergy opportunities that we believe we are positioned to achieve over the next two to three years. The ongoing integration of the legacy Symbion operations also provides the opportunity to benefit from incremental synergies, including 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 the Symbion portfolio.

Continue our Disciplined Acquisition Strategy

We have historically pursued, and successfully execute a disciplined acquisition strategy to diversify our geographic footprint and revenue mix, while driving greater scale. Acquiring facilities has been a core component of our strategy since inception. We have a long track record of meticulously and methodically identifying, evaluating, executing and integrating accretive acquisitions. Through these acquisitions, we have achieved meaningful cost and revenue synergies, enhancing the value of our acquired facilities and meaningfully reducing the effective purchase multiple paid. We believe that our recent acquisition of Symbion positions us to achieve significant revenue and cost synergies over the next two to three years. We believe there is a significant opportunity to continue our strategy of consolidating in a highly fragmented market. As we enter new markets, we will then focus on expanding our penetration of complementary Ancillary Services.

We also expect to grow our Company by acquiring businesses which provide select Ancillary Services that complement our surgical facilities and support our physicians. Our differentiated and capital-efficient Ancillary Services strategy substantially broadens our pool of potential acquisitions beyond physician and surgical facility opportunities. By capturing revenue from Ancillary Services in our newly acquired facilities, it also allows us to achieve lower effective purchase multiples. Additionally, our strategy has the potential to facilitate our surgical facility business development effort as we begin marketing Ancillary Service offerings to currently unaffiliated physicians.

Introduce New Service Offerings to Provide a More Comprehensive Continuum of Care

We are committed to building an integrated outpatient delivery model to better serve the needs of patients, physicians and payors. We believe offering services across the continuum of outpatient care will better position our Company for evolving reimbursement structures, further support our physicians, enhance the quality of care for our patients and drive exceptional organic growth. In addition to new revenue generated from procedures in our facilities, we also believe certain service offerings could broaden the types of procedures we can offer in our surgical facilities. For instance, providing patients with rehabilitation and physical therapy services would allow our ASCs to offer more complex spine and orthopedic procedures that typically occur in a hospital setting.

Our Industry

Surgical Facilities

According to CMS, in 2013, the U.S. spent approximately \$2.9 trillion on healthcare expenditures, which is projected to grow approximately 6% annually from 2015 through 2023. For many years, government programs, private insurance companies, managed care organizations and self-insured employers have implemented cost containment measures intended to limit the growth of healthcare expenditures. These cost-containment measures, together with technological advances, have contributed to the significant shift in the delivery of healthcare services away from traditional inpatient hospital settings to more cost effective surgical facilities, including ASCs and surgical hospitals. According to industry sources, in 2014, the United States outpatient surgical center industry has grown into an estimated \$23 billion industry and includes approximately 5,400 Medicare-certified ASCs. We believe we are well positioned to benefit from trends currently affecting the markets in which we compete, including:

- increasing demand for surgical procedures in outpatient settings;
- rising trend of consumerism and quality consciousness on the part of patients;
- advancements in medical technology that drive higher acuity in the outpatient setting;
- efforts to improve outcomes and convenience for patients at lower costs;
- economic alignment and operating efficiency for physicians; and
- reduced costs for payors and enable quality outcomes based reimbursement models.

Ancillary Services

In the areas of specialty where our physicians are focused, the associated Ancillary Services include a diagnostic laboratory, multi-specialty physician practices, urgent care facilities, anesthesia services, optical services and specialty pharmacy services. According to industry sources, these industries represent approximately \$127 billion of annual healthcare expenditures and provide a broad opportunity for us to expand our Ancillary Services outreach to support patients and physicians.

Our History

Since our founding in 2004, we have evolved into one of the nation's premier owners and operators of surgical facilities with a robust and growing Ancillary Services platform. Starting with a single facility in Florida, we have grown to include 96 ASCs and six surgical hospitals across 29 states as of March 31, 2015. In May 2011, we acquired NovaMed, a publicly traded owner and operator of 36 ASCs at the time of our acquisition. In November 2014, we acquired Symbion and its portfolio of 55 facilities, pursuant to the terms of an Agreement and Plan of Merger dated as of June 13, 2014.

Acquisition of Symbion

On November 3, 2014, we acquired Symbion, a private owner and operator of 55 facilities, 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. At the closing of the merger, each outstanding share of common stock of Symbion was converted into the right to receive a cash payment.

At closing, we 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. In connection therewith, we paid off all of the \$522.1 million outstanding under our first lien credit agreement dated April 11, 2013, (the “2013 First Lien Credit Agreement”), second lien credit agreement dated April 11, 2013 (the “2013 Second Lien Credit Agreement”) and revolving credit agreement dated April 11, 2013 (the “2013 Revolver Agreement” and, together with the 2013 First Lien Credit Agreement and 2013 Second Lien Credit Agreement, the “2013 Credit Facilities”), including accrued interest thereon, which was entirely repaid through the issuance of approximately \$1.4 billion under our Term Loans and Revolving Facility. We are required to fund an additional \$16.8 million to the escrow account by May 3, 2016. The \$33 million escrow balance is payable to the former equityholders of Symbion on May 3, 2016, pending the resolution of any adjustments to acquired working capital and the settlement of any other indemnities.

The Reorganization

Our business is currently conducted through Surgery Center Holdings, Inc. and its subsidiaries. Surgery Center Holdings, LLC is the sole owner of the equity interests of Surgery Center Holdings, Inc. and has no other material assets. Immediately prior to the consummation of this offering, Surgery Partners, Inc., a Delaware corporation, will become the direct parent and sole member of Surgery Center Holdings, LLC. We refer to the existing equity owners of Surgery Center Holdings, LLC as the “Existing Owners.” We refer to this capital structure modification, as further described below, as the “Reorganization.”

In the Reorganization, the equity interests held by the Existing Owners will be transferred to Surgery Partners, Inc. in exchange for shares of common stock of Surgery Partners, Inc. and certain rights to additional payments under a tax receivable agreement. In addition, the limited liability company agreement of Surgery Center Holdings, LLC will be amended and restated to, among other things, modify its capital structure to create a single new class of units, which we refer to as “Holdings Units,” all of which will be held by Surgery Partners, Inc.

Immediately following the consummation of this offering, after giving effect to the Reorganization, Surgery Partners, Inc. will be a holding company, and its sole material asset will be an equity interest in Surgery Center Holdings, LLC. As the sole managing member of Surgery Center Holdings, LLC, Surgery Partners, Inc. will operate and control all of the business and affairs of Surgery Center Holdings, LLC and, through Surgery Center Holdings, LLC and its subsidiaries, conduct our business.

The Tax Receivable Agreement

We will indirectly acquire favorable tax attributes in connection with the Reorganization. These tax attributes would not be available to us in the absence of the consummation of the Reorganization. As part of the Reorganization, we will enter into a tax receivable agreement under which generally we will be required to pay to the Existing Owners 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 net operating losses, of Surgery Center Holdings, Inc. and its subsidiaries relating to taxable years ending on or before the date of the Reorganization (calculated by assuming the taxable year of Surgery Center Holdings, Inc. 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 tax receivable agreement. Under this agreement, generally we will retain the benefit of the remaining 15% of the applicable tax savings. We expect the payments we will be required to make under the tax receivable agreement will be substantial. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Income Taxes and Tax Receivable Agreement.”

Corporate Information

Surgery Partners, Inc. was incorporated in Delaware in April 2015. Surgery Partners, Inc. has not, to date, conducted any activities other than those incident to its formation and the preparation of this registration statement. Our principal executive offices are located at 40 Burton Hills Boulevard, Suite 500, Nashville, TN 37215. Our telephone number is (615) 234-5900 and our website can be found at <http://www.surgerypartners.com>. The information on, or that can be accessed through, our website is not part of this prospectus, and you should not rely on any such information in making the decision whether to purchase our common stock.

Our Equity Sponsor

H.I.G. Capital, LLC (“H.I.G.” or our “Sponsor”) is a leading global private equity and alternative assets firm with more than \$17.0 billion in equity capital under management. Since its founding in 1993, H.I.G., through various affiliates and subsidiaries, has invested in and managed more than 250 companies with combined revenues in excess of \$30 billion. H.I.G.’s investors include leading financial institutions, insurance companies, university endowments, pension funds and sovereign wealth funds.

Upon completion of this offering, affiliates of H.I.G. will control _____ shares of our common stock (representing _____ % of all common stock outstanding), or _____ shares of our common stock (representing _____ % of all common stock outstanding) if the underwriters exercise their over-allotment option in full.

For fiscal years 2013 and 2014, we incurred a total of \$4.8 million and \$20.1 million, respectively, for certain management and advisory services and reimbursable expenses paid to an affiliate of our Sponsor. See the section entitled “Certain Relationships and Related Party Transactions—Management Services” in this prospectus. Two of our directors, Messrs. Laitala and Lozow, are employees of our Sponsor.

Summary Risk Factors

Investing in our common stock involves significant risks. Any of the factors set forth in the section entitled “Risk Factors” may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the specific factors set forth in the section entitled “Risk Factors” in deciding whether to invest in our common stock. Some of the principal risks we face include:

- our dependence on payments from third-party payors, including governmental healthcare programs and managed care organizations;
- our inability to negotiate favorable contracts or renew existing contracts with nongovernmental third-party payors on favorable terms;
- significant changes in our payor mix or surgical case mix resulting from fluctuations in the types of cases performed at our facilities;
- the fact that Surgery Partners and Symbion have a limited operating history as a single company;
- our dependence on physician utilization of our facilities, which could decrease if we fail to maintain good relationships with these physicians;
- the competition we face for patients, physician use of our facilities, strategic relationships and commercial payor contracts;

- the competition we face for accretive acquisitions;
- our substantial indebtedness and the limits that places on our flexibility in operating our business;
- the substantial payments we expect to be required to make to the Existing Owners under the tax receivable agreement;
- our failure to comply with numerous federal and state laws and regulations relating to our facilities, which could lead to the incurrence of significant penalties by us, cause us to expand substantial financial resources to comply with government investigations or require us to make significant changes to our operations;
- our principal stockholders' and their affiliates' ownership of a substantial portion of our outstanding equity, as their interests may not always coincide with the interests of the other stockholders; and
- the increased costs we will face as a result of being a public company.

Implications of Being an Emerging Growth Company

As a company with less than \$1 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- reduced disclosure about our executive compensation arrangements;
- exemption from the non-binding advisory votes on executive compensation, including golden parachute arrangements; and
- exemption from the auditor attestation requirement in the assessment of our internal controls over financial reporting.

Generally, we may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1 billion in annual revenue, we have more than \$700 million in market value of our stock held by non-affiliates or we issue more than \$1 billion of non-convertible debt over a three-year period. We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of certain reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

The Offering

| | |
|--|---|
| Common stock offered by us | shares. |
| Common stock to be outstanding immediately after completion of this offering | shares. |
| Option to purchase additional shares | We have granted to the underwriters the option, exercisable for 30 days of the date of this prospectus, to purchase up to additional shares of common stock. |
| Use of proceeds | We expect to receive net proceeds, after deducting estimated offering expenses and underwriting discounts and commissions, of approximately \$ million, based on an assumed offering price of \$ per share (the mid-point of the price range set forth on the cover of this prospectus). We intend to use the net proceeds from this offering to repay a portion of the borrowings outstanding under our Second Lien Term Loan (as defined herein) and to pay fees and expenses associated with this offering. See the section entitled “Use of Proceeds” in this prospectus. |
| Dividend policy | Our board of directors does not currently intend to pay dividends on our common stock. See the section entitled “Dividend Policy” in this prospectus. |
| Listing | We intend to apply to have our common stock listed on the under the symbol “.” |
| Risk factors | You should read carefully the “Risk Factors” section of this prospectus for a discussion of factors that you should consider before deciding to invest in shares of our common stock. |
| Principal stockholders | Upon completion of this offering, our Sponsor will continue to beneficially own a controlling interest in us. As a result, we intend to avail ourselves of certain controlled company exemptions under the rules of . See the section entitled “Management” in this prospectus. |

References in this section to number of shares of common stock to be issued and outstanding after this offering is based on shares issued and outstanding as of , 2015, and excludes:

- shares of common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$ per share (of which shares are issuable upon exercise of vested stock options as of , 2015); and
- shares of common stock reserved for issuance, and not subject to outstanding options, under the Management Incentive Plan.

Except as otherwise indicated, all information in this prospectus:

- assumes no exercise of the underwriters’ option to purchase additional shares; and
- assumes an initial public offering price of \$ per share (the midpoint of the estimated public offering price range set forth on the cover page of this prospectus).

Summary Consolidated Historical and Pro Forma Condensed Combined Financial and Other Data

The following tables summarize consolidated historical and combined unaudited pro forma condensed financial information of our subsidiary, Surgery Center Holdings, Inc., and consolidated historical condensed financial information of Symbion, Inc. as of and for the periods indicated. The issuer, Surgery Partners, Inc., was formed in April 2015 and has not, to date, conducted any activities other than those incident to its formation and the preparation of this registration statement. This prospectus includes an audited balance sheet of Surgery Partners, Inc. as of May 31, 2015 but does not include any other financial statements of Surgery Partners, Inc., as it has been incorporated solely for the purpose of effecting this offering and currently holds no material assets and does not engage in any operations. The summary historical financial data of Surgery Center Holdings, Inc. for the years ended December 31, 2014, 2013 and 2012 and the summary historical condensed consolidated balance sheets as of December 31, 2014 and 2013 have been derived from the historical audited financial statements of Surgery Center Holdings, Inc. included elsewhere in this prospectus. The summary historical financial data of Surgery Holdings, Inc. for the three months ended March 31, 2015 and 2014, respectively, and summary balance sheet data as of March 31, 2015 have been derived from our unaudited condensed consolidated interim financial statements appearing elsewhere in this prospectus.

The summary historical financial data of Symbion for the years ended December 31, 2013 and 2012 have been derived from Symbion's historical audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data of Symbion for the period ended November 3, 2014, which is the date of our acquisition of Symbion, have been derived from Symbion's unaudited interim condensed consolidated financial statements for the nine-months ended September 30, 2014, included elsewhere in this prospectus, combined with its results of operations for the period from October 1, 2014 through November 3, 2014. Symbion's unaudited interim condensed consolidated financial statements are based on assumptions and were prepared on the same basis as its audited consolidated financial statements and include, in our opinion, all adjustments, consisting of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those financial statements.

The summary unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2014 gives effect to the Symbion acquisition as if it had occurred on January 1, 2014 and have been derived from the pro forma financial information set forth in the section entitled "Unaudited Pro Forma As Adjusted Condensed Combined Financial Information" appearing elsewhere in this prospectus. The summary historical condensed consolidated balance sheet of Surgery Center Holdings, Inc. as of December 31, 2014 also gives effect to the Symbion acquisition.

References to financial or other data presented as "pro forma" refer to a presentation that applies adjustments to give pro forma effect to the Symbion acquisition over the applicable time period or as of the relevant date. Where we refer to "as adjusted" financial or other data, we refer to a presentation that applies adjustments to give effect to (i) the Reorganization, (ii) this offering and (iii) the use of proceeds as described in the section entitled "Use of Proceeds."

Our historical results for any prior period are not necessarily indicative of results to be expected in any future period, and our results for any interim period are not necessarily indicative of results for a full fiscal year.

This summary historical consolidated financial and other data should be read in conjunction with the disclosures set forth in the sections entitled "Capitalization," "Unaudited Pro Forma As Adjusted Condensed Combined Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

Surgery Center Holdings, Inc.
 Consolidated Historical and Pro Forma Condensed Combined Financial Information
(in thousands, except cases & revenue per case)

| | Three Months Ended March 31, | | Pro Forma Year Ended | Years Ended December 31, | | |
|--|---------------------------------|---------------------|----------------------------------|--------------------------|-------------------|-------------------|
| | 2015 (unaudited) | 2014 (unaudited) | December 31, 2014 (unaudited) | 2014 (audited) | 2013 (audited) | 2012 (audited) |
| Consolidated Statements of Operations Data: | | | | | | |
| Revenues | \$ 224,143 | \$ 70,480 | \$ 871,294 | \$ 403,289 | \$284,599 | \$260,215 |
| Operating Expenses: | | | | | | |
| Salaries and benefits | 60,151 | 17,781 | 231,487 | 101,283 | 69,650 | 66,991 |
| Cost of sales and supplies | 57,077 | 15,306 | 212,321 | 92,020 | 61,946 | 54,699 |
| Professional and medical fees | 14,740 | 1,627 | 53,634 | 15,363 | 6,320 | 5,945 |
| Lease expense | 10,960 | 3,596 | 41,927 | 19,389 | 14,048 | 14,245 |
| Other operating expenses | 12,836 | 4,743 | 57,412 | 26,123 | 17,880 | 17,466 |
| Cost of revenues | 155,764 | 43,053 | 596,781 | 254,178 | 169,844 | 159,346 |
| General and administrative expenses | 11,862 | 6,835 | 42,273 | 31,452 | 26,339 | 25,263 |
| Depreciation and amortization | 8,462 | 2,860 | 30,735 | 15,061 | 11,663 | 11,208 |
| Provision for doubtful accounts | 5,186 | 1,322 | 22,197 | 9,509 | 5,885 | 3,073 |
| Income from equity investments | (707) | — | (3,837) | (1,264) | — | — |
| Loss on disposal or impairment of long-lived assets, net | 228 | 68 | (10) | 1,804 | 2,482 | 832 |
| Loss on debt extinguishment | — | 1,975 | — | 23,414 | 9,863 | — |
| Electronic health records incentives income | — | — | (3,742) | (3,356) | — | — |
| Merger transaction and integration costs | 5,006 | — | — | 21,690 | — | — |
| Other (income) expenses | — | — | (176) | (6) | 297 | 40 |
| Total operating expenses | 185,801 | 56,113 | 684,221 | 352,482 | 226,373 | 199,762 |
| Operating income | 38,342 | 14,367 | 187,073 | 50,807 | 58,226 | 60,453 |
| Interest and other expense, net(1) | (25,751) | (10,106) | (103,590) | (62,101) | (32,929) | (28,482) |
| (Loss) income before income taxes | 12,591 | 4,261 | 83,483 | (11,294) | 25,297 | 31,971 |
| Provision for income taxes | 2,107 | 1,963 | 23,611 | 15,758 | 7,570 | 6,110 |
| Net (loss) income | 10,484 | 2,298 | 59,872 | (27,052) | 17,727 | 25,861 |
| Less: Net income attributable to non-controlling interests | (17,249) | (6,377) | (68,431) | (38,845) | (26,789) | (23,945) |
| Net (loss) income attributable to Surgery Center Holdings, Inc. | \$ (6,765) | \$ (4,079) | \$ (8,559) | \$ (65,897) | \$ (9,062) | \$ 1,916 |
| Consolidated Statements of Cash Flow Data: | | | | | | |
| Net cash provided by operating activities | \$ 9,486 | \$ 4,321 | — | \$ 21,949 | \$ 49,078 | \$ 46,377 |
| Net cash used in investing activities | (5,196) | (1,055) | — | (271,016) | (3,622) | (3,468) |
| Net cash provided by (used in) financing activities | (22,794) | (12,346) | — | 310,961 | (37,662) | (43,061) |
| Pro Forma as Adjusted Net Income (Loss) per Share: | | | | | | |
| Pro forma as adjusted net income (loss) per share | | | | | | |
| Basic | | | | | | |
| Diluted | | | | | | |
| Pro forma as adjusted weighted average common shares outstanding | | | | | | |
| Basic | | | | | | |
| Diluted | | | | | | |
| Other Data: | | | | | | |
| Adjusted EBITDA(2) | \$ 35,965 | \$ 13,507 | \$ 153,309 | \$ 77,034 | \$ 57,900 | \$ 50,959 |
| Adjusted EBITDA as a % of revenues | 16.0% | 19.2% | 17.6% | 19.1% | 20.3% | 19.6% |
| Number of surgical facilities as of the end of period | 102 | 47 | 102 | 103 | 47 | 49 |
| Number of consolidated surgical facilities as of the end of period | 90 | 47 | 90 | 91 | 47 | 49 |
| Cases | 91,985 | 36,918 | 368,900 | 200,461 | 164,644 | 160,114 |
| Revenue per case | \$ 2,437 | \$ 1,909 | \$ 2,362 | \$ 2,012 | \$ 1,729 | \$ 1,625 |
| Same-facility revenue growth | 9.1% | N/A | 9.0% | 9.0% | 10.6% | 10.7% |
| Same-facility revenue per case growth | 5.1% | N/A | 9.2% | 9.2% | 6.2% | 3.0% |

[Table of Contents](#)

| | <u>March 31, 2015</u> | <u>December 31,</u> | |
|--|-----------------------|---------------------|------------------|
| | <u>(unaudited)</u> | <u>2014</u> | <u>2013</u> |
| | | <u>(audited)</u> | <u>(audited)</u> |
| Consolidated Balance Sheet Data (in thousands): | | | |
| Cash and cash equivalents | \$ 56,416 | \$ 74,920 | \$ 13,026 |
| Total current assets | 257,814 | 268,649 | 82,510 |
| Total assets | \$ 1,850,480 | \$ 1,858,794 | \$ 474,701 |
| Current portion of long-term debt | \$ 22,628 | \$ 22,088 | \$ 8,842 |
| Long-term debt, less current maturities | 1,337,871 | 1,339,266 | 418,559 |
| Total current liabilities | 134,274 | 141,391 | 42,454 |
| Total liabilities | \$ 1,630,951 | \$ 1,636,669 | \$ 489,076 |
| Non-controlling interests—redeemable | \$ 191,499 | \$ 192,589 | \$ — |
| Total Surgery Center Holdings, Inc. stockholders' equity (deficit) | \$ (269,806) | \$ (264,082) | \$(103,617) |
| Noncontrolling interests—non-redeemable | 297,836 | 293,618 | 89,242 |
| Total stockholders' equity | \$ 28,030 | \$ 29,536 | \$ (14,375) |

(1) Presented as "interest expense, net" in the historical financial statements of Surgery Center Holdings, Inc., but is presented here inclusive of "other expense" for purposes of calculating the 2014 pro forma financials.

(2) We report our financial results in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), however, management believes that the evaluation of our ongoing operating results may be enhanced by a presentation of EBITDA, Adjusted EBITDA and pro forma Adjusted EBITDA, which are non-GAAP financial measures. As set forth below, EBITDA is net income less net income attributable to non-controlling interests before interest expense, income tax expense, depreciation and amortization. Adjusted EBITDA is EBITDA plus (a) non-cash stock-based compensation expense, (b) merger transaction costs, (c) sponsor management fees, (d) loss on debt extinguishment, (e) net loss from discontinued operations and (f) net loss (gain) on disposal of investments and long-lived assets. 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. Pro forma EBITDA and pro forma Adjusted EBITDA, respectively, are EBITDA and Adjusted EBITDA, respectively, each giving pro forma effect to the Symbion acquisition as of the applicable date.

We have included EBITDA, Adjusted EBITDA and pro forma Adjusted EBITDA in this prospectus because we believe it is useful to investors in evaluating our operating performance compared to that of other companies in our industry, as its calculation eliminates the effects of financing, income taxes and the accounting effects of capital spending, as these items may vary for different companies for reasons unrelated to overall operating performance. When analyzing our operating performance, investors should not consider EBITDA, Adjusted EBITDA or pro forma Adjusted EBITDA in isolation or as a substitute for net loss, cash flows from operating activities or other operation statement or cash flow statement data prepared in accordance with U.S. GAAP. Our calculation of EBITDA is not necessarily comparable to those of other similarly titled measures reported by other companies. The following table represents the reconciliation of Adjusted EBITDA and pro forma Adjusted EBITDA to net income (loss) and pro forma net income (loss), respectively, attributable to Surgery Partners for the periods indicated below:

| | Three Months Ended March 31, | | Pro Forma Year Ended December 31, 2014 (unaudited) | Years Ended December 31, | | |
|---|---------------------------------|---------------------|---|--------------------------|-------------------|-------------------|
| | 2015 (unaudited) | 2014 (unaudited) | | 2014 (audited) | 2013 (audited) | 2012 (audited) |
| Consolidated Statements of Operations Data (in thousands): | | | | | | |
| Net income | \$ 10,484 | \$ 2,298 | \$ 59,872 | \$ (27,052) | \$ 17,727 | \$ 25,861 |
| <i>(Minus):</i> | | | | | | |
| Net income attributable to non-controlling interests | 17,249 | 6,377 | 68,431 | 38,845 | 26,789 | 23,945 |
| <i>Plus (minus):</i> | | | | | | |
| Provision for income tax expense | 2,107 | 1,963 | 23,611 | 15,758 | 7,570 | 6,110 |
| Interest and other expense, net ^(a) | 25,751 | 10,106 | 103,590 | 62,101 | 32,929 | 28,482 |
| Depreciation and amortization | 8,462 | 2,860 | 30,735 | 15,061 | 11,663 | 11,208 |
| EBITDA | \$ 29,555 | \$ 10,850 | \$ 149,377 | \$ 27,023 | \$ 43,100 | \$ 47,716 |
| <i>Plus:</i> | | | | | | |
| Sponsor management fee ^(b) | 750 | 500 | 3,000 | 2,161 | 2,000 | 2,000 |
| Merger transaction and integration costs | 5,006 | — | — | 21,690 | — | — |
| Non-cash stock compensation expense ^(c) | 426 | 114 | 942 | 942 | 455 | 411 |
| Loss on debt extinguishment | — | 1,975 | — | 23,414 | 9,863 | — |
| Loss (gain) on disposal of investments and long-lived assets, net | 228 | 68 | (10) | 1,804 | 2,482 | 832 |
| Adjusted EBITDA | \$ 35,965 | \$ 13,507 | \$ 153,309 | \$ 77,034 | \$ 57,900 | \$ 50,959 |

- (a) Presented as “interest expense, net” in the historical financial statements of Surgery Center Holdings, Inc., but is presented here inclusive of “other expense” for purposes of calculating the 2014 pro forma financials.
- (b) Represents the pro forma effect of our amended Management Agreement with our Sponsor. Effective November 3, 2014, the management fee increased from \$2.0 million to \$3.0 million annually. See Note 14 – *Related Party Transactions* in our 2014 audited financial statements.
- (c) Represents the non-cash compensation expense of \$0.9 million that we recorded for the year ended December 31, 2014 related to recognizing the fair value of units that vested during 2014. See Note 12 – *Unit-Based Compensation* in our 2014 audited financial statements.

Symbion, Inc.
Consolidated Historical Condensed Financial Information
(in thousands, except cases and revenue per case)

| | Period Ended November 3, 2014 | Years Ended December 31, | |
|--|-------------------------------------|--------------------------|-------------------|
| | (unaudited) | 2013 (audited) | 2012 (audited) |
| Consolidated Statements of Operations Data: | | | |
| Revenues | \$ 470,164 | \$ 535,587 | \$ 491,804 |
| Operating Expenses: | | | |
| Cost of revenues | 346,181 | 397,133 | 351,308 |
| General and administrative expenses | 19,219 | 21,976 | 26,901 |
| Depreciation and amortization | 19,261 | 22,993 | 21,360 |
| Provision for doubtful accounts | 12,759 | 11,149 | 10,211 |
| Income from equity investments | (2,573) | (4,246) | (4,490) |
| Gain (loss) on disposal or impairment of long-lived assets, net | (108) | 5,870 | (6,195) |
| Electronic health record incentives | (386) | (4,553) | (1,054) |
| Proceeds from Insurance Settlements, net | (89) | (919) | — |
| Merger Transaction Costs | 2,694 | — | — |
| Litigation Settlements, net | (81) | (233) | (532) |
| Total operating expenses | 396,877 | 449,170 | 397,509 |
| Operating income | 73,287 | 86,417 | 94,295 |
| Interest expense, net | (48,440) | (57,982) | (57,641) |
| Income before income taxes and discontinued operations | 24,847 | 28,435 | 36,654 |
| Provision for income taxes | 7,853 | 5,330 | 10,939 |
| Income from continuing operations | 16,994 | 23,105 | 25,715 |
| Income (loss) from discontinued operations, net of taxes | (3,835) | 1,882 | 1,132 |
| Net income (loss) | 13,159 | 24,987 | 26,847 |
| Less: Net income attributable to non-controlling interests | (30,137) | (37,607) | (38,557) |
| Net loss attributable to Symbion, Inc. | \$ (16,978) | \$ (12,620) | \$ (11,710) |
| Consolidated Statements of Cash Flow Data—Continuing Operations: | | | |
| Net cash provided by operating activities | \$ 65,486 | \$ 61,493 | \$ 66,679 |
| Net cash used in investing activities | (8,761) | (24,788) | (23,848) |
| Net cash (used in) provided by financing activities | (55,131) | (58,942) | (40,662) |
| Other Data: | | | |
| Adjusted EBITDA ⁽¹⁾ | \$ 65,321 | \$ 78,083 | \$ 72,960 |
| Adjusted EBITDA as a % of revenues | 14.0% | 14.6% | 14.8% |
| Number of surgical facilities included in continuing operations as of the end of period ⁽²⁾ | 55 | 56 | 57 |
| Number of consolidated surgical facilities included in continuing operations as of the end of period | 44 | 45 | 44 |
| Cases | 171,557 | 208,072 | 209,318 |
| Revenue per case | \$ 2,740 | \$ 2,574 | \$ 2,350 |
| Same-facility revenue growth | 9.1% | 3.5% | 10.4% |
| Same-facility revenue per case growth | 8.6% | 5.9% | 11.5% |

Table of Contents

| | November 3, 2014 (unaudited) | December 31, 2013 (audited) |
|--|------------------------------------|-----------------------------------|
| Consolidated Balance Sheet Data (in thousands): | | |
| Cash and cash equivalents | \$ 57,433 | \$ 56,026 |
| Working capital | 72,949 | 87,735 |
| Total current assets | 165,963 | 162,676 |
| Total assets | \$ 992,574 | \$ 1,006,739 |
| Current portion of long-term debt ⁽²⁾ | \$ 83,805 | \$ 9,102 |
| Long-term debt, less current maturities | 484,190 | 551,046 |
| Total current liabilities | 166,144 | 74,941 |
| Total liabilities | \$ 793,406 | \$ 763,600 |
| Noncontrolling interests - redeemable | \$ 29,505 | \$ 35,150 |
| Total Symbion, Inc. equity | \$ 106,754 | \$ 136,691 |
| Noncontrolling interests - non-redeemable | 62,909 | 71,298 |
| Total stockholders' equity | \$ 169,663 | \$ 207,989 |

- (1) Symbion reported its financial results in accordance with U.S. GAAP, however, its management and ours believes that the evaluation of our operating results may be enhanced by a presentation of EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. As set forth below, EBITDA is net loss before interest expense, income tax expense, depreciation and amortization. Adjusted EBITDA is EBITDA plus (a) non-cash stock-based compensation expense and (b) merger transaction costs, minus (c) net income attributable to non-controlling interests. 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.

We have included EBITDA and Adjusted EBITDA in this prospectus because we believe it is useful to investors in evaluating operating performance compared to that of other companies in our industry, as its calculation eliminates the effects of financing, income taxes and the accounting effects of capital spending, as these items may vary for different companies for reasons unrelated to overall operating performance. When analyzing operating performance, investors should not consider EBITDA or Adjusted EBITDA in isolation or as a substitute for net loss, cash flows from operating activities or other operation statement or cash flow statement data prepared in accordance with U.S. GAAP. The following calculation of EBITDA is not necessarily comparable to those of other similarly titled measures reported by other companies. The following table represents the reconciliation of EBITDA and Adjusted EBITDA to net income (loss) for the periods indicated below:

| | Period Ended November 3, 2014 (unaudited) | Years Ended December 31, 2013 (audited) | 2012 (audited) |
|---|--|--|-------------------|
| Consolidated Statements of Operations Data (in thousands): | | | |
| Net income | \$ 13,159 | \$ 24,987 | \$ 26,847 |
| (Minus): | | | |
| Net income attributable to non-controlling interests | 30,137 | 37,607 | 38,557 |
| Plus (minus): | | | |
| Provision for income tax expense | 7,853 | 5,330 | 10,939 |
| Interest and other expense, net | 47,607 | 57,982 | 57,641 |
| Depreciation and amortization | 19,261 | 22,993 | 21,360 |
| EBITDA | \$ 57,743 | \$ 72,685 | \$ 77,230 |
| Plus: | | | |
| Sponsor management fee | 833 | 1,000 | 1,000 |
| Merger transaction cost | 2,694 | — | — |
| Non-cash stock compensation expense | 324 | 410 | 2,057 |
| Loss (income) from discontinued operations, net | 3,835 | (1,882) | (1,132) |
| (Gain) loss on disposal of investments and long-lived assets, net | (108) | 5,870 | (6,195) |
| Adjusted EBITDA | \$ 65,321 | \$ 78,083 | \$ 72,690 |

- (2) Includes \$73.1 million related to toggle notes with a maturity date of August 23, 2015 which were extinguished as part of the acquisition of Symbion.

RISK FACTORS

An investment in our common stock involves various risks. You should carefully consider the following risks and all of the other information contained in this prospectus before investing in our common stock. The risks described below are those which we believe are the material risks that we face. Additional risks not presently known to us or which we currently consider immaterial may also adversely affect our Company. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment in our common stock. Some statements in this prospectus, including such statements in the following risk factors, constitute forward-looking statements. See the section entitled “Cautionary Note Regarding Forward-Looking Statements” in this prospectus.

Risks Related to Our Business and Industry

We depend on payments from third-party payors, including government healthcare programs and managed care organizations. If these payments are reduced or eliminated, our revenue and profitability could be materially and adversely affected.

We depend upon private and governmental third-party sources of payment for the services provided by physicians in our physician network, to patients in our surgical facilities and by our laboratory and diagnostic services. The amount that we receive in payment for our services may be adversely affected by market and cost factors that we do not control, including Medicare, Medicaid and state regulation changes, cost containment decisions and changes in reimbursement schedules of payors, legislative changes, refinements to the Medicare Ambulatory Surgery Center payment system and refinements made by CMS to Medicare’s reimbursement policies. For instance, cuts to the federal budget caused a 2.0% reduction in Medicare provider payments in 2013. Similarly, third-party payors may be successful in negotiating reduced reimbursement schedules with our facilities. Fixed fee schedules, capitation payment arrangements, exclusion from participation in or inability to reach agreements with managed care programs, reduction or elimination of payments or an increase in the payments at a rate that is less than the increase in our costs, or other factors affecting payments for healthcare services over which we have no control could have a material adverse effect on our business, prospects, results of operations and financial condition.

If we are unable to negotiate and enter into favorable contracts or maintain satisfactory relationships and renew existing contracts on favorable terms with managed care organizations or other private third-party payors, our revenue and profitability may decrease.

Payments from private third-party payors, including state workers’ compensation programs and managed care organizations, represented 52.1%, 60.6% and 59.8% of our patient service revenue for the years ended December 31, 2014 (on a pro forma basis), 2013 and 2012, respectively, as well as 55.9% and 53.4% of our patient service revenue for the three months ended March 31, 2015 and 2014, respectively. Most of these payments came from third-party payors with which our facilities have contracts. Managed care companies such as health maintenance organizations (“HMOs”) and preferred provider organizations (“PPOs”), which offer prepaid and discounted medical service packages, represent a growing segment of private third-party payors. If we fail to enter into favorable contracts or maintain satisfactory relationships with managed care organizations, our revenue may decrease. Our competitive position has been, and will continue to be, affected by initiatives undertaken during the past several years by major purchasers of healthcare services, including insurance companies and employers, to revise payment methods and monitor healthcare expenditures in an effort to contain healthcare costs. For instance, managed care payors may lower reimbursement rates in response to increased obligations on payors imposed by the Affordable Care Act or future reductions in Medicare reimbursement rates. Further, managed care payors may narrow their provider networks in response to the need to negotiate lower reimbursement rates with providers. If we are unable to maintain strong relationships with payors, we may not be able to ensure participation in these narrow provider networks. Cost containment measures, such as fixed fee schedules, capitation payment arrangements, reductions in reimbursement schedules by third-party payors and closed provider networks, could also cause a reduction of our revenue in the future.

[Table of Contents](#)

Some of our payments from third-party payors come from third-party payors with which our surgical facilities, physicians or subsidiaries that provide diagnostic services do not have a contract. In those cases where we provide services to a patient that does not use a third-party payor with which we have contracted, commonly known as “out-of-network” services, we generally charge the patients the same co-payment or other patient responsibility amounts that we would have charged had our surgical facilities had a contract with the payor. In accordance with insurance laws and regulations, we submit a claim for the services to the payor along with full disclosure that our surgical facility has charged the patient an in-network patient responsibility amount. Historically, those third-party payors who do not have contracts with our surgical facilities typically have paid our claims at higher than comparable contracted rates. However, over the past five years we have observed an increase in third-party payors adopting out-of-network fee schedules that are more comparable to our contracted rates or to take other steps to discourage their enrollees from seeking treatment at out-of-network surgical facilities. In these cases, we seek to enter into contracts with the payors.

Payments from workers’ compensation payors represented approximately 8.2% and 9.0% of our patient service revenue for the years ended December 31, 2014 (on a pro forma basis) and the three months ended March 31, 2015, respectively. A majority of states have implemented workers’ compensation provider fee schedules. In some cases, the fee schedule rates contain lower rates than the rates our surgical facilities have historically been paid for the same services. If states reduce the amounts paid to providers under the workers’ compensation fee schedules, it could have a material adverse effect on our financial condition and results of operations.

Significant changes in our payor mix or surgical case mix resulting from fluctuations in the types of cases performed at our facilities could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our results may change from period to period due to fluctuations in payor mix or surgical case mix or other factors relating to the type of cases performed by physicians at our facilities. Payor mix refers to the relative share of total cases provided to patients with, respectively, no insurance, commercial insurance, Medicare coverage, Medicaid coverage and workers’ compensation insurance. Since, generally speaking, we receive relatively higher payment rates from commercial and workers’ compensation insurers than Medicare, Medicaid and other government-funded programs, a significant shift in our payor mix toward a higher percentage of Medicare and Medicaid cases, which could occur for reasons beyond our control, could have an adverse effect on our business, prospects, results of operations and financial condition.

Surgical case mix refers to the relative share of total cases performed by specialty, such as ENT, GI, general surgery, ophthalmology, orthopedic and pain management. Generally speaking, certain types of our cases, such as orthopedic cases, generate relatively higher revenue than other types of cases, such as pain management and GI cases. Therefore, a significant shift in our surgical case mix toward a higher percentage of lower revenue cases, which could occur for reasons beyond our control, could result in a material adverse effect on our business, prospects, results of operations and financial condition.

As we operate in multiple markets, each with a different competitive landscape, shifts within our payor mix or surgical case mix may not be uniform across all of our affiliated facilities. Rather, these shifts may be concentrated within certain markets due to local competitive factors. Therefore, the results of our individual affiliated facilities, including facilities that are material to our results, may be volatile, which could result in a material adverse effect on our business, prospects, results of operations and financial condition.

Surgery Partners and legacy Symbion have a limited history of working together as a single company. Should we fail to successfully integrate the operations of Surgery Partners and legacy Symbion, our results of operations and profitability could be materially and adversely impacted.

We may not be successful in integrating the operations of Surgery Partners and legacy Symbion, and the combined company may not perform as we expect or achieve the net cost savings and other synergies that we anticipate. A significant element of our business strategy is the improvement of our operating efficiencies and a

[Table of Contents](#)

reduction of our operating costs. A variety of factors could cause us not to achieve the benefits of the cost savings plan, or could result in harm to our business, including delays in the anticipated timing of activities related to our cost savings plan and our inability to reduce corporate and administrative expenses. As a result, we may not achieve our expected cost savings in the time anticipated, or at all. In such case, our results of operations and profitability could be negatively impaired.

Furthermore, our limited operating history and the challenge of integrating previously independent businesses make evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organized or combined companies. Further, the process of integrating our existing operations with legacy Symbion may require a disproportionate amount of resources and management attention. Our management team may encounter unforeseen difficulties in managing this integration. Any substantial diversion of management attention or difficulties in operating the combined business could affect our sales and ability to achieve operational, financial and strategic objectives.

Further, the estimated valuations assumed by management and reflected by the pro forma financial statements included in this prospectus may differ materially from actual results, and such valuation differences may result in material changes (including possible material adverse changes) to our future financial condition and results of operations compared to those anticipated by management. In addition, the projected operational efficiencies resulting from our acquisition of Symbion included in this prospectus are based on preliminary estimates of management and have not been independently verified. While these estimates are based on management's good faith, they are subject to change and to a variety of factors that could cause us to not achieve the operational efficiencies or any other cost savings within the time period prescribed or at all.

Our pro forma financial information may not be representative of our future performance.

In preparing the pro forma financial information included in this prospectus, we have made adjustments to our historical financial information based upon currently available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of the acquisition of Symbion. The estimates and assumptions used in the calculation of the pro forma financial information in this prospectus may be materially different from our actual experience. Accordingly, the pro forma financial information included in this prospectus does not purport to indicate the results that would have actually been achieved had the acquisition of Symbion been completed on the assumed date or for the periods presented, or which may be realized in the future, nor does the pro forma financial information give effect to any events other than those discussed in our unaudited pro forma as adjusted condensed combined financial statements of operations and related notes.

We have a history of net losses and may not achieve or sustain profitability in the future.

We have incurred periods of net losses, including net losses of approximately \$65.9 million in 2014, which includes a \$21.7 million loss attributable to a one-time transaction cost associated with the Symbion acquisition and loss on debt extinguishment of \$23.4 million, and net losses of \$9.1 million in 2013, which includes a loss on debt extinguishment of \$9.9 million. During the three months ended March 31, 2015, we experienced a net loss of \$4.1 million. We cannot assure you that our revenue will grow or that we will achieve or maintain profitability in the future. Growth of our revenue may slow or revenue may decline and expenses may increase for a number of possible reasons, including reduced demand for our services, regulatory shifts, failure to successfully integrate the operations of Surgery Partners and Symbion and other risks and uncertainties. Even if we do achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis in the future. Our ability to achieve profitability will be affected by the other risks and uncertainties described in this section and in "Management's Discussion and Analysis of Financial Condition and Results of Operations." All of these factors could contribute to further net losses and, if we are unable to meet these risks and challenges as we encounter them, our business may suffer. If we are not able to achieve, sustain or increase profitability, our business will be adversely affected and our stock price may decline.

We depend on physician utilization of our surgical facilities, which could decrease if we fail to maintain good relationships with affiliated physicians. Our ability to provide medical services at our facilities would be impaired and our revenue reduced if we are not able to maintain these relationships.

Our business depends, among other things, upon the efforts and success of affiliated physicians who provide medical services at our surgical facilities and the strength of our relationships with these physicians. Most physicians are not employees of our surgical facilities and are not contractually required to use our facilities. We generally do not enter into contracts with physicians who use our surgical facilities, other than partnership and operating agreements with physicians who own interests in our surgical facilities, provider agreements with anesthesiology groups that provide anesthesiology services in our surgical facilities, medical director agreements, among others. Physicians who use our surgical facilities also use other facilities or hospitals and may choose to perform procedures in an office-based setting that might otherwise be performed at our surgical facilities. In recent years, pain management and gastrointestinal procedures have been performed increasingly in an office-based setting because of potential cost savings or better access. Although physicians who own interests in our surgical facilities are subject to agreements restricting ownership of competing facilities, these agreements may not restrict procedures performed in a physician office or in other unrelated facilities. Also, these agreements restricting ownership of competing facilities are difficult to enforce, and we may be unsuccessful in preventing physicians who own interests in our surgical facilities from acquiring interests in competing facilities.

The financial success of our facilities is in part dependent upon the volume of procedures performed by the physicians who use our facilities, which is affected by the economy, healthcare reform, increases in patient co-payments and deductibles and other factors outside our or their control. The physicians who use our surgical facilities may choose not to accept patients who pay for services through certain third-party payors, which could reduce our revenue. From time to time, we may have disputes with physicians who use our surgical facilities and/or own interests in our surgical facilities or our Company. Our revenue and profitability could be significantly reduced if we lost our relationship with one or more key physicians or groups of physicians, or if such physicians or groups reduce their use of any of our surgical facilities. In addition, any damage to the reputation of a key physician or group of physicians or the failure of these physicians to provide quality medical care or adhere to professional guidelines at our surgical facilities could damage our reputation, subject us to liability and significantly reduce our revenue.

Physician treatment methodologies and governmental or commercial health insurance controls designed to reduce the number of surgical procedures may reduce our revenue and profitability.

Controls imposed by Medicare and Medicaid, employer-sponsored healthcare plans and commercial health insurance payors designed to reduce surgical volumes, in some instances referred to as “utilization review,” could adversely affect our facilities. Although we are unable to predict the effect these changes will have on our operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees may reduce our revenue and profitability. Additionally, trends in physician treatment protocols and commercial health insurance plan design, such as plans that shift increased costs and accountability for care to patients, could reduce our surgical volumes in favor of lower intensity and lower cost treatment methodologies, each of which could, in turn, have a material adverse effect on our business, prospects, results of operations and financial condition.

Our growth strategy depends in part on our ability to integrate operations of acquired surgical facilities, attract new physician partners, and to acquire and develop additional surgical facilities, on favorable terms. If we are unable to achieve any of these goals, our future growth could be limited and our operating results could be adversely affected.

We believe that an important component of our financial performance and growth is our ability to provide physicians who use our facilities with the opportunity to purchase ownership interests in our facilities. We may not be successful in attracting new physician investment in our surgical facilities, and that failure could

[Table of Contents](#)

result in a reduction in the quality, efficiency and profitability of our facilities. Based on competitive factors and market conditions, physicians may be able to negotiate relatively higher levels of equity ownership in our facilities, consequently limiting or reducing our share of the profits from these facilities. In addition, physician ownership in our facilities is subject to certain regulatory restrictions.

In addition, our growth strategy includes the acquisition and development of existing surgical facilities and the development of new surgical facilities jointly with local physicians and, in some cases, healthcare systems and other strategic partners. We have acquired interests in or developed all of our surgical facilities since our inception and we expect to continue to expand our operations in the future. We are currently evaluating potential acquisitions and development projects and expect to continue to evaluate acquisitions and development projects in the foreseeable future. If we are unable to successfully execute on this strategy in the future, our future growth could be limited. We may be unable to identify suitable acquisition and development opportunities, or to complete acquisitions and new projects in a timely manner and on favorable terms. Further, the companies or assets we acquire in the future may not ultimately produce returns that justify our related investment.

Our acquisition activities, and our limited development activities, require substantial capital resources, and we may need to obtain additional capital or financing, from time to time, to fund these activities. Historically, we have funded acquisition and development activities through our credit facilities. As a result, we may take actions that could have a material adverse effect on our business, prospects, results of operations and financial condition, including incurring substantial debt with certain restrictive terms. Further, sufficient capital or financing may not be available to us on satisfactory terms, if at all. In addition, our ability to acquire and develop additional surgical facilities may be limited by state certificate of need programs, licensure requirements, antitrust laws, and other regulatory restrictions on expansion. We also face significant competition from local, regional and national health systems and other owners of surgical facilities in pursuing attractive acquisition candidates. The limited number of surgical facilities we develop typically incur losses in their early months of operation (more so in the case of surgical hospitals) and, until their case loads grow, they generally experience lower total revenue and operating margins than established surgical facilities, and we expect this trend to continue.

If we are not successful in integrating newly acquired surgical facilities, we may not realize the potential benefits of such acquisitions. Likewise, if we are not able to integrate acquired facilities' operations and personnel with ours in a timely and efficient manner, then the potential benefits of the transaction may not be realized. Further, any delays or unexpected costs incurred in connection with integration could have a material adverse effect on our operations and earnings. In particular, if we experience the loss of key personnel or if the effort devoted to the integration of acquired facilities diverts significant management or other resources from other operational activities, our operations could be impaired.

If we acquire or develop additional facilities, we may experience difficulty in retaining or integrating their operations, key physicians, systems and personnel. In some acquisitions, we may have to renegotiate, or risk losing, one or more of the facility's commercial payor contracts. We may also be unable to immediately collect the accounts receivable of an acquired facility while we align the payors' payment systems and accounts with our own systems. Certain transactions can require licensure changes which, in turn, result in disruptions in payment for services.

In addition, although we conduct extensive due diligence prior to the acquisition of surgical facilities and seek indemnification from prospective sellers covering unknown or contingent liabilities, we may acquire facilities with unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations. Although we maintain professional and general liability insurance that provides coverage on a claims-made basis of \$1.0 million per occurrence with a retention of \$25,000 per occurrence and \$3.0 million in annual aggregate coverage per surgical facility, we do not maintain insurance specifically covering all unknown or contingent liabilities that may have occurred prior to the acquisition of facilities. In some cases, our right to indemnification for these liabilities from the seller may be subject to negotiated limits or limits on our ability to enforce indemnification rights.

[Table of Contents](#)

Our rapid growth has placed, and will continue to place, increased demands on our management, operational and financial information systems and other resources. Furthermore, expansions into new geographic markets and services may require us to comply with new and unfamiliar legal and regulatory requirements, which could impose substantial obligations on us and our management, cause us to expend additional time and resources, and increase our exposure to penalties or fines for non-compliance with such requirements. To accommodate our past and anticipated future growth, and to compete effectively, we will need to continue to improve our management, operational and financial information systems and to expand, train, manage and motivate our workforce. Our personnel, systems, procedures or controls may not be adequate to support our operations in the future. Further, focusing our financial resources and management attention on the expansion of our operations may negatively impact our financial results. Any failure to improve our management, operational and financial information systems, or to expand, train, manage or motivate our workforce, could reduce or prevent our growth.

Shortages of surgery-related products, equipment and medical supplies and quality control issues with such products, equipment and medical supplies could disrupt our operations and adversely affect our case volume, surgical case mix and profitability.

Our operations depend significantly upon our ability to obtain sufficient surgery-related products, drugs, equipment and medical supplies from suppliers on a timely basis. If we are unable to obtain such necessary products, or if we fail to properly manage existing inventory levels, the surgical facilities may be unable to perform certain surgeries, which could adversely affect case volume or result in a negative shift in surgical case mix. In addition, as a result of shortages, we could suffer, among other things, operational disruptions, disruptions in cash flows, increased costs and reductions in profitability. At times, supply shortages have occurred in our industry, and such shortages may be expected to recur from time to time.

Medical supplies and services can also be subject to supplier product quality control incidents and recalls. In addition to contributing to materials shortages, product quality can affect patient care and safety. Material quality control incidents have occurred in the past and may occur again in the future, for reasons beyond our control, and such incidents can negatively impact case volume, product costs and our reputation. In addition, we may have to incur costs to resolve quality control incidents related to medical supplies and services regardless of whether they were caused by us. Our inability to obtain the necessary amount and quality of surgery-related products, equipment and medical supplies due to a quality control incident or recall could have a material adverse effect on our business, prospects, results of operations and financial condition.

We face competition for patients, physicians and commercial payor contracts.

The healthcare business is highly competitive and each of the individual geographic areas in which we operate has a different competitive landscape. In each of our markets we compete with other healthcare providers for patients and in contracting with commercial payors. In addition, because the number of physicians available to utilize and invest in our facilities is finite, we face intense competition from other surgery centers, hospitals, health systems and other healthcare providers in recruiting physicians to utilize and invest in our facilities. We are in competition with other surgery centers, hospitals and healthcare systems in the communities we serve to attract patients and provide them with the care they need.

There are also unaffiliated hospitals in each market in which we operate. These hospitals have established relationships with physicians and payors. In addition, other companies either currently are in the same or similar business of developing, acquiring and operating surgical facilities or may decide to enter our business. Many of these companies have greater resources than we do, including financial, marketing, staff and capital resources. We also may compete with some of these companies for entry into strategic relationships with healthcare systems and healthcare professionals. In addition, many physician groups develop surgical facilities without a corporate partner. In recent years, more physicians are choosing to perform procedures, including pain management and gastrointestinal procedures, in an office-based setting rather than in a surgical facility. If we are

[Table of Contents](#)

unable to compete effectively with any of these entities or groups, we may be unable to implement our business strategies successfully and our financial position and results of operations could be adversely affected.

Competition for physicians and nurses, shortages of qualified personnel or other factors could increase our labor costs and adversely affect our revenue, profitability and cash flows.

Our operations are dependent on the efforts, abilities and experience of our physicians and clinical personnel. We compete with other healthcare providers, primarily hospitals and other surgical facilities, in attracting physicians to utilize our surgical facilities, nurses and medical staff to support our surgical facilities, recruiting and retaining qualified management and support personnel responsible for the daily operations of each of our facilities and in contracting with managed care payors in each of our markets. In some markets, the lack of availability of clinical personnel, such as nurses, has become a significant operating issue facing all healthcare providers. This shortage may require us to continue to enhance wages and benefits to recruit and retain qualified personnel or to contract for more expensive temporary personnel. For the year-ended December 31, 2014 and the three months ended March 31, 2015, our salary and benefit expenses represented 25.1% and 26.8%, respectively, of our revenue. We also depend on the available labor pool of semi-skilled and unskilled workers in each of the markets in which we operate.

If our labor costs increase, we may not be able to raise rates to offset these increased costs. Because a significant percentage of our revenue consist of fixed, prospective payments, our ability to pass along increased labor costs is limited. In particular, if labor costs rise at an annual rate greater than our net annual consumer price index basket update from Medicare, our results of operations and cash flows will likely be adversely affected. Any union activity at our facilities that may occur in the future could contribute to increased labor costs. Certain proposed changes in federal labor laws and the National Labor Relations Board's modification of its election procedures could increase the likelihood of employee unionization attempts. Although none of our employees are currently represented by a collective bargaining agreement, to the extent a significant portion of our employee base unionizes, it is possible our labor costs could increase materially. Our failure to recruit and retain qualified management and medical personnel, or to control our labor costs, could have a material adverse effect on our business, prospects, results of operations and financial condition.

Some jurisdictions preclude us from entering into non-compete agreements with our physicians, and other non-compete agreements and restrictive covenants applicable to certain physicians and other clinical employees may not be enforceable.

We have contracts with physicians and other health professionals in many states. Some of our physician services contracts, as well as many of our physician services contracts with hospitals, include provisions preventing these physicians and other health professionals from competing with us both during and after the term of our contract with them. The law governing non-compete agreements and other forms of restrictive covenants varies from state to state. Some jurisdictions prohibit us from entering into non-compete agreements with our professional staff. Other states are reluctant to strictly enforce non-compete agreements and restrictive covenants against physicians and other healthcare professionals. Therefore, there can be no assurance that our non-compete agreements related to employed or otherwise contracted physicians and other health professionals will be enforceable if challenged in certain states. In such event, we would be unable to prevent former employed or otherwise contracted physicians and other health professionals from competing with us, potentially resulting in the loss of some of our hospital contracts and other business. Additionally, certain facilities have the right to employ or engage our providers after the termination or expiration of our contract with those facilities and cause us not to enforce our non-compete provisions related to those providers.

We may become involved in litigation which could negatively impact the value of our business.

From time-to-time we are involved in lawsuits, claims, audits and investigations, including those arising out of services provided, personal injury claims, professional liability claims, billing and marketing practices, employment disputes and contractual claims. We may become subject to future lawsuits, claims, audits and

[Table of Contents](#)

investigations that could result in substantial costs and divert our attention and resources and adversely affect our business condition. In addition, since our current growth strategy includes acquisitions, among other things, we may become exposed to legal claims for the activities of an acquired business prior to the acquisition. These lawsuits, claims, audits or investigations, regardless of their merit or outcome, may also adversely affect our reputation and ability to expand our business.

In addition, from time to time we have received, and expect to continue to receive, correspondence from former employees terminated by us who threaten to bring claims against us alleging that we have violated one or more labor and employment regulations. In certain instances former employees have brought claims against us and we expect that we will encounter similar actions against us in the future. An adverse outcome in any such litigation could require us to pay contractual damages, compensatory damages, punitive damages, attorneys' fees and costs.

If we become subject to large malpractice or other legal claims, we could be required to pay significant damages, which may not be covered by insurance.

In recent years, physicians, hospitals and other healthcare providers have become subject to an increasing number of legal actions alleging malpractice, product liability or related legal theories. Many of these actions involve large monetary claims and significant defense costs. We also owe certain defense and indemnity obligations to our officers and directors.

We maintain liability insurance in amounts that we believe are customary for the industry. Currently, we maintain professional and general liability insurance that provides coverage on a claims-made basis of \$1.0 million per occurrence with a retention of \$25,000 per occurrence and \$3.0 million in annual aggregate coverage per surgical facility. We also maintain business interruption insurance and property damage insurance. For the surgical facilities we acquired in connection with the Symbion Acquisition, we maintain professional and general liability insurance that provides coverage on a claims-made basis of \$1.0 million per occurrence with a retention of \$50,000 per occurrence and \$3.0 million annual aggregate coverage per surgical facility, including the facility and employed staff. We also maintain business interruption insurance and property damage insurance, as well as an additional umbrella liability insurance policy in the aggregate amount of \$25.0 million. Coverage under certain of these policies is contingent upon the policy being in effect when a claim is made regardless of when the events which caused the claim occurred. In addition, physicians who provide professional services in our surgical facilities are required to maintain separate malpractice coverage with similar minimum coverage limits. We also maintain a directors' and officers' insurance policy, which insures our directors and officers against unindemnified losses arising from certain wrongful acts in their capacities as directors and officers and reimburses us for those losses for which we have lawfully indemnified the directors and officers.

This insurance coverage may not cover all claims against us. Insurance coverage may not continue to be available at a cost allowing us to maintain adequate levels of insurance. If one or more successful claims against us were not covered by or exceeded the coverage of our insurance, our financial condition and results of operations could be adversely affected. Our business, profitability and growth prospects could suffer if we face negative publicity or we pay damages or defense costs in connection with a claim that is outside the scope or limits of coverage of any applicable insurance coverage, including claims related to adverse patient events, contractual disputes, professional and general liability, and directors' and officers' duties.

In addition, if our costs of insurance and claims increase, then our earnings could decline. Market rates for insurance premiums and deductibles have been steadily increasing. Our earnings and cash flows could be materially and adversely affected by any of the following:

- the collapse or insolvency of our insurance carriers;
- further increases in premiums and deductibles;

[Table of Contents](#)

- increases in the number of liability claims against us or the cost of settling or trying cases related to those claims; or
- an inability to obtain one or more types of insurance on acceptable terms, if at all.

Financial pressures on patients, and current and future economic condition, may adversely affect our volume and surgical case mix.

Even as the U.S. economy shows signs of sustained, if modest, growth, many individuals throughout the country continue to experience difficult financial conditions. Our case volume and surgical case mix may be adversely affected by patients' unwillingness to pay for procedures in our facilities. Higher numbers of unemployed individuals generally translates into more individuals without healthcare insurance to help pay for procedures, thereby increasing the potential for persons to elect not to have procedures performed. Even procedures normally thought to be non-elective may be delayed or may not be performed if the patient cannot afford the procedure due to a lack of insurance or money to pay their portion of our facilities' fee. Although we have taken steps to minimize the impact of these conditions, it is difficult to predict the degree to which our business will continue to be impacted by such conditions or the course of the economy in the future.

In addition, the difficult conditions of the U.S. economy have adversely affected and could continue to adversely affect the budgets of individual states and the federal government, which has resulted in and could continue to result in attempts to reduce payments made to us by federal and state government healthcare programs, including Medicare, military services, Medicaid and workers' compensation programs, a reduction in the scope of services covered by those programs and an increase in taxes and assessments on our activities. The Supreme Court's decision to hear the case of *King v. Burwell*—a Fourth Circuit decision upholding an IRS rule extending tax credits to individuals purchasing health insurance under the Affordable Care Act through federally established exchanges—poses an additional element of uncertainty and risk. The Supreme Court heard oral arguments on the case in March 2015, and a decision is expected no later than July of 2015. If the IRS rule is struck down, millions of individuals in the 36 states with federal exchanges or federal-state partnership exchanges may be ineligible for federal health insurance subsidies, and would likely lose insurance coverage entirely absent further action by Congress or the states. Apart from the political upheaval and resulting uncertainty regarding the future implementation of the Affordable Care Act, such a result could adversely affect our business by exacerbating the financial pressures on patients in these states, leading them to further delay or cancel non-emergency surgical procedures.

Our surgical facilities are sensitive to regulatory, economic and other conditions in the states where they are located. In addition, three of our surgical facilities account for a significant portion of our patient service revenue.

Our revenue are particularly sensitive to regulatory, economic and other conditions in the states of Florida and Texas. As of March 31, 2015, we owned and operated six consolidated surgical facilities in Texas and 23 consolidated surgical facilities in Florida. The Texas facilities represented 12.7%, 5.0% and 5.2% of our revenue during the years ended December 31, 2014 (on a pro forma basis), 2013 and 2012, respectively, and 11.8% of our revenue during the three months ended March 31, 2015. The Florida facilities represented 14.3%, 30.9% and 29.5% of our revenue during the years ended December 31, 2014 (on a pro forma basis), 2013 and 2012, respectively, and 15.9% of our revenue during the three months ended March 31, 2015.

In addition, our surgical hospital located in Idaho Falls, Idaho represented 16.5% of our revenue in 2014 (on a pro forma basis) and 16.8% of our revenue during the three months ended March 31, 2015. If there were an adverse regulatory, economic or other development in any of the states in which we have a higher concentration of facilities, including Idaho, our case volumes could decline in such states or there could be other unanticipated adverse impacts on our business in those states, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

If any of our existing healthcare facilities lose their accreditation status or any of our new facilities fail to receive accreditation, such facilities could become ineligible to receive reimbursement under Medicare or Medicaid or other third-party payors.

The construction and operation of healthcare facilities are subject to extensive federal, state and local regulation relating to, among other things, the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting and compliance with building codes and environmental protection. Additionally, such facilities are subject to periodic inspection by government authorities and accreditation organizations to assure their continued compliance with these various standards.

All of our facilities are deemed certified, meaning that they are accredited, properly licensed under the relevant state laws and regulations and certified under the Medicare program or are in the process of applying for such accreditation, licensing or certification. The effect of maintaining certified facilities is to allow such facilities to participate in the Medicare and Medicaid programs. We believe that all of our facilities are in material compliance with applicable federal, state, local and other relevant accreditation and certification regulations and standards. However, should any of our healthcare facilities lose their deemed certified status and thereby lose certification under the Medicare or Medicaid programs, such facilities would be unable to receive reimbursement from either or both of those programs, and possibly from other third-party payors, and our business could be materially adversely affected.

Certain of our partnership and operating agreements contain provisions giving rights to our partners and other members that may be adverse to our interests.

Certain of the agreements governing the LPs, general partnerships and LLCs through which we own and operate our facilities contain provisions that give our partners or other members rights that may, in certain circumstances, be adverse to our interests. These rights include, but are not limited to, rights to purchase our interest in the partnership or LLC, rights to require us to purchase the interests of our partners or other members, or rights requiring the consent of our partners and other members prior to our transferring our ownership interest in a facility or prior to a change in control of us or certain of our subsidiaries. With respect to these purchase rights, the agreements generally include a specified formula or methodology to determine the applicable purchase price, which may or may not reflect fair market value.

Additionally, many of our partnership and operating agreements contain restrictions on actions that we can take, even though we may be the general partner or the managing member. Examples of these restrictions include the rights of our partners and other members to approve the sale of substantially all of the assets of the partnership or LLC, to dissolve the partnership or LLC, to appoint a new or additional general partner or managing member and to amend the partnership or operating agreements. Many of our agreements also restrict our ability in certain instances to compete with our existing facilities or with our partners. Where we hold only a limited partner or a non-managing member interest, the general partner or managing member may take certain actions without our consent, although we typically have certain protective rights to approve major decisions such as the sale of substantially all of the assets of the entity, dissolution of the partnership or LLC and the amendment of the partnership or operating agreement. These management and governance rights held by our partners and other members limit and restrict our ability to make unilateral decisions about the management and operation of the facilities without the approval of our partners and other members.

We may have a special legal responsibility to the holders of ownership interests in the entities through which we own our facilities, which may conflict with, and prevent us from acting solely in, our own best interests or the interests of our stockholders.

We generally hold our ownership interests in facilities through limited or general partnerships, LLCs or limited liability partnerships (“LLPs”) in which we maintain an ownership interest along with physicians and, in some cases, physicians and health systems. As general partner and manager of most of these entities, we may

[Table of Contents](#)

have a special responsibility, known as a fiduciary duty, to manage these entities in the best interests of the other owners. We also have a duty to operate our business for the benefit of our stockholders. As a result, we may encounter conflicts between our responsibility to the other owners and our responsibility to our stockholders. For example, we have entered into management agreements to provide management services to our surgical facilities in exchange for a fee. Disputes may arise as to the nature of the services to be provided or the amount of the fee to be paid. In these cases, we may be obligated to exercise reasonable, good faith judgment to resolve the disputes and may not be free to act solely in our own best interests or the stockholders best interest. Disputes may also arise between us and our physician investors with respect to a particular business decision or regarding the interpretation of the provisions of the applicable partnership or limited liability company agreement. We seek to avoid these disputes but have not implemented any measures to resolve these conflicts if they arise. If we are unable to resolve a dispute on terms favorable or satisfactory to us, it could have a material adverse effect on our business, prospects, results of operations and financial condition.

Growth of patient receivables or deterioration in the ability to collect on these accounts, due to changes in economic conditions or otherwise, could have a material adverse effect on our business, prospects, results of operations and financial condition.

The current practice of providing medical services in advance of payment or, in many cases, prior to assessment of ability to pay for such services, may have significant negative impact on our revenue, bad debt expense and cash flow. We bill numerous and varied payors, such as self-pay patients, managed care payors and Medicare and Medicaid. These different payors typically have different billing requirements that must be satisfied prior to receiving payment for services rendered. Reimbursement is typically conditioned on our documenting medical necessity and correctly applying diagnosis codes. Incorrect or incomplete documentation and billing information could result in non-payment for services rendered. The primary collection risks with respect to our patient receivables relate to patient accounts for which the primary third-party payor has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and co-payments) remain outstanding.

Additional factors that could complicate our billing include:

- disputes between payors as to which party is responsible for payment;
- failure of information systems and processes to submit and collect claims in a timely manner;
- variation in coverage for similar services among various payors;
- the difficulty of adherence to specific compliance requirements, diagnosis coding and other procedures mandated by various payors; and
- failure to obtain proper physician credentialing and documentation in order to bill various payors.

We provide for bad debts principally based upon the type of payor and the age of the receivables. Our allowance for doubtful accounts at March 31, 2015 and December 31, 2014, represented 5.5% and 3.5% of our accounts receivable balance, respectively.

Due to the difficulty in assessing future trends, including the effects of changes in economic conditions, we could be required to increase our provision for doubtful accounts. An increase in the amount of patient receivables or a deterioration in the collectability of these accounts could have a material adverse effect on our business, prospects, results of operations and financial condition.

We depend on our senior management, and we may be adversely affected if we lose any member of our senior management.

Because our senior management has been key to our growth and success, we are highly dependent on our senior management, including Michael Doyle, our Chief Executive Officer, and Teresa Sparks, our Executive Vice President and Chief Financial Officer. We do not maintain “key man” life insurance policies on any of our officers. Competition for senior management generally, and within the healthcare industry specifically, is intense and we may not be able to recruit and retain the personnel we need if we were to lose an existing member of senior management. Because our senior management has contributed greatly to our growth since inception, the loss of key management personnel, without adequate replacements, or our inability to attract, retain and motivate sufficient numbers of qualified management personnel could have a material adverse effect on our financial condition and results of operations.

The loss of certain physicians can have a disproportionate impact on certain of our facilities.

Generally, the top referring physicians within each of our facilities represent a large share of our revenue and admissions. The loss of one or more of these physicians, even if temporary, could cause a material reduction in our revenue, which could take significant time to replace given the difficulty and cost associated with recruiting and retaining physicians.

We rely on our private equity sponsor and the interests of our Sponsor may conflict with the interests of the Company and its other stockholders.

We have in recent years depended on our relationship with our Sponsor, to help guide our business plan. Our Sponsor has significant expertise in financial matters. This expertise has been available to us through the representatives our Sponsor has on our board of directors and as a result of our Management Agreement with an affiliate of our Sponsor. In connection with the completion of this offering, the Management Agreement with an affiliate of our Sponsor will terminate. After the closing of this offering, affiliates of our Sponsor may elect to reduce its ownership in our Company or reduce its involvement on our board of directors, which could reduce or eliminate the benefits we have historically achieved through our relationship with it.

Additionally, our Sponsor is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our Sponsor may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. So long as investment funds associated with or designated by our Sponsor continue to indirectly own a significant amount of our capital stock, even if such amount is less than a majority of our outstanding common stock on a fully-diluted basis, our Sponsor will continue to be able to strongly influence or effectively control our decisions.

We may write-off intangible assets, such as goodwill.

As a result of purchase accounting for our various acquisition transactions, our balance sheet at March 31, 2015 contained intangible assets designated as either goodwill or intangibles totaling approximately \$1.3 billion in goodwill and approximately \$53.9 million in intangibles. Additional acquisitions that result in the recognition of additional intangible assets would cause an increase in these intangible assets. On an ongoing basis, we evaluate whether facts and circumstances indicate any impairment of the value of intangible assets. As circumstances change, we cannot assure you that the value of these intangible assets will be realized by us. If we determine that a significant impairment has occurred, we will be required to write-off the impaired portion of intangible assets, which could have a material adverse effect on our results of operations in the period in which the write-off occurs.

[Table of Contents](#)

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our outstanding indebtedness.

As of March 31, 2015, we had total indebtedness of approximately \$1.4 billion under our \$870 million senior secured first lien term loan (the “First Lien Term Loan”), which includes \$80 million under a revolving credit facility (the “Revolver”) of which approximately \$77 million was undrawn, and \$490 million senior secured second lien credit facility (the “Second Lien Term Loan” and, together with the First Lien Term Loan and the Revolver, the “Term Loans and Revolving Facility”), where our subsidiary, Surgery Center Holdings, Inc., is the borrower. In addition, subject to the restrictions in our Term Loans and Revolving Facility, we may incur significant additional indebtedness, which may be secured, from time to time, which could have important consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under such instruments;
- making us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;
- limiting cash flow available for general corporate purposes, including capital expenditures and acquisitions, because a substantial portion of our cash flow from operations must be dedicated to servicing our debt;
- limiting our ability to obtain additional debt financing in the future for working capital, capital expenditures or acquisitions;
- limiting our flexibility in reacting to competitive and other changes in our industry and economic conditions generally; and
- exposing us to risks inherent in interest rate fluctuations because some of our borrowings will be at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Our ability to pay or to refinance our indebtedness will depend upon our future operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond our control.

Restrictive covenants in our debt instruments may adversely affect us.

Our Term Loans and Revolving Facility contain various covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- make certain distributions, investments and other restricted payments;
- dispose of our assets;
- grant liens on our assets;
- engage in transactions with affiliates;

[Table of Contents](#)

- merge, consolidate or transfer substantially all of our assets; and
- make payments to us (in the case of our restricted subsidiaries).

In addition, our Term Loans and Revolving Facility contain other and more restrictive covenants, including covenants requiring us to maintain specified financial ratios and to satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure you that we will continue to meet those tests. A breach of any of these covenants could result in a default under our Term Loans and Revolving Facility. Upon the occurrence of an event of default under our Term Loans and Revolving Facility, the lenders could elect to declare all amounts outstanding under our Term Loans and Revolving Facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our assets, other than assets of our non-guarantor subsidiaries, as security under our Term Loans and Revolving Facility. If the lenders under our Term Loans and Revolving Facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our Term Loans and Revolving Facility and our other indebtedness.

We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated revenue growth and operating improvements will be realized or that future borrowings will be available to us under our Term Loans and Revolving Facility in amounts sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. If we are unable to meet our debt service obligations or fund our other liquidity needs, we could attempt to restructure or refinance our indebtedness or seek additional equity capital. We cannot assure you that we will be able to accomplish those actions on satisfactory terms, if at all.

Despite our current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, which could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including secured indebtedness. Although the credit agreements governing our Term Loans and Revolving Facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. In addition, as of March 31, 2015 we had approximately \$77 million available for additional borrowings under our Revolver, all of which is permitted to be incurred under the credit agreement governing our Term Loans and Revolving Facility. If new debt is added to our or our subsidiaries' current debt levels, the related risks that we face would be increased.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our ability to pay interest on and principal of our debt obligations principally depends upon our operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

In addition, we conduct our operations through our subsidiaries. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In particular, the constituent documents governing many of our non-wholly owned subsidiaries limit, under certain circumstances, our ability to access the cash generated by those subsidiaries in a timely manner.

[Table of Contents](#)

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or capital expenditures or seeking to raise additional capital. Our ability to restructure or refinance our debt, if at all, will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt instruments may restrict us from adopting some of these alternatives. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance our obligations at all or on commercially reasonable terms, could affect our ability to satisfy our debt obligations and have a material adverse effect on our business, prospects, results of operations and financial condition.

We are a holding company with no operations of our own.

We are a holding company, and our ability to service our debt is dependent upon the earnings from the business conducted by our subsidiaries that operate the surgical facilities. The effect of this structure is that we depend on the earnings of our subsidiaries, and the distribution or payment to us of a portion of these earnings to meet our obligations, including those under our Term Loans and Revolving Facility and any of our other debt obligations. The distributions of those earnings or advances or other distributions of funds by these entities to us, all of which are contingent upon our subsidiaries' earnings, are subject to various business considerations. In addition, distributions by our subsidiaries could be subject to statutory restrictions, including state laws requiring that such subsidiaries be solvent, or contractual restrictions. Some of our subsidiaries may become subject to agreements that restrict the sale of assets and significantly restrict or prohibit the payment of dividends or the making of distributions, loans or other payments to stockholders, partners or members.

We make significant loans to, and are generally liable for debts and other obligations of, the partnerships and limited liability companies that own and operate some of our surgical facilities.

We own and operate our surgical facilities through limited partnerships and limited liability companies. Local physicians, physician groups and healthcare systems also own an interest in all but two of these partnerships and limited liability companies. In the partnerships in which we are the general partner, we are liable for 100% of the debts and other obligations of the partnership, even if we do not own all of the partnership interests. For some of our surgical facilities, indebtedness at the partnership level is funded through intercompany loans that we provide. At March 31, 2015, our intercompany loans totaled \$22.4 million. Through these loans we have a security interest in the partnership's or limited liability company's assets. However, our financial condition and results of operations would be materially adversely affected if our surgical facilities are unable to repay these intercompany loans, or such loans are challenged under certain health care laws. Additionally, at March 31, 2015, our global intercompany note, which we use to transfer debt balances between our subsidiaries, had a zero balance.

Our Term Loans and Revolving Facility allow us to borrow funds that we can lend to the partnerships and limited liability companies in which we own an interest. Although most of our intercompany loans are secured by the assets of the partnership or limited liability company, the physicians and physician groups that own an interest in these partnerships and limited liability companies generally do not guarantee a pro rata amount of this debt or the other obligations of these partnerships and limited liability companies.

From time to time, we may 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, subject to a limit provided in our credit agreements. 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.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Borrowings under our Term Loans and Revolving Facility are at variable rates of interest and expose us to interest rate risk. As of March 31, 2015, we had total indebtedness of approximately \$1.4 billion under our Term Loans and Revolving Facility, including (i) \$844.9 million outstanding under our First Lien Term Loan at an annual interest rate of 4.25% plus the adjusted LIBOR Rate, (ii) \$0 outstanding under our Revolver at an interest rate of 4.25% plus the adjusted LIBOR Rate, and (iii) \$472.3 million outstanding under our Second Lien Term Loan at an annual interest rate of 7.5% plus the adjusted LIBOR Rate. If interest rates increase, our debt service obligations on variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease.

Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

The Company's First Lien Term Loan is a senior secured first lien obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured first priority basis and secured by substantially all of the assets, including pledges of equity interests, of Surgery Center Holdings, Inc., SP Holdco I, Inc. and the subsidiary guarantors described in the documentation, which are comprised of material wholly-owned non-excluded subsidiaries of Surgery Center Holdings, Inc. The Company has the option of classifying the First Lien Term Loan 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 0.5%, and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.0%; 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 First Lien Term Loan as an ED loan with an interest rate of 5.25% (1.0% base rate plus a 4.25% margin). Accrued interest is payable in arrears on a quarterly basis.

The Company's Second Lien Term Loan is a senior secured second lien obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured second priority basis and secured by substantially all of the assets, including pledges of equity interests, of Surgery Center Holdings, Inc., SP Holdco I, Inc. and the subsidiary guarantors described in the documentation, which are comprised of material wholly-owned non-excluded subsidiaries of Surgery Center Holdings, Inc. The Company has the option of classifying the Second Lien Term Loan 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 0.5% and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.0%; provided that the base rate shall not be less than 2.0% per annum. In addition to the base rate, the Company is required to pay a 6.5% 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 1.0% per annum. In addition to the base rate, the Company is required to pay a 7.5% margin for ED loans. During 2014, the Company classified the Second Lien Term Loan as an ED loan with an interest rate of 8.5% (1.0% base rate plus a 7.5% margin). Accrued interest is payable in arrears on a quarterly basis, on the last business day of each of March, June, September and December.

[Table of Contents](#)

We may be limited in our ability to utilize, or may not be able to utilize, net operating loss carryforwards to reduce our future tax liability.

As of March 31, 2015, we had U.S. federal net operating loss (“NOL”) carryforwards of approximately \$315 million and state NOL carryforwards of approximately \$467 million, which may be limited annually due to certain change in ownership provisions of Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, as a result of the Symbion acquisition, approximately \$177 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 \$16 million in NOL carryforwards are subject to an annual Section 382 base limitation of \$4 million. These limitations, when combined with amounts allowable due to net unrecognized built in gains, are not expected to impact the realization of the deferred tax assets associated with these NOLs. Our federal NOL carryforwards will begin to expire in 2025 and will completely expire in 2034, and our state NOL carryforwards will begin to expire in 2015 and will completely expire in 2034. Although we do not expect this offering to cause an ownership change within the meaning of Section 382 of the Code, future ownership changes may subject our NOL carryforwards to further annual limitations, which could restrict our ability to use them to offset our taxable income in periods following the ownership changes. We currently maintain a full valuation allowance for our deferred tax assets, including our federal and state NOL carryforwards.

We will enter into a tax receivable agreement that will require us to pay to the Existing Owners for certain tax benefits, including for tax benefits attributable to pre-IPO NOLs, which amounts are expected to be material.

We will indirectly acquire favorable tax attributes in connection with the Reorganization. These tax attributes would not be available to us in the absence of the consummation of the Reorganization. As part of the Reorganization, we will enter into a tax receivable agreement (the “TRA”) under which generally we will be required to pay to the Existing Owners 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, of Surgery Center Holdings, Inc. and its subsidiaries relating to taxable years ending on or before the date of the Reorganization (calculated by assuming the taxable year of Surgery Center Holdings, Inc. 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. Under this agreement, generally we will retain the benefit of the remaining 15% of the applicable tax savings. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Income Taxes and Tax Receivable Agreement.”

The actual utilization of the tax attributes that are the subject of the TRA, as well as the timing of any payments under the TRA, will vary depending upon a number of factors, including the amount, character and timing of our and our subsidiaries’ taxable income in the future, our use of NOL carryforwards and the portion of our payments under the TRA constituting imputed interest. Limitations to the use of the NOLs may apply, including limitations under Section 382 of the Code.

Payments under the TRA are not conditioned on the Existing Owners continuing to own shares of our common stock. Payments under the TRA are expected to give rise to certain additional tax benefits attributable to deductions for imputed interest. Any such benefits are the subject of the TRA and will increase the amounts due thereunder. In addition, the TRA will provide for interest, at a rate equal to % , accrued from the due date (without extensions) of the corresponding tax return to the date of payment specified by the TRA. Payments under the TRA will be based on the tax reporting positions that we determine, consistent with the terms of the TRA. We will not be reimbursed for any payments previously made under the TRA if the utilization of any tax attributes that are the subject of the TRA are subsequently disallowed; if it is determined that excess payments have been made under the TRA, certain future payments, if any, otherwise to be made will be reduced. As a result, in certain circumstances, payments could be made under the TRA in excess of the benefits that we actually realize in respect of the attributes to which the tax receivable agreements relate.

[Table of Contents](#)

We expect the payments we will be required to make under the TRA will be substantial. It is also possible we will be required to make withholding tax payments in respect of one or more Existing Owners as a result of entering into the TRA. Because we are a holding company with no operations of our own, our ability to make payments under the TRA is dependent on the ability of our subsidiaries to make distributions to us. There can be no assurance that we will be able to finance our obligations under the TRA in a manner that does not adversely affect our working capital and growth requirements.

The TRA will contain provisions that require, in certain cases, the acceleration of payments under the TRA to the Existing Owners, or payments which may significantly exceed the actual benefits we realize in respect of the tax attributes that are the subject of the TRA.

The terms of the TRA will, in certain circumstances, provide for our (or our successor's) obligations under the TRA to accelerate and become payable in a lump sum amount equal to the present value of the anticipated future tax benefits calculated based on certain assumptions, including that we would have at such time sufficient taxable income to fully utilize the tax attributes that are the subject of the TRA. As a result of the foregoing, (i) we could be required to make payments under the TRA that are greater than or less than the specified percentage of the actual tax savings we realize in respect of the tax attributes that are the subject of the TRA and (ii) we may be required to make an immediate lump sum payment equal to the present value of the anticipated future tax savings, which payment may be made years in advance of the actual realization of such future benefits, if any such benefits are ever realized. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of adversely affecting our working capital and growth, and of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. If we were to elect to terminate the TRA immediately after this offering, we estimate that we would be required to pay \$102.4 million in the aggregate under the TRA. See the section entitled "Certain Relationships and Related Party Transactions—Tax Receivable Agreement" in this prospectus.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We will be subject to income taxes in the United States, and our domestic tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state, local and foreign authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

Our facilities may be adversely impacted by weather and other factors beyond our control, and disruptions in our disaster recovery systems or management continuity planning could limit our ability to operate our business effectively.

The financial results of our facilities may be negatively impacted by adverse weather conditions, such as tornadoes, earthquakes and hurricanes, or other factors beyond our control, such as wildfires. These weather conditions or other factors could disrupt patient scheduling, displace our patients, employees and physician partners and force certain of our facilities to close temporarily or for an extended period of time. In certain markets, we have a large concentration of surgery centers that may be simultaneously affected by adverse weather condition or events beyond our control.

While we have disaster recovery systems and business continuity plans in place, any disruptions in our disaster recovery systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively monitor and control our operations. Despite our implementation of a variety of security measures, our technology systems could be subject to physical or electronic break-ins, and similar disruptions from unauthorized tampering or weather related disruptions where our headquarters is located. In addition, in the event that a significant number of our management personnel were unavailable in the event of a disaster, our ability to effectively conduct business could be adversely affected.

Risks Related to Government Regulation

We cannot predict the effect that healthcare reform and other changes in government programs may have on our business, financial condition or results of operations.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the Affordable Care Act, dramatically alter the United States healthcare system and are intended to decrease the number of uninsured Americans and reduce overall healthcare costs. The Affordable Care Act attempts to achieve these goals by, among other things, requiring most Americans to obtain health insurance, expanding Medicare and Medicaid eligibility, reducing Medicare and Medicaid payments, expanding the Medicare program's use of value-based purchasing programs, tying hospital payments to the satisfaction of certain quality criteria, and bundling payments to hospitals and other providers. The Affordable Care Act also contains a number of measures that are intended to reduce fraud and abuse in the Medicare and Medicaid programs, such as requiring the use of Recovery Audit Contractors ("RACs") in the Medicaid program expanding the scope of the federal False Claims Act and generally prohibiting physician-owned hospitals from adding new physician owners or increasing the number of beds and operating rooms for which they are licensed. The Affordable Care Act provides for additional enforcement tools, cooperation between agencies, and funding for enforcement. Since their enactment, the Affordable Care Act has been subject to a number of challenges to its 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. Other legal challenges are pending. In 2015, the United States Supreme Court will decide *King et al. v. Burwell*, a case challenging the federal government's authority to provide tax credits to subsidize insurance premiums for certain individuals purchasing insurance through a federal health insurance exchange. If the Court decides in favor of plaintiffs, many more people could lose their ability to afford insurance, and individuals receiving subsidies arguably might no longer be required to purchase insurance.

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, such as the provision that requires employers

[Table of Contents](#)

with 50 or more full-time employees or full-time employee equivalents to provide affordable health insurance to those employees, 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, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These 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.

If we fail to comply with or otherwise incur liabilities under the numerous federal and state laws and regulations relating to the operation of our facilities, we could incur significant penalties or other costs or be required to make significant changes to our operations.

The healthcare industry is heavily regulated and we are subject to many laws and regulations at the federal, state and local government levels in the markets in which we operate. These laws and regulations require that our facilities meet various licensing, accreditation, certification and other requirements, including, but not limited to, those relating to:

- ownership and control of our facilities;
- operating policies and procedures
- qualification, training and supervision of medical and support persons;
- pricing of, billing for and coding of services and properly handling overpayments, debt collection practices and the submission of false statements or claims;
- the necessity, appropriateness and adequacy of medical care, equipment, personnel, operating policies and procedures; maintenance and preservation of medical records;
- financial arrangements between referral sources and our facilities;
- the protection of privacy, including patient and credit card information;
- screening, stabilization and transfer of individuals who have emergency medical conditions and provision of emergency services;
- antitrust;
- building codes;

[Table of Contents](#)

- workplace health and safety;
- licensure, certification and accreditation;
- fee-splitting and the corporate practice of medicine;
- handling of medication;
- confidentiality, data breach, identity theft and maintenance and protection of health-related and other personal information and medical records; and
- environmental protection, health and safety.

If we fail or have failed to comply with applicable laws and regulations, we could subject ourselves to administrative, civil or criminal penalties, cease and desist orders, forfeiture of amounts owed and recoupment of amounts paid to us by governmental or commercial payors, loss of licenses necessary to operate and disqualification from Medicare, Medicaid and other government-sponsored healthcare programs.

Many of these laws and regulations have not been fully interpreted by regulatory authorities or the courts, and their provisions are sometimes open to a variety of interpretations. Different interpretations or enforcement of existing or new laws and regulations could subject our current practices to allegations of impropriety or illegality, or require us to make changes in our operations, facilities, equipment, personnel, services, capital expenditure programs or operating expenses to comply with the evolving rules. Any enforcement action against us, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

In pursuing our growth strategy, we may seek to expand our presence into states in which we do not currently operate. In new geographic areas, we may encounter laws and regulations that differ from those applicable to our current operations. If we are unwilling or unable to comply with these legal requirements in a cost-effective manner, we may be unable to expand into new geographic markets.

A number of initiatives have been proposed during the past several years to reform various aspects of the healthcare system in the United States. In the future, different interpretations or enforcement of existing or new laws and regulations could subject our current practices to allegations of impropriety or illegality, or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses. In addition, some of the governmental and regulatory bodies that regulate us are considering or may in the future consider enhanced or new regulatory requirements. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could detrimentally affect the way we conduct our business and manage our capital, either of which, in turn, could have a material adverse effect on our business, prospects, results of operations and financial condition.

If laws governing the corporate practice of medicine or fee-splitting change, we may be required to restructure some of our relationships, which may result in a significant loss of revenue and divert other resources.

The laws of various states in which we operate or may operate in the future do not permit business corporations to practice medicine, to exercise control over or employ physicians who practice medicine or to engage in various business practices, such as fee-splitting with physicians (i.e., sharing in a percentage of professional fees). The interpretation and enforcement of these laws vary significantly from state to state. We provide management services to a physician network. If our arrangements with this network were deemed to violate state corporate practice of medicine, fee-splitting or similar laws, or if new laws are enacted rendering our

[Table of Contents](#)

arrangements illegal, we may be subject to civil and/or criminal penalties and could be required to restructure or terminate these arrangements, any of which may result in a significant loss of revenue and divert other resources.

If regulations change, we may be obligated to purchase some or all of the ownership of our physician partners or renegotiate some of our partnership and operating agreements with our physician partners and management agreements with surgical facilities.

Upon the occurrence of various fundamental regulatory changes or changes in the interpretation of existing regulations, we may be obligated to purchase all of the ownership of the physician investors in most of the partnerships or limited liability companies that own and operate our surgical facilities. The purchase price that we would be required to pay for the ownership is typically based on either a multiple of the surgical facility's EBITDA, as defined in our partnership and operating agreements with these surgical facilities, or the fair market value of the ownership as determined by a third-party appraisal. The physician investors in some of our surgical facilities can require us to purchase their interests in exchange for cash or shares of our common stock if these regulatory changes occur. In addition, some of our partnership agreements with our physician partners and management agreements with surgical facilities require us to attempt to renegotiate the agreements upon the occurrence of various fundamental regulatory changes or changes in the interpretation of existing regulations and provide for termination of the agreements if renegotiations are not successful.

Regulatory changes that could create purchase or renegotiation obligations include changes that:

- make illegal the referral of Medicare or other patients to our surgical facilities by physician investors;
- create a substantial likelihood that cash distributions to physician investors from the partnerships or limited liability companies through which we operate our surgical facilities would be illegal;
- make illegal the ownership by the physician investors of interests in the partnerships or limited liability companies through which we own and operate our surgical facilities; or
- require us to reduce the aggregate percentage of physician investor ownership in our hospitals.

We do not control whether or when any of these regulatory events might occur. In the event we are required to purchase all of the physicians' ownership, our existing capital resources would not be sufficient for us to meet this obligation. These obligations and the possible termination of our partnership and management agreements would have a material adverse effect on our financial condition and results of operations.

Our revenue will decline if federal or state programs reduce our Medicare or Medicaid payments or if managed care companies reduce reimbursement amounts. In addition, the financial condition of payors and healthcare cost containment initiatives may limit our revenue and profitability.

For the years ended December 31, 2014 (on a pro forma basis), 2013 and 2012, we derived 35.7%, 28.0% and 31.5% of our revenue, respectively, from government payors, including Medicare and Medicaid programs and 36.2% for the three months ended March 31, 2015. The Medicare and Medicaid programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations concerning patient eligibility requirements, funding levels and the method of calculating payments or reimbursements, among other things; requirements for utilization review; and federal and state funding restrictions, any of which could materially increase or decrease payments from these government programs in the future, as well as affect the timing of payments to our facilities.

Additionally, the Budget Control Act of 2011 requires that Medicare reimbursement rates be reduced by 2%, which went into effect in April 2013 and, due to subsequent legislative amendments to the statute, will remain in effect through 2024 unless additional Congressional action is taken.

[Table of Contents](#)

We cannot predict whether these automatic spending reductions will be rescinded, extended or increased by future legislative action. If these automatic spending reductions are increased or extended, such action could adversely affect our business, results of operations and/or financial condition.

We are unable to predict the effect of future government healthcare funding policy changes on our operations. If the rates paid by governmental payors are reduced, if the scope of services covered by governmental payors is limited or if we, or one or more of our surgical facilities, are excluded from participation in the Medicare, Medicaid or other government-sponsored healthcare programs, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

During the past several years, healthcare payors, such as federal and state governments, insurance companies and employers, have undertaken initiatives to revise payment methodologies and monitor healthcare costs. As part of their efforts to contain healthcare costs, payors increasingly are demanding discounted fee structures or the assumption by healthcare providers of all or a portion of the financial risk relating to paying for care provided, often in exchange for exclusive or preferred participation in their benefit plans. We expect efforts to impose greater discounts and more stringent cost controls by government and other payors to continue, thereby reducing the payments we receive for our services.

By way of example, under the Medicare program, physician payments are updated on an annual basis according to a statutory formula. Because application of the statutory formula for the update factor would have resulted in a decrease in total physician payments for the past several years, Congress has intervened with interim legislation to prevent the reductions. In April 2015, however, the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, was signed into law, which repealed and replaced the statutory formula for Medicare payment adjustments to physicians. MACRA provides a permanent end to the annual interim legislative updates that had previously been necessary to delay or prevent significant reductions to payments under the Medicare Physician Fee Schedule. MACRA extended existing payment rates through June 30, 2015, with a 0.5% update for July 1, 2015 through December 31, 2015, and for each calendar year through 2019, after which there will be a 0% annual update each year through 2025. In addition, MACRA requires the establishment of the Merit-Based Incentive Payment System (“MIPS”), beginning in 2019, under which physicians may receive performance-based payment incentives or payment reductions based on their performance with respect to clinical quality, resource use, clinical improvement activities and meaningful use of electronic health records. MACRA also requires Centers for Medicare & Medicaid Services, or CMS, beginning in 2019, to provide incentive payments for physicians and other eligible professionals that participate in alternative payment models, such as accountable care organizations, that emphasize quality and value over the traditional volume-based fee-for-service model. It is unclear what impact, if any, MACRA will have on our business and operating results, but any resulting decrease in payment may result in reduced demand for our services.

The amount of our provision for doubtful accounts is based on our assessments of historical collection trends, business and economic conditions, trends in federal and state governmental and private employer health coverage and other collection indicators. A continuation in trends that results in increasing the proportion of accounts receivable being comprised of uninsured accounts and deterioration in the collectability of these accounts could adversely affect our collections of accounts receivable, results of operations and cash flows. As enacted, the Affordable Care Act seeks to decrease, over time, the number of uninsured individuals. Specifically, the Affordable Care Act expands Medicaid eligibility and provides incentives to employers to offer and individuals to purchase health insurance. It is difficult to predict the full impact of the Affordable Care Act due to pending court challenges, legislative threats, implementation uncertainty, and its complexity.

Our surgical facilities do not satisfy the requirements for any of the safe harbors under the federal Anti-Kickback Statute. If a federal or state agency asserts a different position or enacts new laws in this regard, we could be subject to criminal and civil penalties, loss of licenses and exclusion from governmental programs, which may result in a substantial loss of revenue.

The statute commonly known as the federal Anti-Kickback statute (the “Anti-Kickback Statute”) prohibits the offer, payment, solicitation or receipt of any form of remuneration in return for referrals for items or services payable by Medicare, Medicaid, or any other federally funded healthcare program. Additionally, the Anti-Kickback Statute prohibits any form of remuneration in return for purchasing, leasing or ordering, or arranging for or recommending the purchasing, leasing or ordering of items or services payable by Medicare, Medicaid or any other federally funded healthcare program. The Anti-Kickback Statute is very broad in scope and many of its provisions have not been uniformly or definitively interpreted by existing case law or regulations. Moreover, several federal courts have held that the Anti-Kickback Statute can be violated if only one purpose (not necessarily the primary purpose) of a transaction is to induce or reward a referral of business, notwithstanding other legitimate purposes. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Moreover, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act (discussed below). Violations of the Anti-Kickback Statute may result in substantial civil or criminal penalties, including up to five years imprisonment and criminal fines of up to \$25,000 and civil penalties of up to \$50,000 for each violation, plus three times the remuneration involved or the amount claimed and exclusion from participation in all federally funded healthcare programs. Our exclusion from participation in such programs would have a material adverse effect on our business, prospects, results of operations and financial condition. In addition, many of the states in which we operate have also adopted laws, similar to the Anti-Kickback Statute, that prohibit payments to physicians in exchange for referrals, some of which apply regardless of the source of payment for care. These statutes typically impose criminal and civil penalties, including the loss of a license to do business in the state.

In July 1991, the U.S. Department of Health and Human Services, or HHS, issued final regulations defining various “safe harbors” under the Anti-Kickback Statute. Business arrangements that meet the requirements of the safe harbors are not treated as criminal violations under the Anti-Kickback Statute. Business arrangements that do not meet the safe harbor requirements do not necessarily violate the Anti-Kickback Statute, but may be subject to scrutiny by the federal government to determine compliance. Two of the original safe harbors issued in 1991 apply to business arrangements similar to those used in connection with our surgical facilities: the “investment interest” safe harbor and the “personal services and management contracts” safe harbor. However, the structure of the partnerships and limited liability companies operating our surgery centers and surgical hospitals, as well as our various business arrangements involving physician group practices, do not satisfy all of the requirements of either safe harbor.

On November 19, 1999, HHS promulgated final regulations creating additional safe harbor provisions, including a safe harbor that applies to physician ownership of or investment interests in surgery centers. The surgery center safe harbor protects four types of investment arrangements: (1) surgeon owned surgery centers; (2) single specialty surgery centers; (3) multi-specialty surgery centers; and (4) hospital/physician surgery centers. Each category has its own requirements with regard to what type of physician may be an investor in the surgery center. In addition to the physician investor, the categories permit an “unrelated” investor, who is a person or entity that is not in a position to provide items or services related to the surgery center or its investors. Our business arrangements with our surgical facilities typically consist of one of our subsidiaries being an investor in each partnership or limited liability company that owns the facility, in addition to providing management and other services to the facility. Therefore, our business arrangements with our surgery centers, surgical hospitals and physician groups do not qualify for “safe harbor” protection from government review or prosecution under the Anti-Kickback Statute, however, we attempt to otherwise structure our surgery centers to fit as closely as possible within the safe harbor. When a transaction or relationship does not fit within a safe

[Table of Contents](#)

harbor, it does not mean that an Anti-Kickback Statute violation has occurred; rather, it means that the facts and circumstances as well as the intent of the parties related to a specific transaction or relationship must be examined to determine whether or not any illegal conduct has occurred.

We employ dedicated marketing personnel whose job functions include the recruitment of physicians to perform surgery at our centers. These employees are paid a base salary plus a productivity bonus. We believe our employment arrangements with these employees are consistent with a safe harbor provision designed to protect payments made to employees. However, a government agency or private party may assert a contrary position.

We also enter into lease agreements with physicians from time to time for the rental of space for our surgical facilities. We seek to structure these lease agreements so that they are in compliance with the Anti-Kickback Statute safe harbor provision regarding real estate leases. However, a government agency or private party may assert a contrary position.

If any of our business arrangements with physicians or sales and marketing personnel were alleged or deemed to violate the Anti-Kickback Statute or similar laws, or if new federal or state laws were enacted rendering these arrangements illegal, it could have a material adverse effect on our business, prospects, results of operations and financial condition.

If we fail to comply with physician self-referral laws as they are currently interpreted or may be interpreted in the future, or if other legislative restrictions are issued, we could incur substantial monetary penalties and a significant loss of revenue.

The federal physician self-referral law, commonly referred to as the Stark Law, prohibits a physician from making a Medicare or Medicaid reimbursed referral for a “designated health service” to an entity if the physician or a member of the physician’s immediate family has a “financial relationship” with the entity unless an exception applies. The list of “designated health services” under the Stark Law does not generally include ambulatory surgery services, but it does include services such as clinical laboratory services, and certain imaging services that may be provided and separately billed by an ASC. Under the current Stark Law and related regulations, services provided at an ASC are not covered by the statute, even if those services include imaging, laboratory services or other Stark designated health services, provided that (i) the ASC does not bill for these services separately, or (ii) if the center is permitted to bill separately for these services, they are specifically exempted from Stark Law prohibitions. These are generally radiology and other imaging services integral to performance of surgical procedures that meet certain requirements and certain outpatient prescription drugs. We believe that services provided at our facilities licensed as hospitals are covered by the Stark Law, but referrals for such services are exempt from the Stark Law under its “whole hospital exception,” which was significantly amended by the Affordable Care Act. We also believe that certain services provided by our managed physician network are covered by the Stark Law, but referrals for those services are exempt from the Stark Law under its “in-office ancillary services exception,” among others. Our diagnostic laboratory is also subject to the Stark Law, but we believe that we have structured our agreements with physicians so as to not violate the Stark Law and related regulations.

The Stark Law and similar state statutes are subject to different interpretations with respect to many important provisions. Violations of these self-referral laws may result in substantial civil or criminal penalties, including treble damages for amounts improperly claimed, civil monetary penalties of up to \$15,000 per prohibited service billed, up to \$100,000 per prohibited circumvention scheme and exclusion from participation in the Medicare and Medicaid and other federal and state healthcare programs. Violations of the Stark Law will also create liability under the federal False Claims Act. Exclusion of our ASCs or hospitals from these programs through judicial or agency interpretation of existing laws or additional legislative restrictions on physician ownership or investments in healthcare entities could result in a significant loss of reimbursement revenue. We cannot provide assurances that CMS will not undertake other rulemaking to address additional revisions to or interpretations of the Stark Law regulations. If future rules modify the provisions of the Stark Law regulations

[Table of Contents](#)

that are applicable to our business, our revenue and profitability could be materially adversely affected and could require us to modify our relationships with our physician and healthcare system partners.

Federal law restricts the ability of our surgical hospitals to expand surgical capacity.

The Stark Law includes an exception that permits physicians to refer Medicare and Medicaid patients to hospitals in which they have an ownership interest if certain requirements are met. However, the Affordable Care Act dramatically curtailed this exception and prohibits physician ownership in hospitals that did not have a Medicare provider agreement by December 31, 2010. This prohibition does not apply to our six surgical hospitals, each of which had a Medicare provider agreement in place prior to December 31, 2010 and are therefore able to continue operating with their existing ownership structure. However, the Affordable Care Act prohibits “grandfathered” hospitals from increasing their percentage of physician ownership, and it limits to a certain extent their ability to grow, because it prohibits such hospitals from increasing the aggregate number of inpatient beds, operating rooms and procedure rooms.

Companies within the healthcare industry continue to be the subject of federal and state audits and investigations, and we may be subject to such audits and investigations, including actions for false and other improper claims.

Federal and state government agencies, as well as commercial payors, have increased their auditing and administrative, civil and criminal enforcement efforts as part of numerous ongoing investigations of healthcare organizations. These audits and investigations relate to a wide variety of topics, including the following: cost reporting and billing practices; quality of care; financial reporting; financial relationships with referral sources; and medical necessity of services provided. In addition, the Office of the Inspector General of the U.S. Department of Health and Human Services (the “OIG”) and the U.S. Department of Justice (“DOJ”) have, from time to time, undertaken national enforcement initiatives that focus on specific billing practices or other suspected areas of abuse. In its 2013 Work Plan, the OIG stated its intention to review the safety and quality of care for Medicare beneficiaries having surgeries and procedures in ambulatory surgery centers and hospital outpatient departments. We have not received any material related audit letters to date.

The federal 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 and 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 the HIPAA (as defined below). While the criminal statutes are generally reserved for instances of fraudulent intent, the federal government is applying its criminal, civil and administrative penalty statutes in an ever-expanding range of circumstances, including claiming payment for unnecessary services if the claimant merely should have known the services were unnecessary and claiming payment for low-quality services if the claimant should have known that the care was substandard. In addition, a violation of the Stark Law or the Anti-Kickback Statute can result in liability under the FCA.

Over the past several years, the federal government has investigated an increasing number of healthcare providers for potential FCA violations, which, among other things, prohibits a person from knowingly presenting, or causing to be presented, a false or fraudulent claim to the federal 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. Violators of the FCA are subject to severe financial penalties, including treble damages and per claim penalties in excess of \$10,000. Because our facilities perform hundreds or thousands of similar procedures each year for which they are paid by Medicare, and since the statute of limitations for such claims extends for six years under normal circumstances (and possibly as long as ten years in the event of failure to discover material facts), a repetitive billing error or cost reporting error could result in significant, material repayments and civil or criminal penalties.

[Table of Contents](#)

Moreover, another trend impacting healthcare providers is the increased use of the FCA, particularly by individuals who bring actions under that law. Under the “qui tam,” or whistleblower, provisions of the FCA, private parties may bring actions on behalf of the federal government. If the government intervenes and prevails in the action, the defendant may be required to pay three times the actual damages sustained by the government, plus mandatory civil monetary penalties of between \$5,500 and \$11,000 for each false claim submitted to the government. These private parties, often referred to as relators, are entitled to share in any amounts recovered by the government through trial or settlement. These qui tam cases are sealed by the court at the time of filing. The only parties privy to the information contained in the complaint are the relator, the federal government and the presiding court. It is possible that qui tam lawsuits have been filed against us and that we are unaware of such filings. Both direct enforcement activity by the government and whistleblower lawsuits under the FCA have increased significantly in recent years; thus, the risk that we will have to defend a false claims action, pay significant fines or be excluded from the Medicare and Medicaid programs has increased.

In addition, the Fraud Enforcement and Recovery Act of 2009 (“FERA”) further expanded the scope of the FCA to create liability for knowingly and improperly avoiding or decreasing an obligation to pay money to the federal government and FERA, along with statutory provisions found in the Acts, 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, in certain cases, the date by which a corresponding cost report is due, whichever is later. Governmental authorities may challenge or scrutinize our operations or we may be the subject of a whistleblower lawsuit at any time. A determination that we have violated these laws could have a material adverse effect on our business, prospects, results of operations and financial condition.

The federal Health Insurance Portability and Accountability Act of 1996, as amended and its implementing regulations in effect from time to time (“HIPAA”) also created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

In addition, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration, including waivers of co-payments and deductible amounts (or any part thereof), that the person knows or should know is likely to influence the beneficiary’s selection of a particular provider, practitioner or supplier of Medicare or Medicaid payable items or services may be liable for civil monetary penalties of up to \$10,000 for each wrongful act. Moreover, in certain cases, providers who routinely waive copayments and deductibles for Medicare and Medicaid beneficiaries can also be held liable under the Anti-Kickback Statute and civil False Claims Act, which can impose additional penalties associated with the wrongful act. Although this prohibition applies only to federal healthcare program beneficiaries, the routine waivers of copayments and deductibles offered to patients covered by commercial payors may implicate applicable state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient contracts and statutory or common law fraud. To the extent our patient assistance programs or other discount policies are found to be inconsistent with applicable laws, we may be required to restructure or discontinue such programs, or be subject to other significant penalties.

To enforce compliance with the federal laws, the DOJ has recently increased its scrutiny of interactions between health care companies and health care providers, which has led to a number of investigations, prosecutions, convictions and settlements in the health care industry. Dealing with investigations can be time and resource consuming and can divert management’s attention from the business. In addition, settlements with the DOJ or other law enforcement agencies have forced healthcare providers to agree to additional compliance and reporting requirements as part of a consent decree or corporate integrity agreement. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

[Table of Contents](#)

We are also subject to various state laws and regulations, as well as contractual provisions with commercial payors that prohibit us from submitting inaccurate, incorrect or misleading claims. We cannot be sure that none of our surgical facilities' claims will ever be challenged. If we were found to be in violation of a state's laws or regulations, or of a commercial payor contract, we could be forced to discontinue the violative practice and be subject to recoupment actions, fines and criminal penalties, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

All payors are increasingly conducting post-payment audits. For example, CMS has implemented the RAC program, involving Medicare claims audits nationwide. Under the program, CMS contracts with RACs on a contingency fee basis to conduct post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The Affordable Care Act expanded the RAC program's scope to include managed Medicare plans and to include Medicaid claims. In addition, CMS employs Medicaid Integrity Contractors ("MICs") to perform post-payment audits of Medicaid claims and identify overpayments. The Affordable Care Act increases federal funding for the MIC program. In addition to RACs and MICs, the state Medicaid agencies and other contractors have increased their review activities. We are regularly subject to these external audits and we also perform both internal and third-party audits and monitoring. For instance, recently HMS Federal Solutions, a MIC, completed an 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 and whether the underlying conduct could be considered systemic. As such, the resolution of these audits could have a material adverse effect on our business, prospects, results of operations and financial condition.

Failure to comply with Medicare's conditions for coverage and conditions of participation may result in loss of program payment or other governmental sanctions.

To participate in and receive payment from the Medicare program, our facilities must comply with regulations promulgated by CMS. These regulations, known as "conditions for coverage" for ASCs and "conditions of participation" for hospitals, set forth specific requirements with respect to, among other things, the facility's physical plant, equipment, personnel and standards of medical care. All of our surgery centers and surgical hospitals are certified to participate in the Medicare program. As such, these facilities are subject to on-site, unannounced surveys by state survey agencies working on behalf of CMS. Under the ASC survey process, the surveyors are becoming more familiar with expanded interpretive guidance and the updated ASC conditions for coverage, which may lead to an increased number of deficiency citations requiring remedy with appropriate action plans. Failure to comply with Medicare's conditions for coverage or conditions of participation may result in loss of payment or other governmental sanctions, including termination from participation in the Medicare program. We have established ongoing quality assurance activities to monitor our facilities' compliance with these conditions and respond to surveys, but we cannot be sure that our facilities are or will always remain in full compliance with the requirements.

Our use and disclosure of personally identifiable information, including health information, is subject to federal and state privacy and security regulations, and our failure to comply with those regulations or to adequately secure the information we hold could result in significant liability or reputational harm.

The Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (the "HITECH Act"), and their implementing regulations (collectively referred to as "HIPAA") as well as numerous other federal and state laws and

[Table of Contents](#)

regulations, govern the collection, dissemination, use, privacy, security, confidentiality, integrity and availability of personally identifiable information (“PII”), including protected health information (“PHI”). HIPAA applies national privacy and security standards for PHI to covered entities such as us. HIPAA requires covered entities to maintain policies and procedures governing PHI that is used or disclosed, and to implement administrative, physical and technical safeguards to protect PHI, including PHI maintained, used and disclosed in electronic form. These safeguards include teammate training, identifying “business associates” with whom we need to enter into HIPAA-compliant contractual arrangements and various other measures. Ongoing implementation and oversight of these measures involves significant time, effort and expense. While we undertake substantial efforts to secure the PHI we maintain, use and disclose in electronic form, a cyber-attack or other intrusion that bypasses our information security systems causing an information security breach, loss of protected health information or other data subject to privacy laws or a material disruption of our operational systems could result in a material adverse impact on our business, along with potentially substantial fines and penalties. Ongoing implementation and oversight of these security measures involves significant time, effort and expense.

HIPAA also requires our surgical facilities to use standard transaction code sets and identifiers for certain standardized healthcare transactions, including billing and other claim transactions. We have undertaken significant efforts involving substantial time and expense to implement these requirements, and we anticipate that continual time and expense will be required to submit standardized transactions and to ensure that any newly acquired facilities can submit HIPAA-compliant transactions.

HIPAA requires covered entities to report breaches of unsecured protected health information to affected individuals without unreasonable delay and in no case later than 60 days after the discovery of the breach by the covered entity or its agents. Notification must also be made to HHS and, in certain situations involving large breaches, to the media. The HIPAA rules created a presumption that all non-permitted uses or disclosures of unsecured protected health information are breaches unless the covered entity establishes that there is a low probability the information has been compromised. HIPAA imposes mandatory civil and criminal penalties for violations of its requirements ranging 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. In addition, the HITECH Act authorized state attorneys general to bring civil actions seeking either an injunction or damages in response to violations of HIPAA privacy and security regulations that threaten the privacy of state residents.

HIPAA also authorizes state attorneys general to bring civil actions seeking either an injunction or damages in response to violations of HIPAA privacy and security regulations that threaten the privacy of state residents. While HIPAA does not create a private right of action allowing individuals to sue us in civil court for violations of HIPAA’s requirements, its standards have been used as a basis for the duty of care in state civil suits, such as those for negligence or recklessness in the handling of PHI. In addition, HIPAA mandates that the Secretary of HHS conduct periodic compliance audits of HIPAA covered entities such as us.

In addition, many states in which we operate may impose laws that are more protective of the privacy and security of PII than HIPAA. Where these state laws are more protective than HIPAA, we have to comply with their stricter provisions. Note only may some of these state laws impose fines and penalties upon violators, but some may afford private rights of action to individuals who believe their PII has been misused. California’s patient privacy laws, for example, provide for penalties of up to \$250,000 and permit injured parties to sue for damages. Both state and federal laws are subject to modification or enhancement of privacy protection at any time. Our facilities will continue to remain subject to any federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These statutes vary and could impose additional requirements on us and more severe penalties for disclosures of confidential health information. New health information standards could have a significant effect on the manner in which we do business, and the cost of complying with new standards could be significant. We may not remain in compliance with the diverse privacy requirements in all of the jurisdictions in which we do business. If we fail to comply with HIPAA or similar state laws, we could incur substantial civil monetary or criminal penalties.

If we are unable to integrate and operate our information systems effectively or implement new systems and processes, our operations could be disrupted.

Our operations depend significantly on effective information systems, which require continual maintenance, upgrading and enhancement to meet our operational needs. Any system failure that causes an interruption in service or availability of our systems could adversely affect operations or delay the collection of revenue. Moreover, we use the development and implementation of sophisticated and specialized technology to improve our profitability, our growth and acquisition strategy will require frequent transitions and integration of various information systems. If we are unable to properly integrate other information systems or expand our current information systems it may have an adverse effect on our ability to obtain new business, retain existing business and maintain or increase our profit margins and we could suffer, among other things, operational disruptions, disruptions in cash flows and increases in administrative expenses.

Information security risks have generally increased in recent years because of threats from malicious persons and groups, new vulnerabilities, the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. A failure in or breach of our operational or information security systems as a result of cyber-attacks or information security breaches could disrupt our business, result in the loss, disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs or lead to fines and financial losses. As a result, cyber security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. Although we believe that we have robust information security procedures and other safeguards in place, as cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures or to investigate and remediate any information security vulnerabilities.

Failure of the Company, third-party payors or physicians to comply with the ICD-10-CM Code Set by the compliance date of October 1, 2015, could negatively impact our reimbursement, profitability and cash flow.

Health plans and providers, including our facilities, are required to transition to the new ICD-10 coding system, which greatly expands the number and detail of billing codes used for third-party claims. Use of the ICD-10 system is required beginning October 1, 2015. In addition, beginning on January 1, 2014, health care providers were required to comply with the Operating Rules for electronic funds transfers and remittance advice transactions. The Company will continue its assessment and remediation of computer systems, applications and processes for compliance with these requirements. Our facilities, physicians and laboratories are typically required to submit health care claims with diagnosis codes to third-party payors. The diagnosis codes must be obtained from the ordering physician. The failure of the Company, third-party payors or physicians to transition within the required timeframe could have an adverse impact on reimbursement and cash collections.

Efforts to regulate the construction, acquisition or expansion of healthcare facilities could prevent us from acquiring additional surgical facilities, renovating our existing facilities or expanding the breadth of services we offer.

Some states require prior approval for the construction, acquisition or expansion of healthcare facilities or expansion of the services the facilities offer. In giving approval, these states consider the need for additional or expanded healthcare facilities or services, as well as the financial resources and operational experience of the potential new owners of existing healthcare facilities. In many of the states in which we currently operate, certificates of need must be obtained for capital expenditures exceeding a prescribed amount, changes in capacity or services offered and various other matters. The remaining states in which we now or may in the future operate may adopt similar legislation. Our costs of obtaining a certificate of need could be significant, and we cannot assure you that we will be able to obtain the certificates of need or other required approvals for additional or expanded surgical facilities or services in the future. In addition, at the time we acquire a surgical facility, we

[Table of Contents](#)

may agree to replace or expand the acquired facility. If we are unable to obtain required approvals, we may not be able to acquire additional surgical facilities, expand healthcare services we provide at these facilities or replace or expand acquired facilities.

If antitrust enforcement authorities conclude that our market share in any particular market is too concentrated, that our or our health system partners' commercial payor contract negotiating practices are illegal, or that we otherwise violate antitrust laws, we could be subject to enforcement actions that could have a material adverse effect on our business, prospects, results of operations and financial condition.

The federal government and most states have enacted antitrust laws that prohibit certain types of conduct deemed to be anti-competitive. These laws prohibit price fixing, concerted refusal to deal, market monopolization, price discrimination, tying arrangements, acquisitions of competitors and other practices that have, or may have, an adverse effect on competition. Violations of federal or state antitrust laws can result in various sanctions, including criminal and civil penalties. Antitrust enforcement in the healthcare industry is currently a priority of the Federal Trade Commission (the "FTC"). We believe we are in compliance with federal and state antitrust laws, but courts or regulatory authorities may reach a determination in the future that could have a material adverse effect on our business, prospects, results of operations and financial condition.

The healthcare laws and regulation to which we are subject is constantly evolving and may change significantly in the future.

The regulation applicable to our business and to the healthcare industry generally to which we are subject is constantly in a state of flux. While we believe that we have structured our agreements and operations in material compliance with applicable healthcare laws and regulations, there can be no assurance that we will be able to successfully address changes in the current regulatory environment. We believe that our business operations materially comply with applicable healthcare laws and regulations. However, some of the healthcare laws and regulations applicable to us are subject to limited or evolving interpretations, and a review of our business or operations by a court, law enforcement or a regulatory authority might result in a determination that could have a material adverse effect on us. Furthermore, the healthcare laws and regulations applicable to us may be amended or interpreted in a manner that could have a material adverse effect on our business, prospects, results of operations and financial condition.

Risks Related to Our Common Stock and this Offering

We will be a "controlled company" within the meaning of the rules and, as a result, we will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

After the completion of this offering, our affiliates of our Sponsor will continue to control a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of . Under these rules, a company of which more than a majority of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

[Table of Contents](#)

- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

Following this offering we intend to utilize these exemptions. As a result, we will not have a majority of independent directors, our compensation committee will not consist entirely of independent directors and the board committees will not be subject to annual performance evaluations. In addition, we will not have a nominating and corporate governance committee. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of.

Our Sponsor, however, is not subject to any contractual obligation to retain its controlling interest, except that it has agreed, subject to certain exceptions, not to sell or otherwise dispose of any shares of our common stock or other capital stock or other securities exercisable or convertible therefor for a period of at least 180 days after the date of this prospectus without the prior written consent of the underwriters. Except for this period, there can be no assurance as to the period of time during which affiliates of our Sponsor will maintain its ownership of our common stock following the closing of this offering.

We are an “emerging growth company,” as defined in the Securities Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a non-binding shareholder advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenues exceed \$1.0 billion, if we issue more than \$1.0 billion in non-convertible debt during any three-year period, or if the market value of our common stock held by non-affiliates exceeds \$700.0 million as of any June 30 before that time. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our stock price could be extremely volatile, and, as a result, you may not be able to resell your shares at or above the price you paid for them.

The stock market in general has been highly volatile. As a result, the market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of their investment. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this prospectus and others such as:

- variations in our operating performance and the performance of our competitors;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- publication of research reports by securities analysts about us or our competitors or our industry;
- announcements by us, our competitors or our vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments;

Table of Contents

- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community;
- changes in accounting principles;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

There has been no prior public market for our common stock and an active, liquid trading market for our common stock may not develop.

Prior to this offering, there has not been a public market for our common stock. We cannot assure you that an active trading market will develop after this offering or how active and liquid that market may become. Although we have applied to have our common stock approved for listing on the [New York Stock Exchange](#), we do not know whether third parties will find our common stock to be attractive or whether firms will be interested in making a market in our common stock. If an active and liquid trading market does not develop, you may have difficulty selling any of our common stock that you purchase. The initial public offering price for the shares will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. The market price of our common stock may decline below the initial offering price, and you may not be able to sell your shares of our common stock at or above the price you paid in this offering, or at all, and may suffer a loss on your investment.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Following the closing of this offering, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

There may be sales of a substantial amount of our common stock after this offering by our current stockholders, and these sales could cause the price of our common stock to fall.

After this offering, there will be _____ shares of common stock outstanding. Of our issued and outstanding shares, all the common stock sold in this offering will be freely transferable, except for any shares held by our “affiliates,” as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”). Following completion of this offering, approximately _____ % of our outstanding common stock (or _____ % if the underwriters exercise in full their option to purchase additional shares) will be held by investment funds affiliated with our Sponsor and members of our management and employees.

Each of our directors, executive officers and significant equity holders (including affiliates of our Sponsor) has entered into a lock-up agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and Jefferies LLC, as representatives on behalf of the underwriters, which regulates their sales of our common stock for a period of 180 days after the date of this prospectus, subject to certain exceptions and automatic extensions in certain circumstances. See the section entitled “Shares Eligible for Future Sale—Lock-Up Agreements” in this prospectus.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that such sales will occur, could adversely affect the market price of our common stock and make it difficult for us to raise funds through securities offerings in the future. Of the shares to be outstanding after the closing of this offering, the shares offered by this prospectus will be eligible for immediate sale in the public market without restriction by persons other than our affiliates.

Beginning 180 days after this offering, subject to certain exceptions and automatic extensions in certain circumstances, holders of shares of our common stock may require us to register their shares for resale under the federal securities laws, and holders of additional shares of our common stock would be entitled to have their shares included in any such registration statement, all subject to reduction upon the request of the underwriter of the closing of this offering, if any. See the section entitled “Related Party Transactions—Arrangements With Our Investors” in this prospectus. Registration of those shares would allow the holders to immediately resell their shares in the public market. Any such sales or anticipation thereof could cause the market price of our common stock to decline.

Provisions in our charter documents and Delaware law may deter takeover efforts that could be beneficial to stockholder value.

Our certificate of incorporation and by-laws and Delaware law contain provisions that could make it harder for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include a classified board of directors and limitations on actions by our stockholders. In addition, our board of directors has the right to issue preferred stock without stockholder approval that could be used to dilute a potential hostile acquiror. Our certificate of incorporation also imposes some restrictions on mergers and other business combinations between us and any holder of 15.0% or more of our outstanding common stock other than affiliates of our Sponsor. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the Company may be unsuccessful. See the section entitled “Description of Capital Stock” in this prospectus.

If you purchase shares in this offering, you will suffer immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the pro forma book value of your stock, which would have been \$ _____ per share as of _____, 2015 based on an assumed initial public offering price of \$ _____ per share (the mid-point of the offering range shown on the cover of this prospectus), because the price that you pay will be substantially greater than the net

[Table of Contents](#)

tangible book value per share of the shares you acquire. You will experience additional dilution upon the exercise of options and warrants to purchase our common stock, including those options currently outstanding and those granted in the future, and the issuance of restricted stock or other equity awards under our stock incentive plans. To the extent we raise additional capital by issuing equity securities, our stockholders will experience substantial additional dilution. See the section entitled “Dilution” in this prospectus.

Our Sponsor will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control.

We are currently controlled, and after this offering is completed will continue to be controlled, by our Sponsor. Upon completion of this offering, investment funds affiliated with our Sponsor will beneficially own % of our outstanding common stock (% if the underwriters exercise in full their option to purchase additional shares). For as long as our Sponsor continues to beneficially own shares of common stock representing more than a majority of the voting power of our common stock, it will be able to direct the election of all of the members of our board of directors and could exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional common stock or other equity securities, the repurchase or redemption of common stock and the payment of dividends. Similarly, our Sponsor will have the power to determine matters submitted to a vote of our stockholders without the consent of our other stockholders, will have the power to prevent a change in our control and could take other actions that might be favorable to it. Even if our Sponsor ceases to beneficially own a majority of the voting power of our common stock, it will continue to be able to strongly influence or effectively control our decisions.

Additionally, our Sponsor is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our Sponsor may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our senior credit facility. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

As a result of becoming a public company, we will be obligated to report on the effectiveness of our internal controls over financial reporting. These internal controls may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

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, which we expect to occur immediately following effectiveness of this registration statement, we will be required to evaluate our internal controls over financial reporting. Furthermore, at such time as we cease to be an “emerging growth company”, as more fully described in “—We are an “emerging

[Table of Contents](#)

growth company,” as defined in the Securities Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors,” we will also be required to comply with Section 404 of the Sarbanes-Oxley Act. At such time, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. In addition, if we fail to achieve and maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. We cannot be certain as to the timing of completion of our evaluation, testing and any remediation actions or the impact of the same on our operations. If we are not able to implement the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or with adequate compliance, our independent registered public accounting firm.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an “emerging growth company” under the JOBS Act.

Following the completion of this offering, we will be required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements will be time-consuming and will result in increased costs to us and could have a material adverse effect on our business, results of operations and financial condition.

As a public company, we will be subject to the reporting requirements of the Exchange Act, and requirements of the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we will need to commit significant resources, hire additional staff and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also expect that operating as a public company will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. This could also make it more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees, or as executive officers.

Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions, and other regulatory action and potentially civil litigation, which could have a material adverse effect on our financial condition and results of operations.

As an “emerging growth company” under the JOBS Act, we are permitted to, and intend to, take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We will remain an “emerging growth company” for up to five years, although we may cease to be an emerging growth company earlier under certain circumstances. See “—We are an “emerging growth company,” as defined in the Securities Act, and we cannot be certain if the reduced

[Table of Contents](#)

disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors” for additional information on when we may cease to be an emerging growth company. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our Company, the trading price for our common stock would be negatively impacted. If we obtain securities or industry analyst coverage and if one or more of the analysts who covers us downgrades our common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can generally be identified by the use of forward-looking terminology, such as “believes,” “expects,” “may,” “will,” “potentially,” “can,” “should,” “seeks,” “projects,” “approximately,” “intends,” “plans,” “estimates” or “anticipates,” or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we and our partners operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). We believe that these risks and uncertainties include, but are not limited to, those described in the section entitled “Risk Factors,” which include but are not limited to the following:

- reductions in payments from government healthcare programs and managed care organizations;
- inability to contract with private third-party payors;
- failure to fully integrate the operations of Surgery Partners and Symbion;
- changes in our payor mix or surgical case mix;
- failure to maintain relationships with our physicians;
- payor controls designed to reduce the number of surgical procedures;
- inability to integrate operations of acquired surgical facilities, attract new physician partners, or acquire additional surgical facilities;
- shortages or quality control issues with surgery-related products, equipment and medical supplies;
- competition for physicians, nurses, strategic relationships, acquisitions and managed care contracts;
- inability to enforce non-compete restrictions against our physicians;
- material liabilities incurred as a result of acquiring surgical facilities;
- litigation or medical malpractice claims;
- changes in the regulatory, economic and other conditions of the states where our surgical facilities are located; and
- substantial payments we expect to be required to make under the tax receivable agreement.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this prospectus.

Although we base the forward-looking statements contained in this prospectus on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future

[Table of Contents](#)

performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

You are cautioned not to place undue reliance on the forward-looking statements contained in this prospectus as predictions of future events, and we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements contained in this prospectus will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements.

Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

You should read this prospectus and the documents that we have filed with the SEC as exhibits to the registration statement, of which this prospectus is a part, with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of our common stock in this offering will be approximately \$ million, based upon an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions payable by us. If the underwriters' option to purchase additional shares is exercised in full, we estimate that we will receive net proceeds of approximately \$ million, based upon an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions payable by us.

We intend to use all of the net proceeds from this offering to repay a portion of the borrowings outstanding under our Second Lien Term Loan and to pay fees and expenses associated with this offering.

As of March 31, 2015, we had \$471.8 million outstanding under our Second Lien Term Loan at a floating annual interest rate of 7.5%, plus the adjusted LIBOR Rate. The Second Lien Term Loan, which was issued on November 3, 2014 and is set to mature on November 3, 2021, provides for aggregate commitments of \$490.0 million. We used the proceeds of the Second Lien Term Loan, together with the proceeds of our First Lien Term Loan, to (a) pay a portion of the Symbion acquisition purchase price and (b) refinance existing debt (including accrued and unpaid interest and applicable premiums) including the repayment of all of the \$522.1 million outstanding under the 2013 Credit Facilities. If we voluntarily prepay all or a portion of the Second Lien Term Loan on or prior to the first anniversary of the closing date of the Symbion acquisition, we must prepay 103% of the aggregate principal amount of the Second Lien Term Loan. For additional information related to our outstanding loan, including a detailed description of the maturity and interest rate, see the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Long-Term Debt—Second Lien Term Loan" and "Description of Indebtedness—Second Lien Term Loan" in this prospectus.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by \$ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us.

DIVIDEND POLICY

Our board of directors does not currently intend to pay regular dividends on our common stock. However, we expect to reevaluate our dividend policy on a regular basis following this offering and may, subject to compliance with the covenants contained in the credit agreements governing our Term Loans and Revolving Facility, in the future determine to pay dividends. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our earnings, capital requirements, results of operations, financial condition, business prospects and other factors that our board of directors considers relevant.

CAPITALIZATION

The following table sets forth the cash and cash equivalents and consolidated capitalization as of March 31, 2015 of (1) Surgery Center Holdings, Inc. on an actual basis and (2) Surgery Partners, Inc. on an as adjusted basis, giving effect to the Reorganization, our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of \$ _____ per share (the midpoint of the price range set forth on the cover page of this prospectus), the receipt of the estimated proceeds from this offering net of estimated underwriting discounts and commissions and estimated offering expenses, and the use of such estimated net proceeds as described under the section entitled “Use of Proceeds”.

This table should be read in conjunction with “Use of Proceeds,” “Selected Consolidated Financial and Other Data,” “Unaudited Pro Forma as Adjusted Condensed Combined Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

| (dollars in thousands) | As of March 31, 2015 | |
|---|----------------------|-------------|
| | Historical | As Adjusted |
| Cash and equivalents | \$ 56,416 | |
| Debt: | | |
| First Lien Term Loan | 844,879 | |
| Second Lien Term Loan | 472,295 | |
| Total debt | 1,360,499 | |
| Stockholders’ equity (deficit): | | |
| Common stock, \$0.01 par value, 1,000 shares authorized, issued and outstanding at March 31, 2015 | — | |
| Additional paid-in-capital | 59,192 | |
| Retained deficit | (328,998) | |
| Total Surgery Center Holdings, Inc. stockholders’ equity | (269,806) | |
| Non-controlling interests—non-redeemable | 297,836 | |
| Total equity | 28,030 | |
| Total capitalization | \$1,388,529 | \$ |

A \$1.00 increase or decrease in the assumed initial public offering price of \$ _____, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, cash and cash equivalents, total assets and total equity by \$ _____, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same and after deducting assumed underwriting discounts and commissions and estimated offering expenses. Similarly, an increase or decrease of one million shares of common stock sold in this offering by us would increase or decrease, as applicable, cash and cash equivalents, total assets and total equity by \$ _____, based on an assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting assumed underwriting discounts and commissions and estimated offering expenses.

DILUTION

If you invest in our common stock, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of the common stock is substantially in excess of the book value per share of common stock attributable to the existing stockholders for the presently outstanding shares of common stock. We calculate net tangible book value per share of our common stock by dividing the net tangible book value by the number of outstanding shares of our common stock.

Our net tangible book value deficiency at March 31, 2015 was approximately \$, or \$ per share of our common stock pro forma before giving effect to this offering. Pro forma net tangible book value deficiency per share before the offering has been determined by dividing net tangible book value (total consolidated tangible assets less total consolidated liabilities) by the number of shares of common stock outstanding at March 31, 2015. Dilution in net tangible book value deficiency per share represents the difference between the amount per share that you pay in this offering and the net tangible book value deficiency per share immediately after this offering.

After giving effect to the receipt of the estimated net proceeds from our sale of shares in this offering, assuming an initial public offering price of \$ per share (the mid-point of the offering range shown on the cover of this prospectus), and the application of the estimated net proceeds therefrom as described under the section entitled "Use of Proceeds," our pro forma as adjusted net tangible book value deficiency at March 31, 2015 would have been approximately \$, or \$ per share of common stock. This represents an immediate decrease in net tangible book value deficiency per share of \$ to existing stockholders and an immediate increase in net tangible book value deficiency per share of \$ to you. The following table illustrates this dilution per share.

| | |
|--|-----------|
| Assumed initial public offering price per share | \$ |
| Pro Forma net tangible book value per share at March 31, 2015 | \$ |
| Increase in pro forma net tangible book value per share attributable to new investors in this offering | |
| Pro forma net tangible book value per share after this offering | |
| Dilution per share to new investors | <u>\$</u> |

The following table sets forth, as of March 31, 2015, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

| | <u>Shares Purchased</u> | | <u>Total Consideration</u> | | <u>Average</u> |
|-----------------------|-------------------------|----------------|----------------------------|----------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> | <u>Price</u> |
| Existing stockholders | \$ | % | \$ | % | \$ |
| New investors | | | | | |
| Total | <u>\$</u> | <u>100%</u> | <u>\$</u> | <u>100%</u> | <u>\$</u> |

The dilution information discussed above is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing. A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share of our common stock, the midpoint of the price range set forth on the cover page of this prospectus, would decrease (increase) our pro forma net tangible book value deficiency after giving effect to the offering by \$, assuming no change to the number of shares of our common stock offered by us as set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

Table of Contents

If the underwriters were to fully exercise their option to purchase additional shares of our common stock, the percentage of shares of our common stock held by existing stockholders would be %, and the percentage of shares of our common stock held by new investors would be %. If the underwriters exercise this option in full, the immediate dilution in net tangible book value per share to investors in this offering would be \$ per share

To the extent any outstanding options are exercised or become vested or any additional options are granted and exercised or other equity awards are granted and become vested or other issuances of shares of our common stock are made, there may be further economic dilution to new investors. The number of shares of our common stock set forth in the table above is based on shares of our common stock outstanding and does not reflect:

- shares of common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$ per share (of which shares are issuable upon exercise of vested stock options as of , 2015); and
- shares of common stock reserved for issuance, and not subject to outstanding options, under the Management Incentive Plan.

UNAUDITED PRO FORMA AS ADJUSTED CONDENSED COMBINED FINANCIAL INFORMATION

The following tables summarize the condensed combined statements of operations of our subsidiary, Surgery Center Holdings, Inc., for the year ended December 31, 2014 and pro forma information for the year ended December 31, 2014 as if the Symbion acquisition had occurred on January 1, 2014. The unaudited pro forma as adjusted condensed combined financial information has been prepared from, and should be read in conjunction with, the respective audited and unaudited historical consolidated financial statements and related notes of the Company and Symbion included in this prospectus. References to financial or other data presented as “pro forma” refer to a presentation that applies adjustments to give pro forma effect to the Symbion acquisition over the applicable time period or as of the relevant date. Where we refer to “as adjusted” financial or other data, we refer to a presentation that applies adjustments to give effect to (i) the Reorganization, (ii) this offering and (iii) the use of proceeds as described in the section entitled “Use of Proceeds.” The issuer, Surgery Partners, Inc., was formed in April 2015 and has not, to date, conducted any activities other than those incident to its formation and the preparation of this registration statement.

The Symbion acquisition has been accounted for using the acquisition method of accounting in accordance with current accounting guidance for business combinations and non-controlling interests. As a result, the total purchase price for the Symbion acquisition has been preliminarily allocated to the net tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed is recognized as goodwill. The preliminary allocation reflects management’s best estimates of fair value, which are based on key assumptions of the acquisition, including prior acquisition experience, benchmarking of similar acquisitions and historical data. In addition, portions of the preliminary allocation are dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Upon completion of detail valuation studies and the final determination of fair value, we may make additional adjustments to the fair value allocation, which may differ significantly from the valuations set forth in the unaudited pro forma as adjusted condensed combined financial information. The final allocation of the purchase price will be completed within the required measurement period in accordance with the accounting guidance for business combinations, but in no event later than one year following the completion of the acquisition.

The unaudited pro forma as adjusted condensed combined statements of operations are based on estimates and assumptions, which have been made solely for the purposes of developing such pro forma information. Pro forma adjustments arising from the Symbion acquisition are derived from the estimated fair value of the assets acquired and liabilities assumed. The unaudited pro forma as adjusted condensed combined statements of operations also includes certain purchase accounting adjustments such as increased amortization expense on acquired intangible assets, changes in interest expense on the debt incurred to complete the Symbion acquisition and debt repaid as part of the Symbion acquisition as well as the tax impacts related to these adjustments. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable.

The unaudited condensed combined pro forma as adjusted financial information is not a projection of our results of operations or financial position for any future period or date. The preparation of the unaudited pro forma as adjusted condensed combined financial information requires the use of certain estimates and assumptions, which may be materially different from our actual experience.

Surgery Center Holdings, Inc.
 Unaudited Pro Forma As Adjusted Condensed Combined Statement of Income
 Year Ended December 31, 2014
 (in thousands)

| | Historical Surgery Center Holdings, Inc.(a) | Historical Symbion (b) | Pro Forma Adjustments | Pro Forma Surgery Center Holdings, Inc. | Offering Adjustments | Pro Forma As Adjusted Surgery Center Holdings, Inc. |
|---|--|---------------------------|--------------------------|--|-------------------------|--|
| Revenues | \$ 403,289 | \$ 470,164 | \$ (2,159)(c) | \$ 871,294 | | |
| Operating Expenses: | | | | | | |
| Salaries and benefits | 101,283 | 131,246 | (1,042)(d) | 231,487 | | |
| Cost of sales and supplies | 92,020 | 121,844 | (1,543)(e) | 212,321 | | |
| Professional and medical fees | 15,363 | 38,229 | 42(f) | 53,634 | | |
| Lease expense | 19,389 | 23,102 | (564)(g) | 41,927 | | |
| Other operating expenses | 26,123 | 31,760 | (471)(h) | 57,412 | | |
| Cost of revenues | 254,178 | 346,181 | (3,578) | 596,781 | | |
| General and administrative expenses | 31,452 | 19,219 | (8,398)(i) | 42,273 | | |
| Depreciation and amortization | 15,061 | 19,261 | (3,587)(j) | 30,735 | | |
| Provision for doubtful accounts | 9,509 | 12,759 | (71)(k) | 22,197 | | |
| Income from equity investments | (1,264) | (2,573) | — | (3,837) | | |
| Loss on disposal or impairment of long-lived assets, net | 1,804 | (108) | (1,706)(l) | (10) | | |
| Loss on debt extinguishment | 23,414 | — | (23,414)(m) | — | | |
| Electronic health records incentives income | (3,356) | (386) | — | (3,742) | | |
| Merger transaction costs | 21,690 | 2,694 | (24,384)(n) | — | | |
| Other (income) expenses | (6) | (170) | — | (176) | | |
| Total operating expenses | 352,482 | 396,877 | (65,138) | 684,221 | | |
| Operating income | 50,807 | 73,287 | 62,979 | 187,073 | | |
| Interest expense, net | (62,101) | (48,440) | 6,951(o) | (103,590) | | |
| (Loss) income before income taxes | (11,294) | 24,847 | \$ 69,930 | 83,483 | | |
| Provision for income taxes | 15,758 | 7,853 | — | 23,611 | | |
| Income from continuing operations | (27,052) | 16,994 | 69,930 | 59,872 | | |
| (Loss) income from discontinued operations, net of taxes | — | (3,835) | 3,835(p) | — | | |
| Net (loss) income | (27,052) | 13,159 | 73,765 | 59,872 | | |
| Less: Net income attributable to non-controlling interests | (38,845) | (30,137) | 551(q) | (68,431) | | |
| Net (loss) income attributable to Surgery Center Holdings, Inc. | <u>\$ (65,897)</u> | <u>\$ (16,978)</u> | <u>\$ 74,316</u> | <u>\$ (8,559)</u> | | |

Pro Forma as Adjusted Net Income (Loss) per Share:

Pro forma as adjusted net income (loss) per share

Basic
 Diluted

Pro forma as adjusted weighted average common shares outstanding

Basic
 Diluted

Notes to Unaudited Pro Forma As Adjusted Condensed Combined Statements of Income for the Year Ended December 31, 2014

- (a) Represents the audited statement of operations for Surgery Center Holdings, Inc. for the twelve months ended December 31, 2014 which includes the results of operations from Symbion subsequent to the acquisition on November 3, 2014.
- (b) Represents the unaudited statement of operations for Symbion for the period January 1, 2014 through the acquisition on November 3, 2014.

Table of Contents

- (c) Represents the pro forma adjustments of approximately \$2.4 million for pre-acquisition revenue related to three physician practices acquired during 2014 offset by the removal of approximately \$4.6 million of revenue of one of our surgical facilities located in Orange City, Florida, which was required to be divested as a condition to close the acquisition of Symbion.
- (d) Represents the pro forma adjustments of approximately \$0.1 million of salaries and benefits related to three physician practices acquired during 2014 offset by approximately \$1.1 million related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (e) Represents the pro forma adjustments of approximately \$0.1 million of cost of sales and supplies related to three physician practices acquired during 2014 offset by approximately \$1.6 million related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (f) Represents the pro forma adjustments of approximately \$0.3 million of professional and medical fees related to three physician practices acquired during 2014 offset by approximately \$0.3 million related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (g) Represents the pro forma adjustments of approximately \$0.2 million in lease expense related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion, Inc. and approximately \$0.4 million resulting from fair value adjustments made to our lease agreements as a result of the acquisition of Symbion.
- (h) Represents the pro forma adjustments of approximately \$0.1 million of other operating expenses related to three physician practices acquired during 2014 offset by approximately \$0.5 million related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (i) Represents the pro forma adjustments of approximately \$0.9 million of additional management fees related to the amended management agreement with H.I.G. offset by the removal of approximately \$0.3 million of stock based compensation expense incurred by Symbion during the period January 1, 2014 through November 3, 2014 and additional legal expenses incurred related to the acquisition. Additionally, includes pro forma adjustment of approximately \$8.6 million of general and administrative expenses related to corporate employees terminated at the date of the acquisition of Symbion.
- (j) Represents the pro forma adjustments of approximately \$0.5 million in lease expense related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion and approximately \$3.1 million resulting from fixed asset fair value adjustments as a result of the acquisition of Symbion.
- (k) Represents the pro forma adjustments of approximately \$0.1 million in provision for doubtful accounts related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (l) Represents the pro forma adjustments of approximately \$1.7 million in loss on disposal of investments and long-lived assets related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (m) Represents the pro forma adjustments related to the debt extinguishment costs related to refinancing our 2013 First Lien Credit Agreement and 2013 Second Lien Credit Agreement.
- (n) Represents the pro forma adjustments of approximately \$21.7 million in merger transaction costs we incurred as part of the acquisition of Symbion, Inc. and approximately \$2.7 million in merger transaction costs incurred by Symbion, Inc. for January 1, 2014 through November 3, 2014.
- (o) Represents the pro forma adjustments of an increase of approximately \$35.6 million in interest expense related to our First Lien Term Loan and Second Lien Term Loan, which replaced our 2013 First Lien Credit Agreement and 2013 Second Lien Credit Agreement, offset by approximately \$42.5 million of interest expense related to Symbion, Inc.'s Senior Secured Notes, PIK Toggle Notes, and Exchangeable Notes and approximately \$0.1 million in interest expense related to one of our surgical facilities located in Orange City, Florida, the divestiture of which was required as a condition to close the acquisition of Symbion.
- (p) Represents the pro forma adjustments related to facilities located in Worcester, Massachusetts and Lynbrook, New York which Symbion had classified as discontinued operations and were disposed of during the period January 1, 2014 through November 3, 2014.
- (q) Represents the pro forma adjustments related to the acquisition of incremental ownership interest at our surgical hospital in Idaho Falls, Idaho made by Symbion in March 2014.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present selected consolidated condensed financial information of our subsidiary, Surgery Center Holdings, Inc., which has historically been our operating company, and Symbion, Inc. as of the dates and for the periods indicated. The issuer, Surgery Partners, Inc., was formed in April 2015 and has not, to date, conducted any activities other than those incident to its formation and the preparation of this registration statement. This prospectus includes an audited balance sheet of Surgery Partners, Inc. as of May 31, 2015, but does not include any other financial statements of Surgery Partners, Inc., as it has been incorporated solely for the purpose of effecting this offering and currently holds no material assets and does not engage in any operations.

The selected historical financial data of Surgery Center Holdings, Inc. for the years ended December 31, 2014, 2013 and 2012 and the selected historical condensed consolidated balance sheets as of December 31, 2014 and 2013 have been derived from the historical audited financial statements of Surgery Center Holdings, Inc. included elsewhere in this prospectus. The selected historical financial data of Surgery Center Holdings, Inc. for the three months ended March 31, 2015 and 2014, respectively, and selected consolidated balance sheet data as of March 31, 2015 have been derived from the unaudited condensed consolidated interim financial statements appearing elsewhere in this prospectus.

The selected historical financial data of Symbion for the years ended December 31, 2013 and 2012 have been derived from Symbion's historical audited financial statements included elsewhere in this prospectus. The selected historical financial data of Symbion for the period ended November 3, 2014, the date of our acquisition of Symbion, have been derived from Symbion's unaudited interim condensed consolidated financial statements for the nine-months ended September 30, 2014, included elsewhere in this prospectus, combined with its results of operations for the period from October 1, 2014 through November 3, 2014. Symbion's unaudited interim condensed consolidated financial statements are based on assumptions and were prepared on the same basis as its audited consolidated financial statements and include, in our opinion, all adjustments, consisting of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those financial statements.

References to per share data presented as "pro forma" refer to a presentation that applies adjustments to give pro forma effect to the Symbion acquisition over the applicable time period or as of the relevant date. Where we refer to "as adjusted" financial or other data, we refer to a presentation that applies adjustments to give effect to (i) the Reorganization, (ii) this offering and (iii) the use of proceeds as described in the section entitled "Use of Proceeds."

Historical results are not necessarily indicative of the results to be expected for future periods.

This selected historical consolidated financial and other data should be read in conjunction with the disclosures set forth under "Capitalization," "Unaudited Pro Forma As Adjusted Condensed Combined Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

Surgery Center Holdings, Inc.
Selected Consolidated Financial Information
(in thousands)

| | Three Months Ended March 31, | | | Years Ended December 31, | | |
|---|---------------------------------|---------------------|-------------------|--------------------------|-------------------|-------------------|
| | 2015 (unaudited) | 2014 (unaudited) | 2014 (audited) | 2013 (audited) | 2012 (audited) | 2011 (audited) |
| Consolidated Statements of Operations Data: | | | | | | |
| Revenues | \$ 224,143 | \$ 70,480 | \$ 403,289 | \$ 284,599 | \$ 260,215 | \$ 177,876 |
| Operating expenses: | | | | | | |
| Salaries and benefits | 60,151 | 17,781 | 101,283 | 69,650 | 66,991 | 46,130 |
| Cost of sales and supplies | 57,077 | 15,306 | 92,020 | 61,946 | 54,699 | 41,276 |
| Professional and medical fees | 14,740 | 1,627 | 15,363 | 6,320 | 5,945 | 5,035 |
| Lease expense | 10,960 | 3,596 | 19,389 | 14,048 | 14,245 | 11,080 |
| Other operating expenses | 12,836 | 4,743 | 26,123 | 17,880 | 17,466 | 17,464 |
| Cost of revenues | 155,764 | 43,053 | 254,178 | 169,844 | 159,346 | 120,985 |
| General and administrative expenses | 11,862 | 6,835 | 31,452 | 26,339 | 25,263 | 15,925 |
| Depreciation and amortization | 8,462 | 2,860 | 15,061 | 11,663 | 11,208 | 9,720 |
| Provision for doubtful accounts | 5,186 | 1,322 | 9,509 | 5,885 | 3,073 | 1,491 |
| Income from equity investments | (707) | — | (1,264) | — | — | — |
| Loss on disposal or impairment of long-lived assets, net | 228 | 68 | 1,804 | 2,482 | 832 | — |
| Loss on debt extinguishment | — | 1,975 | 23,414 | 9,863 | — | 4,853 |
| Electronic health records incentives income | — | — | (3,356) | — | — | — |
| Merger transaction and integration costs | 5,006 | — | 21,690 | — | — | 14,563 |
| Other (income) expenses | — | — | (6) | 297 | 40 | 113 |
| Total operating expenses | 185,801 | 56,113 | 352,482 | 226,373 | 199,762 | 167,650 |
| Operating income | 38,342 | 14,367 | 50,807 | 58,226 | 60,453 | 10,226 |
| Interest expense, net | (25,751) | (10,106) | (62,101) | (32,929) | (28,482) | (22,367) |
| (Loss) income before income taxes | 12,591 | 4,261 | (11,294) | 25,297 | 31,971 | (12,141) |
| Provision for income taxes | 2,107 | 1,963 | 15,758 | 7,570 | 6,110 | (1,185) |
| Net (loss) income | 10,484 | 2,298 | (27,052) | 17,727 | 25,861 | (10,956) |
| Less: Net income attributable to non-controlling interests | (17,249) | (6,377) | (38,845) | (26,789) | (23,945) | (15,388) |
| Net (loss) income attributable to Surgery Center Holdings, Inc. | \$ (6,765) | \$ (4,079) | \$ (65,897) | \$ (9,062) | \$ 1,916 | \$ (26,344) |

| | | | | | | |
|---|----------|----------|-----------|-----------|-----------|-----------|
| Consolidated Statements of Cash Flow Data: | | | | | | |
| Net cash provided by operating activities | \$ 9,486 | \$ 4,321 | \$ 21,949 | \$ 49,078 | \$ 46,377 | \$ 9,057 |
| Net cash used in investing activities | (5,196) | (1,055) | (271,016) | (3,622) | (3,468) | (114,779) |
| Net cash (used in) provided by financing activities | (22,794) | (12,346) | 310,961 | (37,662) | (43,061) | 107,476 |

| | | | | | | |
|-------------------------------------|--|--|--|--|--|--|
| Net Income (Loss) per Share: | | | | | | |
| Net income (loss) per share | | | | | | |
| Basic | | | | | | |
| Diluted | | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| Weighted average common shares outstanding | | | | | | |
| Basic | | | | | | |
| Diluted | | | | | | |

| | March 31, 2015 (unaudited) | December 31, 2014 (audited) | December 31, 2013 (audited) |
|--|--|-----------------------------------|-----------------------------------|
| | Consolidated Balance Sheet Data (in thousands): | | |
| Cash and cash equivalents | \$ 56,416 | \$ 74,920 | \$ 13,026 |
| Total current assets | 257,814 | 268,649 | 82,510 |
| Total assets | \$ 1,850,480 | \$ 1,858,794 | \$ 474,701 |
| Current portion of long-term debt | \$ 22,628 | \$ 22,088 | \$ 8,842 |
| Long-term debt, less current maturities | 1,337,871 | 1,339,266 | 418,559 |
| Total current liabilities | 134,274 | 141,391 | 42,454 |
| Total liabilities | \$ 1,630,951 | \$ 1,636,669 | \$ 489,076 |
| Non-controlling interests—redeemable | \$ 191,499 | \$ 192,589 | \$ — |
| Total Surgery Center Holdings, Inc. stockholders' equity (deficit) | \$ (269,806) | \$ (264,082) | \$ (103,617) |
| Noncontrolling interests—non-redeemable | 297,836 | 293,618 | 89,242 |
| Total stockholders' equity | \$ 28,030 | \$ 29,536 | \$ (14,375) |

Surgery Partners, Inc.
Selected Financial Information

| | May 31, 2015 (audited) |
|--|------------------------------|
| Balance Sheet Data: | |
| Common stock, \$0.01 par value, 1,000 shares authorized, 100 shares issued and outstanding | \$ 1 |
| Stockholder receivable | (1) |
| Total stockholders' equity | \$ — |

Symbion, Inc.
Consolidated Historical Condensed Financial Information
(in thousands)

| | Period Ended November 3, 2014 | Years Ended December 31, | |
|---|-------------------------------------|-----------------------------|--------------------|
| | (unaudited) | 2013 (audited) | 2012 (audited) |
| Consolidated Statements of Operations Data: | | | |
| Revenues | \$ 470,164 | \$535,587 | \$491,804 |
| Operating Expenses: | | | |
| Cost of revenues | 346,181 | 397,133 | 351,308 |
| General and administrative expenses | 19,219 | 21,976 | 26,901 |
| Depreciation and amortization | 19,261 | 22,993 | 21,360 |
| Provision for doubtful accounts | 12,759 | 11,149 | 10,211 |
| Income from equity investments | (2,573) | (4,246) | (4,490) |
| Loss (gain) on disposal or impairment of long-lived assets, net | (108) | 5,870 | (6,195) |
| Electronic health record incentives | (386) | (4,553) | (1,054) |
| Proceeds from Insurance Settlements | (89) | (919) | — |
| Merger Transaction Costs | 2,694 | — | — |
| Litigation Settlements | (81) | (233) | (532) |
| Total operating expenses | <u>396,877</u> | <u>449,170</u> | <u>397,509</u> |
| Operating income | 73,287 | 86,417 | 94,295 |
| Interest expense, net | (48,440) | (57,982) | (57,641) |
| Income before income taxes and discontinued operations | 24,847 | 28,435 | 36,654 |
| Provision for income taxes | 7,853 | 5,330 | 10,939 |
| Income from continuing operations | 16,994 | 23,105 | 25,715 |
| Income (loss) from discontinued operations, net of taxes | (3,835) | 1,882 | 1,132 |
| Net income (loss) | 13,159 | 24,987 | 26,847 |
| Less: Net income attributable to non-controlling interests | (30,137) | (37,607) | (38,557) |
| Net loss attributable to Symbion, Inc. | <u>\$ (16,978)</u> | <u>\$ (12,620)</u> | <u>\$ (11,710)</u> |

Consolidated Statements of Cash Flow Data—Continuing Operations:

| | | | |
|---|-----------|-----------|-----------|
| Net cash provided by operating activities | \$ 65,486 | \$ 61,493 | \$ 66,679 |
| Net cash used in investing activities | (8,761) | (24,788) | (23,848) |
| Net cash (used in) provided by financing activities | (55,131) | (58,942) | (40,662) |

| | November 3, 2014 | December 31, 2013 |
|--|---------------------|----------------------|
| | (unaudited) | (audited) |
| Consolidated Balance Sheet Data (in thousands): | | |
| Cash and cash equivalents | \$ 57,433 | \$ 56,026 |
| Working capital | 72,949 | 87,735 |
| Total current assets | 165,963 | 162,676 |
| Total assets | \$ 992,574 | \$ 1,006,739 |
| Current portion of long-term debt | \$ 83,805 | \$ 9,102 |
| Long-term debt, less current maturities | 484,190 | 551,046 |
| Total current liabilities | 166,144 | 74,941 |
| Total liabilities | \$ 793,406 | \$ 763,600 |
| Noncontrolling interests—redeemable | \$ 29,505 | \$ 35,150 |
| Total Symbion, Inc. equity | \$ 106,754 | \$ 136,691 |
| Noncontrolling interests—non-redeemable | 62,909 | 71,298 |
| Total stockholders' equity | \$ 169,663 | \$ 207,989 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Surgery Partners, Inc. is a newly formed Delaware corporation that has not, to date, conducted any activities other than those incident to its formation and the preparation of this registration statement. The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes and other financial information appearing elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and assumptions. See the section entitled "Cautionary Note Regarding Forward-Looking Statements" in this prospectus. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed in "Risk Factors" and elsewhere in this prospectus.

Executive Overview

We own and operate a national network of surgical facilities and physician practices in 29 states. Our surgical facilities, which include ambulatory surgery centers ("ASCs") and surgical hospitals, primarily provide non-emergency surgical procedures across many specialties, including, among others, ENT, GI, general surgery, ophthalmology, orthopedics 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. 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 March 31, 2015, we owned or operated, primarily in partnership with physicians, a portfolio of 102 surgical facilities comprised of 96 ASCs and six surgical hospitals across 29 states. We consolidate 90 of our facilities for financial reporting purposes. For the three months ended March 31, 2015, approximately 91,985 surgical procedures were performed in our surgical facilities, generating approximately \$207.7 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.

In addition to surgical facilities, we owned or operated a network of 30 physician practices as of March 31, 2015. 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.

We continue to focus on improving our same-facility performance, selectively acquiring established facilities and developing new facilities. On November 3, 2014, we completed the acquisition of Symbion Holdings Corporation ("Symbion"), which added 55 surgical facilities, including 49 ASCs and six 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. At the closing of the merger, each outstanding share of common stock of Symbion was converted into the right to receive a cash payment. The Symbion acquisition was financed through the issuance of approximately \$1.4 billion under our Term Loans and Revolving Facility.

We completed the merger effective November 3, 2014. At closing, we 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. In connection therewith, we paid off all of the \$522.1 million outstanding under the 2013 First Lien Credit Agreement, 2013 Second Lien Credit Agreement and 2013 Revolver Agreement, including accrued interest thereon, which was entirely repaid through the issuance of approximately \$1.4 billion under our Term Loans and Revolving Facility. We are required to fund an additional \$16.8 million to the escrow account by May 3, 2016. The \$33.0 million escrow balance is payable to the former equityholders of Symbion on May 3, 2016, pending the resolution of any adjustments to acquired working capital and the settlement of any other indemnities.

We believe that over the next two to three years we are positioned to achieve significant cost and revenue synergies in connection with our recent acquisition of Symbion.

[Table of Contents](#)

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.

Revenue

Our revenue consists of patient service revenue and other service revenue. Patient service revenue consist of revenue from our Surgical Facility services and Ancillary Services Segments. Specifically, patient service revenue includes fees for surgical procedures performed at surgical facilities, as well as for patient visits to our physician practices, anesthesia services, pharmacy services and toxicology screens ordered by our physicians. Revenue from other services 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 revenue also include management and administrative service fees derived from our non-consolidated facilities, which we account for under the equity method, and management of surgical facilities and physician practices in which we do not own an interest.

The operating results of Symbion are included in our 2014 operating results effective November 3, 2014. For the year ended December 31, 2014, on a pro forma basis assuming the acquisition of Symbion had been completed on January 1, 2014, 92%, 6% and 2% of our revenue would have been generated by our Surgical Facilities Segment, Ancillary Services Segment and Optical Services Segment, respectively. For the three months ended March 31, 2015, 92.7%, 5.7% and 1.7% of our revenue would have been generated by our Surgical Facilities Segment, Ancillary Services Segment and Optical Services Segment, respectively. For information about our reportable segments, please see the caption entitled “—Segment Information” below, “Note 17—Segment Reporting” to our consolidated financial statements and Note 9 to our condensed consolidated financial statements included elsewhere in this prospectus.

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

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|----------------------------------|---------------------------------|---------------|-----------------------------|---------------|---------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Patient service revenues: | | | | | |
| Surgical facilities revenues | 92.1% | 77.8% | 83.9% | 78.9% | 81.0% |
| Ancillary services revenues | 5.7% | 17.0% | 12.3% | 15.5% | 12.9% |
| | 97.8% | 94.8% | 96.2% | 94.4% | 93.9% |
| Other service revenues: | | | | | |
| Optical services revenues | 1.7% | 5.2% | 3.5% | 5.6% | 6.1% |
| Surgical facilities other | 0.5% | — % | 0.3% | — % | — % |
| | 2.2% | 5.2% | 3.8% | 5.6% | 6.1% |
| Total revenues | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Payor Mix

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

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|--------------------------|---------------------------------|---------------|-----------------------------|---------------|---------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Private insurance payors | 55.9% | 53.4% | 52.1% | 60.6% | 59.8% |
| Government payors | 36.2% | 33.6% | 34.5% | 28.0% | 31.5% |
| Self-pay payors | 2.3% | 3.4% | 3.5% | 2.8% | 3.0% |
| Other payors(1) | 5.6% | 9.6% | 9.9% | 8.6% | 5.7% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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

[Table of Contents](#)

The percentage of our patient service revenue generated by private insurance payors decreased 8.5% in the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to the Symbion acquisition, and increased 2.5% in the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The percentage of our patient service revenue generated by government payors increased 6.5% and 2.6% in the year ended December 31, 2014 compared to the year ended December 31, 2013 and in the three months ended March 31, 2015 compared to the three months ended March 31, 2014, respectively. These increases were primarily attributable to the Symbion acquisition. The percentage of our patient service revenue generated by self-pay payors increased 0.7% in the year ended December 31, 2014 compared to the year ended December 31, 2013, while it decreased 1.1% during the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The percentage of our patient service revenue generated by other payors increased 1.3% in the year ended December 31, 2014 compared to the year ended December 31, 2013, while it decreased 4.0% during the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

Surgical Case Mix

We primarily operate multi-specialty facilities where physicians perform a variety of procedures in various specialties, including ENT, GI, general surgery, ophthalmology, orthopedics 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 March 31, | | 2014 | Years Ended December 31, | |
|-----------------------|---------------------------------|---------------|---------------|-----------------------------|---------------|
| | 2015 | 2014 | | 2013 | 2012 |
| Cardiology | 1.1% | — % | 0.3% | — % | — % |
| Ear, nose and throat | 3.9% | 2.1% | 2.8% | 2.5% | 2.7% |
| Gastrointestinal | 22.4% | 11.2% | 15.0% | 10.7% | 8.8% |
| General surgery | 2.9% | 2.5% | 2.9% | 2.4% | 2.7% |
| Obstetrics/gynecology | 1.9% | — % | 0.6% | — % | — % |
| Ophthalmology | 29.7% | 46.3% | 40.7% | 47.6% | 48.8% |
| Orthopedic | 15.3% | 10.6% | 11.6% | 10.8% | 10.5% |
| Pain management | 17.4% | 23.2% | 21.5% | 22.2% | 22.5% |
| Plastic surgery | 2.0% | 2.2% | 2.0% | 2.2% | 2.0% |
| Other | 3.4% | 1.9% | 2.6% | 1.6% | 2.0% |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

The percentage of procedures performed at our facilities that were gastrointestinal cases increased 4.3% and 11.2% in the year ended December 31, 2014 compared to the year ended December 31, 2013 and in the three months ended March 31, 2015 compared to the three months ended March 31, 2014, respectively. The percentage of procedures performed at our facilities that were ophthalmology cases decreased 6.9% and 16.6% in the year ended December 31, 2014 compared to the year ended December 31, 2013 and in the three months ended March 31, 2015 compared to the three months ended March 31, 2014, respectively. The increases in gastrointestinal cases and the decreases in ophthalmology cases were primarily attributable to the Symbion acquisition.

Case Growth

Same-facility Information

For the years ended December 31, 2014 and 2013, we define same-facility growth as the growth at those facilities that we owned and operated since January 1, 2013. For the three months ended March 31, 2015 and 2014, we define same-facility growth as the growth at those facilities that we owned and operated since January 1, 2014. We include the revenue from our surgical facilities, along with the revenue from our anesthesia services, diagnostic laboratory and specialty pharmacy that complement our surgical facilities in our existing markets.

| | Three Months Ended March 31, | | Years Ended December 31, | |
|-------------------------|---------------------------------|----------|-----------------------------|----------|
| | 2015 | 2014 | 2014 | 2013 |
| Cases | 92,811 | 89,387 | 366,098 | 366,534 |
| Case growth | 3.8% | N/A | (0.1)% | N/A |
| Revenue per case | \$ 2,355 | \$ 2,240 | \$ 2,237 | \$ 2,049 |
| Revenue per case growth | 5.1% | N/A | 9.2% | N/A |
| Number of facilities | 93 | N/A | 95 | N/A |

Operating Income Margin

Our operating income margin for the year ended December 31, 2014 decreased to 12.6% from 20.5% for the year ended December 31, 2013. In 2014, we incurred \$23.4 million of debt extinguishment costs and \$21.7 million of merger transaction costs related to the Symbion acquisition. In 2013 we incurred \$9.9 million of debt extinguishment costs related to a refinancing transaction. Excluding the impact of these costs, our operating income margin was 23.8% in 2014 and 23.9% in 2013.

Our operating income margin for the three months ended March 31, 2015, decreased to 17.1% from 20.4% for the three months ended March 31, 2014. In the 2015 period, we incurred \$5.0 million of merger transaction and integration costs. In the 2014 period, we incurred \$2.0 million of debt extinguishment costs related to a refinancing transaction. Excluding the impact of these costs, our operating income margin was 19.3% for the 2015 period and 23.2% for the 2014 period.

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 U.S. 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 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.

[Table of Contents](#)

The Company's 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. The Company's operating segments have been defined based on the separate financial information that is regularly produced and reviewed by the Company's chief operating decision maker, which is its Chief Executive Officer.

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

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|----------------------------|---------------------------------|------------------|--------------------------|------------------|------------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Revenue: | | | | | |
| Surgical Facility Services | \$ 207,684 | \$ 54,813 | \$339,309 | \$224,578 | \$210,872 |
| Ancillary Services | 12,719 | 12,010 | 49,787 | 44,103 | 33,570 |
| Optical Services | 3,740 | 3,657 | 14,193 | 15,918 | 15,773 |
| Total | <u>\$ 224,143</u> | <u>\$ 70,480</u> | <u>\$403,289</u> | <u>\$284,599</u> | <u>\$260,215</u> |

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|--|---------------------------------|------------------|--------------------------|-----------------|-----------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Segment Operating Income: | | | | | |
| Surgical Facility Services | \$ 40,337 | \$ 12,939 | \$ 82,970 | \$54,261 | \$52,752 |
| Ancillary Services | 2,401 | 2,792 | 10,808 | 11,017 | 5,169 |
| Optical Services | 610 | 611 | 2,133 | 2,811 | 2,532 |
| Total | <u>\$ 43,348</u> | <u>\$ 16,342</u> | <u>\$ 95,911</u> | <u>\$68,089</u> | <u>\$60,453</u> |
| Loss on debt extinguishment | — | 1,975 | (23,414) | (9,863) | — |
| Merger transaction and integration costs | <u>\$ (5,006)</u> | <u>\$ —</u> | <u>\$ (21,690)</u> | <u>\$ —</u> | <u>\$ —</u> |
| Operating income per consolidated statements of operations | <u>\$ 38,342</u> | <u>\$ 14,367</u> | <u>\$ 50,807</u> | <u>\$58,226</u> | <u>\$60,453</u> |

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|----------------------------------|---------------------------------|-----------------|--------------------------|-----------------|-----------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Supplemental Information: | | | | | |
| Depreciation and amortization: | | | | | |
| Surgical Facility Services | \$ 7,631 | \$ 1,969 | \$11,399 | \$ 8,196 | \$ 7,988 |
| Ancillary Services | 424 | 482 | 2,021 | 1,605 | 1,235 |
| Optical Services | 407 | 409 | 1,641 | 1,862 | 1,985 |
| Total | <u>\$ 8,462</u> | <u>\$ 2,860</u> | <u>\$15,061</u> | <u>\$11,663</u> | <u>\$11,208</u> |

| | Three Months Ended March 31, | | Years Ended December 31, | |
|----------------------------|---------------------------------|---------------------|--------------------------|-------------------|
| | 2015 | 2014 | 2014 | 2013 |
| Assets: | | | | |
| Surgical Facility Services | \$ 1,755,616 | \$ 1,758,947 | \$ 1,758,947 | \$ 379,677 |
| Ancillary Services | 66,161 | 73,971 | 73,971 | 68,492 |
| Optical Services | 28,703 | 25,876 | 25,876 | 26,532 |
| Total | <u>\$ 1,850,480</u> | <u>\$ 1,858,794</u> | <u>\$ 1,858,794</u> | <u>\$ 474,701</u> |

Acquisitions and Developments

Part of our strategy is to expand our network of surgical facilities in attractive markets throughout the United States by selectively acquiring established facilities, developing new facilities and expanding the Company's presence in existing markets. We accounts for business combinations in accordance with Financial Accounting Standards Board's *Accounting Standards Codification*, Topic 805, *Business Combinations*.

2014 Acquisition of Symbion

On November 3, 2014, we completed the acquisition of Symbion, a privately owned national operator of short stay surgical facilities. The Symbion acquisition added 55 facilities, which includes 49 ASCs and six surgical hospitals, to our network of existing facilities. At closing, we paid approximately \$300.1 million in cash and assumed approximately \$472.4 million of outstanding indebtedness of Symbion, including related accrued and unpaid interest. Simultaneously, the Company paid the \$522.1 million outstanding under its 2013 Credit Facilities, including accrued interest. The Company recognized a loss of approximately \$23.4 million related to the extinguishment of these debt instruments. The Symbion acquisition was financed through the issuance of approximately \$1.4 billion under our Term Loans and Revolving Facility. The operating results of Symbion are included in our 2014 operating results beginning November 3, 2014. For more information, see the section entitled "Description of Indebtedness" included elsewhere in this prospectus.

Other Transactions During 2014, 2013 and 2012

Throughout 2014, the Company acquired three physician practices for an aggregate purchase price of \$1.6 million. These transactions were funded with cash from operations.

During 2013, the Company acquired 100% ownership interests in both a specialty pharmacy and a physician practice. The aggregate purchase price of these transactions was approximately \$0.4 million.

Effective October 25, 2012, the Company acquired a 100% ownership interest in an optical laboratory for a purchase price of approximately \$0.6 million. The purchase price was funded with approximately \$0.1 million in cash, and the remaining approximately \$0.5 million was financed through a note payable over seven years. The total amount of the purchase price was allocated to intangible assets.

Discontinued Operations and Divestitures

In March 2013, we closed an ASC in Sebring, Florida and a physician practice in Indiana. We recorded net losses of approximately \$3.2 million related to these dispositions.

In October 2013, we received net proceeds of \$1.0 million for the sale of an ASC in Merrillville, Indiana. We recorded a pre-tax gain of approximately \$0.6 million related to this divestiture.

Effective April 2012, we sold our majority interest in an ASC in Richmond, Virginia for approximately \$1.5 million and recorded a loss on sale of approximately \$0.8 million in the consolidated statement of operations. For more information, see "Note 4—Divestitures" to our audited financial statements included elsewhere in this prospectus.

Critical Accounting Policies

Our significant accounting policies and practices are described in Note 2 of our audited consolidated financial statements included elsewhere in this report. In preparing our consolidated financial statements in conformity with GAAP in the United States, 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

[Table of Contents](#)

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 in the United States, with no need for management's judgment regarding accounting policy.

Consolidation and Control

Our 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 five surgical facilities over which we exercise significant influence. Significant influence includes financial interests, duties, rights and responsibilities for the day-to-day management of the surgical facility. These non-controlling interests are accounted for under the equity method.

We also consider the relevant sections of the Financial Accounting Standards Board's *Accounting Standards Codification*, Topic 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. At December 31, 2014, because we determined that we were the primary beneficiary, we consolidated six entities.

Revenue Recognition

Our patient service revenue are derived from surgical procedures performed at our ASCs, patient visits to physician practices, anesthesia services provided to patients, pharmacy services and toxicology 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 revenue, 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 revenue recognized for financial reporting purposes. Revenue is recognized as orders are shipped to members. Product sales revenue 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 revenue 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

[Table of Contents](#)

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 revenue of each surgical facility and physician network. We recognize other service revenue in the period in which services are rendered.

Allowance for Contractual Adjustments and Doubtful Accounts

Our patient service revenue 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 revenue, the out-of-period contractual adjustments have been minimal. Our net accounts receivable reflected allowances for doubtful accounts of \$5.3 million and \$5.0 million at December 31, 2014 and 2013, respectively, and \$8.9 million and \$5.3 million at March 31, 2015 and 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 52 days, 50 days and 54 days for the years ended December 31, 2014, 2013 and 2012, respectively, and 60 days for the three months ended March 31, 2015.

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, day's sales outstanding and bad debt expense as a percentage of revenue. 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 revenue, 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

[Table of Contents](#)

the patient's procedure. Because our services are primarily non-emergency, our surgical facilities have the ability to control these procedures. Our patient service revenue from self-pay payors as a percentage of total revenue were approximately 3.5%, 2.8% and 3.0% for the years ended December 31, 2014, 2013 and 2012, respectively, and 2.3% and 3.4% for the three months ended March 31, 2015 and 2014, respectively.

Income Taxes and Tax Receivable Agreement

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 March 31, 2015, we had unused federal net operating loss carryforwards ("NOLs") of approximately \$315 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 March 31, 2015, we maintained a full valuation allowance of \$146.0 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 December 31, 2014, 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. 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 our Sponsor 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 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.

[Table of Contents](#)

As part of the Reorganization, we will enter into the TRA under which generally we will be required to pay to the Existing Owners 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, of Surgery Center Holdings, Inc. and its subsidiaries relating to taxable years ending on or before the date of the Reorganization (calculated by assuming the taxable year of Surgery Center Holdings, Inc. 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. Under this agreement, generally we will retain the benefit of the remaining 15% of the applicable tax savings. We expect the payments we will be required to make under the TRA will be substantial.

Long-Lived Assets, Goodwill and Intangible Assets

Long-lived assets, including property, plant and equipment, comprise a significant portion of our total assets. We evaluate the carrying value of long-lived assets when impairment indicators are present or when circumstances indicate that impairment may exist. When events, circumstances or operating results indicate that the carrying values of certain long-lived assets and the related identifiable intangible assets might be impaired, we assess whether the carrying value of the assets will be recovered through undiscounted future cash flows expected to be generated from the use of the assets and their eventual disposition. If the assessment indicates that the recorded carrying value will not be recoverable, that cost will be reduced to estimated fair value. Estimated fair value will be determined based on a discounted future cash flow analysis.

Goodwill represents our single largest asset and is a significant portion of our total assets. We review goodwill and indefinite-lived intangible assets annually, as of December 31, or more frequently if certain indicators arise. We review goodwill at the reporting unit level, which we have determined includes the following: 1) surgical facilities 2) physician practices, 3) Midwest Labs 4) The Alliance, including Optical Synergies 5) Family Vision Care and 6) Patient Education Concepts, our marketing products and services business. We compare the carrying value of the net assets of the reporting unit to the estimated fair value of the reporting unit. If the carrying value exceeds the net present value of the estimated discounted future cash flows, an impairment indicator exists and an estimate of the possible impairment loss is calculated. The fair value calculation includes multiple assumptions and estimates, including the projected cash flows and discount rates applied. Changes in these assumptions and estimates could result in goodwill impairment that could materially adversely impact our financial position and results of operations.

As previously discussed, we completed the acquisition of Symbion on November 3, 2014. We accounted for the transaction using the purchase method of accounting. As a result, we recorded goodwill of \$957.7 million.

We performed our annual goodwill impairment assessment by developing a fair value estimate of the business enterprise as of December 31, 2014 using a discounted cash flows approach. We corroborated the results of our fair value estimate using a market-based approach. As we do not have publicly traded equity from which to derive a market value, an assessment of peer-company trading data was performed, whereby management selected comparable peers based on growth and leverage ratios, as well as industry specific characteristics. Management estimated a reasonable market value of the Company as of December 31, 2014 based on earnings multiples and trading data of the Company's peers. This market-based approach was then used to assess the reasonableness of the discounted cash flows approach. The result of our annual goodwill impairment test at December 31, 2014 indicated no potential impairment.

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

[Table of Contents](#)

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 March 31, 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, or 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.

Results of Operations

The following tables summarize certain results from the statements of operations for each of the periods indicated. The tables also show the percentage relationship to revenue for the periods indicated (dollars in thousands):

| | Three Months Ended March 31, | | | | Year Ended December 31, | | | | 2012 | |
|---|------------------------------|---------------|------------|---------------|-------------------------|---------------|------------|---------------|-----------|---------------|
| | 2015 | | 2014 | | 2014 | | 2013 | | 2012 | |
| | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues | Amount | % of Revenues |
| Revenues | \$224,143 | 100.0% | \$ 70,480 | 100.0% | \$403,289 | 100.0% | \$284,599 | 100.0% | \$260,215 | 100.0% |
| Operating expenses: | | | | | | | | | | |
| Cost of revenues | 155,764 | 69.5% | 43,053 | 61.1% | 254,178 | 63.0% | 169,844 | 59.7% | 159,346 | 61.2% |
| General and administrative expenses | 11,862 | 5.3% | 6,835 | 9.7% | 31,452 | 7.8% | 26,339 | 9.3% | 25,263 | 9.7% |
| Depreciation and amortization | 8,462 | 3.8% | 2,860 | 4.1% | 15,061 | 3.7% | 11,663 | 4.1% | 11,208 | 4.3% |
| Provision for doubtful accounts | 5,186 | 2.3% | 1,322 | 1.9% | 9,509 | 2.4% | 5,885 | 2.1% | 3,073 | 1.2% |
| Income from equity investments | (707) | (0.3)% | — | —% | (1,264) | (0.3)% | — | —% | — | —% |
| Loss (gain) on disposal or impairment of long-lived assets, net | 228 | 0.1% | 68 | 0.1% | 1,804 | 0.4% | 2,482 | 0.9% | 832 | 0.3% |
| Loss on debt extinguishment | — | —% | 1,975 | 2.8% | 23,414 | 9.2% | 9,863 | 3.5% | — | —% |
| Electronic health records incentives | — | —% | — | —% | (3,356) | (0.8)% | — | —% | — | —% |
| Merger transaction and integration costs | 5,006 | 2.2% | — | —% | 21,690 | 5.4% | — | —% | — | —% |
| Other (income) expenses | — | —% | — | —% | (6) | —% | 297 | 0.1% | 40 | —% |
| Total operating expenses | 185,801 | 82.9% | 56,113 | 79.6% | 352,482 | 90.8% | 226,373 | 79.5% | 199,762 | 76.8% |
| Operating income | 38,342 | 17.1% | 14,367 | 20.4% | 50,807 | 9.2% | 58,226 | 20.5% | 60,453 | 23.2% |
| Interest expense, net | (25,751) | (11.5)% | (10,106) | (14.3)% | (62,101) | (15.4)% | (32,929) | (11.6)% | (28,482) | (10.9)% |
| Income before income taxes | 12,591 | 5.6% | 4,261 | 6.0% | (11,294) | (6.2)% | 25,297 | 8.9% | 31,971 | 12.3% |
| Provision for income taxes | 2,107 | 0.9% | 1,963 | 2.8% | 15,758 | 3.9% | 7,570 | 2.7% | 6,110 | 2.3% |
| Net income | 10,484 | 4.7% | 2,298 | 3.3% | (27,052) | (10.1)% | 17,727 | 6.2% | 25,861 | 9.9% |
| Less: Net income attributable to non-controlling interests | (17,249) | (7.7)% | (6,377) | (9.0)% | (38,845) | (9.6)% | (26,789) | (9.4)% | (23,945) | (9.2)% |
| Net loss attributable to Surgery Center Holdings, Inc. | \$ (6,765) | (3.0)% | \$ (4,079) | (5.8)% | \$ (65,897) | (19.7)% | \$ (9,062) | (3.2)% | \$ 1,916 | 0.7% |

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Overview. In the three months ended March 31, 2015, our revenues increased 218.0% to \$224.1 million from \$70.5 million in the three months ended March 31, 2014. We incurred a net loss attributable to Surgery Center Holdings, Inc. of \$6.8 million, for the three months ended March 31, 2015 compared to a net loss of \$4.1 million for the three months ended March 31, 2014.

Our financial results for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 reflect the addition of the 55 surgical facilities, including 49 ASCs and 6 hospitals, that were acquired in connection with our acquisition of Symbion on November 3, 2014.

Revenues. Revenues for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 were as follows (dollars in thousands):

| | Three Months Ended March 31, | | Dollar Variance | Percent Variance |
|--------------------------|---------------------------------|-----------------|--------------------|---------------------|
| | 2015 | 2014 | | |
| Patient service revenues | \$219,150 | \$66,823 | \$152,327 | 228.0% |
| Other service revenues | 4,993 | 3,657 | 1,336 | 36.5% |
| Total revenues | <u>\$224,143</u> | <u>\$70,480</u> | <u>\$153,663</u> | 218.0% |

Patient service revenues increased 228.0% to \$219.2 million in the three months ended March 31, 2015 compared to \$66.8 million in the three months ended March 31, 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 \$155.8 million in the three months ended March 31, 2015 compared to \$43.1 million in the three months ended March 31, 2014. The increase is primarily driven by the related increase in revenues from surgical facilities acquired in connection with the Symbion transaction on November 3, 2014. As a percentage of revenues, cost of revenues were 69.5% for the three months ended March 31, 2015 and 61.1% for the three months ended March 31, 2014. This increase was primarily due to the surgical hospitals acquired in connection with the Symbion acquisition, as our surgical hospitals have historically experienced higher cost of revenues as compared to our ASC's.

General and Administrative Expenses. General and administrative expenses were \$11.9 million for the three months ended March 31, 2015 and \$6.8 million for the three months ended March 31, 2014. As a percentage of revenues, general and administrative expenses were 5.3% in the three months ended March 31, 2015 compared to 9.7% in the three months ended March 31, 2014. The overall increase in general and administrative expenses is primarily driven by the related increase in expenses from surgical facilities acquired in connection with the Symbion transaction on November 3, 2014.

Depreciation and Amortization. Depreciation and amortization expenses increased to \$8.5 million in the three months ended March 31, 2015 compared to \$2.9 million in the three months ended March 31, 2014. As a percentage of revenues, depreciation and amortization expenses were 3.8% in the three months ended March 31, 2015 and 4.1% in the three months ended March 31, 2014. This increase was primarily due to the purchase of capital, primarily computers and software related to the integration of the two companies in connection with the Symbion acquisition.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to \$5.2 million in the three months ended March 31, 2015 compared to \$1.3 million in the three months ended March 31, 2014. As a percentage of revenues, the provision for doubtful accounts was 2.3% in the three months ended March 31, 2015 and 1.9% in the three months ended March 31, 2014. This increase was primarily due to the surgical hospitals acquired in connection with the Symbion acquisition, as our surgical hospitals have historically experienced higher provision for doubtful accounts as compared to our ASC's.

[Table of Contents](#)

Income from Equity Investments. Income from equity investments was \$0.7 million in the three months ended March 31, 2015. Prior to the acquisition of Symbion on November 3, 2014, the Company had no equity method investments.

Loss (Gain) on Disposal or Impairment of Long-Lived Assets. Loss on disposal or impairment of long-lived assets was \$0.2 million in the three months ended March 31, 2015 compared to \$68,000 for the three months ended March 31, 2014.

Merger Transaction and Integration Costs. Merger transaction and integration costs were \$5.0 million in the three months ended March 31, 2015 and none in the three months ended March 31, 2014. These costs include costs incurred for integration, such as training, travel and relocating the Chicago corporate office to Nashville, and consulting fees related to the acquisition of Symbion, Inc.

Operating Income. Operating income was \$38.3 million in the three months ended March 31, 2015 compared to \$14.4 million in the three months ended March 31, 2014.

Interest Expense, Net. Interest expense, net, was \$25.8 million in the three months ended March 31, 2015 compared to \$10.1 million in the three months ended March 31, 2014. The increase is attributable to the acquisition of Symbion and the corresponding increase in long-term debt.

Provision for Income Taxes. The provision for income taxes was \$2.1 million in the three months ended March 31, 2015 compared to \$2.0 million in the three months ended March 31, 2014. Income tax expense in each period was primarily attributable to non-cash deferred income tax expense related to the Company's partnership investments.

Net Income Attributable to Non-Controlling Interests. Net income attributable to non-controlling interests increased to \$17.2 million in the three months ended March 31, 2015 compared to \$6.4 million in the three months ended March 31, 2014 primarily due to the acquisition of Symbion. As a percentage of revenues, net income attributable to non-controlling interests was 7.7% in the three months ended March 31, 2015 and 9.0% in the three months ended March 31, 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Overview. In the year ended December 31, 2014, our revenue increased 41.7% to \$403.3 million from \$284.6 million in 2013. We incurred a net loss attributable to Surgery Center Holdings, Inc. of \$79.5 million for the year ended December 31, 2014, compared to a net loss of \$9.1 million for the year ended December 31, 2013.

Our financial results for the year ended December 31, 2014 compared to the year ended December 31, 2013 reflect the addition of the 55 surgical facilities, including 49 ASCs and six hospitals, that were acquired in connection with our acquisition of Symbion for the period of November 3, 2014 through December 31, 2014.

Revenues. Revenues for the year ended December 31, 2014 compared to the year ended December 31, 2013 were as follows (dollars in thousands):

| | Years Ended | | Dollar Variance | Percent Variance |
|--------------------------|--------------------|------------------|----------------------------|-----------------------------|
| | 2014 | 2013 | | |
| Patient service revenues | \$388,073 | \$268,681 | \$119,392 | 44.4% |
| Other service revenues | 15,216 | 15,918 | (702) | (4.4)% |
| Total revenues | <u>\$403,289</u> | <u>\$284,599</u> | <u>\$118,690</u> | 41.7% |

[Table of Contents](#)

Patient service revenue increased 44.4% to \$388.1 million in the year ended December 31, 2014 compared to \$268.7 million in the year ended December 31, 2013. This increase in patient service revenue was primarily attributable to the acquisition of Symbion.

Cost of Revenues. Cost of revenues increased to \$254.2 million in the year ended December 31, 2014 compared to \$169.8 million for the year ended December 31, 2013. The increase was primarily driven by the related increase in revenue from surgical facilities acquired in connection with the Symbion acquisition. As a percentage of revenue, cost of revenues were 63.0% in 2014 and 59.7% in 2013.

General and Administrative Expenses. General and administrative expenses were \$31.5 million for the year ended December 31, 2014 and \$26.3 million for the year ended December 31, 2013. As a percentage of revenues, general and administrative expenses were 7.8% in 2014 compared to 9.3% in 2013. The increase was primarily driven by the related increase in expenses from surgical facilities acquired in connection with the Symbion acquisition.

Depreciation and Amortization. Depreciation and amortization expenses increased to \$15.1 million in the year ended December 31, 2014 compared to \$11.7 million for the year ended December 31, 2013. This increase was primarily driven by the related increase in depreciation and amortization from surgical facilities acquired in connection with the Symbion acquisition. As a percentage of revenue, depreciation and amortization expenses were 3.7% in 2014 and 4.1% in 2013.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to \$9.5 million in the year ended December 31, 2014 compared to \$5.9 million for the year ended December 31, 2013. This increase was primarily driven by the related increase in doubtful accounts from surgical facilities acquired in connection with the Symbion acquisition. As a percentage of revenue, the provision for doubtful accounts was 2.4% in 2014 and 2.1% in 2013.

Income from Equity Investments. Income from equity investments was \$1.3 million in the year ended December 31, 2014 and \$0 in the year ended December 31, 2013. Prior to the acquisition of Symbion, the Company had no equity method investments.

Gain (Loss) on Disposal or Impairment of Long-Lived Assets. Loss on disposal or impairment of long-lived assets was \$1.8 million in the year ended December 31, 2014 compared to \$2.5 million for the year ended December 31, 2013. In March 2013, we closed an ASC and a physician practice that resulted in net losses of approximately \$3.2 million. In December 2014, we recorded an impairment of \$1.7 million on the assets of our facility located in Orange City, FL. These losses were partially offset by a gain on disposal from the sale of an ASC in October 2013. There were no divestitures in 2014.

Electronic Health Records Incentives. Income from electronic health records incentives was \$3.4 million in the year ended December 31, 2014 and \$0 in the year ended December 31, 2013. This increase was attributable to the acquisition of Symbion, which included six surgical facilities licensed as hospitals that are eligible to receive incentive payments. In 2014, we met the meaningful use requirements and received incentive payments at three of our surgical hospitals.

Merger Transaction Costs. Merger transaction costs were \$21.7 million in the year ended December 31, 2014. These costs were related to the acquisition of Symbion, Inc.

Operating Income. Operating income was \$50.8 million in the year ended December 31, 2014 compared to \$58.2 million for the year ended December 31, 2013. In 2014, we recorded \$21.7 million of merger transaction costs related to the acquisition of Symbion. Excluding the impact of these costs, our operating income was \$72.5 million in 2014.

[Table of Contents](#)

Interest Expense, Net. Interest expense, net, was \$62.1 million in the year ended December 31, 2014 compared to \$32.9 million for the year ended December 31, 2013. This increase was primarily due to financing expense associated with our acquisition of Symbion.

Provision for Income Taxes. The provision for income taxes was \$15.8 million in the year ended December 31, 2014 compared to \$7.6 million in the year ended December 31, 2013. Income tax expense in each period was primarily attributable to non-cash deferred income tax expense related to our partnership investments.

Net Income Attributable to Non-Controlling Interests. Net income attributable to non-controlling interests increased to \$38.8 million in the year ended December 31, 2014 compared to \$26.8 million for the year ended December 31, 2013. As a percentage of revenue, net income attributable to non-controlling interests was 9.6% in 2014 and 9.4% in 2013.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Overview. In 2013, our revenue increased 9.4% to \$284.6 million from \$260.2 million in 2012. We incurred a net loss attributable to Surgery Center Holdings, Inc. in the year ended December 31, 2013 of \$9.1 million compared to net income of \$1.9 million for the year ended December 31, 2012.

Our financial results for the year ended December 31, 2013 compared to the year ended December 31, 2012 reflect the disposition of three surgical facilities which we consolidated for financial reporting purposes and the addition of the diagnostic laboratory.

Revenues. Revenues for the year ended December 31, 2013 compared to the year ended December 31, 2012 were as follows (dollars in thousands):

| | Years Ended December 31, | | Dollar Variance | Percent Variance |
|--------------------------|-----------------------------|------------------|--------------------|---------------------|
| | 2013 | 2012 | | |
| Patient service revenues | \$268,681 | \$244,442 | \$ 24,239 | 9.9% |
| Other service revenues | 15,918 | 15,773 | 145 | 0.9% |
| Total revenues | <u>\$284,599</u> | <u>\$260,215</u> | <u>\$ 24,384</u> | 9.4% |

Patient service revenue increased 9.9% to \$268.7 million in the year ended December 31, 2013 compared to \$244.4 million in the year ended December 31, 2012. This increase in patient service revenue was attributable to an increase in cases performed at our surgical facilities, and an increase in net patient revenue per case due to an increase in higher acuity cases and Ancillary Services performed at these facilities. In addition, this increase was attributable to growth at our diagnostic laboratory.

Cost of Revenues. Cost of revenues in the year ended December 31, 2013 was \$169.8 million compared to \$159.3 million for the year ended December 31, 2012. This increase was attributable to an increase in the number of cases performed at our ASCs. As a percentage of revenue, cost of revenues decreased to 59.7% in 2013 compared to 61.2% for 2012.

General and Administrative Expenses. General and administrative expenses increased to \$26.3 million in the year ended December 31, 2013 compared to \$25.3 million for the year ended December 31, 2012. The increase was primarily due to the start-up of our diagnostic laboratory and certain corporate infrastructure expenses.

Depreciation and Amortization. Depreciation and amortization expenses increased to \$11.7 million in the year ended December 31, 2013 compared to \$11.2 million for the year ended December 31, 2012. This increase was attributable to expansion related capital expenditures at our diagnostic laboratory, the relocation of

[Table of Contents](#)

one of our ASCs and additional capital expenditures at our ASCs and optical laboratories. As a percentage of revenue, depreciation and amortization expenses were 4.1% in 2013 compared to 4.3% in 2012.

Provision for Doubtful Accounts. The provision for doubtful accounts increased to \$5.9 million in the year ended December 31, 2013 compared to \$3.1 million for the year ended December 31, 2012. As a percentage of revenue, the provision for doubtful accounts increased to 2.1% for 2013 compared to 1.2% in 2012. The increase in revenue from our surgical hospitals has driven an incremental increase in our provision for doubtful accounts.

Gain (Loss) on Disposal or Impairment of Long-Lived Assets, Net. We recognized a loss on the disposal of long-lived assets of \$2.5 million during the year ended December 31, 2013. We recognized a gain of \$0.6 million on the sale of an ASC located in Merrillville, Indiana. In connection with the disposal of an ASC in Sebring, Florida and a physician practice in Indiana, we recorded a loss of \$3.2 million. During the year ended December 31, 2012, we recorded a loss on the disposal of an ASC in Richmond, Virginia of approximately \$0.8 million.

Loss on Debt Extinguishment. As a result of our debt refinancing during the second quarter of 2013, we incurred a loss on debt extinguishment of \$9.9 million. This loss primarily consisted of capitalized debt issuance costs written off in connection with our termination of prior debt instruments.

Operating Income. Operating income was \$58.2 million for the year ended December 31, 2013, compared to \$60.5 million for the year ended December 31, 2012. The decrease is primarily attributable to the loss on extinguishment of debt of \$9.9 million, which was partially offset by the increase in revenue.

Interest Expense, Net. Interest expense, net of interest income, increased to \$32.9 million for the year ended December 31, 2013 compared to \$28.5 million for the year ended December 31, 2012. The increase was primarily attributable to our 2013 debt refinancing, which increased borrowings and had a higher interest rates compared to our previous term loan.

Provision for Income Taxes. The provision for income taxes was \$7.6 million in the year ended December 31, 2013 compared to \$6.1 million in the year ended December 31, 2012. Income tax expense in each period was primarily attributable to non-cash deferred income tax expense related to our partnership investments.

Net Income Attributable to Non-Controlling Interests. Net income attributable to non-controlling interests increased to \$26.8 million in the year ended December 31, 2013 compared to \$23.9 million for the year ended December 31, 2012. As a percentage of revenue, income attributable to non-controlling interests was 9.4% for 2013 and 9.2% for 2012.

Liquidity and Capital Resources

Operating Activities

The primary source of our operating cash flow is the collection of accounts receivable from private insurance companies, government programs, self-insured employers and other payors. During the three months ended March 31, 2015, our operating cash flow from operations increased to \$9.5 million compared to \$4.3 million for the three months ended March 31, 2014. This increase was primarily attributable to the acquisition of Symbion.

During the year ended December 31, 2014, our operating cash flow from operations decreased to \$21.9 million compared to \$49.1 million for the year ended December 31, 2013. This decrease is primarily attributable to the \$29.2 million increase in interest expense related to the new approximately \$1.4 billion Term Loans and Revolving Facility obtained in connection with the acquisition of Symbion. At December 31, 2014, we had working capital of \$127.3 million compared to \$40.1 million at December 31, 2013.

During the year ended December 31, 2013, our operating cash flow from operations increased to \$49.1 million compared to \$46.4 million for the year ended December 31, 2012. This increase was primarily attributable to an increase in deferred income taxes of \$1.4 million.

[Table of Contents](#)

Investing Activities

Net cash used in investing activities during the three months ended March 31, 2015 was \$5.2 million, which included \$5.5 million related to purchases of property and equipment, offset by proceeds from divestitures of \$8.3 million, compared to \$1.1 million for the three months ended March 31, 2014, which included \$1.0 million related to purchases of property and equipment.

Net cash used in investing activities during the year ended December 31, 2014 was \$271.0 million, which included \$7.7 million related to purchases of property and equipment. Additionally, we contributed cash of \$300.1 million in connection with the acquisition of Symbion, and we contributed cash of \$1.6 million to purchase three physician practices in the state of Florida.

Net cash used in investing activities during the year ended December 31, 2013 was \$3.6 million, which included \$4.2 million related to purchases of property and equipment, offset by proceeds from divestitures of \$1.0 million.

Net cash used in investing activities during the year ended December 31, 2012 was \$3.5 million, which included \$4.7 million for purchases of property and equipment, offset by proceeds from divestitures of \$1.5 million.

Financing Activities

Net cash used in financing activities during the three months ended March 31, 2015 was \$22.8 million, as compared to \$12.3 million during the three months ended March 31, 2014. We made distributions to non-controlling interests holders of \$16.1 million and \$7.2 million during those same periods, respectively.

Net cash provided by financing activities during the year ended December 31, 2014 was \$311.0 million. During 2014, we made distributions to non-controlling interests holders of \$35.2 million. In January 2014, we borrowed \$90.0 million on our Term Loans and Revolving Facility. We used the proceeds plus \$3.0 million of cash from operations to return capital to our shareholders. In November 2014, we borrowed approximately \$1.4 billion to fund the acquisition of Symbion. This refinancing transaction resulted in \$440.0 million of repayments to settle the outstanding indebtedness of Symbion and an additional \$526.3 million to pay off all our outstanding senior debt under the 2013 Credit Facilities. During 2014, we also made scheduled repayments on our long-term debt of \$59.1 million, including \$4.4 million related to debt principal, \$10.6 million related to original issue discount and \$44.1 million related to debt issuance costs.

Net cash used in financing activities during the year ended December 31, 2013 was \$37.7 million. During 2013, we made distributions to non-controlling interests holders of \$25.3 million.

Net cash used in financing activities during the year ended December 31, 2012 was \$43.1 million. During 2012, we made distributions to non-controlling interests holders of \$23.0 million.

[Table of Contents](#)**Long-Term Debt**

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

| | Years Ended | |
|---|--------------------|------------------|
| | December 31, | |
| | 2014 | 2013 |
| Revolver | \$ — | \$ — |
| 2014 First Lien Term Loan, dated November 3, 2014, maturing November 3, 2020, net of debt issuance discount of \$23,818 at December 31, 2014 | 846,183 | — |
| 2014 Second Lien Term Loan, dated November 3, 2014, maturing November 3, 2021, net of debt issuance discount of \$18,184 at December 31, 2014 | 471,816 | — |
| 2013 First Lien Credit Agreement, dated April 11, 2013, maturing April 11, 2019, net of debt issuance discount of \$6,385 at December 31, 2013 | — | 303,890 |
| 2013 Second Lien Credit Agreement, dated April 11, 2013, maturing April 11, 2020, net of debt issuance discount of \$4,733 at December 31, 2013 | — | 115,267 |
| Subordinated Notes A | 1,000 | 1,000 |
| Notes payable and secured loans | 31,600 | 3,590 |
| Capital lease obligations | 10,755 | 3,654 |
| Total debt | 1,361,354 | 427,401 |
| Less: Current maturities | (22,088) | (8,842) |
| Total long-term debt | <u>\$1,339,266</u> | <u>\$418,559</u> |

The acquisition of Symbion and refinancing of the senior debt was financed through new approximately \$1.4 billion Term Loans and Revolving Facility, with our subsidiary, Surgery Center Holdings, Inc., as the borrower consisting of an \$80 million Revolver, an \$870 million First Lien Term Loan, and a \$490 million Second Lien Term Loan.

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 and unpaid interest. Simultaneously, the Company paid off all of the debt outstanding under its 2013 Credit Facilities dated April 11, 2013, consisting of \$522.1 million outstanding under a first lien credit agreement, a second lien credit agreement and a revolving credit agreement, including accrued interest. The Company recognized a loss of approximately \$23.4 million related to the extinguishment of these debt instruments.

Included in the \$522.1 million debt extinguishment was \$311.9 million related to the 2013 First Lien Credit Agreement and the 2013 Revolver Agreement that the Company entered into as part of a debt refinancing in April 2013. With regard to the 2013 First Lien Credit Agreement, the Company had recorded \$3.2 million and \$4.0 million as reductions to the carrying value in the form of original issue discount and debt issuance costs, respectively. Approximately \$0.9 million and \$0.8 million of these costs were accreted to interest expense during the years ended December 31, 2014 and 2013, respectively. In addition, the Company paid \$3.1 million in connection with obtaining the 2013 First Lien Credit Agreement and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately \$0.4 million, in the accompanying consolidated balance sheets as of December 31, 2013. In connection with obtaining the 2013 Revolver Agreement for \$30 million, the Company incurred approximately \$0.7 million and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately \$0.1 million, in the accompanying balance sheet as of December 31, 2013.

Additionally included in the \$522.1 million debt extinguishment was \$210.2 million related to the 2013 Second Lien Credit Agreement that the Company entered into as part of a debt refinancing in April 2013 (and amended January 27, 2014). With regard to the 2013 Second Lien Credit Agreement, the Company had recorded \$4.4 million and \$5.1 million as reductions to the carrying value in the form of original issue discount and debt

[Table of Contents](#)

issuance costs, respectively. Approximately \$0.8 million and \$0.4 million of these costs were accreted to interest expense during the years ended December 31, 2014 and 2013, respectively. In addition to this, the Company paid \$1.2 million in connection with obtaining the 2013 Second Lien Credit Agreement and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately \$0.1 million, in the accompanying consolidated balance sheets as of December 31, 2013.

Revolver

The 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 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 0.5% and (c) the adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.0%. 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 March 31, 2015, the Company had \$77.3 million available under the Revolver.

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 \$0.1 million, in the accompanying consolidated balance sheet as of December 31, 2014. The Company must also pay quarterly commitment fees of 0.5% 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 March 31, 2015, the Company was in compliance with the covenants contained in the credit agreement.

First Lien Term Loan

The First Lien Term Loan is a senior secured first lien obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured first priority basis and secured by substantially all of the assets, including pledges of equity interests, of Surgery Center Holdings, Inc., SP Holdco I, Inc. and the subsidiary guarantors described in the documentation, which are comprised of material wholly-owned non-excluded subsidiaries of Surgery Center Holdings, Inc. The First Lien Term Loan 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 First Lien Term Loan matures on November 3, 2020. The Company has the option of classifying the First Lien Term Loan 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 0.5%, and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.0%; 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 First Lien Term Loan as an ED loan with an interest rate of 5.25% (1.0% 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 credit agreement governing the First Lien Term Loan. There were no excess cash flow payments required as of March 31, 2015.

[Table of Contents](#)

In 2014, the Company recorded \$4.4 million and \$20.0 million as a reduction of the carrying value of the First Lien Term Loan as original issue discount and debt related issuance costs, respectively, which are accreted to interest expense over the term of the loan. During 2014, approximately \$565,000 was accreted to interest expense. The Company also paid \$1.9 million in connection with obtaining the First Lien Term Loan and recorded this amount as debt issuance costs, which is presented as an asset, net of accumulated amortization of approximately \$41,000, in the accompanying consolidated balance sheet as of December 31, 2014.

The credit agreement that governs the First Lien Term Loan 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 December 31, 2014, the Company was in compliance with the covenants contained in the credit agreement. The First Lien Term Loan is collateralized by substantially all of the assets of the Company.

Scheduled amortization of the discount recorded in connection with the First Lien Term Loan follows (in thousands):

| | |
|---|-----------------|
| January 1, 2015 through December 31, 2015 | \$ 3,595 |
| January 1, 2016 through December 31, 2016 | 3,767 |
| January 1, 2017 through December 31, 2017 | 3,927 |
| January 1, 2018 through December 31, 2018 | 4,107 |
| January 1, 2019 through December 31, 2019 | 4,299 |
| January 1, 2020 through November 3, 2020 | 4,123 |
| Total discount on Senior Secured Notes | <u>\$23,818</u> |

Second Lien Term Loan

The Second Lien Term Loan is a senior secured second lien obligation of Surgery Center Holdings, Inc. and is guaranteed on a senior secured second priority basis and secured by substantially all of the assets, including pledges of equity interests, of Surgery Center Holdings, Inc., SP Holdco I, Inc. and the subsidiary guarantors described in the documentation, which are comprised of material wholly-owned non-excluded subsidiaries of Surgery Center Holdings, Inc. The Second Lien Term Loan matures on November 3, 2021. The Company has the option of classifying the Second Lien Term Loan 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 0.5% and (c) the Adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.0%; provided that the base rate shall not be less than 2.0% per annum. In addition to the base rate, the Company is required to pay a 6.5% 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 1.0% per annum. In addition to the base rate, the Company is required to pay a 7.5% margin for ED loans. During 2014, the Company classified the Second Lien Term Loan as an ED loan with an interest rate of 8.5% (1.0% base rate plus a 7.5% 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 Second Lien Term Loan 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 credit agreement that governs the First Lien Term Loan. There were no excess cash flow payments required as of December 31, 2014.

[Table of Contents](#)

The Company recorded \$4.9 million and \$13.6 million as a reduction of the carrying value of the Second Lien Term Loan as original issue discount and debt issuance costs, respectively, which are accreted to interest expense over the term of the loan. During 2014, approximately \$308,000 was accreted to interest expense. The Company also paid \$1.1 million in connection with obtaining the Second Lien Term Loan and recorded this amount as debt issuance costs, which is presented as an asset, net of accumulated amortization of approximately \$14,000, in the accompanying consolidated balance sheet as of December 31, 2014.

The credit agreement that governs the Second Lien Term Loan contains various covenants that include limitations on our indebtedness, liens, acquisitions and investments. It additionally includes the requirement that the Company maintain a maximum net leverage ratio. At December 31, 2014, the Company was in compliance with the covenants contained in the credit agreement. The Second Lien Term Loan is collateralized by substantially all of the assets of the Company.

Scheduled amortization of the discount recorded in connection with the Second Lien Term Loan follows (in thousands):

| | |
|---|-----------------|
| January 1, 2015 through December 31, 2015 | \$ 2,008 |
| January 1, 2016 through December 31, 2016 | 2,205 |
| January 1, 2017 through December 31, 2017 | 2,406 |
| January 1, 2018 through December 31, 2018 | 2,634 |
| January 1, 2019 through December 31, 2019 | 2,883 |
| January 1, 2020 through November 30, 2020 | 3,164 |
| January 1, 2021 through November 3, 2021 | 2,884 |
| Total discount on Senior Secured Notes | <u>\$18,184</u> |

Additional Debt Transactions

On April 11, 2013, the Company raised \$465 million in 2013 Credit Facilities to refinance a portion of its then existing debt and to return capital to its shareholders ("2013 Debt Refinancing"). The 2013 Credit Facilities were used to pay off the \$233.7 million outstanding balance of the original \$240.0 million term loan ("Term A Loan"), plus accrued interest and fees, and \$52.8 million of the outstanding balance of the subordinated debt facility ("Subordinated Notes A"), plus accrued interest and fees. On the date of closing, the Company had no outstanding balance on the original \$30.0 million Revolving Loan ("Revolving Loan"). As a result of these transactions, the Term A Loan and Revolving Loan were terminated. The Subordinated Notes A were amended with the outstanding principal balance reduced to \$1.0 million.

On January 27, 2014, the Company obtained \$90.0 million in additional borrowings on the 2013 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 debt issuance costs, respectively, which are accreted to interest expense over the term of the loan. During 2014, approximately \$383,000 was accreted to interest expense.

Subordinated Notes A

Effective April 11, 2013, the Company amended and reduced the size of its subordinated notes to \$1.0 million from \$53.8 million. The Company accounted for the amendment as extinguishment of debt. The prepayment premium of \$1.6 million that the Company paid in connection with decreasing the size of the subordinated debt facility and the unamortized balance of debt issuance costs related to Subordinated Notes A of \$1.1 million were recorded as loss on the extinguishment of debt in the accompanying consolidated statements of operations for the year ended December 31, 2013. Through a separate transaction in April 2013, H.I.G. Surgery Centers, LLC, an affiliate of the Company's parent company, Surgery Center Holdings, LLC, purchased the

[Table of Contents](#)

Subordinated Notes A from an independent third party. At December 31, 2014 and 2013, the debt is payable to H.I.G. Surgery Centers, LLC, which is also a related party.

The Subordinated Notes A mature on August 4, 2017. The outstanding balance of the Subordinated Notes A bore interest of 15.0% per annum through December 31, 2013, of which 12.00% per annum was payable quarterly in cash. The Company had the option to elect that the remaining 3.00% per annum be added to the unpaid principal amount as payment-in-kind (“PIK”) or to pay the additional interest in cash. Through September 30, 2012, the Company elected to add the PIK to the unpaid principal amount of the Subordinated Notes A. Total PIK interest of \$1.2 million accrued during 2012. Beginning October 1, 2012, the Company elected to begin paying the additional 3.00% interest in cash on a quarterly basis. Effective January 1, 2014, the Subordinated Notes A bear interest of 17.00% per annum.

Term Loan A

During 2011, the Company entered into a \$240.0 million Term Loan A related to the acquisition of NovaMed. The Term Loan A was effective May 4, 2011, and was terminated on April 11, 2013 in connection with the 2013 Debt Transactions discussed above. The Company was required to pay quarterly principal payments of \$0.6 million on the last business day of each March, June, September and December during which the Term Loan A was outstanding. The Company had the option of classifying the Term Loan A as either an ABR loan or an ED loan. During 2012 and 2013 (until termination of the Term Loan A), the Company classified the Term Loan A as an ED loan with an interest rate of 6.50%.

The Company recorded \$1.2 million as a reduction of the carrying value of the Term Loan A as original issue discount which was accreted to interest expense over the term of the loan. During 2013 and 2012, approximately \$58,000 and \$209,000 was accreted to interest expense, respectively. The Company also paid \$8.7 million in connection with obtaining the Term Loan A and amortized approximately \$417,000 and \$1.7 million of these costs during the years ended December 31, 2013 and 2012, respectively.

2011 Revolving Loan

In 2011, the Company secured a 5-year, \$20.0 million Revolving Loan (“2011 Revolving Loan”) to be used for working capital and general corporate purposes. The 2011 Revolving Loan was terminated on April 11, 2013 in connection with the 2013 Debt Refinancing. The Company recorded \$100,000 as a reduction of the carrying value of the 2011 Revolving Loan as original issue discount, which was accreted to interest expense over the term of the loan. During 2013 and 2012, \$5,600 and \$20,000 was accreted to interest expense, respectively. The Company also paid \$681,000 in connection with obtaining the 2011 Revolving Loan and amortized \$37,800 and \$148,000 of these costs during the years ended December 31, 2013 and 2012, respectively. The Company also paid quarterly commitment fees of 0.50% per annum on the average daily unused amount of the 2011 Revolving Loan.

The Company incurred a loss on the extinguishment of the 2011 Revolving Loan and Term Loan A of \$7.0 million, which is included in loss on extinguishment of debt in the accompanying consolidated statement of operations for the year ended December 31, 2013.

Interest Rate Swap and Cap Agreements

In May 2011, the Company entered into an interest-rate swap agreement (the “2011 Swap”) to exchange variable rate interest payments for a 3.38% fixed rate payment commencing with the effective date of December 31, 2011. The 2011 Swap provided for quarterly reductions in notional value until its termination on December 31, 2012. The 2011 Swap was intended to effectively cap the variable interest LIBOR on certain of the Company’s long-term debt at a fixed rate minimizing the Company’s exposure to increasing interest rates. The 2011 Swap had a negative fair value of \$0 as of December 31, 2012. The 2011 Swap expired and was settled in

[Table of Contents](#)

2012 for approximately \$722,000. The 2011 Swap did not qualify for hedge accounting and, as a result, the Company recognized the change in fair value of the swap of \$51,535 as other expense in the accompanying consolidated statements of operations for the year ended December 31, 2012.

In July 2011, the Company entered into an interest-rate cap agreement (the "2011 Cap") which caps the interest rate the Company would have to pay on a portion of its senior debt for a three year period. As of December 31, 2013, the 2011 Cap had an outstanding notional amount of \$115,000,000. The 2011 Cap provided for a maximum six month LIBOR of 3.0% for the 12 months ended July 29, 2012, 4.0% for the 12 months ended July 29, 2013 and 5.0% for the 12 months ended July 29, 2014. The notional amount did not change through the July 29, 2014 termination date. The 2011 Cap was intended to effectively cap the variable interest LIBOR on the notional amount at a fixed rate minimizing the Company's exposure to increasing interest rates. The 2011 Cap had a fair value of \$67 and \$101 as of December 31, 2013 and 2012, respectively, which was recorded in the accompanying consolidated balance sheets. The 2011 Cap did not qualify for hedge accounting and as a result the Company recognized the change in fair value of this cap of \$34 and \$30,164 as other expense in the accompanying consolidated statement of operations for the year ended December 31, 2013 and 2012, respectively.

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 December 31, 2014, the Company was in compliance with its covenants contained in the credit agreement. As of December 31, 2014, the Company and its subsidiaries had notes payable to financial institutions of \$31.6 million.

Letters of Credit

At December 31, 2013, the Company had outstanding letters of credit issued to two of its optical products buying group vendors in the amounts of approximately \$0.6 million and \$0.2 million that expired on April 30, 2014. During 2014, the approximately \$0.6 million letter of credit was increased to approximately \$0.7 million. 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 \$0.1 million 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 approximately \$0.8 million.

Capital Lease Obligations

The Company is liable to various vendors for several equipment leases. The carrying value of the leased assets was \$13.3 million and \$5.1 million as of December 31, 2014 and December 31, 2013, respectively.

Summary

The Company believes it has sufficient liquidity in the next 12 to 18 months as described above. Nevertheless, the Company continues to monitor the state of the financial and credit markets and our current and expected liquidity and capital resource needs, and intends 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 the Company's outstanding securities, given their secondary market trading prices. We have the ability to use undrawn availability under our Revolver and may from time to time do so. We intend to use the net proceeds from this offering to repay a portion of the borrowings outstanding under our Second Lien Term Loan and to pay fees and expenses associated with this

[Table of Contents](#)

offering. The Company cannot assure you, if it pursues any of these transactions, that it will be successful in completing a transaction on attractive terms, or at all.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations by period as of December 31, 2014 (in thousands):

| | <u>Total</u> | <u>2015</u> | <u>Payments Due by Period</u> | | |
|--|---------------------|-------------------|-------------------------------|--------------------|---------------------|
| | | | <u>2016 - 2017</u> | <u>2018 - 2019</u> | <u>Thereafter</u> |
| Long-term debt, including current maturities | \$ 1,392,601 | \$ 18,083 | \$ 35,024 | \$ 22,821 | \$ 1,316,673 |
| Cash interest obligations | 558,935 | 89,941 | 177,245 | 173,652 | 118,097 |
| Capital lease obligations | 10,755 | 4,005 | 5,017 | 1,419 | 314 |
| Operating lease obligations | 216,038 | 34,399 | 57,149 | 43,032 | 81,458 |
| Other financing obligations ⁽¹⁾ | 106,287 | 6,271 | 13,103 | 13,887 | 73,026 |
| Total contractual obligations | <u>\$ 2,284,616</u> | <u>\$ 152,699</u> | <u>\$ 287,538</u> | <u>\$ 254,811</u> | <u>\$ 1,589,568</u> |

(1) Other financing obligations include a payable to the hospital facility lessor at our surgical hospital located in Idaho Falls, Idaho relating to the land, building and improvements at this facility and a radiation oncology building at this facility.

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. Based upon our indebtedness at December 31, 2014, a 100 basis point interest rate change would impact our net earnings and cash flow by approximately \$13.2 million annually. 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.

On November 3, 2014, in connection with the consummation of the Symbion acquisition, the Company assumed approximately \$440.0 million of outstanding indebtedness of Symbion and unpaid interest. Simultaneously, the Company paid off all of the \$522.1 million outstanding under its 2013 First Lien Credit Agreement, 2013 Second Lien Credit Agreement and 2013 Revolver Agreement dated April 11, 2013, including accrued interest. The Company recognized a loss of approximately \$23.4 million related to the extinguishment of these debt instruments.

On November 3, 2014, in connection with the consummation of the Symbion acquisition, the Company entered into the Term Loans and Revolving Facility. As a result of these financing transactions, our interest expense, average interest rates, debt maturities, and outstanding debt balances at December 31, 2014 increased as compared to December 31, 2013.

The table below provides information as of December 31, 2014 about our long-term debt obligations based on maturity dates that are sensitive to changes in interest rates, including principal cash flows and related weighted average interest rates by expected maturity dates (in thousands, except percentage data):

| | <u>Years Ended December 31,</u> | | | | | | | <u>Fair Value at December 31, 2014</u> |
|---------------|---------------------------------|-------------|-------------|-------------|-------------|-------------------|--------------|--|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>Thereafter</u> | <u>Total</u> | |
| Fixed rate | \$13,387 | 13,625 | 9,013 | 3,725 | 963 | 487 | 41,205 | 41,205 |
| Variable rate | \$ 8,700 | 8,700 | 8,700 | 10,850 | 8,700 | 1,316,500 | 1,362,150 | 1,273,741 |

[Table of Contents](#)

Our average interest rates, debt maturities and outstanding balances at December 31, 2014 increased from December 31, 2013 due to the financing to complete the acquisition of Symbion. We entered into new Term Loans and Revolving Facility, which includes the First Lien Term Loan, the Second Lien Term Loan and the Revolver.

Inflation

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

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update, or ASU, 2014-08, which changes the requirements for reporting discontinued operations. A discontinued operation continues to include a component of an entity or a group of components of an entity, or a business activity. However, in a shift reflecting stakeholder concerns that too many disposals of small groups of assets that are recurring in nature qualified for reporting as discontinued operations, a disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. A business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale will still be a discontinued operation. Additional disclosures will be required for significant components of the entity that are disposed of or are held for sale but do not qualify as discontinued operations. This ASU is effective for fiscal years beginning after December 15, 2014 and is to be applied on a prospective basis for disposals or components initially classified as held for sale after that date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. We have elected to adopt this ASU as of January 1, 2014.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, 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 is effective for fiscal years beginning after December 15, 2016. Early adoption is not permitted. We will adopt this ASU on January 1, 2017 and are currently evaluating our plan for adoption and the impact on our revenue recognition policies, procedures and control framework and the resulting impact on our consolidated financial position, results of operations and cash flows.

BUSINESS

Overview

We are a leading healthcare services company with a differentiated outpatient delivery model focused on providing high quality, cost effective solutions for surgical and related ancillary care in support of our patients and physicians. Founded in 2004, we are now one of the largest and fastest growing surgical services businesses in the country. As of March 31, 2015, we owned or operated, primarily in partnership with physicians, a portfolio of 102 surgical facilities comprised of 96 ambulatory surgery centers (“ASCs” or “surgery centers”) and six surgical hospitals (“surgical hospitals,” and together with ASCs referred to as “surgical facilities” or “facilities”) across 29 states. On a pro forma basis, in 2014, over 4,000 physicians provided services to over 500,000 patients in our facilities, and as of March 31, 2015, approximately 70% of these facilities were multi-specialty focused. Our innovative strategy provides a suite of targeted and complementary ancillary services in support of our patients and physicians. Our suite of ancillary services is comprised of a diagnostic laboratory, multi-specialty physician practices, urgent care facilities, anesthesia services, optical services and specialty pharmacy services (our “Ancillary Services”). We believe this approach improves the quality of care provided to our patients, results in superior clinical outcomes and allows us to realize the revenue associated with these Ancillary Services that are otherwise outsourced to unrelated third-party providers.

Driven by an experienced and innovative management team, the implementation of our differentiated strategy resulted in industry leading same-facility revenue growth of approximately 9% during 2014, and an average of approximately 8% annually on a pro forma basis from 2012 to 2014. Our transformational acquisition of Symbion in November of 2014, a private owner and operator of 55 surgical facilities at the time of the acquisition, has further diversified our geographic footprint, surgical specialty mix and ancillary network, while significantly enhancing our scale and providing significant cost and revenue synergy opportunities that we believe we are positioned to achieve over the next two to three years. To that end, we have been actively executing our integration plan to realize these synergies, which include 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 the Symbion portfolio. Without giving effect to the Symbion acquisition, we would have derived approximately 27% of our 2014 revenue from our Ancillary Services. On a pro forma basis, approximately 10% of our revenue for that same period was derived from these same services, a percentage that we will focus on increasing as we continue to deploy our Ancillary Services offerings.

Our patient- and physician-centric culture, our commitment to high quality care, our differentiated approach to physician engagement and our suite of complementary Ancillary Services have been instrumental to our growth. These areas of focus, along with investments in systems and processes, strategic acquisitions and favorable industry trends, have all contributed to our industry leading track record of growth.

Our pro forma revenue for 2014 was \$871.2 million, which represents a compound annual growth rate (“CAGR”) of approximately 83% compared to revenue of \$260.2 million for the year ended December 31, 2012. For the three months ended March 31, 2015, our revenue was \$224.1 million, compared to revenue of \$70.5 million for the same period during 2014. In 2014, on a pro forma basis, we experienced a net loss of \$8.6 million as compared to net income of \$1.9 million for the year ended December 31, 2012. For the three months ended March 31, 2015, we experienced a net loss of \$6.8 million as compared to \$4.1 million for the same period during 2014. Our Adjusted EBITDA was \$153.3 million for 2014 on a pro forma basis, representing an approximate 74% CAGR when compared to Adjusted EBITDA of \$51.0 million for the year ended December 31, 2012. For the three months ended March 31, 2015, our Adjusted EBITDA was \$36.0 million as compared to Adjusted EBITDA of \$13.5 million for the same period during 2014. For a definition of EBITDA, Adjusted EBITDA, pro forma EBITDA and pro forma Adjusted EBITDA and a reconciliation of Adjusted EBITDA and pro forma Adjusted EBITDA to net income (loss) and pro forma net income (loss), respectively, see the section entitled “Prospectus Summary—Summary Consolidated Historical and Pro Forma Condensed Combined Financial and Other Data.”

Our Differentiated Business Strategy and Powerful Value Proposition

Our portfolio of outpatient surgical facilities is complemented by our suite of Ancillary Services, which support our physicians in providing high quality and cost-efficient patient care. Our differentiated business strategy provides meaningful value to patients, physicians and payors, and enables us to capitalize on recent trends in the healthcare industry. As a result, we believe we are positioned for continued growth.

As of March 31, 2015, we owned or operated 102 surgical facilities primarily in partnership with physicians and, on a select basis, physicians and health systems. We operate both multi-specialty and single-specialty facilities and provide care across a variety of specialties, including ENT, GI, general surgery, ophthalmology, orthopedics and pain management. Many of our surgical patients require additional complementary healthcare services, and our suite of Ancillary Services aims to address the needs of patients and physicians through the provision of these services in a high quality, cost effective manner. We have been rapidly implementing this approach across our platform while expanding the scope of our offerings to further support our patients and physicians. We believe this strategy provides numerous benefits to patients and physicians as it improves our coordination of the various services they require, and enhances the quality of our patients' clinical outcomes as well as their overall experience.

Our flexible facility ownership model further supports our strategy and growth objectives. As of March 31, 2015, we primarily held majority ownership positions in our surgical facilities and the majority of our surgical facilities were owned in partnership with physicians. In select cases, we enter into three-way joint venture partnerships with physicians and leading in-market health systems. As of March 31, 2015, we had such relationships with nine health systems relating to 13 ASCs. Our flexible ownership model:

- facilitates successful implementation of our differentiated business strategy;
- provides us financial control as well as geographic and operational flexibility;
- drives economic alignment with physician partners to enhance operational efficiency;
- contributes to high levels of physician satisfaction and successful recruitment and retention efforts;
- provides us control to selectively implement operational and strategic changes to enhance site performance, such as expanding service offerings and recruiting new physicians; and
- allows us to best position our facilities against evolving market-specific dynamics.

We believe that our differentiated business strategy and our flexible ownership model ultimately benefit our patients, physicians and payors.

Patients: Our approach delivers superior clinical outcomes for patients in a more convenient, comfortable and cost-efficient setting. According to internal surveys conducted in 2014 and distributed to approximately 192,000 of our patients, we had an approximately 94% patient satisfaction rate among the approximately 61,000 respondents. We believe our higher patient satisfaction rate is a direct result of our patient-centric approach and our focus on quality. On average, our facilities exceeded industry averages for each of CMS' 2014 Ambulatory Surgical Center Quality Reporting (ASCQR) program's five key core ASC quality measures. Patients benefit from our intense focus on their care and our ability to conveniently and cost-effectively provide targeted Ancillary Services. We believe that patients realize cost savings when undergoing surgery in one of our ASCs as compared to an HOPD. Based on Medicare fee schedules, it is estimated that the costs associated with the facility for surgeries performed at an ASC cost patients, in the aggregate, approximately 45% less as compared to having the same procedures performed in an HOPD. According to the Office of Inspector General, this translates into potential savings of approximately \$3 billion to Medicare beneficiaries between 2012 through 2017.

[Table of Contents](#)

Physicians: Physicians choose us because of our flexible approach to physician engagement, our patient- and physician-centric culture, our convenient and efficient facilities, and our differentiated outpatient delivery model that enhances the coordination of services to improve quality and outcomes. We engage with physicians pursuant to three primary arrangements to best suit their needs and the needs of the communities we serve. These include (i) partnering with physicians in the ownership of our surgical facilities, (ii) directly employing physicians, and (iii) allowing physicians to utilize our facilities to perform procedures. Our physician-centric focus and our sophisticated administrative and clinical infrastructure improve productivity and reduce administrative burdens, allowing physicians to focus their time on delivering superior patient care. These attributes have been important contributors to our approximately 96% physician retention rate from 2009 through 2014.

Payors: Payors, employers and other health plan sponsors rely on our platform for the provision of high quality care at a significantly lower cost compared to an HOPD. For outpatient procedures commonly performed in both HOPDs and ASCs, the cost benefits to Medicare of having such procedures performed in an ASC such as ours instead of in an HOPD was identified by the Office of Inspector General as an opportunity to potentially save Medicare approximately \$12 billion from calendar year 2012 through calendar year 2017. Commercial payors can also expect to save approximately 45% on their reimbursement obligation with respect to the costs associated with the facility for procedures at an ASC as compared to an HOPD, since reimbursement rates are generally derived from Medicare rates.

Incorporating our Ancillary Services strategy with our broader surgical facilities platform has been a primary focus for us since early 2011. The 15 ASCs in which we have incorporated multiple Ancillary Services have experienced, from 2011 to 2014, an operating income CAGR of approximately 20% and an improvement in operating income margin of approximately 10%. We see significant opportunity to continue to further deploy this strategy throughout our portfolio to continue to drive our Company's growth.

We have also succeeded in deploying our strategy into acquired facilities. For example, over the course of four years following the acquisition of one of our surgical hospitals, capacity was expanded via the addition of multiple operating rooms, a state of the art radiation oncology center, several oncology practices, multiple urgent care facilities and several high volume physicians. These initiatives drove approximately 40% growth in this surgical hospital's net income from 2011 through 2014.

We see significant opportunity to further deploy this strategy throughout our portfolio, and in particular across the legacy Symbion facilities, to continue to drive our Company's growth.

Our Innovative Approach Differentiates Us from Competitors

Based on our innovative approach, we believe we are well positioned as a surgical services platform of choice for patients, physicians and payors. Our focus on providing care, complemented by our targeted suite of Ancillary Services is a key differentiating factor of our strategy. We believe this approach drives physician engagement, better coordination of care, continuous clinical and administrative improvement and enhanced efficiency, all while reducing costs. We believe the following are key differentiators of our platform:

- One of the Nation's Largest and Fastest Growing Surgical Services Platforms with a Highly Favorable Business and Surgical Specialty Mix
- Complementary Suite of Rapidly Growing Ancillary Services Targeted to Meet the Needs of Patients and Physicians in Existing and New Markets
- Differentiated Operating Model with Suite of Ancillary Services Offerings, which Creates a Significant Value Proposition for Patients and Physicians and Drives Robust Organic Growth
- Proven Track Record of Delivering Synergies and Creating Value from Transformational and Independent Surgical Facility Acquisitions

[Table of Contents](#)

- Experienced and Innovative Management Team that has Successfully Driven Industry Leading Growth

One of the Nation’s Largest and Fastest Growing Surgical Services Platforms with a Highly Favorable Business and Surgical Specialty Mix

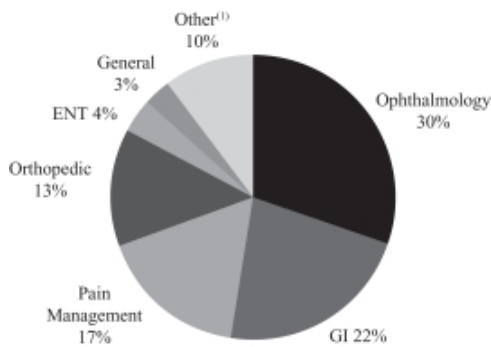
Our surgical services platform is among the largest in the country and is growing its revenue faster than any of its competitors. Founded with a single facility in Florida in 2004, we have since expanded our footprint nationally, establishing a high growth, diversified platform across 29 states. As of March 31, 2015, our multi-specialty and single-specialty surgical facilities portfolio was comprised of 96 ASCs and six surgical hospitals primarily owned in partnership with physicians. On a pro forma basis, approximately 4,000 physicians provided services to over 500,000 patients in our surgical facilities during 2014. We complement our portfolio of surgical facilities with our suite of Ancillary Services. We experienced approximately 9% same-facility revenue growth during 2014 and have averaged approximately 8% annual same-facility revenue growth on a pro forma basis from 2012 to 2014.

We have a strong presence in growing markets, such as Florida and Texas, where demographic trends are expected to lead to increased demand for outpatient surgical services. According to the U.S. Census Bureau, our markets possess several favorable qualities as compared to national averages. The majority of our markets have a higher concentration of senior populations, a higher median household income than the national average and a lower unemployment rate. For example, as of 2012, the median household income of our markets exceeded the overall national average by approximately 10%.

Our diversified business and surgical specialty mixes provide several advantages, including: (i) driving increased stable and predictable revenue, (ii) providing multiple levers to grow volume and increase profitability, (iii) allowing flexibility to enter primary and secondary markets, (iv) generating strong free cash flow conversion and (v) broadening the pool of surgical specialists from which we recruit.

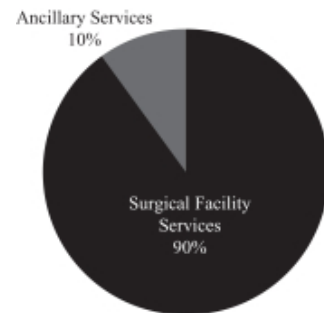
We believe that our scale and diversification, physician engagement and retention strategy, and reputation for high quality care are important differentiators for us relative to our competition.

Surgical Case Mix: Pro Forma for Year-Ended December 31, 2014



(1) Other is comprised of cardiology, obstetrics/gynecology, plastic surgery, podiatry, neurology and urology.

Revenue Mix: Pro Forma for Year-Ended December 31, 2014(2)



(2) For segment reporting purposes, revenue from anesthesia services is included within our Surgical Facility Services Segment. Our 2014 pro forma revenue for segment reporting purposes is as follows: Surgical Facility Services Segment: 92%; Ancillary Services: 6%; Optical Services: 2%.

Surgical Case Mix

Our revenue and cash flows benefit from an attractive and diversified surgical specialty mix across our platform. While single-specialty facilities are valuable parts of our portfolio, as of March 31, 2015, over 70% of our surgical facilities had a multi-specialty focus. This diversification of our surgical case mix enhances the stability of our revenue base and creates opportunities to respond to changes in market dynamics through a variety of operational strategies including modifications to staffing, scheduling and physician recruiting. With expertise across a broad range of specialties including ENT, GI, general surgery, ophthalmology, orthopedic and pain management, we are able to recruit from a broader base of physicians and add additional specialties into existing facilities as opportunities arise.

Revenue Mix

We are diversified by business line, including ASCs, surgical hospitals and Ancillary Services. Without giving effect to the Symbion acquisition, we would have derived approximately 27% of our 2014 revenue from our Ancillary Services. On a pro forma basis, 10% of our revenue for that same period was derived from these same services, a percentage that we will focus on increasing as we continue to deploy our Ancillary Services offerings to our patients and physicians across our portfolio of facilities. We see a significant opportunity to increase this percentage by providing our broad Ancillary Services offerings to legacy Symbion physicians and accelerating the incorporation of multiple Ancillary Services throughout the rest of our network.

The addition of six surgical hospitals as part of the Symbion acquisition further diversifies our revenue mix. Notably, these surgical hospitals, which accounted for approximately 35% of our 2014 revenue on a pro forma basis, also provide Ancillary Services which are reported in our Surgical Facility Services Segment. These facilities represent attractive opportunities to implement our proven strategy of building market presence via enhanced physician recruitment and the introduction of complementary Ancillary Services.

Complementary Suite of Rapidly Growing Ancillary Services Targeted to Meet the Needs of Patients and Physicians in Existing and New Markets

A differentiated aspect of our growth model is our offering of targeted Ancillary Services to support our patients and physicians. These services have historically been outsourced to unrelated third-party providers; however, through our model, we are able to provide these services “in-house” and retain the associated revenue. Our suite of Ancillary Services presents significant growth opportunities for our Company and are not additive to the cost of care for patients and payors as these services would otherwise be provided by unrelated third-party providers. The revenue and profit associated with this service line is fully retained by our Company. We believe our Ancillary Services better support our physicians by providing control over the quality of these services and less variation in clinical outcomes.

The 15 ASCs in our portfolio where we have incorporated multiple Ancillary Services demonstrate the successful execution of our Ancillary Services strategy. In these surgical facilities, we have experienced, from 2011 to 2014, an operating income CAGR of approximately 20% and an improvement in operating income margin of approximately 10%. We plan to continue the deployment of our Ancillary Services across the rest of our platform, which we believe will be an important driver of our future growth.

Differentiated Operating Model with Suite of Ancillary Services Offerings, which Creates a Significant Value Proposition for Patients and Physicians and Drives Robust Organic Growth

We believe our business model provides us with the platform to drive significant growth through multiple channels:

Physician Recruitment, Engagement and Retention

Our patient- and physician-centric approach serves as the foundation of our Company, and we believe it is an important reason physicians choose to align with us. Retaining and increasing the number of physicians performing surgical procedures at our facilities are important components of our ability to grow revenue at our surgical facilities. As such, excellent physician relationships are a key driver of our success and contribute significantly to our strong operating and financial performance.

Over 4,000 physicians performed procedures in our facilities in 2014 on a pro forma basis. We have a tailored physician model that provides flexibility in how we engage and build relationships with our physicians to suit their needs and preferences. We believe this model has contributed to our outstanding track record of recruiting and retaining physicians. The over 4,000 physicians who performed procedures in our facilities in 2014 (on a pro forma basis) fall into one or two of the following categories:

Partnered Physicians: Our physician partners hold ownership positions in our joint venture surgical facilities and receive a pro-rata share of cash flow generated from those facilities based on their ownership interest. The joint venture facility operates as an extension of our partnered physicians' practices and as a result of their ownership, partnered physicians have aligned incentives to operate within our facilities and improve efficiencies while providing high quality care. We believe that our partnership model aligns incentives to help us and our partners deliver outstanding patient care, achieve improved long-term performance, and drive same-facility growth.

Employed Physicians: Through our 30 owned or operated physician practices as of March 31, 2015, we employed over 100 physicians across multiple surgical specialties, including ENT, GI, general surgery, ophthalmology, orthopedics and pain management. By proactively identifying community needs and selectively hiring physician specialists to practice at specific facilities, our employed physician engagement strategy provides us with a distinct opportunity to improve surgical case mix and case volume within our surgical facility network. We have a demonstrated track record of strategically acquiring physician practices and recruiting physicians to start new wholly owned practices for this purpose.

Affiliated Physicians: Similar to employed and partnered physicians, affiliated physicians who utilize our facilities enjoy numerous benefits over alternative sites of care including quality clinical support staff, enhanced scheduling and procedure efficiency, convenience for themselves and their patients, as well as the efficiency our sophisticated administrative infrastructure provides.

In addition to our flexible model, we believe the benefits of our physician-centric focus and culture of support are evidenced by our outstanding track record of recruiting high quality physicians and our approximately 96% physician partner retention rate from 2009 to 2014. We have implemented this patient- and physician-centric culture across our portfolio, including the legacy NovaMed facilities, and are in the process of integrating this culture across the Symbion platform. In addition to driving high quality patient care, we believe our approach best enables us to effectively and efficiently utilize the capacity in our facilities.

Flexibility to Expand in Existing Markets and Enter New Markets

Our flexible ownership structure, combined with our expertise operating multi-specialty surgical facilities, enables us to tailor our surgical specialty offerings based on market demand. We strive to maximize

efficiency and are positioned to leverage excess capacity in certain of our facilities to drive incremental growth. When mutually beneficial, we enter into joint ventures with physicians and health systems. As of March 31, 2015, we had nine of these relationships in place which represent 13 facilities, and our model has the flexibility to allow us to selectively continue this strategy.

Successful Continued Deployment of Ancillary Services in Existing and New Markets

We have the opportunity to leverage our Ancillary Services to drive growth through multiple channels, including expanding our offerings to currently unaffiliated physicians in existing and new markets as well as further penetrating our existing and newly acquired facilities. Our recent acquisition of Symbion provides us with a significant opportunity to accelerate the growth of our Ancillary Services by offering these services to legacy Symbion physicians. To illustrate the magnitude of this specific opportunity, without giving effect to the Symbion acquisition, while only 15 out of our 47 ASCs provided more than one Ancillary Service, revenue from our Ancillary Services would have accounted for 27% of our revenue for the year ended December 31, 2014. On a pro forma basis, these same services accounted for only approximately 10% of our 2014 revenue, a percentage we will focus on increasing as we continue to execute our growth strategy. Additionally, we intend to continue to broaden our suite of Ancillary Services, enhancing the services we can offer to our patients and physicians.

Operating Leverage from Scalability of the Current Platform

Our national presence and large scale afford us significant operating leverage as our business continues to grow. As our platform expands, we will continue to leverage our centralized corporate infrastructure, including essential functions such as accounting, finance, billing, credentialing, regulatory compliance and legal, to drive operational efficiencies and enhance our financial performance. We also have the opportunity to benefit from operating leverage and scale at the facility level as we increase utilization. Our ability to deliver superior quality of care in the most cost efficient manner attracts physicians and patients while also benefiting our relationships with payors, all of which enhance utilization and drive growth at our facilities.

Our growth has been achieved in a capital-efficient manner. Our suite of targeted Ancillary Services is highly scalable with minimal need for incremental capital investment. Core operations for our key Ancillary Services are centralized, which limits operating costs and overhead redundancies. We have been able to deliver an average annual same-facility revenue growth of 8% from 2012 to 2014 (on a pro forma basis), while maintenance capital expenditures have averaged less than 3% of our annual revenue over the same period.

Proven Track Record of Delivering Synergies and Creating Value from Transformational and Independent Surgical Facility Acquisitions

We have a consistent track record of creating value through acquisitions. During 2011, our acquisition of NovaMed and its 37 facilities expanded our geographic footprint and further diversified our surgical specialty and payor mix. We instilled our patient- and physician-centric culture and approach to operations, and increased efficiencies across this platform. Consequently, we were able to exceed our initial synergy projections. Within 15 months of the acquisition, we had fully integrated the acquired company and realized synergies by eliminating \$5.2 million of expenses and generating \$9.3 million of incremental revenue, representing 5% and 6%, of NovaMed's pre-acquisition operating expenses and revenue, respectively. We believe our transformational acquisition of Symbion not only further diversified our geographic footprint, business and surgical specialty mix, but also potentially provides even greater synergy opportunities than realized through the NovaMed acquisition. We believe that over the next two to three years we are positioned to achieve significant cost and revenue synergies in connection with our acquisition of Symbion. Approximately \$9 million of these synergies are reflected in our pro forma Adjusted EBITDA for 2014 presented in the section entitled "Prospectus Summary—Summary Consolidated Historical and Pro Forma Condensed Combined Financial and Other Data" included in this prospectus. Incremental synergies are expected to include cost savings from reductions in corporate overhead, supply chain rationalization, enhanced physician engagement, improved payor contracting, and

[Table of Contents](#)

revenue synergies associated with rolling out our suite of Ancillary Services throughout our portfolio. We are currently executing on our integration plans relative to the Symbion acquisition and have achieved meaningful cost synergies to date.

In addition, we have also completed other independent surgical facility acquisitions (also referred to as “tuck-in” acquisitions) and have achieved consistent value creation through these acquisitions. Our surgical facility acquisitions have largely been completed at effective multiples we believe to be accretive and attractive, in part due to our systematic approach to acquisitions from identification through integration. Our integration strategy typically includes the rationalization of operating and overhead costs, improvement in managed care contracting, continued physician recruitment and the target utilization of our Ancillary Services platform within our platform. We have a robust pipeline of additional tuck-in acquisitions and, with the top ten providers in the industry operating less than 20% of the 5,400 Medicare-certified ASCs in the United States, we believe there is significant opportunity to continue our strategy of consolidating the highly fragmented surgical facility industry.

Experienced and Innovative Management Team that has Successfully Driven Industry Leading Growth

Our Company is led by an exceptional management team with strong operational capabilities and an ability to deliver industry leading growth and margins, while executing accretive tuck-ins as well as large-scale transformational acquisitions. We are led by Michael Doyle, our Chief Executive Officer and Director, and Teresa Sparks, our Executive Vice President and Chief Financial Officer, who together have over 40 years of combined experience in the healthcare industry. Mr. Doyle started as our President and Chief Operating Officer in 2004 before being appointed CEO in 2009. Mr. Doyle was instrumental in leading the successful acquisition and integration of NovaMed in 2011, as well as the acquisition of Symbion in 2014. He brings to the position both clinical experience and an extensive healthcare management background. Teresa Sparks joined our Company through the acquisition of Symbion, where she was Chief Financial Officer since 2007. Through the combined work of Mr. Doyle, Ms. Sparks and our entire team, meaningful cost synergies on our combined platform have been achieved to date. The team’s deep operational and acquisition integration experience, combined with our model and our platform’s sophisticated infrastructure, position us well to execute on our ongoing integration and growth strategies.

Our Growth Strategies

Our differentiated operating model employs a multifaceted strategy to grow revenue, earnings and cash flow. We believe the following are key components to this strategy:

- Deliver Outstanding Patient Care and Clinical Outcomes
- Expand Ancillary Services Across Our National Platform
- Continue to Execute and Expand Upon our Physician Engagement Strategy in Attractive Markets
- Drive Organic Growth at Existing Facilities through Targeted Physician Recruitment, Service Line Expansion and Implementing our Efficient Operating Model
- Continue our Disciplined Acquisition Strategy
- Introduce New Service Offerings to Provide a More Comprehensive Continuum of Care

Deliver Outstanding Patient Care and Clinical Outcomes

Rising consumerism in healthcare services, along with greater transparency in outcomes data, is expected to empower patients to make more informed healthcare decisions. We expect this trend will significantly benefit overall outpatient surgical facility case volume due to the clinical and cost benefits that

[Table of Contents](#)

surgical facilities offer relative to alternative sites of care such as outpatient departments of acute care hospitals. Our culture of delivering high quality care and achieving superior levels of patient and physician satisfaction are keys to success and integral to our ability to continue to be a preferred site of care for surgical and related Ancillary Services. For example, on average, our facilities exceeded industry averages for each of CMS' 2014 ASCQR Program's five key core ASC quality measures. We believe the industry wide implementation of CMS' ASCQR Program will further differentiate our facilities as high quality locations based on the strength of our performance across the key quality measure providing an additional opportunity to capture market share.

We have established a dedicated clinical team of experienced professionals focused on ensuring that the highest level of quality is targeted throughout our platform. This team is responsible for maintaining best practices across our platform. They lead numerous quality initiatives such as inspection readiness, policies and procedures, compliance and clinical training. Our proprietary quality reporting system generates detailed case-level analytics that we use to measure our clinical results on a physician-by-physician basis against a robust set of quality metrics, providing opportunities to quickly and effectively identify areas for improvement, implement initiatives and track progress. Additionally, our complementary Ancillary Services strategy allows us to provide greater coordination over the provision of these services.

Expand Ancillary Services Across Our National Platform

Our differentiated business strategy and established infrastructure allow us to retain Ancillary Service revenue that is otherwise outsourced to unrelated third-party providers. We have a successful track record of executing on our strategy of incorporating Ancillary Services throughout our surgical facilities portfolio, which has been a key contributor to our strong same-facility revenue growth of approximately 9% in 2014 and annual average of approximately 8% from 2012 to 2014, in each case on a pro forma basis. As an example, over the course of four years following the acquisition of one of our other surgical hospitals, capacity was expanded via the addition of multiple operating rooms, a state of the art radiation oncology center, several oncology practices, multiple urgent care facilities and several high volume physicians. These operational improvements drove approximately 40% growth in this surgical hospital's net income from 2011 through 2014.

While many of our Ancillary Service lines have been established and growing for a number of years, we see significant growth opportunities from further penetration of these services across our national portfolio. We expect the introduction of more recently added service offerings will further benefit our overall growth profile as these services are rolled out to our employed and partnered physicians. Additionally, the recently acquired Symbion portfolio represents a large untapped opportunity with the addition of 55 facilities and network of approximately 700 physician partners.

In addition to deploying our Ancillary Service offerings through our employed and partnered physicians, we believe a substantial opportunity exists to market many of these services to the approximately 800,000 practicing physicians in the U.S. not currently affiliated with our Company. For instance, we believe there are approximately 7,000 pain management physicians, not currently affiliated with us, who could benefit from our diagnostics laboratory services. Even a small penetration into this population of non-affiliated pain management physicians could materially enhance our growth and earnings.

Continue to Execute and Expand Upon our Physician Engagement Strategy in Attractive Markets

In addition to our network of over 4,000 physicians who provided services to patients in our facilities in 2014 (on a pro forma basis), we have a successful track record of owning and operating physician groups dating back to our inception. We believe our flexible approach to physician engagement, including employing, partnering and affiliating with physicians, best allows us to drive high quality patient care, efficiently utilize the capacity in our facilities, implement our complementary Ancillary Services strategy and drive organic growth. Through our recruiting efforts and capital-efficient acquisitions, as of March 31, 2015, we had 30 owned or

[Table of Contents](#)

operated physician practices comprised of over 100 physicians across multiple surgical specialties (including ENT, GI, general surgery, ophthalmology, orthopedics and pain management) complementing our surgical facilities. Our infrastructure, including scheduling, billing and collections, regulatory compliance, staffing and analytics, among other services, facilitates significant improvement in efficiency and performance of our practices. In building our existing platform of 30 owned or operated physician practices, we have a demonstrated track record of delivering on our value proposition to physicians, executing on our strategy of growing practice profitability and creating value for our Company.

Our physician engagement strategy also benefits our existing physician partners. We focus on strategically recruiting physicians and acquiring high quality physician practices complementary to our existing surgical facilities to better utilize the capacity in our facilities. We believe our ability to implement this strategy improves our relationships with our physician partners and is a powerful differentiator for our platform.

We also believe there is significant opportunity to accelerate our physician engagement strategy. Based on a national survey of over 5,000 physicians in 2014, we estimate approximately 25% of the approximately 300,000 independent practicing physicians in the U.S. are considering selling their practice, resulting in a meaningful pipeline of physician practice targets to affiliate with or acquire. We believe there is significant opportunity to continue to add practices across multiple specialties in our existing markets to support our surgical facilities, and believe there will be additional opportunities as we look to expand our presence in new markets.

Drive Organic Growth at Existing Facilities through Targeted Physician Recruitment, Service Line Expansion and Implementing our Efficient Operating Model

We have achieved industry leading organic growth through our differentiated operating strategy. We work closely with our physicians to achieve greater efficiency through optimal scheduling and facility utilization, reduction in administrative costs, and better procurement and management of supply utilization. As a complement to our initiatives to drive organic growth, we have executed and will continue to execute on select, strategic service line expansion opportunities to capture and address patient needs in our markets, exemplified by our successful introduction of orthopedic and spine services in legacy NovaMed facilities.

Our acquisition of Symbion significantly enhanced our scale and provides us with significant cost and revenue synergy opportunities that we believe we are positioned to achieve over the next two to three years. The ongoing integration of the legacy Symbion operations also provides the opportunity to benefit from incremental synergies, including 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 the Symbion portfolio.

Continue our Disciplined Acquisition Strategy

We have historically pursued, and successfully executed, a disciplined acquisition strategy to diversify our geographic footprint and revenue mix, while driving greater scale. Our scale has, in part, enabled our significant investment in resources and infrastructure to drive growth, improve quality and enhance efficiencies. Acquiring facilities has been a core component of our strategy since inception. We have a long track record of meticulously and methodically identifying, evaluating, executing and integrating accretive and value enhancing acquisitions. Through these acquisitions, we have achieved meaningful cost and revenue synergies, enhancing the value of our acquired facilities and meaningfully reducing the effective purchase multiple paid. We believe that our recent acquisition of Symbion positions us to achieve significant revenue and cost synergies over the next two to three years.

Surgical Facilities

With the top ten providers in the industry operating less than 20% of the 5,400 Medicare-certified ASCs in the United States, we believe there is a significant opportunity to continue our strategy of consolidating in a

highly fragmented market, thus expanding our footprint. We have a dedicated business development team focused on identifying and managing our pipeline of potential acquisition opportunities that closely coordinates efforts with our dedicated physician recruitment team. We believe our operating strategy is a powerful differentiator when physicians are considering an affiliation with our Company. We plan to continue acquiring facilities in partnership with high quality physicians and physician groups in both current and new markets. The common denominator to an attractive acquisition target is the potential to leverage our infrastructure and expertise to grow case volume, enhance surgical specialty mix and revenue-per-case and improve facility performance. We have a strong track record of successfully integrating acquisitions and achieving meaningful cost and revenue synergies to enhance the value of our acquired facilities and meaningfully reduce the effective purchase multiple paid.

In addition to increasing scale to enhance operating leverage and broadening our footprint to further diversify our geographic presence, facility acquisitions also serve as platforms for entering new markets. Each facility added to our platform establishes multiple physician relationships. These relationships provide opportunities to market our Ancillary Services in a focused manner as well as to supplement the newly acquired facility with new physician practices focused on complementary surgical specialties. Executing on these strategies not only provides opportunities to grow our Company, but also presents the opportunity to materially improve the margins, effective purchase multiple and overall return on investment of facility acquisitions.

Ancillary Services

We also expect to grow our Company by acquiring businesses which provide select Ancillary Services that complement our surgical facilities and support our physicians. Our differentiated and capital-efficient Ancillary Services strategy substantially broadens our pool of potential acquisitions beyond physician and surgical facility opportunities. This broader set of opportunities enables us to be even more selective in our investments and focus our efforts on high quality targets with differentiated value creation potential. Our Ancillary Services strategy also enhances our ability to enter new markets by supplementing typical surgical facility revenue with ancillary revenue otherwise outsourced to unrelated third-party providers. By capturing Ancillary Services revenue in our newly acquired facilities, it also allows us to achieve lower effective purchase multiples. Additionally, our strategy has the potential to facilitate our surgical facility business development effort as we begin marketing Ancillary Service offerings to currently unaffiliated physicians.

We believe our experience executing on a variety of acquisition types enables us to continue the successful employment of our disciplined acquisition strategy and continue to make selective acquisitions to drive growth. Taken together, our differentiated Ancillary Services strategy not only increases our target acquisition opportunity set, but capturing Ancillary Services revenue in our newly acquired facilities allows us to achieve lower effective purchase multiples.

Introduce New Service Offerings to Provide a More Comprehensive Continuum of Care

We are committed to building a differentiated outpatient delivery model to better serve the needs of patients, physicians and payors. In addition to our current suite of services, we see significant opportunity to better position our Company in an evolving healthcare landscape and accelerate growth through the expansion of services supporting our physicians. We believe offering services across the continuum of outpatient care will better position our Company for evolving reimbursement structures, further support our physicians, enhance the quality of care for our patients and drive exceptional organic growth. In addition to new revenue generated from procedures in our facilities, we also believe certain service offerings could broaden the types of procedures we can offer in our surgical facilities. For instance, providing patients with rehabilitation and physical therapy services would allow our ASCs to offer more complex spine and orthopedic procedures that typically occur in a hospital setting.

Industry Overview

Surgical Facilities

According to CMS, in 2013, the U.S. spent approximately \$2.9 trillion on healthcare expenditures, which is projected to grow approximately 6% annually from 2015 through 2023. For many years, government programs, private insurance companies, managed care organizations and self-insured employers have implemented cost containment measures intended to limit the growth of healthcare expenditures. These cost-containment measures, together with technological advances, have contributed to the significant shift in the delivery of healthcare services away from traditional inpatient hospital settings to more cost effective surgical facilities, including ASCs and surgical hospitals. According to industry sources, in 2014, the United States outpatient surgical center industry has grown into an estimated \$23 billion industry and includes approximately 5,400 Medicare-certified ASCs. ASCs have been viewed as a successful way to increase efficiency by improving the quality of, and access to, healthcare and increasing patient satisfaction, while simultaneously reducing costs. Surgical hospitals are larger than a typical ASC and include inpatient hospital rooms and, in some cases, a limited scope emergency department. The offerings in a surgical hospital also include acute care services, such as diagnostic imaging, pharmacy, laboratory, obstetrics, physical therapy, oncology and wound care. As the focus on containing healthcare expenditure grows in response to the Affordable Care Act, surgical procedures are expected to continue to shift dramatically from inpatient to outpatient settings. We believe we are well positioned to benefit from trends currently affecting the markets in which we compete.

Increasing Demand for Surgical Procedures in Outpatient Settings

According to the American Hospital Association, the percentage share of outpatient surgery has increased from 19% in 1981 to 64% in 2010. This shift has occurred for a variety of reasons, including an increase in the number of procedures that can be performed safely in an outpatient environment, the high quality outcomes at lower cost of the outpatient setting relative to the inpatient setting, patient preference due to increased convenience, physician preference due to increased efficiency, patient and payor preference due to the lower cost setting.

Advancements in Medical Technology

New technologies, faster acting and more effective anesthesia and less invasive surgical techniques have increased the number of procedures that can be performed in an ASC. Lasers, arthroscopy, enhanced endoscopic techniques and fiber optics have reduced the trauma and recovery time for patients. Advances in the use of anesthesia have shortened recovery time by minimizing postoperative side effects such as nausea and drowsiness. Procedures that only a few years ago required major incisions, long-acting anesthetics and extended convalescence can now be performed through closed techniques utilizing short-acting anesthetics and with minimal recovery time. Of these new techniques and technologies, more complex surgical procedures that previously were performed only on an inpatient basis can now be performed in an ASC. Medicare, often the benchmark for other insurance plans, has approved approximately 3,400 procedures to be performed in a surgery center. We believe that ASCs are likely to receive continued regulatory support as more cost effective alternative surgical procedures can be performed in the ASC setting compared to traditional, in-hospital care.

Improved Outcomes and Convenience for Patients at Lower Costs

ASCs provide outstanding patient safety and superior clinical outcomes due to the focus and specialization of a center's professional staff. ASCs have lower rates of inpatient hospital admission, hospital-acquired infections and mortality than hospital outpatient surgery departments. A 2014 study of inpatient hospital admission and mortality following outpatient surgical procedures found the rates of these adverse events were lower in ASCs as compared to hospital outpatient departments. Additionally, the study found that adverse events

[Table of Contents](#)

in ASCs remained lower than hospital outpatient departments even after controlling for factors associated with higher-risk patients. Finally, ASCs often offer patients greater convenience than hospital outpatient departments with more convenient locations and ability to schedule surgery.

Compelling Value Proposition for Physicians

Many physicians prefer surgical facilities over general acute care hospitals because of greater scheduling flexibility, more consistent nurse staffing and faster turnaround times between cases, which allows physicians to increase the number of surgical procedures they can perform in a given period of time. Due to the non-emergency, elective nature of most ASC procedures, physicians' schedules are rarely interrupted, enabling physicians to more efficiently secure preferred blocks of time in the operating room. This is in contrast to acute care hospitals, where medical emergencies often demand the unplanned use of operating rooms and result in the postponement or delay of scheduled surgical procedures, disrupting physicians' practices and inconveniencing patients. Physicians are also increasingly interested in pursuing partnerships with other physicians in order to gain greater stability, access to scaled clinical and operating systems and a pathway to participating in new payment models. These partnerships help relieve physicians of the financial and administrative burdens resulting from uncertainty regarding reimbursement and healthcare legislation. These factors have helped to drive the percentage of surgical procedures performed in an outpatient setting from 19% in 1981 to 64% in 2010. In addition, our in-house Ancillary Services provide support for our surgical specialists who are then relieved from the additional burden of coordinating third-party support services.

Reduced Costs for Payors

There has been an increased focus on controlling the growth of healthcare expenditures and as a result, cost containment measures have contributed to the significant shift in the delivery of healthcare services away from traditional inpatient hospitals to more cost effective alternate sites, including ASCs. Government programs, private insurance companies, managed care organizations and self-insured employers have implemented these cost containment measures to limit increases in healthcare expenditures, including procedure reimbursement. In addition, as patients are facing increased financial responsibility through higher co-pays and deductibles, there is increased consumerism as patients are encouraged to find more cost effective options for their healthcare. Surgery performed at an ASC is generally less expensive than hospital-based outpatient surgery because of lower facility development costs, more efficient staffing and space utilization, a specialized operating environment focused on quality of care and aligned incentives for physicians and ASCs to control costs and improve efficiency. Based on 2014 Medicare fee schedules, a procedure in an ASC costs, on average, approximately 55% of what the same procedure costs when performed in a hospital surgery department, according to the Ambulatory Surgery Center Association. These cost savings will continue to incent constituents across the healthcare continuum to shift the delivery of surgical procedures to ASCs.

Ancillary Services

A broad market of ancillary and related services facilitates operational efficiencies for physicians. In the areas of specialty where our physicians are focused, the associated ancillary services include a diagnostic laboratory, multi-specialty physician practices, urgent care facilities, anesthesia services, optical services and specialty pharmacy services. These industries represent approximately \$127 billion of annual healthcare expenditures and provide a broad opportunity for us to expand our Ancillary Services outreach to support patients and physicians.

Our Operations Overview

General

Our portfolio includes 96 ASCs, 30 physician practices, seven urgent care facilities, six surgical hospitals and other facilities including radiation oncology practices, a diagnostics laboratory and a specialty pharmacy. These facilities are supported by a suite of complementary Ancillary Services.

Our typical ASC is a free-standing facility for lower-acuity, planned, surgical procedures performed on an outpatient basis on patients not requiring hospitalization and for whom an overnight stay is not expected after surgery. Each center typically has one to four operating or procedure rooms with areas for reception, pre-operative care, recovery and administration. The average facility size is 8,000 to 12,000 square feet. Centers are specifically tailored to meet the needs of physician-partners and their specialties. Of our 96 ASCs, 93 utilize leased real property, and of such 93, a total of 19 leases are set to expire during the next three years. We expect to be able to renew or replace a substantial majority of these leases on substantially similar terms. Our typical leases are 10 years, with two five-year renewal options. The staff of our ASCs generally includes a center administrator, registered nurses, operating room technicians, as well as other administrative staff.

Our surgical hospitals are generally larger than our ASCs and include inpatient hospital rooms and, in two cases, a limited scope emergency department. Some of our surgical hospitals also provide ancillary services such as diagnostic imaging, pharmacy, laboratory, obstetrics, physical therapy, oncology and wound care.

Our urgent care facilities primarily treat patients with injuries or illnesses requiring immediate care, but not serious enough to require an emergency room visit. Urgent care facilities are distinguished from our other facilities by their scope of conditions treated and available facilities on-site.

Each facility is licensed by the state and certified as a provider under federal programs. The facilities are available for use only by licensed physicians performing surgical procedures. We ensure consistent quality of care by assisting our partners with establishing and maintaining accreditation with the Accreditation Association for Ambulatory Health Care (“AAAHC”) or the Joint Commission, the accrediting bodies for the ASC and hospital industries. As of March 31, 2015, 87 of our 102 surgical facilities were accredited by either AAAHC or the Joint Commission, and the remainder were in the process of obtaining accreditation.

We operate both multi-specialty and single-specialty facilities. In multi-specialty facilities, a variety of surgical procedures are performed, including: ENT, GI, general surgery, ophthalmology, orthopedics and pain management. We have diversified our facility procedure mix by strategically introducing select specialties that will complement existing facilities. In many cases, we keep certain facilities as single-specialty where it suits an individual facility or market demand.

Ancillary Services

We also provide a number of Ancillary Services. Rather than contracting with third-party providers, we own ancillary businesses in diagnostics, physician practices, urgent care, anesthesia, optical and pharmacy. Our Company, physicians and patients benefit from these services through improved clinical efficiency and scheduling, and from incremental revenue and profitability associated with retaining these fees.

- **Diagnostic Laboratory:** We offer physicians both toxicology and DNA testing services through our diagnostic laboratory, a facility wholly-owned by Surgery Partners based in Tampa, Florida. Advanced toxicology screening provides physicians with the ability to identify when a patient is taking too much of a prescribed substance, when a patient is non-compliant with a prescribed substance or when a patient is taking unprescribed or illicit substances. The goal of our DNA testing services is to provide testing that helps guide physicians to the best treatment plan based on a

patient's DNA profile. Testing also ensures that regular toxicology screenings are appropriately interpreted. We intend to broaden our diagnostic laboratory offerings in support of the needs of our physicians across our existing specialties and new service lines.

- **Multi-Specialty Physician Practices:** As of March 31, 2015, we owned or operated 30 physician practices with facilities in seven states. In total, through our physician practices, we employed over 100 physicians who focus on a number of specialties. We also provide our physician practices with relief from scheduling, billing and collections, staffing, regulatory compliance and other administrative and operational activities to allow them to focus on patient care.
- **Urgent Care Facilities:** Our urgent care facilities primarily treat injuries or illnesses requiring immediate care, but not serious enough to require an emergency room visit. Urgent care centers have become an increasingly viable alternative for patients as wait times for both primary care and emergency care providers continue to rise. Our urgent care facilities fill an access gap by providing walk-in care, especially during evening and weekend hours. In addition to the convenience they provide patients, our urgent care facilities also offer one of the lowest cost settings for both patients and payors. As the demands on primary care providers increase and insurance coverage expands, the urgent care industry is expected to continue growing. We own and operate seven urgent care facilities in proximity to our surgical hospitals. Our urgent care facilities provide support and additional access points to our surgical hospitals. The urgent care market represented approximately \$16 billion of annual healthcare expenditures in 2014. There is significant fragmentation in the urgent care market with over 9,000 sites in the United States and no industry player making up 5% or more of industry revenue in 2014. The fragmentation in the urgent care market creates significant room for consolidation and growth.
- **Anesthesia Services:** As of March 31, 2015 we provide anesthesia in 29 of our 96 surgical facilities. These services are provided by our certified registered nurse anesthetists or physician anesthesiologists. These employment or contract relationships vary by state to comply with corporate practice of medicine laws. As of January 2015, the anesthesiology market was \$19 billion.
- **Optical Services:** Our optical services offerings support our ophthalmologist partners. These services consist of a group purchasing organization, an eyewear manufacturing laboratory and an ophthalmic education and marketing services company. Through these services, we are able to leverage our first-hand customer and industry experience in recruiting, retention and strategic planning at our ASCs offering ophthalmologic services. The optical services market represented approximately \$14 billion of annual healthcare expenditures in 2014.
- **Specialty Pharmacy Services:** Our specialty pharmacy service line supports our physicians and provides expansion opportunities across multiple specialties within our delivery system, including ENT, GI, general surgery, ophthalmology, orthopedic and pain management specialties. Our specialty pharmacy service line allows us to maintain control of quality and compliance with treatment programs. To ensure a high standard of care and appropriately expand these offerings, we have hired experienced pharmacists to supervise operations of our specialty pharmacy service offerings, which include compounding to meet the unique needs of our patients and distribution of these complex medications. The specialty pharmacy market represented approximately \$78 billion of annual healthcare expenditures in 2014. Our specialty pharmacy service line affords us the ability to expand services across new specialties, such as infusion therapy and sterile products and support future growth into new service lines.

Partnership Model

As of March 31, 2015, our multi-specialty and single-specialty surgical facilities portfolio was comprised of 96 ASCs and six surgical hospitals owned primarily in partnership with physicians. On a pro forma basis, approximately 4,000 physicians provided services to over 500,000 patients in our facilities during 2014. Our facilities are organized as limited partnerships or limited liability companies where we typically own a majority stake (on average approximately 57%) with physician partners owning the remaining share. Of our 102 surgical facilities, we own 13 facilities in partnership with a physician and an in-market health system in a joint venture. In all of our facilities we serve as the general partner (or its equivalent) as well as the day-to-day manager of each entity. We typically charge a management fee equal to a percentage of the revenue of the facility. Ownership distributions are generally made on a monthly or quarterly basis and are calculated by measuring available cash less appropriate reserves.

The partnership agreements typically include provisions to restrict the physician-partner from owning an interest in a surgical facility during the period in which the physician owns an interest in our facility and for a period of one or two years thereafter. Additionally, these agreements typically require physician-partners to certify that they are using the applicable surgical center in a way that is consistent with the regulatory guidance on what constitutes use of the facility as an “extension of their office practice.” In our multi-specialty facilities, this means, among other things, that at least one-third of their eligible cases are to be performed at the Surgery Partners’ facility in which the physician is an investor. This provision helps ensure physician-partner involvement in their facility and gives us the right to repurchase equity from physician-partners who do not meet this threshold. Additionally, our partnership agreements typically give us the right, but not the requirement, to repurchase equity interests from existing physician-partners who retire or trigger certain other repurchase provisions in their respective partnership agreements. We can and typically do resyndicate the repurchased ownership to new physicians.

Operational Structure and Support

Our facilities are overseen by a regional management structure centered around Vice Presidents of Operations. Each ASC on average employs a staff of approximately 18 full time employees, which varies depending on the size of the ASC, the number of operating rooms and surgical specialty mix. Vice Presidents of Operations take a hands-on approach by routinely visiting each facility and leading partnership meetings. Vice Presidents are responsible for analyzing weekly reports of projected case volume to ensure ASCs are meeting growth and budget goals, updating facility level business plans on a quarterly basis, and hosting onsite partner meetings with the facility administrator and physicians to discuss opportunities for growth and improvement. Our enterprise-wide operational structure ensures that strategic initiatives are quickly implemented on a facility level and issues and opportunities at the ASC level are communicated to corporate management. This structure allows frequent communication between management and each facility in order to replicate best practices.

Centralized operational support is also provided to our ASC facilities, including billing and collections, managed care negotiations, vendor contracts, legal, compliance, capital assistance, recruitment, human resources, financial reporting and tax compliance functions. Each new facility has a dedicated operational team to provide a tailored plan to maximize operating performance in the areas of strategic initiatives, financial performance, development of services offered and the staff required, upkeep with AAAHC or the Joint Commission accreditation and general operations oversight.

Our senior management team also spends a significant amount of time focused on the needs and interests of our physician-partners. Physician meetings are conducted regularly and feedback is incorporated into the operations and strategic direction of both individual facilities and the overall business. Facility-level teams take an individualized approach to setting up operating rooms to the specifications of each physician’s preferences. Management regularly attends surgical procedures to understand the specifics of the physicians’ experience. This ensures that operating room set-up times are minimized and capacity is used efficiently. As a

[Table of Contents](#)

result, physicians can spend more time on revenue generating surgical procedures, while our management team is tasked with items including on-site management, access to capital for equipment purchases, cost savings through group purchasing, optimal reimbursement through managed care contracting, and guidance on complex regulatory and compliance issues.

Recruitment, Retention and Resyndication

We employ a dedicated business development team with a track record of success in physician recruitment and retention. Our existing network of physician partners serves as an important resource for new physician candidates. The recruiting team works with physician-partners to maintain a proprietary database of potential doctor recruits by scheduling facility tours and arranging trial surgical procedures. Members of the recruiting team are present for the first three visits a potential physician makes to a surgical facility and follow a highly detailed protocol to ensure our high standard for customer service is met. Due to our patient- and physician-centric culture and emphasis on patient care and administrative support, we have achieved an approximately 96% physician retention rate from 2009 through 2014.

Our dedicated physician recruiting team is also responsible for resyndication efforts. We resyndicate equity interests in our facilities when we provide physicians who utilize our facilities with opportunities to purchase or increase their ownership interests in those facilities. The ownership interests we resyndicate can be interests we repurchased from existing physician partners or our own ownership stake in a given facility. For instance, we utilize resyndications in our active retirement and succession planning efforts. By working closely with our physician partners, we are able to proactively identify buyers of a retiring physician's ownership interests to mitigate the potential impact such a retirement could have on a given facility. Successful resyndication is important to ensuring the ownership interests of our facilities are held by high quality physicians who actively utilize the facility and are incentivized to maintain our patient-centric culture of delivering high quality, cost effective care in our facilities.

IT Infrastructure

We have made significant investments in our information technology infrastructure in order to manage our growing network of facilities effectively. Our senior management has successfully integrated legacy billing IT systems acquired through past acquisitions and is equipped to quickly integrate systems from future acquisitions. Our integrated information systems collect and analyze facility, patient, financial and marketing data, which allows us to centrally manage operations on an enterprise-wide level. All of our systems are scalable and capable of being rolled out to de novo facilities and integrated into acquired facilities.

Management Monitoring Tools and Focus on Operating Metrics

We leverage the strong reporting capabilities of our information systems to monitor key performance indicators on a daily basis across a multitude of categories in order to achieve growth, efficiency and profitability. This data driven approach to management is results-oriented and led by objective decision making through a continuous review of performance metrics. Our approach also enables management to identify challenges and opportunities early and make real-time decisions. Additionally, this approach supports a detailed, bottoms-up budgeting process and allows for a more accurate forecasting methodology.

Our senior management uses an in-house business intelligence tool to measure operating results against target thresholds and to identify, monitor and adjust areas such as surgical case mix, staffing, operating costs, expenses and accounts receivable management. The approach also creates a high level of accountability for individuals, as facility administrators are responsible for key statistics that are regularly reported to senior management.

Billing and Payment

Each of our surgical facilities uses a financial reporting system that provides information to our corporate office to track financial performance on a timely basis. In addition, each of our surgical facilities uses an operating system to manage its business that provides critical support in areas such as scheduling, billing and collection, accounts receivable management, purchasing and other essential operational functions. We have implemented systems to support all of our surgical facilities and to enable us to more easily access information about our surgical facilities on a timely basis.

The American Recovery and Reinvestment Act of 2009 (the “ARRA”) provides for Medicare and Medicaid incentive payments for eligible hospitals and professionals that implement and achieve meaningful use of certified Electronic Health Records (“EHR”) technology. Where appropriate, our surgical hospitals have implemented systems to comply with the EHR meaningful use requirements of the Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”) 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 EHR solutions along with costs associated with the hardware and software components of the project.

We calculate revenue through a combination of manual and system generated processes. Our operating systems include insurance modules that allow us to establish profiles of insurance plans and their respective payment rates. The systems then match the charges with the insurance plan rates and compute a contractual adjustment estimate for each patient account. We then manually review the reasonableness of the systems’ contractual adjustment estimate using the insurance profiles. This estimate is adjusted, if needed, when the insurance payment is received and posted to the account. Revenue is computed and reported by the systems as a result of this activity.

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 processes. We do not track exceptions to these policies, but we believe that they occur infrequently and involve insignificant amounts. When exceptions do occur, we require patients whose insurance coverage is not verified to assume full responsibility for the fees prior to services being rendered, and we seek prompt payment of co-payments and deductibles and verification of insurance following the procedure.

We manually input each patient’s account record and the associated billing codes. Our operating systems then calculate the amount of fees for that patient and the amount of the contractual adjustments. Claims are submitted electronically if the payor accepts electronic claims. We use clearinghouses for electronic claims, which then forward the claims to the respective payors. Payments are manually input to the respective patient accounts.

The largely scheduled nature of the procedures performed in our facilities allows the aforementioned pre-screening of patients to verify benefits and is a key contributor to the low level of bad debt we experience (approximately 3.5% of our accounts receivable balance in 2014).

We have developed proprietary measurement tools to track key operating statistics at each of our surgical facilities by integrating data from our local operating systems and our financial reporting systems. Management uses these tools to measure operating results against target thresholds and to identify, monitor and adjust areas such as surgical specialty mix, staffing, operating costs, employee expenses and accounts receivable management. Our corporate and facility-level management teams are compensated in part using performance-based incentives focused on revenue and operating income growth.

[Table of Contents](#)

Surgical Case Mix

We operate both multi-specialty and single-specialty facilities. In multi-specialty facilities, physicians perform a variety of surgical procedures including ENT, GI, general surgery, ophthalmology, orthopedics and pain management. We have diversified our facility procedure mix by strategically selecting specialties that will complement existing facilities and keep certain facilities as single-specialty where it suits an individual facility or market demand.

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|-----------------------|---------------------------------|---------------|--------------------------|---------------|---------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Cardiology | 1.1% | 0.0% | 0.3% | — % | — % |
| Ear, nose and throat | 3.9% | 2.1% | 2.8% | 2.5% | 2.7% |
| Gastrointestinal | 22.4% | 11.2% | 15.0% | 10.7% | 8.8% |
| General surgery | 2.9% | 2.5% | 2.9% | 2.4% | 2.7% |
| Obstetrics/gynecology | 1.9% | 0.0% | 0.6% | — % | — % |
| Ophthalmology | 29.7% | 46.3% | 40.7% | 47.6% | 48.8% |
| Orthopedic | 15.3% | 10.6% | 11.6% | 10.8% | 10.5% |
| Pain management | 17.4% | 23.2% | 21.5% | 22.2% | 22.5% |
| Plastic surgery | 2.0% | 2.2% | 2.0% | 2.2% | 2.0% |
| Other | 3.4% | 1.9% | 2.6% | 1.6% | 2.0% |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Payor Mix

We have a diverse and attractive payor mix. In 2014, approximately 65.5% of patient service revenue was derived from non-governmental sources, including 52.1% from commercial payors, with a typical contract length of two to three years. Our contracted rates are a key differentiator from local competition that lack the scale and back-office support to maintain and negotiate contracts.

| | Three Months Ended March 31, | | Years Ended December 31, | | |
|--------------------------|---------------------------------|---------------|--------------------------|---------------|---------------|
| | 2015 | 2014 | 2014 | 2013 | 2012 |
| Private insurance payors | 55.9% | 53.4% | 52.1% | 60.6% | 59.8% |
| Government payors | 36.2% | 33.6% | 34.5% | 28.0% | 31.5% |
| Self-pay payors | 2.3% | 3.4% | 3.5% | 2.8% | 3.0% |
| Other payors(1) | 5.6% | 9.6% | 9.9% | 8.6% | 5.7% |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

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

Contracting

Our commercial payors typically reimburse at specifically negotiated contractual rates on a fee-for-service basis. Contractual, or “in-network”, rates are usually set every two years. During 2014 and the three months ended March 31, 2015, approximately 98% and 99%, respectively, of our net patient revenue from commercial payors was derived from providing “in-network” services. Commercial rates are typically facility-specific and are driven by a number of factors, including geographic location, demographics, and surgical specialty mix.

Although each facility generally negotiates individual contracts with third-party payors, we will continue to leverage our scale to negotiate more competitive contract terms. Our facilities are marketed directly to payors in order to communicate the significant cost advantages of ASCs versus hospitals, and we utilize this

[Table of Contents](#)

approach in discussions and negotiations with payors, which has resulted in rate increases. There is no significant payor concentration given the geographic diversification of our portfolio and market-specific contracting with commercial payors.

Other types of payors include workers' compensation, self-pay payors, Medicaid, liability injuries and co-payments. Workers' compensation is billed on a contractual basis based on an established fee schedule. Attorney and auto cases represent surgical procedures performed on patients involved in a liability injury, such as an automobile accident. Generally, we sign a letter of protection with a law firm and receive payment from the law firm upon settlement of the legal proceeding.

Competition

In each of our markets we face competition from other providers of patient care in undertaking joint ventures, completing strategic acquisitions, attracting patients and negotiating payor contract pricing. Among ASC operators in the United States that primarily focus on ASC operations, we are the second largest by revenue, based on our 2014 pro forma revenue. AmSurg Corp. and Surgical Care Affiliates, Inc. are the other largest national ASC operators. We exclude HCA Healthcare Corporation and Tenet Healthcare Corporation (which recently acquired United Surgical Partners, Inc.) from our list of direct competitors because they operate ASCs as part of a larger hospital operations business. Due to industry fragmentation, we commonly compete for business with hospitals partnering with physicians or with local physician groups who develop independent ASCs without a corporate partner. We believe we compete effectively because of our size, quality of our management services, experience, offering of Ancillary Services and reputation for providing quality care.

We often compete with other providers that perform outpatient procedures. In particular, we compete with the outpatient departments of acute care hospitals, which often perform the same procedures as we do in our facilities. We believe that, in comparison to acute care hospitals, our facilities compete favorably on the basis of cost, quality, efficiency and responsiveness to physician needs in a more comfortable and convenient environment for the patient. To a lesser, but growing, extent, we also face competition from physicians performing less complex outpatient procedures in their own offices.

Seasonality

Our net revenue fluctuates based on the number of business days in each calendar quarter, because the majority of services provided by physicians in our surgical facilities consist of scheduled procedures and office visits that occur during business hours. Revenue in the fourth quarter could also be impacted by an increased utilization of services due to annual deductibles which are not usually met until later in the year and also as patients try to utilize their healthcare benefits before they expire at year-end.

Employees

As of March 31, 2015, we employed approximately 3,500 full-time employees and 1,700 part-time employees. We also had relationships with approximately 1,000 partner physicians and approximately 3,000 affiliated physicians. While each facility varies depending on its size, case volume and case types, we employ an average of approximately 18 full-time equivalent employees at our ASCs, and an average of approximately 275 full-time equivalent employees at our surgical hospitals.

While we provide "full-time equivalent" information, a number of our employees work on flexible schedules rather than full-time, which increases our staffing efficiency. As a result, these employees also do not participate in our benefits structure, which we believe reduces the relative cost of our benefits plans to us. None of our employees is represented by a collective bargaining agreement.

[Table of Contents](#)

Surgical Facilities Overview

As of March 31, 2015, each of our surgical facilities is set forth in the table below, and each is leased unless otherwise noted:

| <u>State / Surgical Facility</u> | <u>City</u> | <u>Number of Operating Rooms</u> | <u>Number of Treatment Rooms</u> | <u>Surgery Partners Percentage Ownership</u> |
|---|------------------|----------------------------------|----------------------------------|--|
| Alabama | | | | |
| Birmingham Surgery Center | Birmingham | 6 | 2 | 37%(1) |
| Arkansas | | | | |
| NovaMed Surgery Center of Jonesboro | Jonesboro | 2 | 1 | 51%(1) |
| California | | | | |
| Specialty Surgical Center of Beverly Hills / Brighton Way | Beverly Hills | 3 | 2 | 26%(1) |
| Specialty Surgical Center of Beverly Hills / Wilshire Boulevard | Beverly Hills | 4 | 2 | 27%(1) |
| Specialty Surgical Center of Encino | Encino | 4 | 2 | 34%(1) |
| Specialty Surgical Center of Irvine | Irvine | 4 | 1 | 57%(1) |
| Specialty Surgical Center of Thousand Oaks | Westlake Village | 4 | 2 | 20% |
| Center for Outpatient Surgery | Whittier | 2 | 2 | 56%(1) |
| Colorado | | | | |
| United Ambulatory Surgery Center | Colorado Springs | 1 | 0 | 60%(1) |
| NovaMed Surgery Center of Denver | Denver | 1 | 1 | 51%(1) |
| Animas Surgical Hospital | Durango | 4 | 1 | 69%(1)(2) |
| | | | 12 Hospital Rooms | |
| Minimally Invasive Spine Institute | Lafayette | 2 | 1 | 40%(1) |
| Delaware | | | | |
| Delaware Outpatient Center for Surgery | Newark | 4 | 4 | 51%(1) |
| Florida | | | | |
| Cape Coral Surgery Center | Cape Coral | 5 | 7 | 80%(1) |
| Lee Island Coast Surgery Center | Fort Myers | 5 | 4 | 43%(1) |
| Laser and Outpatient Surgery Center | Gainesville | 2 | 1 | 51%(1) |
| Jacksonville Beach Surgery Center | Jacksonville | 4 | 1 | 80%(1) |
| Lake Mary Surgery Center | Lake Mary | 2 | 1 | 59%(1) |
| Lake Worth Surgical Center | Lake Worth | 3 | 1 | 87%(1) |
| Palm Beach Outpatient Surgical Center | Lake Worth | 2 | 1 | 60%(1) |
| Tampa Bay Regional Surgery Center | Largo | 1 | 2 | 51%(1) |
| West Bay Surgery Center | Largo | 4 | 4 | 51%(1) |
| Park Place Surgery Center | Maitland | 2 | 1 | 92%(1) |
| Space Coast Surgery Center | Merritt Island | 1 | 0 | 55%(1) |
| The Gables Surgical Center | Miami | 2 | 0 | 88%(1) |
| Miami Surgical Center | Miami | 6 | 0 | 54%(1) |
| Suncoast Surgery Center | New Port Richey | 2 | 1 | 25%(1) |
| *The Surgery Center of Ocala | Ocala | 4 | 2 | 41%(1) |
| Orange City Surgery Center | Orange City | 2 | 1 | 51%(1) |
| Downtown Surgery Center | Orlando | 4 | 1 | 61%(1) |
| Millenia Surgery Center | Orlando | 2 | 0 | 71%(1) |
| Sarasota Ambulatory Surgery Center | Sarasota | 2 | 0 | 48%(1) |
| Armenia Ambulatory Surgery Center | Tampa | 2 | 4 | 96%(1) |
| Westchase Surgery Center | Tampa | 4 | 0 | 51%(1) |
| New Tampa Surgery Center | Wesley Chapel | 2 | 2 | 61%(1) |

[Table of Contents](#)

| <u>State / Surgical Facility</u> | <u>City</u> | <u>Number of Operating Rooms</u> | <u>Number of Treatment Rooms</u> | <u>Surgery Partners Percentage Ownership</u> |
|---|----------------|----------------------------------|----------------------------------|--|
| Georgia | | | | |
| Atlanta Eye Surgery Center | Atlanta | 2 | 1 | 100%(1) |
| Premier Surgery Center | Brunswick | 3 | 0 | 61%(1) |
| The Surgery Center | Columbus | 4 | 2 | 63%(1) |
| Hawaii | | | | |
| Honolulu Spine Center | Honolulu | 2 | 1 | 41%(1) |
| Idaho | | | | |
| Mountain View Hospital | Idaho Falls | 10 | 2 | 62%(1)(2) |
| | | | 43 hospital rooms | |
| Illinois | | | | |
| NovaMed Eye Surgery Center -Northshore | Chicago | 1 | 1 | 67%(1) |
| Eyes of Illinois Surgery Center | Maryville | 1 | 1 | 41%(1) |
| Center for Reconstructive Surgery | Oak Lawn | 4 | 0 | 56%(1) |
| NovaMed Surgery Center of River Forest | River Forest | 2 | 0 | 51%(1) |
| Valley Ambulatory Surgery Center | St. Charles | 7 | 1 | 40%(1) |
| Indiana | | | | |
| Surgical Center of New Albany | New Albany | 3 | 1 | 51%(1) |
| NovaMed Eye Surgery Center of New Albany | New Albany | 2 | 1 | 51%(1) |
| NovaMed Pain Management Center of New Albany | New Albany | 2 | 0 | 51%(1) |
| Kansas | | | | |
| NovaMed Eye Surgery Center of Overland Park | Overland Park | 4 | 1 | 51%(1) |
| Cypress Surgery Center | Wichita | 6 | 5 | 52%(1) |
| Kentucky | | | | |
| DuPont Surgery Center | Louisville | 5 | 0 | 70%(1) |
| Louisiana | | | | |
| Interventional Pain Management Center | Baton Rouge | 4 | 1 | 51%(1) |
| *Physicians Medical Center | Houma | 6 | 4 | 54%(1)(2) |
| | | | 30 hospital rooms | |
| Michigan | | | | |
| The Cataract Specialty Surgical Center | Berkley | 2 | 1 | 51%(1) |
| Surgery Center of Kalamazoo | Portage | 4 | 0 | 62%(1) |
| Mississippi | | | | |
| DeSoto Surgery Center | DeSoto | 3 | 1 | — %(3) |
| Physicians Outpatient Center | Oxford | 4 | 1 | — %(3) |
| Missouri | | | | |
| St. Louis Women’s Surgery Center | Ballwin | 3 | 0 | 59%(1) |
| Timberlake Surgery Center | Chesterfield | 4 | 1 | 62%(1) |
| NovaMed Eye Surgery Center of North County | Florissant | 1 | 0 | 100%(1) |
| Central Missouri Medical Park Surgical Center | Jefferson City | 4 | 1 | 42%(1) |
| Blue Ridge Surgical Center | Kansas City | 2 | 1 | 51%(1) |
| St. Peters Ambulatory Surgery Center | St. Peters | 2 | 0 | 53%(1) |

[Table of Contents](#)

| State / Surgical Facility | City | Number of Operating Rooms | Number of Treatment Rooms | Surgery Partners Percentage Ownership |
|---|------------------|---------------------------|---------------------------|---------------------------------------|
| St. Louis Spine and Orthopedic Surgery Center | Town and Country | 3 | 1 | 56%(1) |
| NovaMed Surgery Center of Warrensburg | Warrensburg | 2 | 1 | 51%(1) |
| Montana | | | | |
| Great Falls Clinic Medical Center | Great Falls | 3 | 20 hospital rooms | 50%(1)(2) |
| Great Falls Clinic Surgery Center | Great Falls | 3 | 2 | 93%(1) |
| Nebraska | | | | |
| Surgery Center of Fremont | Fremont | 1 | 1 | 51%(1) |
| New Hampshire | | | | |
| New Hampshire Eye SurgiCenter | Bedford | 1 | 1 | 67%(1) |
| Nashua Eye Surgery Center | Nashua | 2 | 0 | 51%(1) |
| New York | | | | |
| Eastern Orange Ambulatory Surgery Center | Cornwall | 4 | 2 | — %(3) |
| North Carolina | | | | |
| Orthopaedic Surgery Center of Asheville | Asheville | 3 | 0 | 54%(1) |
| Wilmington SurgCare | Wilmington | 7 | 3 | 72%(1) |
| Ohio | | | | |
| Physicians Ambulatory Surgery Center | Circleville | 2 | 0 | 53%(1) |
| Surgery Center of Sandusky | Sandusky | 1 | 1 | 60%(1) |
| Valley Surgery Center | Steubenville | 3 | 1 | 34%(1) |
| Pennsylvania | | | | |
| The Center for Specialized Surgery | Bethlehem | 2 | 2 | 66%(1) |
| Village SurgiCenter of Erie | Erie | 5 | 1 | 71%(1) |
| Crozer Keystone Surgery Center at Haverford | Haverford | 5 | 1 | — %(4) |
| Physicians Surgical Center | Lebanon | 3 | 1 | 65%(1) |
| Rhode Island | | | | |
| East Greenwich Endoscopy Center | East Greenwich | 0 | 4 | 45%(1) |
| East Bay Endoscopy Center | Portsmouth | 0 | 1 | 75%(1) |
| Bayside Endoscopy Center | Providence | 0 | 6 | 75%(1) |
| Ocean State Endoscopy Center | Providence | 0 | 3 | 45%(1) |
| Tennessee | | | | |
| Renaissance Surgery Center | Bristol | 2 | 1 | 37%(1) |
| NovaMed Surgery Center of Chattanooga | Chattanooga | 1 | 1 | 61%(1) |
| *The Surgery Center of Cleveland | Cleveland | 2 | 1 | 64%(1) |
| Cool Springs Surgery Center | Franklin | 5 | 1 | 36% |
| Germantown Surgery Center | Germantown | 4 | 1 | — %(3) |
| Physicians Surgery Center | Jackson | 4 | 1 | 20% |
| East Memphis Surgery Center | Memphis | 6 | 2 | — %(3) |
| UroCenter | Memphis | 3 | 0 | — %(3) |
| Union City Surgery Center | Union City | 2 | 1 | — %(3) |
| Texas | | | | |
| Arise Austin Medical Center | Austin | 6 | 1 | 25%(2)(5) |
| Lubbock Heart and Surgical Hospital | Lubbock | 4 | 26 hospital rooms | 58%(1)(2) |
| | | | 6 | |
| | | | 74 hospital rooms | |

[Table of Contents](#)

| State / Surgical Facility | City | Number of Operating Rooms | Number of Treatment Rooms | Surgery Partners Percentage Ownership |
|--|-------------|---------------------------|---------------------------|---------------------------------------|
| NorthStar Surgical Center | Lubbock | 6 | 3 | 45%(1) |
| American Surgery Center of South Texas | San Antonio | 2 | 1 | 65%(1) |
| Texarkana Surgery Center | Texarkana | 4 | 3 | 58%(1) |
| The Cataract Center of East Texas | Tyler | 2 | 1 | 60%(1) |
| Washington | | | | |
| Bellingham Ambulatory Surgery Center | Bellingham | 3 | 0 | 80%(1) |
| Microsurgical Spine Center | Puyallup | 1 | 2 | 50%(1) |
| Wisconsin | | | | |
| NovaMed Surgery Center of Madison | Madison | 2 | 0 | 51%(1) |

* Real property owned.

(1) We consolidate this surgical facility for financial reporting purposes.

(2) This surgical facility is licensed as a hospital.

(3) We manage this surgical facility, but do not have ownership in the facility.

(4) We hold a 48.0% non-consolidating ownership interest in a management service company that provides various management services to this surgical facility. We also have a management services agreement with the management service company.

(5) We divested our ownership in this surgical facility in the second quarter of 2015.

Governmental Regulation

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.

Other legal challenges are pending. In 2015, the United States Supreme Court will decide *King et al. v. Burwell*, a case challenging the federal government's authority to provide tax credits to subsidize insurance premiums for certain individuals purchasing insurance through a federal health insurance exchange. If the Court decides in favor of plaintiffs, many more people could lose their ability to afford insurance, and individuals receiving subsidies arguably might no longer be required to purchase insurance.

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, such as the provision that requires employers with 50 or more full-time employees or full-time employee equivalents to provide affordable health insurance to those employees, 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

[Table of Contents](#)

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

[Table of Contents](#)

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 six facilities licensed as hospitals are required to meet this requirement to maintain their participating provider status in the Medicare program. Three 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.

Table of Contents

- 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

[Table of Contents](#)

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

[Table of Contents](#)

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;

[Table of Contents](#)

- 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.

Six of our facilities are licensed as hospitals. 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;

Table of Contents

- 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

[Table of Contents](#)

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 will require much greater specificity. ICD-10 will require 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 has extended this deadline numerous times. The current deadline is October 15, 2015. If any of our surgical facilities fail to implement the new ICD-10 diagnosis coding system by the deadline, the affected surgical facility will not be paid for services. We are not able to predict the overall financial impact of our 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

[Table of Contents](#)

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.

[Table of Contents](#)

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 on August 23, 2012, HHS released final requirements for Stage 2, which took effect in 2014 for hospitals. In connection with the acquisition of Symbion, we acquired six surgical facilities that are licensed as hospitals. These hospitals begin 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. During the year ended December 31, 2014 we satisfied the meaningful use provisions and recognized an aggregate of \$3.4 million of EHR incentives at certain of our hospitals. We incurred negligible costs for hardware, software and implementation expense during the period from November 3, 2014, the date we acquired Symbion, and December 31, 2014. We do not currently know the extent of additional cost 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

[Table of Contents](#)

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.

Legal Proceedings

During the ordinary course of business, we have become and may in the future become subject to pending and threatened legal actions and proceedings. All of the current legal actions and proceedings that we are a party to are of an ordinary or routine nature incidental to our operations, the resolution of which should not have a material adverse effect on our financial condition, results of operations or cash flows. We are not currently a party to any product liability claims. The majority of the pending legal proceedings involve claims for workers compensation. These claims are generally covered by insurance, but there can be no assurance that our insurance coverage will be adequate to cover any such liability.

MANAGEMENT

The following table sets forth the name, age (as of May 1, 2015) and position of individuals who currently serve as the directors and executive officers of Surgery Partners, Inc. The following also includes certain information regarding our directors' and officers' individual experience, qualifications, attributes and skills, and brief statements of those aspects of our directors' backgrounds that led us to conclude that they should serve as directors.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|---------------------|------------|--|
| Michael T. Doyle | 42 | Chief Executive Officer, Director |
| Teresa F. Sparks | 46 | Executive Vice President, Chief Financial Officer |
| John Crysel | 61 | Group President of Surgery Partners' National Group |
| Dennis Dean | 42 | Senior Vice President, Corporate Controller |
| Jennifer B. Baldock | 44 | Senior Vice President, General Counsel and Secretary |
| Christopher Laitala | 42 | President, Director |
| Matthew I. Lozow | 37 | Director |

Michael T. Doyle has served as the Chief Executive Officer and Director of Surgery Center Holdings, Inc. since 2009 and as Chief Executive Officer and Director of Surgery Partners, Inc. since March 2015. He has been with the Company since 2004, previously as President and Chief Operating Officer. Prior to that, Mr. Doyle worked at HealthSouth, Corporation, a large healthcare organization, for nine years where he held a variety of leadership positions and left as Senior Vice President of Operations. Mr. Doyle holds a B.S. in Physiotherapy from Dalhousie University in Halifax, Nova Scotia and an M.B.A. from Troy State University. Because of his management and healthcare industry experience, we believe Mr. Doyle is qualified to serve on our board of directors.

Teresa F. Sparks has served as Executive Vice President and Chief Financial Officer of Surgery Center Holdings, Inc. since our acquisition of Symbion in November 2014 and as Executive Vice President and Chief Financial Officer of Surgery Partners, Inc. since March 2015. Ms. Sparks previously served as Senior Vice President and Chief Financial Officer of Symbion Holdings Corporation and Symbion, Inc. from August 2007 to November 2014 and as Corporate Controller from Symbion's inception in 1996 through August 2007 and was named Vice President in December 2002. Prior to joining Symbion, she served as Assistant Controller for HealthWise of America, Inc., a managed care organization. Prior to joining HealthWise of America, Inc., Ms. Sparks was a senior healthcare auditor for Deloitte & Touche LLP. Ms. Sparks is a Certified Public Accountant (inactive) and holds a BS in Accounting and Business Administration from Trevecca Nazarene University.

John Crysel has served as Group President of Surgery Center Holdings, Inc. since 2011. Mr. Crysel has served as Group President of Surgery Partner's National Group since our acquisition of Symbion in November 2014. Mr. Crysel previously served as National Group President of Symbion. Prior to joining Symbion in 2011, he served in a variety of hospital management positions with Hospital Corporation of America and HealthTrust in addition to pursuing various healthcare investment interests. Mr. Crysel holds a B.S. in Business Administration from the University of Alabama and an MSHA from the University of Alabama at Birmingham.

Dennis Dean has serviced as Vice President and Corporate Controller of Surgery Center Holdings, Inc. since our acquisition of Symbion in November 2014 and as Senior Vice President and Corporate Controller of Surgery Partners, Inc. since March 2015. Mr. Dean previously served as Vice President and Corporate Controller of Symbion Holdings Corporation and Symbion, Inc. from January 2008 to November 2014. Prior to joining Symbion, he co-founded Resource Partners, LLC, a healthcare-focused financial consulting firm, and began his career at Deloitte & Touche LLP. He is also a Certified Public Accountant. Mr. Dean holds a B.S. in Accounting and an MAcc from Western Kentucky University.

Table of Contents

Jennifer B. Baldock has served as Senior Vice President, Secretary and General Counsel of Surgery Center Holdings, Inc. since our acquisition of Symbion in November 2014 and as Vice President, Secretary and General Counsel of Surgery Partners, Inc. since March 2015. Ms. Baldock previously served as General Counsel and Chief Compliance Officer of Symbion, of Symbion Holdings Corporation and Symbion, Inc. Prior to joining Symbion in 2010, she served as Assistant General Counsel for both Ambulatory Services of America and Renal Care Group. Prior to that, Ms. Baldock practiced law with Waller Lansden Dortch and Davis in Nashville, Tennessee, concentrating in corporate law with an emphasis on healthcare mergers and acquisitions. She is also a Certified Public Accountant (inactive). Ms. Baldock holds a Bachelor of Arts in Economics and Accounting from Lipscomb University and a Juris Doctor from the University of Alabama.

Christopher Laitala has served as President and Director of Surgery Center Holdings, Inc. since 2009 and as President and Director of Surgery Partners, Inc. since March 2015. Mr. Laitala joined H.I.G. Capital in 2009 and is now a Managing Director in the New York office, where he has led investments in a number of industries including healthcare. Mr. Laitala has served on the board of directors of several H.I.G. companies. Prior to joining H.I.G., Mr. Laitala worked with private equity firms including J.H. Whitney & Co. and Great Point Partners, LLC. Mr. Laitala holds an A.B. in Government from Harvard University and an M.B.A. from Harvard Business School. Because of his experience with portfolio companies and his financial experience, we believe Mr. Laitala is qualified to serve on our board of directors.

Matthew I. Lozow has served as Director of Surgery Center Holdings, Inc. since 2014 and as Director of Surgery Partners, Inc. since March 2015. Mr. Lozow joined H.I.G. Capital in 2009 and is now a Principal in the New York office. Prior to joining H.I.G., Mr. Lozow worked with private equity firms including Audax Private Equity and began his career as a consultant with Bain & Company. Mr. Lozow holds a B.S. in Engineering from M.I.T. and an M.B.A. from The Wharton School of the University of Pennsylvania. Because of his private equity and financial experience, we believe Mr. Lozow is qualified to serve on our board of directors.

Board Composition Following this Offering

Our board of directors currently consists of _____ directors. In accordance with the terms of our amended and restated certificate of incorporation, our board of directors will be divided into three staggered classes of directors of, as nearly as possible, the same number of individuals. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. As a result, a portion of our board of directors will be elected each year. The division of the three classes and their respective election dates are as follows:

- the Class I director's term will expire at the annual meeting of stockholders to be held in 2016 (our Class I director is _____).
- the Class II director's term will expire at the annual meeting of stockholders to be held in 2017 (our Class II director is _____).
- the Class III director's term will expire at the annual meeting of stockholders to be held in 2018 (our Class III director is _____).

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Our amended and restated by-laws provide that the size of the board of directors shall be fixed from time to time by a majority vote of the board of directors, with a maximum of _____ members unless and until we cease to qualify as a "controlled company" within the meaning of the rules of _____, in which case the board of directors may determine to increase the size of the board of directors to the extent necessary to comply

[Table of Contents](#)

with provisions of the applicable rules of . Directors will (except for the filling of vacancies and newly created directorships) be elected by the holders of a plurality of the votes cast by the holders of shares present in person or represented by proxy at the meeting and entitled to vote on the election of such directors.

Upon completion of this offering, investment funds affiliated with our Sponsor will own more than 50.0% of the total outstanding voting power of our common stock and we will be a “controlled company” under corporate governance standards, as applicable. As a controlled company, we will not be required by for continued listing of our common stock to (i) have a majority of independent directors, (ii) maintain compensation and nominating and governance committees (in the case of the NYSE) composed entirely of independent directors with written charters addressing each committee’s purpose and responsibilities or (iii) conduct annual performance evaluations of the compensation and nominating and governance committees (in the case of the NYSE). We intend to, at least initially, take advantage of all of these exemptions from listing requirements, as applicable. Accordingly, our stockholders will not have the same protection afforded to stockholders of companies that are subject to all of corporate governance requirements, as applicable, and the ability of our independent directors to influence our business policies and affairs may be reduced. In the event that we cease to be a controlled company, we will be required to comply with these provisions within the transition periods specified in rules.

These exemptions do not modify the independence requirements for our audit committee, and we intend to comply with the applicable requirements of the Sarbanes-Oxley Act and the rules with respect to our audit committee within the applicable time frame. See “—Audit Committee.”

Board Leadership Structure

Initially, our board of directors will consist of members. At any time that affiliates of our Sponsor own at least a majority of our then outstanding common stock, the size of our board of directors will be determined by the affirmative vote of at least a majority of our then outstanding common stock. At any time that affiliates of our Sponsor do not own at least a majority of our then outstanding common stock, the size of our board of directors will be determined by the affirmative vote of our board of directors.

At any time that affiliates of our Sponsor own at least a majority of our then outstanding common stock, vacancies will be filled by the affirmative vote of at least a majority of our then outstanding common stock. At any time that affiliates of our Sponsor do not own at least a majority of our then outstanding common stock, vacancies will be filled by the affirmative vote of our board of directors. The term of office for each director will be until his or her successor is elected at our annual meeting or his or her death, resignation or removal, whichever is earliest to occur. Stockholders will elect directors each year at our annual meeting.

Upon the completion of this offering, we will continue to have an audit committee, governance and nominating committee and a compensation committee with the composition and responsibilities described below. Each committee will operate under a charter that will be approved by our board of directors. The composition of each committee will be effective upon the completion of this offering. The members of each committee are appointed by the board of directors and serve until their successor is elected and qualified, unless they are earlier removed or resign. In addition, from time to time, special committees may be established under the direction of the board of directors when necessary to address specific issues.

Code of Business Conduct and Ethics

Upon completion of this offering, our board of directors will establish a Code of Conduct and Business Ethics applicable to our directors and officers. The Code of Conduct and Business Ethics will be accessible on our website at <http://surgerypartners.com>. If we make any substantive amendments to the Code of Conduct and Business Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Conduct and Business Ethics to our officers, we will disclose the nature of such amendment or waiver on that website or in a report on Form 8-K.

Board Structure and Committee Composition

Upon the completion of this offering, we will continue to have an audit committee and a compensation committee with the composition and responsibilities described below. Each committee will operate under a charter that will be approved by our board of directors. The composition of each committee will be effective upon the completion of this offering. The members of each committee are appointed by the board of directors and serve until their successor is elected and qualified, unless they are earlier removed or resign. In addition, from time to time, special committees may be established under the direction of the board of directors when necessary to address specific issues.

Because we intend to avail ourselves of exceptions applicable to “controlled companies” under the listing rules, we will not have a majority of independent directors, we will not have a nominating committee, and our compensation committee will not be composed entirely of independent directors as defined under such rules. The responsibilities that would otherwise be undertaken by a nominating committee will be undertaken by the full board of directors, or at its discretion, by a special committee established under the direction of the full board of directors. The controlled company exception does not modify the independence requirements for the audit committee and we intend to comply with the audit committee requirements of the Sarbanes-Oxley Act and the rules of our exchange. These rules require that our audit committee be composed of at least three members, a majority of whom will be independent within 90 days of the date of this prospectus, and all of whom will be independent within one year of the date of this prospectus.

Audit Committee

The purpose of the audit committee will be set forth in the audit committee charter. The audit committee’s primary duties and responsibilities will be to:

- Appoint or replace, compensate and oversee the outside auditors for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for us. The outside auditors will report directly to the audit committee.
- Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for us by our outside auditors, subject to de minimis exceptions which are approved by the audit committee prior to the completion of the audit.
- Review and discuss with management and the outside auditors the annual audited and quarterly unaudited financial statements, our disclosures under the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the selection, application and disclosure of critical accounting policies and practices used in such financial statements.
- Review and approve all related party transactions.
- Discuss with management and the outside auditors significant financial reporting issues and judgments made in connection with the preparation of our financial statements, including any significant changes in our selection or application of accounting principles, any major issues as to the adequacy of our internal controls and any special steps adopted in light of material control deficiencies.

Upon completion of this offering, the audit committee will consist of . is both an independent director and an “audit committee financial expert” within the meaning of Item 407 of Regulation S-K, and will serve as chair of the audit committee. Prior to the completion of this offering, our board of directors will adopt a written charter under which the audit committee will operate. A copy of the charter, which will satisfy the applicable standards of the SEC and the exchange on which we list our shares, will be available on our website.

Compensation Committee

The purpose of the compensation committee is to assist the board of directors in fulfilling its responsibilities relating to oversight of the compensation of our directors, executive officers and other employees and the administration of our benefits and equity-based compensation programs. The compensation committee reviews and recommends to our board of directors compensation plans, policies and programs and approves specific compensation levels for all executive officers. Upon completion of this offering, the compensation committee will consist of [redacted] and [redacted]. Prior to the consummation of this offering, our board of directors will adopt a written charter under which the compensation committee will operate. A copy of the charter, which will satisfy the applicable standards of the SEC and the exchange on which we list our shares, will be available on our website.

Director Independence

Upon the completion of this offering, we expect that our common stock will be listed on [redacted]. Under the listing requirements and rules of [redacted], independent directors must compose a majority of our board of directors within one year of listing on [redacted]. In addition, applicable [redacted] rules require that, subject to specified exceptions, each member of our audit and compensation committees must be independent within the meaning of applicable [redacted] rules. Upon completion of this offering, affiliates of our Sponsor will own more than a majority of the total outstanding voting power of our common stock and we will be a “controlled company” under [redacted] corporate governance standards, as applicable. As a controlled company, we will not be required by [redacted] for continued listing of our common stock to (i) have a majority of independent directors, (ii) maintain compensation and nominating and governance committees (in the case of the NYSE) composed entirely of independent directors with written charters addressing each committee’s purpose and responsibilities or (iii) conduct annual performance evaluations of the compensation and nominating and governance committees (in the case of the NYSE). We intend to, at least initially, take advantage of all of these exemptions from [redacted] listing requirements, as applicable. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Applicable rules also require that director nominees must be selected, or recommended for selection by our board of directors, either by (i) a nominating committee comprised solely of independent directors or (ii) independent directors constituting a majority of our independent directors in a vote in which only independent directors participate.

The board of directors has reviewed the independence of our directors, as well as our director nominees who will join the board of directors upon the closing of the offering, based on the corporate governance standards of [redacted]. Based on this review, the board of directors determined that each of Messrs. [redacted], [redacted], [redacted], and [redacted] is independent within the meaning of the corporate governance standards of [redacted]. In making this determination, our board of directors considered the relationships that each of these non-employee directors has with Surgery Partners and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock held by each non-employee director. As required under applicable [redacted] rules, we anticipate that our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present.

Compensation Committee Interlocks and Insider Participation

All compensation and related matters are reviewed by our compensation committee. Our compensation committee consists of [redacted] and [redacted]. None of the members of our compensation committee is or has at any time during the past year been an officer or employee of ours. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

EXECUTIVE COMPENSATION

This section describes the material elements of the compensation awarded to, earned by, or paid to our Chief Executive Officer, Michael Doyle, and our two most highly compensated executive officers (other than Mr. Doyle), our Executive Vice President and Chief Financial Officer, Teresa Sparks, and our Group President of Surgery Partners' National Group, John Crysel, who are collectively referred to in this prospectus as our "named executive officers". In 2014, prior to the Symbion acquisition, Ms. Sparks and Mr. Crysel received compensation and benefits from Symbion, and decisions regarding the compensation of Ms. Sparks and Mr. Crysel were made by Symbion's board of directors. Following the Symbion acquisition, our board of directors was responsible for making decisions regarding the compensation of each of our named executive officers.

Summary Compensation Table

The following table summarizes information regarding the compensation awarded to, earned by or paid to our named executive officers during 2014.

| Name and Principal Position | Year | Salary (\$) | Stock Awards \$(1) | Non-Equity Incentive Plan Compensation \$(2) | All Other Compensation \$(3) | Total (\$) |
|--|------|----------------|--------------------------|---|------------------------------------|---------------|
| Michael Doyle <i>Chief Executive Officer</i> | 2014 | 350,000(4) | — | 250,000 | 3,812,611 | 4,412,611 |
| Teresa Sparks <i>Executive Vice President and Chief Financial Officer</i> | 2014 | 268,248 | 940,109 | 167,500 | 281,893 | 1,657,750 |
| John Crysel <i>Group President of Surgery Partners' National Group</i> | 2014 | 266,582 | 578,528 | 133,291 | 262,698 | 1,241,099 |

(1) Amount reflects the full grant date fair value of Class B Units in Surgery Center Holdings, LLC granted during 2014 computed in accordance with ASC Topic 718, rather than amounts paid to or realized by the named individual. The assumptions used in the valuation of Class B Unit awards are set forth in Note 12 to the audited consolidated financial statements included in this prospectus.

(2) Amounts reflect annual bonuses paid to Mr. Doyle, pursuant to his employment agreement as in effect in 2014, and to Ms. Sparks and Mr. Crysel under Symbion's annual bonus program, as described below.

(3) Amounts shown in the "All Other Compensation" column include the following items, as applicable to each named executive officer for fiscal 2014:

| Name | Company 401(k) match contributions \$(a) | Company contributions under the SERP \$(b) | Equity award related payments (\$) | Total (\$) |
|---------------|---|--|--|---------------|
| Michael Doyle | 5,200 | — | 3,807,411(c) | 3,812,611 |
| Teresa Sparks | 1,076 | 4,998 | 275,819(d) | 281,893 |
| John Crysel | 1,179 | 4,998 | 256,521(d) | 262,698 |

(a) Reflects our matching contributions to the Surgery Partners 401(k) Plan on behalf of Mr. Doyle, or to the Symbion, Inc. 401(k) Plan on behalf of Ms. Sparks and Mr. Crysel, both of which are broad-based tax-qualified defined contribution plans.

(b) Reflects our contributions to the Symbion, Inc. Supplemental Executive Retirement Plan, a nonqualified deferred compensation plan, on behalf of Ms. Sparks and Mr. Crysel.

(c) Reflects the dollar amount of a cash distribution received by Mr. Doyle in respect of his vested Class B Units in connection with a recapitalization of the Company that occurred in January 2014.

(d) Reflects the dollar amounts received by Ms. Sparks and Mr. Crysel in connection with the cancellation of their Symbion stock options in connection with the Symbion acquisition.

(4) Under his employment agreement in effect in 2014, Mr. Doyle was entitled to an annual base salary of \$350,000.

Base Salaries

Each of our named executive officers is paid a base salary reflecting his or her skill set, experience, role and responsibilities. The base salary of each of our named executive officers is set forth in his or her employment agreement and is subject to annual review and adjustment by our board of directors.

Effective as of November 2014, following the Symbion acquisition and in connection with their transition to executive roles at the Company, the base salaries of Ms. Sparks and Mr. Crysel were reviewed and increased from \$254,898 to \$335,000 and \$325,000, respectively, as reflected in their employment agreements.

Annual Cash Bonuses

In fiscal 2014, each of our named executive officers was eligible to earn a cash bonus based on the achievement of specified financial performance targets for the Company (with respect to Mr. Doyle) or for Symbion (with respect to Ms. Sparks and Mr. Crysel) that were established in the named executive officer's employment agreement (with respect to Mr. Doyle) (or by the Symbion board of directors with respect to Ms. Sparks and Mr. Crysel) prior to the beginning of the year.

Pursuant to his employment agreement in effect in 2014, Mr. Doyle was eligible to earn a target cash bonus of up to \$250,000 in 2014 based on the achievement of specified EBITDA targets for the Company as set forth in such employment agreement. Half of the total bonus amount for which Mr. Doyle was eligible was based on the Company's achievement in 2014 of "Organic EBITDA" (as defined below), and the other half was based on the Company's achievement in 2014 of "Baseline EBITDA" from acquisitions (as defined below). Each of these annual EBITDA targets had a specified range, with a minimum threshold and a maximum target. If the maximum target or higher was achieved, the portion of the bonus based on that EBITDA target would be earned at 100%. If the minimum threshold for the applicable EBITDA target range was not achieved, no portion of the bonus based on that EBITDA target would be paid. If achievement of the applicable annual EBITDA target was between the minimum threshold and maximum target amounts, the bonus amount would be earned on a pro rata basis.

Under Mr. Doyle's employment agreement in effect in 2014, the following terms have the following meanings: "Organic EBITDA" means (i) EBITDA for all facilities/operations directly or indirectly owned by the Company as of January 1, 2010 (but only to the extent of the Company's ownership percentage therein), plus (ii) the amount by which EBITDA for each facility/operation acquired after January 1, 2010 exceeds the Baseline EBITDA for such facility/operation (but only to the extent of the Company's ownership percentage therein), if any, and less (iii) the amount by which Baseline EBITDA for such facility/operation exceeds the EBITDA for each facility/operation acquired after January 1, 2010 (but only to the extent of the Company's ownership percentage therein), if any. "Baseline EBITDA" means, for an acquired facility/operation, the trailing twelve month EBITDA used by the Company for purposes of valuing such facility/operation in connection with the Company acquiring such facility/operation. "EBITDA" means the Company's consolidated earnings before interest expense, income tax expense, depreciation expense, amortization expense, and expenses for management or investment advisory fees paid to H.I.G. or its affiliates, for the applicable period, calculated after giving effect to any bonuses to Mr. Doyle and based on the Company's annual audited income statement.

In 2014, Ms. Sparks and Mr. Crysel were each eligible to earn a target annual bonus equal to 50% of base salary under Symbion's annual cash bonus program based on the achievement of specified EBITDA targets for Symbion for 2014 as set forth in the plan and established by the Symbion board of directors. Achievement of the EBITDA targets at 95% or higher would result in the target bonuses for Ms. Sparks and Mr. Crysel being earned at 100%. Ms. Spark's bonus was based 100% on achievement of Symbion's EBITDA target for 2014, and Mr. Crysel's bonus was based 50% on achievement of Symbion's EBITDA target, and 50% on Symbion's "Operating EBITDA" target (defined below), in each case, for 2014. Following the Symbion acquisition, Symbion's annual cash program was administered by our board of directors.

Under Symbion's annual cash bonus program for 2014, "Operating EBITDA" means EBITDA specific for our surgical hospitals, the business unit Mr. Crysel was responsible for operating.

[Table of Contents](#)

The actual amount earned by each named executive officer was determined by our board of directors based on the level of achievement of the applicable performance targets. Both the Company's and Symbion's financial performance targets were achieved at 100%. As a result, each named executive officer earned a bonus at the target levels described above. In addition, our board of directors exercised its discretion to base its bonus calculations on Ms. Sparks' current base salary, due to its evaluation of her outstanding performance leading up to and following the Symbion acquisition.

The actual amount of each of the bonuses paid to our named executive officers for fiscal 2014 is set forth above in the Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation".

Agreements with our Named Executive Officers

We have entered into employment agreements with each of our named executive officers. Below is a description of the material terms of each of the agreements.

Base Salaries & Performance Bonus Opportunities

Pursuant to his employment agreement with us effective as of January 19, 2015, which superseded his employment agreement with us dated as of December 24, 2009, Mr. Doyle is entitled to an annual base salary of \$450,000 and is eligible to earn an annual cash bonus of up to \$350,000 based upon the achievement of the performance goals specified in his employment agreement.

Pursuant to their employment agreements with Symbion, Inc. effective as of November 3, 2014, Ms. Sparks and Mr. Crysel are entitled to annual base salaries of \$335,000 and \$325,000, respectively, which amounts are subject to annual review and adjustment by our board of directors. Ms. Sparks and Mr. Crysel are each also eligible to earn an annual cash bonus, with a target of 50% of annual base salary, based upon the achievement of performance goals determined by our board of directors.

Restrictive Covenants

Pursuant to their respective employment agreements, our named executive officers are bound by certain restrictive covenants, including covenants relating to confidentiality and assignment of intellectual property rights, as well as covenants not to compete with us or to solicit our employees or other service providers during employment and for a specified period following termination of employment. Mr. Doyle is bound by a non-competition covenant for two years following termination of employment, or—at the Company's option and in exchange for a payment equal to two times his annual base salary—for three years following termination of employment, and is bound by a non-solicitation covenant for three years following termination of employment. Ms. Sparks and Mr. Crysel are bound by a non-competition covenant for one year following termination of employment, and by a non-solicitation covenant for two years following termination of employment.

Severance

Each employment agreement provides for severance upon a termination of employment by us without cause or by the named executive officer for good reason, in each case conditioned on the named executive officer's timely and effective execution of a separation agreement provided by the Company containing a release of claims and other customary terms and conditions. Mr. Doyle is entitled to severance consisting of continued base salary and fully-reimbursed health care premium payments including a tax gross-up for a period of 12 months following termination, and a pro rata bonus for the year of termination. Ms. Sparks and Mr. Crysel are each entitled to severance consisting of 12 months of continued base salary, an amount equal to their target bonus payable within two and a half months following the end of the fiscal year of termination, and continued health and welfare plan benefits at no cost to the executive during the severance period. If a qualifying termination

[Table of Contents](#)

occurs within 12 months following a change in control, including the Symbion acquisition (which qualified as a change of control under their prior employment agreements with Symbion), Ms. Sparks and Mr. Crysel are entitled to be paid the above severance benefits in a single lump-sum payment no later than 30 days following termination.

Employee Benefits and Perquisites

All of our full-time employees, including our named executive officers, are eligible to participate in our health and welfare plans, including medical, dental, vision, life and disability insurance. Our named executive officers participate in these plans on the same basis as other eligible employees. Ms. Sparks and Mr. Crysel participate in the plans maintained for employees of Symbion, Inc. We do not maintain any supplemental health and welfare plans for our named executive officers.

Ms. Sparks and Mr. Crysel, along with all corporate employees of Symbion, Inc., were also entitled to certain additional limited benefits in 2014, including cell phone reimbursement and a one-time holiday gift card. The aggregate dollar value of these benefits is less than \$1,000 per executive.

Retirement Benefit Plans

We maintain a 401(k) plan in which employees of the Company, including Mr. Doyle, who meet certain eligibility requirements are eligible to participate. We also continue to maintain the Symbion, Inc. 401(k) plan, in which employees of Symbion, Inc. who meet certain eligibility requirements, including Ms. Sparks and Mr. Crysel, are eligible to participate. Each of the 401(k) plans is a tax-qualified defined contribution retirement plan under which eligible employees may defer their eligible compensation, subject to the limits imposed by the Internal Revenue Code, and the Company may, in its discretion, make a matching contribution.

We also maintain the Symbion, Inc. Supplemental Executive Retirement Plan (the "SERP"), a nonqualified deferred compensation plan, for certain former management of Symbion, Inc., including Ms. Sparks and Mr. Crysel. Under the SERP, participants may elect to defer up to 25% of annual base salary and up to 50% of bonus each year. Eligible employees who elect to defer are also entitled to an annual Company contribution under the SERP equal to 2% of base salary.

Equity Compensation

Each of our named executive officers currently holds Class B Units in Surgery Center Holdings, LLC, granted to them under the Surgery Center Holdings, LLC Amended and Restated Limited Liability Company Agreement (the "LLC Agreement"). The Class B Units are intended to be "profits interests" for U.S. federal income tax purposes. The Class B Units are subject to both time- and performance-based vesting conditions over a specified period following the date of grant. In the event of termination, all unvested Class B Units are immediately forfeited and any vested Class B Units are subject to a 90-day repurchase option. If Mr. Doyle is terminated for cause (as defined in his employment agreement), the repurchase price for each vested Class B Unit is zero, and vested Class B Units are deemed automatically repurchased by the Company. Otherwise, the repurchase price for vested Class B Units held by our named executive officers, should the Company elect to exercise the repurchase option, is current fair market value. If the Company does not exercise the repurchase option, the employee owns the vested Class B Units subject to the LLC Agreement, which includes restrictions on transfer, among other provisions.

Ms. Sparks and Mr. Crysel were granted 325,000 and 200,000 Class B Units, respectively, in 2014. Mr. Doyle was not granted any Class B Units in 2014.

[Table of Contents](#)

Outstanding Equity Awards at Fiscal Year-End

The following table shows the number of Class B Units held by our named executive officers as of December 31, 2014.

| <u>Name</u> | <u>Number of Class B Units That Have Not Vested (#)</u> | <u>Market Value of Class B Units That Have Not Vested (\$)(4)</u> |
|---------------|---|---|
| Michael Doyle | 770,484(1) | 3,682,914 |
| Teresa Sparks | 292,500(2) | 846,098 |
| John Crysel | 180,000(3) | 520,676 |

- (1) Mr. Doyle was granted 2,311,450.88 Class B Units on December 24, 2009. One-third of the Class B Units held by Mr. Doyle vested in equal installments due to his continued employment on each of December 24, 2010, December 24, 2011, December 24, 2012, December 24, 2013 and December 24, 2014; one-third vested in equal installments upon the satisfaction of specified performance targets on each of December 31, 2010, December 31, 2011, December 31, 2012, December 31, 2013 and December 31, 2014; and the remaining one-third are eligible to vest at a level determined by the achievement of targeted rates of cash returns upon a sale of the Company, subject to Mr. Doyle's continued employment.
- (2) Ms. Sparks was granted 325,000 Class B Units on November 3, 2014. Subject to Ms. Sparks' continued employment, one-half of the Class B Units held by Ms. Sparks vest in equal installments on each of November 3, 2015, November 3, 2016, November 3, 2017, November 3, 2018 and November 3, 2019 and one-half vest in equal installments upon the satisfaction of specified performance targets on each of December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018. Any unvested time-vesting Class B Units and any unvested performance-vesting Class B Units for which the performance vesting date has not yet occurred (plus any prior years' performance-vesting Class B Units for which the performance target was not met but with respect to which subsequent outperformance of targets exceeded the prior year shortfall) will vest in full upon a sale of the Company or upon an initial public offering (including this offering), subject to Ms. Sparks' continued employment.
- (3) Mr. Crysel was granted 200,000 Class B Units on November 3, 2014. Subject to Mr. Crysel's continued employment, one-half of the Class B Units held by Mr. Crysel vest in equal installments on each of November 3, 2015, November 3, 2016, November 3, 2017, November 3, 2018 and November 3, 2019 and one-half vest in equal installments upon the satisfaction of specified performance targets on each of December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and December 31, 2018. Any unvested time-vesting Class B Units and any unvested performance-vesting Class B Units for which the performance vesting date has not yet occurred (plus any prior years' performance-vesting Class B Units for which the performance target was not met but with respect to which subsequent outperformance of targets exceeded the prior year shortfall) will vest in full upon a sale of the Company or upon an initial public offering (including this offering), subject to Mr. Crysel's continued employment.
- (4) There is no public market for the Class B Units. The value included in this table is based on the fair market value of the Class B Units as of December 31, 2014, as determined by our board.

Director Compensation

Mr. Doyle receives no additional compensation for his service as a director. The compensation Mr. Doyle received as an employee during 2014 is reflected in the "Summary Compensation Table" above. The other two individuals who served as the members of our board of directors, Messrs. Laitala and Lozow, are affiliated with our Sponsor and were not separately compensated for their services as directors during fiscal year 2014. Following the completion of this offering, we plan to establish a formal policy governing the compensation of our non-employee directors.

Incentive Plans

In connection with this offering, we intend to adopt an equity incentive plan and a cash incentive plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions, since January 1, 2014, in which (a) we are a participant, (b) the amount involved exceeds \$120,000 and (c) one or more of our executive officers, directors, director nominees or 5% stockholders, or their immediate family members, each of whom we refer to as a “related person,” has a direct or indirect material interest. We refer to these as “related person transactions.”

Indemnification Agreements

Prior to the completion of this offering, we expect to enter into indemnification agreements with each of our directors and executive officers. These agreements will require us to indemnify these individuals and, in certain cases, affiliates of such individuals, to the fullest extent permissible under Delaware law against liabilities that may arise by reason of their service to us or at our direction, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

Management Services

Bayside Capital, Inc., an affiliate of our Sponsor, provides certain management and other services to us in connection with the Management and Investment Advisory Services Agreement (the “Management Agreement”). In connection with such services, Bayside Capital, Inc. receives an annual management fee of \$3,000,000, paid in equal quarterly installments. In addition, Bayside Capital, Inc. is entitled to receive a minimum transaction fee in connection with transactions not in the ordinary course of business, including an initial public offering. The minimum transaction fee is equal to 2.0% of: (i) the enterprise value, in connection with an acquisition or disposition, (ii) the financing amount, in connection with a debt or equity financing, or (iii) the benefit value, in connection with any other transaction not in the ordinary course of business, as the case may be. The Management Agreement also provides for certain expense reimbursement and indemnification provisions that survive the termination of such agreement.

For fiscal years 2013 and 2014 and the three months ended March 31, 2015, we incurred total costs of approximately \$4.8 million, \$20.1 million and \$0.8 million, respectively, for such management and advisory related services, transaction fees and reimbursable expenses payable to Bayside Capital, Inc. The costs in 2014 included \$17.6 million in transaction fees in connection with our acquisition of Symbion. We have agreed to terminate this agreement with Bayside Capital, Inc. upon the completion of this offering for a one-time termination fee to Bayside Capital, Inc. of \$, which will be in addition to the transaction fee of \$ million owed in connection with this offering. Two of our directors, Messrs. Laitala and Lozow, are employees of our Sponsor.

Tax Receivable Agreement

As part of the Reorganization, we will enter into the TRA under which generally we will be required to pay to the Existing Owners 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, of Surgery Center Holdings, Inc. and its subsidiaries relating to taxable years ending on or before the date of the Reorganization (calculated by assuming the taxable year of Surgery Center Holdings, Inc. 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. Under this agreement, generally we will retain the benefit of the remaining 15% of the applicable tax savings. We expect the payments we will be required to make under the TRA will be substantial.

Related Person Transactions Policy

Upon the completion of this offering, we will adopt a formal written policy with respect to the review, approval and ratification of related person transactions. Under the policy, our audit committee will be responsible for reviewing and approving related person transactions. In the course of its review and approval of related person transactions, our audit committee will consider the relevant facts and circumstances to decide whether to

[Table of Contents](#)

approve such transactions, including, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances. In particular, our policy will require our audit committee to consider, among other factors it deems appropriate:

- the related person's relationship to us and interest in the transaction;
- the material facts of the proposed transaction, including the proposed aggregate value of the transaction;
- the impact on a director's independence in the event the related person is a director or an immediate family member of the director;
- the benefits to us of the proposed transaction;
- if applicable, the availability of other sources of comparable products or services; and
- an assessment of whether the proposed transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally.

The audit committee may approve only those transactions that are in, or are not inconsistent with, our best interests and those of our stockholders, as the audit committee determines in good faith.

We did not have a written policy regarding the review and approval of related person transactions prior to this offering. Nevertheless, with respect to such transactions, it was our policy for our board of directors to consider the nature of and business reason for such transactions, how the terms of such transactions compared to those which might be obtained from unaffiliated third parties and whether such transactions were otherwise fair to and in the best interests of, or not contrary to, our best interest. We believe that we have executed all of the transactions set forth under the section entitled "Certain Relationships and Related Party Transactions" on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates, are approved by the audit committee, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

DESCRIPTION OF INDEBTEDNESS

Our subsidiary, Surgery Center Holdings, Inc., has debt outstanding under its \$870 million senior secured first lien term loan (the “First Lien Term Loan”), which includes \$80 million under a revolving credit facility (the “Revolver”) of which \$77.3 million was undrawn and \$490 million senior secured second lien credit facility (the “Second Lien Term Loan” and, together with the First Lien Term Loan and the Revolver, the “Term Loans and Revolving Facility”). In connection with the closing of this offering, we intend to repay the borrowings under our Second Lien Term Loan as further described in the section entitled “Use of Proceeds” in this prospectus.

The below summaries of certain of our other indebtedness are not complete descriptions of all the terms of such outstanding or potential indebtedness. For a complete description, please see the reports filed with the SEC from time to time listed under the section entitled “Where You Can Find More Information” included in this prospectus.

First Lien Term Loan and Revolver

General

On November 3, 2014, Surgery Center Holdings, Inc. entered into the Term Loans and Revolving Facility with the lenders party thereto and Jefferies Finance LLC as administrative agent and as collateral agent. The First Lien Term Loan and Revolver was amended on December 1, 2014. The First Lien Term Loan provides for aggregate commitments of \$870 million in term loans and \$80 million revolving commitments, including a \$20 million letter of credit sub-facility. As of March 31, 2015, there was \$844.9 million outstanding under the First Lien Term Loan, approximately \$2.7 million in a letter of credit outstanding and unused commitments of \$77.3 million under the Revolver.

All borrowings under the First Lien Term Loan and Revolver are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. The First Lien Term Loan and Revolver is limited by financial covenants, such as the Total Leverage Ratio (as defined in the documentation), which steps down from 9.75 to 1.00 on March 31, 2015, in increments, to 8.00 to 1.00 on June 30, 2019. The First Lien Term Loan and Revolver are also subject to a First Lien Leverage Ratio and a Senior Secured Leverage Ratio (as defined in the documentation).

Proceeds of the loans under the First Lien Term Loan and Revolver can be used for working capital and general corporate purposes.

Surgery Center Holdings, Inc. is permitted to add one or more incremental first lien term loan facilities (the “First Lien Incremental Term Loans” and the “First Lien Incremental Revolving Commitments”) under the First Lien Term Loan and Revolver subject to certain requirements, including (i) after giving effect to the making of such First Lien Incremental Term Loans or the incurrence of any Revolving Commitment Increase, the aggregate principal amount of all First Lien Incremental Term Loans incurred (together with any Incremental Equivalent Debt (as described in the facilities documentation) incurred, any Second Lien Incremental Term Loans and any Second Lien Incremental Equivalent Debt) (as described in the facilities documentation) shall not exceed (x) \$100,000,000 plus (y) an unlimited additional amount, so long as on a pro forma basis after the incurrence of such First Lien Incremental Term Loan and such First Lien Incremental Revolving Commitments (A) if such incremental loan ranks pari passu in right of security on the collateral with the obligations (other than any obligations in respect of other incremental loans or Refinancing Facilities (described in the facilities documentation) secured on a junior lien basis to other obligations), the First Lien Leverage Ratio as of the last day of the most recently ended test period does not exceed 3.90:1.00 and (B) if such incremental loan ranks junior in right of security on the collateral to the obligations (other than any obligations in respect of other incremental loans or Refinancing Facilities secured on a junior lien basis to other obligations), the Senior Secured Leverage Ratio as of the last day of the most recently ended test period does not exceed 6.40:1.00 (it being understood that any incremental loan may be incurred under clause (y) regardless of whether there is

[Table of Contents](#)

capacity under clause (x)); provided, that, for purposes of the calculation of the First Lien Leverage Ratio and the Senior Secured Leverage Ratio used in determining the availability of First Lien Incremental Term Loans or First Lien Incremental Revolving Commitments, (i) any cash proceeds of any First Lien Incremental Term Loans or the First Lien Incremental Revolving Commitments, as applicable, will not be netted for purposes of determining compliance with the First Lien Leverage Ratio or Senior Secured Leverage Ratio, as applicable, and (ii) the full amount of any First Lien Incremental Revolving Commitments shall be deemed to be indebtedness then outstanding (whether or not then incurred). Each tranche of First Lien Incremental Term Loans shall be in an aggregate principal amount that is not less than \$5,000,000 and shall be in an increment of \$1,000,000 (provided that such amount may be less than \$5,000,000 if such amount represents all remaining availability under the limit set forth in the preceding sentence).

Interest and Fees

The interest rates per annum applicable to loans under the First Lien Term Loan and Revolver are, at the option of Surgery Center Holdings, Inc., equal to either an alternate base rate or an adjusted LIBOR rate, in each case plus an applicable margin percentage. The interest base rate on an ABR loan on the revolving facility 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 0.5% and (c) the adjusted LIBO Rate for a Eurodollar Borrowing with a one-month interest period plus 1.0%. In addition to the base rate, we are required to pay a 3.25% margin for ABR loans. The interest base rate on an LIBOR 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 LIBOR loans. The interest base rate on an ABR loan on the first lien facility 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 1.0%; 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 LIBOR 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 1.0% per annum. In addition to the base rate, the Company is required to pay a 4.25% margin for LIBOR loans.

On the last business day of each calendar quarter, Surgery Center Holdings, Inc. is required to pay each revolving lender a commitment fee of 0.5% per annum in respect of any unused commitments of such lender under the Revolver. Surgery Center Holdings, Inc. must also pay customary letter of credit and agency fees.

Prepayments

Subject to exceptions, the First Lien Term Loan and Revolver require mandatory prepayments but not permanent reductions of commitments thereunder, subject to the right of reinvestment, in amounts equal to 100% of the net cash proceeds from asset sales and casualty and condemnation events. The First Lien Term Loan and Revolver require mandatory prepayment of excess cash flow proceeds in an amount that depends on the total leverage ratio.

Voluntary prepayments of loans and reductions of revolving loan commitments are permitted, in whole or in part, with prior notice but in certain circumstances (excluding repricing events) and after specified periods of time, without premium or penalty (except LIBOR breakage costs) in minimum amounts as set forth in the First Lien Term Loan and Revolver.

Amortization of principal

The First Lien Term Loan amortizes in equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount of the First Lien Term Loan, which commenced on the last day of the first full fiscal quarter ended after the Closing Date, with the balance payable on the final maturity date.

[Table of Contents](#)

Collateral and Guarantors

Indebtedness under the First Lien Term Loan and Revolver is guaranteed, on a joint and several basis, by SP Holdco I, Inc. and all of Surgery Center Holdings, Inc.'s current and future subsidiaries, subject to exceptions for excluded subsidiaries, and is secured by a first priority security interest in substantially all of Surgery Center Holdings, Inc. and the guarantors' existing and future property and assets, including accounts receivable, inventory, equipment, general intangibles, intellectual property, investment property, other personal property, owned real property, if any, cash and proceeds of the foregoing.

Restrictive Covenants and Other Matters

In addition to the financial covenants described above, the First Lien Term Loan and Revolver include negative covenants restricting or limiting the ability of Surgery Center Holdings, Inc. and its subsidiaries, to, among other things:

- sell assets,
- alter the business that we conduct,
- engage in mergers, acquisitions and other business combinations,
- declare dividends or redeem or repurchase our equity interests,
- incur additional indebtedness or guarantees,
- make loans and investments,
- incur liens,
- enter into transactions with affiliates,
- prepay these notes and any subordinated debt,
- engage in sale and leaseback transactions, and
- modify or waive certain material agreements and organizational documents.

Such negative covenants are subject to customary and other agreed-upon exceptions.

The First Lien Term Loan and Revolver contain certain customary representations and warranties and affirmative covenants. The First Lien Term Loan and Revolver also contain certain events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy and insolvency, certain events under ERISA, material judgments, actual or asserted failure of any security document supporting the First Lien Term Loan and Revolver to be in full force and effect and change of control. If such an event of default occurs, the administrative agent and lenders under the First Lien Term Loan and Revolver are entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor.

Second Lien Term Loan

General

On November 3, 2014, as part of the same transaction described above under “—First Lien Term Loan and Revolver”, Surgery Center Holdings, Inc., entered into a Second Lien Term Loan with Jefferies Finance LLC

[Table of Contents](#)

as administrative agent and as collateral agent. The Second Lien Term Loan provides for aggregate commitments of \$490 million in term loans. As of March 31, 2015, there was approximately \$472.3 million outstanding under the Second Lien Term Loan.

All borrowings under the Second Lien Term Loan are subject to the satisfaction of customary conditions, including absence of a default and accuracy of representations and warranties. The Second Lien Term Loan is also subject to a Total Leverage Ratio and a Senior Secured Leverage Ratio (as defined in the documentation).

Proceeds of the loans under the Second Lien Term Loan can be used for working capital and general corporate purposes.

Surgery Center Holdings, Inc. is permitted to add one or more incremental second lien term loan facilities (the "Second Lien Incremental Term Loans"); *provided* that (i) after giving effect to the making of such Second Lien Incremental Term Loans, the aggregate principal amount of all Second Lien Incremental Term Loans incurred (together with any Incremental Equivalent Debt (described in the facilities documentation) incurred pursuant to the Second Lien Term Loans after the Closing Date, any First Lien Incremental Loans and any First Lien Incremental Equivalent Debt (described in the facilities documentation)) shall not exceed (x) \$100,000,000 plus (y) an unlimited additional amount, so long as on a pro forma basis after the incurrence of such Second Lien Incremental Term Loans, the Senior Secured Leverage Ratio as of the last day of the most recently ended test period does not exceed 7.35:1.00 (it being understood that any Incremental Loan may be incurred under clause (y) regardless of whether there is capacity under clause (x)); *provided, that* for purposes of the calculation of the Senior Secured Leverage Ratio used in determining the availability of Second Lien Incremental Term Loans, any cash proceeds of any Second Lien Incremental Term Loans will not be netted for purposes of determining compliance with the Senior Secured Leverage Ratio. Each tranche of Second Lien Incremental Term Loans shall be in an aggregate principal amount that is not less than \$5,000,000 and shall be in an increment of \$1,000,000 (*provided* that such amount may be less than \$5,000,000 if such amount represents all remaining availability under the limit set forth in the preceding sentence).

Interest and Fees

The interest rates per annum applicable to loans under the Second Lien Term Loan are, at the option of Surgery Center Holdings, Inc., equal to either an alternate base rate or an adjusted LIBOR rate, in each case plus an applicable margin percentage. The interest base rate on an ABR loan on the second lien facility 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 1.0%; *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 6.5% 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 1.0% per annum. In addition to the base rate, we are required to pay a 7.5% margin for LIBOR loans. Surgery Center Holdings, Inc. must also pay customary agency fees.

Prepayments

Subject to exceptions, the Second Lien Term Loan requires mandatory prepayments but not permanent reductions of commitments thereunder, subject to the right of reinvestment, in amounts equal to 100% of the net cash proceeds from asset sales and casualty and condemnation events. The Second Lien Term Loan requires mandatory prepayment of excess cash flow proceeds in an amount that depends on the total leverage ratio.

Voluntary prepayments of loans and reductions of revolving loan commitments are permitted, in whole or in part, with prior notice in minimum amounts as set forth in the Second Lien Term Loan. Prepayments on or

[Table of Contents](#)

prior to the first anniversary of the closing date, a prepayment of 103.0% of the aggregate principal amount of the Second Lien Term Loan prepaid or assigned is required. Prepayments on or prior to the date that is two years after the closing date but after the first anniversary of the closing date, a prepayment of 102.0% of the aggregate principal amount of the Second Lien Term Loan prepaid or assigned is required. Prepayments on or prior to the date that is three years after the closing date but after the second anniversary of the closing date, a prepayment of 101.0% of the aggregate principal amount of the Second Lien Term Loan prepaid or assigned is required. Prepayments after the third anniversary of the closing date, a prepayment of 100% of the aggregate principal amount of the Second Lien Term Loan prepaid or assigned is required.

Amortization of Principal

Loans under the Second Lien Term Loan are not subject to scheduled amortization payments, and the balance thereof is to be paid at the maturity of the Second Lien Term Loan.

Collateral and Guarantors

Indebtedness under the Second Lien Term Loan is guaranteed, on a joint and several basis, by SP Holdco I, Inc. and all of Surgery Center Holdings, Inc.'s current and future subsidiaries, subject to exceptions for excluded subsidiaries, and is secured by a second priority security interest in substantially all of Surgery Center Holdings, Inc. and the guarantors' existing and future property and assets, including accounts receivable, inventory, equipment, general intangibles, intellectual property, investment property, other personal property, owned real property, if any, cash and proceeds of the foregoing.

Restrictive Covenants and Other Matters

The Second Lien Term Loan includes negative covenants restricting or limiting the ability of Surgery Center Holdings, Inc. and its subsidiaries, to, among other things:

- sell assets,
- alter the business that we conduct,
- engage in mergers, acquisitions and other business combinations,
- declare dividends or redeem or repurchase our equity interests,
- incur additional indebtedness or guarantees,
- make loans and investments,
- incur liens,
- enter into transactions with affiliates,
- prepay these notes and any subordinated debt,
- engage in sale and leaseback transactions, and
- modify or waive certain material agreements and organizational documents.

The cushion on the second lien negative covenant baskets, that allow us to take the actions above, subject to certain limitations, is 15%. Such negative covenants are subject to customary and other agreed-upon exceptions.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of May 1, 2015 after giving effect to the Reorganization as if it had occurred on that date by (i) such persons known to us to be beneficial owners of more than 5% of our common stock, (ii) each of our directors and named executive officers, and (iii) all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities. Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. Unless otherwise indicated, the address for each listed stockholder is: c/o Surgery Partners, Inc., 40 Burton Hills Boulevard, Suite 500, Nashville, TN 37215.

| <u>Name and Address of Beneficial Owner</u> | <u>Shares Owned Before the Offering</u> | | <u>Shares Owned After the Offering (no option exercise)</u> | | <u>Shares Owned After the Offering (full option exercise)</u> | |
|--|---|-------------------|---|-------------------|---|-------------------|
| | <u>Number</u> | <u>Percentage</u> | <u>Number</u> | <u>Percentage</u> | <u>Number</u> | <u>Percentage</u> |
| Beneficial owners of 5% or more of our common stock: | | | | | | |
| Entities affiliated with H.I.G. Capital, LLC | | | | | | |
| Directors and Named Executive Officers: | | | | | | |
| Michael T. Doyle | | | | | | |
| Teresa F. Sparks | | | | | | |
| John Crysel | | | | | | |
| Dennis Dean | | | | | | |
| Jennifer B. Baldock | | | | | | |
| Christopher Laitala | | | | | | |
| Matthew I. Lozow | | | | | | |
| All executive officers and directors as a group (7 persons) | | | | | | |

* Indicates less than one percent

DESCRIPTION OF CAPITAL STOCK

The following descriptions are summaries of the material terms of our amended and restated certificate of incorporation and amended and restated by-laws as they will be in effect upon the completion of this offering. These descriptions contain all information which we consider to be material, but may not contain all of the information that is important to you. To understand them fully, you should read our amended and restated certificate of incorporation and amended and restated by-laws, copies of which will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part.

Please note that, with respect to any of our shares held in book-entry form through The Depository Trust Company or any other share depository, the depository or its nominee will be the sole registered and legal owner of those shares, and references in this prospectus to any “stockholder” or “holder” of those shares means only the depository or its nominee. Persons who hold beneficial interests in our shares through a depository will not be registered or legal owners of those shares and will not be recognized as such for any purpose. For example, only the depository or its nominee will be entitled to vote the shares held through it, and any dividends or other distributions to be paid, and any notices to be given, in respect of those shares will be paid or given only to the depository or its nominee. Owners of beneficial interests in those shares will have to look solely to the depository with respect to any benefits of share ownership, and any rights they may have with respect to those shares will be governed by the rules of the depository, which are subject to change from time to time. We have no responsibility for those rules or their application to any interests held through the depository.

General

Upon the completion of this offering, the total amount of our authorized capital stock will consist of _____ shares of common stock, par value \$0.01 per share and _____ shares of undesignated preferred stock. Our amended and restated certificate of incorporation and amended and restated by-laws will contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and which may have the effect of delaying, deferring or preventing a future takeover or change in control of us unless such takeover or change in control is approved by our board of directors. These provisions include a classified board of directors, elimination of stockholder action by written consents (except in limited circumstances), elimination of the ability of stockholders to call special meetings (except in limited circumstances), advance notice procedures for stockholder proposals and supermajority vote requirements for amendments to our certificate of incorporation and by-laws.

Common Stock

Dividend Rights. Subject to preferences that may apply to shares of preferred stock outstanding at the time, holders of outstanding shares of common stock will be entitled to receive dividends out of assets legally available at the times and in the amounts as the board of directors may from time to time determine.

Voting Rights. Each outstanding share of common stock will be entitled to one vote on all matters submitted to a vote of stockholders. Holders of shares of our common stock shall have no cumulative voting rights.

Preemptive Rights. Our common stock will not be entitled to preemptive or other similar subscription rights to purchase any of our securities.

Conversion or Redemption Rights. Our common stock will not be convertible or redeemable.

Liquidation Rights. Upon our liquidation, the holders of our common stock will be entitled to receive pro rata our assets which are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding.

Listing. We intend to list our common stock on _____ under the symbol “_____.”

Preferred Stock

Our board of directors may, without further action by our stockholders, from time to time, direct the issuance of shares of preferred stock in series and may, at the time of issuance, determine the designations, powers, preferences, privileges, and relative participating, optional or special rights as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common stock. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of our common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation before any payment is made to the holders of shares of our common stock. Under certain circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of a majority of the total number of directors then in office, our board of directors, without stockholder approval, may issue shares of preferred stock with voting and conversion rights which could adversely affect the holders of shares of our common stock and the market value of our common stock. Upon completion of this offering, there will be no shares of preferred stock outstanding, and we have no present intention to issue any shares of preferred stock.

Anti-Takeover Effects of our Amended and Restated Certificate of Incorporation and By-laws

Our amended and restated certificate of incorporation and amended and restated by-laws will contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and which may have the effect of delaying, deferring or preventing a future takeover or change in control of the company unless such takeover or change in control is approved by the board of directors.

These provisions include:

Classified Board. Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes of directors, with the classes as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Our amended and restated certificate of incorporation will also provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed exclusively pursuant to a resolution adopted by our board of directors. Upon completion of this offering, our board of directors will have _____ members.

Action by Written Consent; Special Meetings of Stockholders. Our amended and restated certificate of incorporation will provide that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting once investment funds affiliated with our Sponsor cease to beneficially own more than 50% of our outstanding shares. Our amended and restated certificate of incorporation and the amended and restated by-laws will also provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the chairman or vice-chairman of the board, the chief executive officer, or pursuant to a resolution adopted by a majority of the board of directors or, until the date that investment funds affiliated with our Sponsor cease to beneficially own more than 50% of our outstanding shares, at the request of holders of 50% or more of our outstanding shares. Except as described above, stockholders will not be permitted to call a special meeting or to require the board of directors to call a special meeting.

Removal of Directors. Our amended and restated certificate of incorporation will provide that our directors may be removed only for cause by the affirmative vote of at least 75% of the voting power of our outstanding shares of capital stock, voting together as a single class. This requirement of a supermajority vote to remove directors could enable a minority of our stockholders to prevent a change in the composition of our board.

[Table of Contents](#)

Advance Notice Procedures. Our by-laws will establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our Secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the by-laws will not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the by-laws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the company.

Super Majority Approval Requirements. The Delaware General Corporation Law generally provides that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless either a corporation's certificate of incorporation or by-laws requires a greater percentage. Our amended and restated certificate of incorporation and by-laws will provide that the affirmative vote of holders of at least 75% of the total votes eligible to be cast in the election of directors will be required to amend, alter, change or repeal specified provisions once investment funds affiliated with our Sponsor cease to beneficially own more than 50% of our outstanding shares. This requirement of a supermajority vote to approve amendments to our certificate of incorporation and by-laws could enable a minority of our stockholders to exercise veto power over any such amendments.

Authorized but Unissued Shares. Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.

Business Combinations with Interested Stockholders. We have elected in our amended and restated certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law, an antitakeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Accordingly, we are not subject to any anti-takeover effects of Section 203. However, our amended and restated certificate of incorporation will contain provisions that have the same effect as Section 203, except that they provide that our Sponsor, certain of its transferees, and its affiliates will not be deemed to be "interested stockholders," regardless of the percentage of our voting stock owned by them, and accordingly will not be subject to such restrictions.

Corporate Opportunities

Our amended and restated certificate of incorporation will provide that we renounce any interest or expectancy of the Company in the business opportunities of our Sponsor and of its officers, directors, agents, shareholders, members, partners, affiliates and subsidiaries and each such party shall not have any obligation to offer us those opportunities unless presented to a director or officer of the Company in his or her capacity as a director or officer of the Company.

[Table of Contents](#)

Limitations on Liability and Indemnification of Officers and Directors

Our amended and restated certificate of incorporation will limit the liability of our directors to the fullest extent permitted by the Delaware General Corporation Law and provides that we will indemnify them to the fullest extent permitted by such law. We expect to enter into indemnification agreements with our current directors and executive officers prior to the completion of this offering and expect to enter into a similar agreement with any new directors or executive officers. We expect to increase our directors' and officers' liability insurance coverage prior to the completion of this offering.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be . Its address is . Its telephone number is .

Exchange Listing

We intend to apply to list our stock on the under the symbol “ .”

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock, and we cannot predict what effect, if any, market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock, including shares issued upon the exercise of outstanding options and warrants, in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the completion of this offering, we will have outstanding an aggregate of approximately _____ shares of common stock. In addition, options and warrants to purchase an aggregate of approximately _____ shares of our common stock will be outstanding as of the completion of this offering. Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except any shares purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act, may be sold only in compliance with the limitations described below. The remaining outstanding shares of common stock will be deemed restricted securities, as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which we summarize below. All of these shares will be subject to lock-up agreements described below.

Taking into account the lock-up agreements described below, and assuming _____ do not release stockholders from these agreements, certain shares will be eligible for sale in the public market at the following times, subject to the provisions of Rule 144 and Rule 701.

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares (subject to the requirements of the lock-up agreements, as described below) without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares (subject to the requirements of the lock-up agreements, as described below) without complying with any of the requirements of Rule 144.

Approximately _____ shares of our common stock that are not subject to the lock-up agreements described above will be eligible for sale under Rule 144 immediately upon the completion of this offering.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described below, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately _____ shares immediately after this offering, assuming an initial public offering price of \$ _____ per share, which is the mid-point of the range set forth on the cover page of this prospectus; and
- the average weekly trading volume in our common stock on _____ during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

[Table of Contents](#)

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, other stockholders owning an aggregate of _____ shares of our common stock have entered into lock-up agreements as described below, and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement before the completion of this offering is entitled to sell such shares (subject to the requirements of the lock-up agreements, as described below) 90 days after the completion of this offering in reliance on Rule 144, in the case of affiliates, without having to comply with the holding period requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, holding period, volume limitation or notice filing requirements of Rule 144.

Lock-Up Agreements

Notwithstanding the availability of Rule 144, we and all of our officers, directors and other stockholders owning an aggregate of _____ shares of our common stock, or securities exercisable for or convertible into our common stock outstanding immediately prior to this offering, have agreed that, without the prior written consent of each of _____, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock, whether any such transaction described above is to be settled by delivery of shares of our common stock or such other securities, in cash or otherwise, subject to certain exceptions set forth in the section entitled “Underwriting.”

Registration Statements on Form S-8

Immediately after the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of common stock issued or reserved for future issuance under our option plans. This registration statement would cover approximately _____ shares. Shares registered under the registration statement will generally be available for sale in the open market after the 180-day lock-up period immediately following the date of this prospectus (as such period may be extended in certain circumstances).

**MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS
FOR NON-U.S. HOLDERS OF COMMON STOCK**

The following is a summary of certain material U.S. federal income tax considerations relating to the acquisition, ownership and disposition of shares of our common stock issued pursuant to this offering by “non-U.S. holders,” as defined below. This summary deals only with shares of our common stock acquired by a non-U.S. holder in this offering that are held as capital assets within the meaning of Section 1221 of the Code. This summary does not address the U.S. federal income tax considerations applicable to a non-U.S. holder that is subject to special treatment under U.S. federal income tax laws, including: a dealer in securities or currencies; a financial institution; a tax-exempt organization; a non-U.S. government; an insurance company; a person holding shares of our common stock as part of a hedging, integrated, conversion or straddle transaction or a person deemed to sell shares of our common stock under the constructive sale provisions of the Code; a trader in securities that has elected the mark-to-market method of accounting; an entity or arrangement that is treated as a partnership (or is disregarded from its owner) for U.S. federal income tax purposes; a person that received shares of our common stock in connection with services provided to the company or any of its affiliates; a person whose “functional currency” is not the U.S. dollar; a “controlled foreign corporation”; or a “passive foreign investment” company.

This summary is based upon provisions of the Code, and applicable Treasury regulations promulgated or proposed thereunder, rulings and judicial decisions, all as in effect as of the date hereof. Those authorities may be changed, perhaps with retroactive effect, or may be subject to differing interpretations, which could result in U.S. federal income tax consequences different from those discussed below. There can be no assurance that the Internal Revenue Service (“IRS”) will concur with the discussion of the tax considerations set forth below, and we have not obtained, and we do not intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences to a non-U.S. holder of the purchase, ownership or disposition of shares of our common stock. This summary does not address all aspects of U.S. federal income tax and does not address any state, local, non-U.S., gift, or estate tax considerations or any considerations relating to the alternative minimum tax or the Medicare tax on net investment income.

For purposes of this discussion, a “non-U.S. holder” is a beneficial holder of shares of our common stock that is for U.S. federal income tax purposes not a partnership or disregarded entity and not (i) an individual citizen or resident of the United States for U.S. federal income tax purposes; (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia (or otherwise treated as a domestic corporation for U.S. federal income tax purposes); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the tax treatment of a person treated as a partner in such partnership for U.S. federal income tax purposes generally will depend upon the status of the partner and the activities of the partnership. Any entity or arrangement that is treated as a partnership for U.S. federal income tax purposes, and any person holding shares of our common stock through such a partnership, are urged to consult their own tax advisors regarding the acquisition, ownership and disposition of shares of our common stock.

This summary is for general information only and is not, and is not intended to be, tax advice. Non-U.S. holders of shares of our common stock are urged to consult their own tax advisors concerning the tax considerations related to the acquisition, ownership and disposition of shares of our common stock in light of their particular circumstances, as well as any tax considerations relating to gift or estate taxes, the alternative minimum tax or to the Medicare tax on net investment income, and any tax considerations arising under the laws of any other jurisdiction, including any state, local and non-U.S. income and other tax laws.

Distributions

As discussed in the section entitled “Dividend Policy” above, we do not currently expect to make distributions in respect of our common stock. In the event that we do make a distribution of cash or property with respect to our common stock, any such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will first constitute a return of capital and will reduce a holder’s adjusted tax basis in such holder’s shares of our common stock, determined on a share-per-share basis but not below zero. Any remaining excess will be treated as capital gain and subject to the tax treatment described below in the section entitled “—Sale, Exchange, Redemption or Certain Other Taxable Dispositions of Our Common Stock.”

Unless dividends, if any, are effectively connected with a non-U.S. holder’s U.S. trade or business (and if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained in the United States), dividends paid to a non-U.S. holder of shares of our common stock generally will be subject to U.S. federal income tax (which generally will be collected through withholding) at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty). Even if a non-U.S. holder is eligible for a lower treaty rate, dividend payments generally will be subject to withholding at a 30% rate (rather than the lower treaty rate) unless the non-U.S. holder provides a valid IRS Form W-8BEN or W-8BEN-E (or applicable successor form) certifying such holder’s qualification for the reduced rate.

Subject to the discussions below regarding backup withholding and the Foreign Account Tax Compliance Act, if dividends paid to a non-U.S. holder are effectively connected with the non-U.S. holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained in the United States), the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must furnish to us or the relevant withholding agent a valid IRS Form W-8ECI (or applicable successor form), certifying that the dividends are effectively connected with the non-U.S. holder’s conduct of a trade or business within the United States.

Any dividends paid on shares of our common stock that are effectively connected with a non-U.S. holder’s U.S. trade or business (and, if required by an applicable tax treaty, attributable to a permanent establishment or fixed base maintained in the United States) generally will be subject to U.S. federal income tax on a net income basis in the same manner as if such holder were a U.S. person. A non-U.S. holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable tax treaty) on a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Non-U.S. holders who do not timely provide us or the relevant withholding agent with the required certification, but who qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a tax treaty.

If at the time a distribution is made we are not able to determine whether or not it will be treated as a dividend for U.S. federal income tax purposes (as opposed to being treated as a return of capital or capital gain), we or a financial intermediary may withhold tax on all or a portion of such distribution at the rate applicable to dividends. However, a non-U.S. holder may obtain a refund of any excess withholding by timely filing an appropriate claim for refund with the IRS.

Any distribution described in this section would also be subject to the discussion below in the section entitled “Foreign Account Tax Compliance Act.”

Sale, Exchange, Redemption or Certain Other Taxable Dispositions of Our Common Stock

Subject to the discussions below regarding backup withholding and the Foreign Account Tax Compliance Act, a non-U.S. holder generally will not be subject to U.S. federal income tax or withholding tax on gain realized upon a sale, exchange or other taxable disposition of shares of our common stock (including a redemption, but only if the redemption would be treated as a sale or exchange rather than as a distribution for U.S. federal income tax purposes) unless: (i) the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base maintained in the United States); (ii) the non-U.S. holder is a non-resident alien individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or (iii) we are or have been a "U.S. real property holding corporation" ("USRPHC") for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period for shares of our common stock (the "relevant period") and certain other conditions are met, as described below.

If the first exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax on a net basis with respect to such gain in the same manner as if such holder were a resident of the United States. In addition, if the non-U.S. holder is a corporation for U.S. federal income tax purposes, such gains may, under certain circumstances, also be subject to the branch profits tax at a rate of 30% (or at a lower rate prescribed by an applicable income tax treaty).

If the second exception applies, the non-U.S. holder generally will be subject to U.S. federal income tax at a rate of 30% on the gain from a disposition of shares of our common stock, which may be offset by capital losses allocable to U.S. sources during the taxable year of disposition (even though the non-U.S. holder is not considered a resident of the United States).

With respect to the third exception above, we believe we currently are not, and we do not anticipate becoming, a USRPHC for U.S. federal income tax purposes. Because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other trade or business assets and our non-U.S. real property interests, there can be no assurances that we will not become a USRPHC in the future. Generally, a corporation is a USRPHC only if the fair market value of its U.S. real property interests (as defined in the Code) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Even if we are or become a USRPHC, a non-U.S. holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of shares of our common stock by reason of our status as a USRPHC so long as (i) shares of our common stock continue to be regularly traded on an established securities market (within the meaning of Section 897(c)(3) of the Code) during the calendar year in which such disposition occurs and (ii) such non-U.S. holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of the shares of our common stock at any time during the relevant period. If we are a USRPHC and the requirements described in clauses (i) or (ii) in the preceding sentence are not met, gain on the disposition of shares of our common stock generally will be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply.

Information Reporting and Backup Withholding Tax

We or a financial intermediary must report annually to the IRS and to each non-U.S. holder the gross amount of the distributions on shares of our common stock paid to such holder and the tax withheld, if any, with respect to such distributions, regardless of whether withholding was required. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. A non-U.S. holder generally will be subject to backup withholding at the then applicable rate for dividends paid to such holder unless such holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or such other applicable form and documentation as required by the Code or the Treasury regulations) certifying under penalties of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to

[Table of Contents](#)

know that such holder is a U.S. person as defined under the Code), or otherwise establishes an exemption. Dividends paid to non-U.S. holders subject to U.S. federal withholding tax, as described above in the section entitled “Distributions,” generally will be exempt from U.S. backup withholding.

Information reporting and, depending on the circumstances, backup withholding will apply to the payment of the proceeds of a sale or other disposition of shares of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or non-U.S., unless such holder certifies that it is not a U.S. person (as defined under the Code) and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the U.S. through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Prospective investors should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a credit against a non-U.S. holder’s U.S. federal income tax liability, if any, and may entitle such holder to a refund, provided that an appropriate claim is timely filed with the IRS.

Foreign Account Tax Compliance Act

Under legislation commonly referred to as the Foreign Account Tax Compliance Act, as modified by Treasury regulations and subject to any official interpretations thereof, any applicable intergovernmental agreement between the United States and a non-U.S. government to implement these rules and improve international tax compliance, or any fiscal or regulatory legislation or rules adopted pursuant to any such agreement (collectively, “FATCA”), a 30% withholding tax will apply to dividends on, or gross proceeds from the sale or other disposition of, shares of our common stock paid to certain non-U.S. entities (including financial intermediaries) unless various information reporting and due diligence requirements, which are different from and in addition to the certification requirements described elsewhere in this discussion, have been satisfied (generally relating to ownership by U.S. persons of interests in or accounts with those entities). The withholding rules apply currently to payments of dividends on shares of our common stock. The withholding rules are scheduled to apply to payments of gross proceeds from dispositions of shares of our common stock beginning January 1, 2017.

Holders of shares of our common stock should consult their tax advisors regarding the possible impact of FATCA on their investment in our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co. and Jefferies LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

| <u>Underwriter</u> | <u>Number of Shares</u> |
|--|-------------------------|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | |
| Goldman, Sachs & Co. | |
| Jefferies LLC | |
| Citigroup Global Markets Inc. | |
| Morgan Stanley & Co. LLC | |
| Credit Suisse Securities (USA) LLC | |
| Raymond James & Associates, Inc. | |
| Total | |

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

| | <u>Per Share</u> | <u>Without Option</u> | <u>With Option</u> |
|---|------------------|-----------------------|--------------------|
| Public offering price | \$ | \$ | \$ |
| Underwriting discount | \$ | \$ | \$ |
| Proceeds, before expenses, to the Company | \$ | \$ | \$ |

The expenses of the offering, not including the underwriting discount, are estimated at \$ and are payable by us.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of . Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Listing

We expect the shares to be approved for listing on the under the symbol “ .” In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;

[Table of Contents](#)

- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the , in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

The underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a “Relevant Member State”), no offer of shares may be made to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

[Table of Contents](#)

For the purpose of the above provisions, the expression “an offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (“ASIC”), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Non-CIS Securities may not be circulated or distributed, nor may the Non-CIS Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Non-CIS Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Non-CIS Securities pursuant to an offer made under Section 275 of the SFA except:

- (c) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (d) where no consideration is or will be given for the transfer;
- (e) where the transfer is by operation of law;
- (f) as specified in Section 276(7) of the SFA; or
- (g) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

LEGAL MATTERS

The validity of the issuance of the shares of common stock to be sold in this offering will be passed upon for us by Ropes & Gray LLP, New York, New York. Certain legal matters relating to this offering will be passed upon for the underwriters by Latham & Watkins LLP, Washington, District of Columbia.

EXPERTS

The consolidated balance sheet of Surgery Partners, Inc. at May 31, 2015, appearing in this prospectus and registration statement has been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Surgery Center Holdings, Inc. at December 31, 2014, and for the year then ended, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, and at December 31, 2013, and for each of the two years in the period ended December 31, 2013, by BDO USA LLP, independent registered public accounting firm, as set forth in their respective reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

The consolidated financial statements of Symbion, Inc. at December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock being offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and the shares of our common stock, reference is made to the registration statement and the exhibits and schedules filed as a part thereof. Statements contained in this prospectus as to the contents of any contract or other document is not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. We are not currently subject to the informational requirements of the Exchange Act. As a result of the offering of the shares of our common stock, we will become subject to the informational requirements of the Exchange Act and, in accordance therewith, will file reports and other information with the SEC. The registration statement, such reports and other information can be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's website at www.sec.gov.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Surgery Partners, Inc.

Audited Balance Sheet

[Report of Independent Registered Public Accounting Firm](#)

[Balance Sheet at May 31, 2015](#)

Page

F-3

F-4

Surgery Center Holdings, Inc.

Audited Consolidated Financial Statements

[Reports of Independent Registered Public Accounting Firms](#)

[Consolidated Balance Sheets at December 31, 2014 and 2013](#)

[Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012](#)

[Consolidated Statements of Comprehensive Income \(Loss\) for the years ended December 31, 2014, 2013 and 2012](#)

[Consolidated Statements of Changes in Stockholder's Equity \(Deficit\) for the years ended December 31, 2014, 2013 and 2012](#)

[Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012](#)

[Notes to Consolidated Financial Statements](#)

F-6

F-8

F-9

F-10

F-11

F-12

F-13

Unaudited Interim Condensed Consolidated Financial Statements

[Condensed Consolidated Balance Sheets at March 31, 2015 and December 31, 2014](#)

[Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014](#)

[Condensed Consolidated Statements of Comprehensive Income \(Loss\) for the three months ended March 31, 2015 and 2014](#)

[Condensed Consolidated Statements of Changes in Stockholder's Equity \(Deficit\) for the three months ended March 31, 2015 and March 31, 2014](#)

[Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014](#)

[Notes to Condensed Consolidated Financial Statements](#)

F-48

F-49

F-50

F-51

F-52

F-53

[Table of Contents](#)

Symbion, Inc.

Audited Consolidated Financial Statements

| | |
|---|------|
| Report of Independent Registered Public Accounting Firm | F-79 |
| Consolidated Balance Sheets at December 31, 2013 and 2012 | F-80 |
| Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011 | F-81 |
| Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2013, 2012 and 2011 | F-82 |
| Consolidated Statements of Changes in Stockholder's Equity (Deficit) for the years ended December 31, 2013, 2012 and 2011 | F-83 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011 | F-84 |
| Notes to Consolidated Financial Statements | F-85 |

Unaudited Interim Condensed Consolidated Financial Statements

| | |
|---|-------|
| Condensed Consolidated Balance Sheets at September 30, 2014 and December 31, 2013 | F-125 |
| Condensed Consolidated Statements of Operations for the three and nine month periods ended September 30, 2014 and 2013 | F-126 |
| Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine month periods ended September 30, 2014 and 2013 | F-127 |
| Condensed Consolidated Statements of Changes in Stockholder's Equity (Deficit) for the nine month period ended September 30, 2014 | F-128 |
| Condensed Consolidated Statements of Cash Flows for the nine month periods ended September 30, 2014 and 2013 | F-129 |
| Notes to Condensed Consolidated Financial Statements | F-130 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Director and Stockholder of Surgery Partners, Inc.

We have audited the accompanying balance sheet of Surgery Partners, Inc. as of May 31, 2015. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Surgery Partners, Inc. at May 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Nashville, Tennessee
June 22, 2015

SURGERY PARTNERS, INC.
BALANCE SHEET
MAY 31, 2015

STOCKHOLDER'S EQUITY

| | |
|--|-------------|
| Common stock, \$0.01 par value, 1,000 shares authorized, 100 shares issued and outstanding | \$ 1 |
| Stockholder receivable | \$ (1) |
| Total stockholder's equity | <u>\$ —</u> |

See note to balance sheet.

**SURGERY PARTNERS, INC.
NOTE TO BALANCE SHEET
MAY 31, 2015**

1. Organization

Surgery Partners, Inc. (the “Company”) was incorporated in the state of Delaware on April 2, 2015 with the issuance of 100 shares of common stock to its sole board director at par value of \$1 in exchange for an equal amount due from that director. The receivable from the director is presented in the accompanying balance sheet as a deduction from stockholder’s equity. The Company has not engaged in any operations and has had no cash flows from the date of incorporation through May 31, 2015.

SURGERY CENTER HOLDINGS, INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Surgery Center Holdings, Inc.

We have audited the accompanying consolidated balance sheet of Surgery Center Holdings, Inc. as of December 31, 2014 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the year ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Surgery Center Holdings, Inc. at December 31, 2014, and the consolidated results of its operations and its cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
April 21, 2015

SURGERY CENTER HOLDINGS, INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Surgery Center Holdings, Inc.
Chicago, Illinois

We have audited the accompanying consolidated balance sheet of Surgery Center Holdings, Inc. and Subsidiaries as of December 31, 2013 and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity (deficit), and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Surgery Center Holdings, Inc. and Subsidiaries as of December 31, 2013, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Chicago, Illinois
April 22, 2014

SURGERY CENTER HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares and per share amounts)

| | December 31, | |
|--|--------------------|-------------------|
| | 2014 | 2013 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 74,920 | \$ 13,026 |
| Accounts receivable, less allowance for doubtful accounts of \$5,329 and \$5,028 at December 31, 2014 and 2013, respectively | 144,960 | 54,419 |
| Inventories | 23,692 | 4,568 |
| Prepaid expenses and other current assets | 24,005 | 9,425 |
| Indemnification receivable due from seller | 1,072 | 1,072 |
| Total current assets | 268,649 | 82,510 |
| Property and equipment, net | 175,006 | 20,804 |
| Intangible assets, net | 54,888 | 26,976 |
| Goodwill | 1,298,753 | 339,521 |
| Investments in and advances to affiliates | 33,441 | — |
| Restricted invested assets | 316 | — |
| Acquisition escrow deposit | 16,232 | — |
| Other long-term assets | 5,879 | 521 |
| Debt issuance costs | 5,630 | 4,369 |
| Total assets | <u>\$1,858,794</u> | <u>\$ 474,701</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 43,063 | \$ 18,278 |
| Accrued payroll and benefits | 22,370 | 4,572 |
| Other current liabilities | 53,870 | 10,762 |
| Current maturities of long-term debt | 22,088 | 8,842 |
| Total current liabilities | 141,391 | 42,454 |
| Long-term debt, less current maturities | 1,339,266 | 418,559 |
| Long-term deferred tax liabilities | 49,170 | 16,018 |
| Acquisition escrow liability | 16,232 | — |
| Other long-term liabilities | 90,610 | 12,045 |
| Non-controlling interests—redeemable | 192,589 | — |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 1,000 shares authorized, issued and outstanding at December 31, 2014 and 2013 | — | — |
| Additional paid-in-capital | 58,151 | 59,719 |
| Retained deficit | (322,233) | (163,336) |
| Total Surgery Center Holdings, Inc. stockholders' equity (deficit) | (264,082) | (103,617) |
| Non-controlling interests—non-redeemable | 293,618 | 89,242 |
| Total equity | 29,536 | (14,375) |
| Total liabilities and stockholders' equity | <u>\$1,858,794</u> | <u>\$ 474,701</u> |

See notes to consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|-------------------|-----------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Revenues | \$ 403,289 | \$ 284,599 | \$ 260,215 |
| Operating expenses: | | | |
| Salaries and benefits | 101,283 | 69,650 | 66,991 |
| Cost of sales and supplies | 92,020 | 61,946 | 54,699 |
| Professional and medical fees | 15,363 | 6,320 | 5,945 |
| Lease expense | 19,389 | 14,048 | 14,245 |
| Other operating expenses | 26,123 | 17,880 | 17,466 |
| Cost of revenues | 254,178 | 169,844 | 159,346 |
| General and administrative expenses | 31,452 | 26,339 | 25,263 |
| Depreciation and amortization | 15,061 | 11,663 | 11,208 |
| Provision for doubtful accounts | 9,509 | 5,885 | 3,073 |
| Income from equity investments | (1,264) | — | — |
| Loss on disposal or impairment of long-lived assets, net | 1,804 | 2,482 | 832 |
| Loss on debt extinguishment | 23,414 | 9,863 | — |
| Electronic health records incentives income | (3,356) | — | — |
| Merger transaction costs | 21,690 | — | — |
| Other (income) expenses | (6) | 297 | 40 |
| Total operating expenses | 352,482 | 226,373 | 199,762 |
| Operating income | 50,807 | 58,226 | 60,453 |
| Interest expense, net | (62,101) | (32,929) | (28,482) |
| (Loss) income before income taxes | (11,294) | 25,297 | 31,971 |
| Provision for income taxes | 15,758 | 7,570 | 6,110 |
| Net (loss) income | (27,052) | 17,727 | 25,861 |
| Less: Net income attributable to non-controlling interests | (38,845) | (26,789) | (23,945) |
| Net (loss) income attributable to Surgery Center Holdings, Inc. | <u>\$ (65,897)</u> | <u>\$ (9,062)</u> | <u>\$ 1,916</u> |
| Net income (loss) per share | | | |
| Basic | | | |
| Diluted | | | |
| Weighted average common shares outstanding | | | |
| Basic | | | |
| Diluted | | | |

See notes to consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|-------------------|-----------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Net (loss) income | \$(27,052) | \$ 17,727 | \$ 25,861 |
| Other comprehensive income | — | — | — |
| Comprehensive (loss) income | (27,052) | 17,727 | 25,861 |
| Less: Comprehensive income attributable to non-controlling interests | (38,845) | (26,789) | (23,945) |
| Comprehensive (loss) income attributable to Surgery Center Holdings, Inc. | <u>\$(65,897)</u> | <u>\$ (9,062)</u> | <u>\$ 1,916</u> |

See notes to consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

| | Surgery Center Holdings, Inc. Common Stock | | Additional Paid-in Capital | Retained Deficit | Non- Controlling Interests - Non- Redeemable | Total |
|--|--|--------|----------------------------------|---------------------|--|-------------|
| | Shares | Amount | | | | |
| Balance at December 31, 2011 | 1,000 | \$ — | \$ 56,564 | \$ (25,177) | \$ 90,356 | \$ 121,743 |
| Net income | | | — | 1,916 | 23,945 | 25,861 |
| Distributions to non-controlling interests—non-redeemable holders | | | — | — | (23,049) | (23,049) |
| Acquisition and disposal of shares of non-controlling interests, net | | | 2,143 | — | (2,947) | (804) |
| Unit-based compensation | | | 411 | — | — | 411 |
| Other | | | (57) | — | — | (57) |
| Balance at December 31, 2012 | 1,000 | \$ — | \$ 59,061 | \$ (23,261) | \$ 88,305 | \$ 124,105 |
| Net (loss) income | | | — | (9,062) | 26,789 | 17,727 |
| Distributions to non-controlling interests—non-redeemable holders | | | — | — | (25,253) | (25,253) |
| Acquisition and disposal of shares of non-controlling interests, net | | | 203 | — | (599) | (396) |
| Distributions to Parent | | | — | (131,013) | — | (131,013) |
| Unit-based compensation | | | 455 | — | — | 455 |
| Balance at December 31, 2013 | 1,000 | \$ — | \$ 59,719 | \$ (163,336) | \$ 89,242 | \$ (14,375) |
| Net (loss) income | | | — | (65,897) | 34,766 | (31,131) |
| Distributions to non-controlling interests—non-redeemable holders | | | — | — | (32,414) | (32,414) |
| Acquisition and disposal of shares of non-controlling interests, net | | | 633 | — | 202,024 | 202,657 |
| Distributions to Parent | | | — | (93,000) | — | (93,000) |
| Unit-based compensation | | | 942 | — | — | 942 |
| Repurchase of units | | | (3,143) | — | — | (3,143) |
| Balance at December 31, 2014 | 1,000 | \$ — | \$ 58,151 | \$ (322,233) | \$ 293,618 | \$ 29,536 |

See notes to consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | 2014 | <u>Year Ended December 31,</u> 2013 | 2012 |
|---|------------------|--|-----------------|
| Cash flows from operating activities: | | | |
| Net (loss) income | \$ (27,052) | \$ 17,727 | \$ 25,861 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Depreciation and amortization | 15,061 | 11,663 | 11,208 |
| Amortization of debt issuance costs and discount | 3,746 | 2,430 | 2,318 |
| Goodwill impairment | — | 581 | — |
| Paid-in-kind interest | — | — | 1,237 |
| Unit-based compensation | 942 | 455 | 411 |
| Amortization of unfavorable lease liability | (72) | — | — |
| Change in fair value of interest rate swap | — | — | 82 |
| Loss on disposal or impairment of long-lived assets, net | 1,804 | 2,482 | 911 |
| Loss on debt extinguishment | 23,414 | 9,863 | — |
| Deferred income taxes | 14,089 | 7,136 | 5,709 |
| Interest on contingent consideration obligation | 964 | 892 | 826 |
| Provision for doubtful accounts | 9,509 | 5,885 | 3,073 |
| Income from equity investments, net of distributions received | (713) | — | — |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | | |
| Accounts receivable | (20,161) | (9,722) | (8,924) |
| Other operating assets and liabilities | 418 | (314) | 3,665 |
| Net cash provided by operating activities | <u>21,949</u> | <u>49,078</u> | <u>46,377</u> |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment, net | (7,736) | (4,150) | (4,694) |
| Purchase of non-competes | (1,700) | — | — |
| Payments for acquisitions, net of cash acquired | (261,580) | (486) | (274) |
| Proceeds from divestitures | — | 1,014 | 1,500 |
| Net cash used in investing activities | <u>(271,016)</u> | <u>(3,622)</u> | <u>(3,468)</u> |
| Cash flows from financing activities: | | | |
| Principal payments on long-term debt | (1,009,874) | (339,908) | (80,756) |
| Borrowings of long-term debt | 1,477,288 | 462,983 | 61,400 |
| Payments of debt issuance costs | (7,496) | (4,974) | (100) |
| Payment of premium on debt extinguishment | (17,840) | — | — |
| Distribution to Parent | (93,000) | (131,013) | — |
| Distributions to non-controlling interests holders | (35,182) | (25,253) | (23,049) |
| Proceeds from (payments related to) ownership transactions with consolidated affiliates | 278 | 503 | (500) |
| Repurchase of units | (3,143) | — | — |
| Other financing activities | (70) | — | (56) |
| Net cash provided by (used in) financing activities | <u>310,961</u> | <u>(37,662)</u> | <u>(43,061)</u> |
| Net increase (decrease) in cash and cash equivalents | 61,894 | 7,794 | (152) |
| Cash and cash equivalents at beginning of year | 13,026 | 5,232 | 5,384 |
| Cash and cash equivalents at end of year | <u>\$ 74,920</u> | <u>\$ 13,026</u> | <u>\$ 5,232</u> |

See notes to consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Surgery Center Holdings, Inc. and Subsidiaries (the “Company”) was incorporated in Delaware in 2009 to own and operate ambulatory surgery centers (“ASCs”), anesthesia services and physician practices. The Company is a wholly-owned subsidiary of Surgery Center Holdings, LLC (the “Parent Company”). As further described below, the Company expanded its business by acquiring Symbion, Inc. in 2014.

As of December 31, 2014, the Company owned and operated a national network of short stay surgical facilities and physician practices 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 our surgical hospitals also provide acute care services such as diagnostic imaging, laboratory, obstetrics, oncology, pharmacy, physical therapy and wound care.

The Company owns surgical facilities in partnership with physicians and, in some cases, physicians and health systems in the markets and communities it serves. As of December 31, 2014, the Company owned or operated 96 surgical facilities, including 90 ASCs and six surgical hospitals, and we managed seven additional ASCs. The Company owned a majority interest in 70 of the 103 facilities and consolidated 91 of these facilities for financial reporting purposes.

In addition to surgical facilities, the Company operates or manages a network of 30 physician practices. The Company also provides anesthesia services in ASCs and owns and operates a diagnostic laboratory, a specialty pharmacy, optical laboratories, an optical products purchasing organization, and a marketing products and services business.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as well as interests in partnerships and limited liability companies controlled by the Company through 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.

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 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

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

control of the Company are present, classification of noncontrolling interests outside of permanent equity is required. Consolidated net income attributable to the Company and to the noncontrolling interests are identified and presented on the consolidated statements of income; changes in ownership interests are accounted for as equity transactions. Certain transactions with noncontrolling interests are classified within financing activities in the consolidated statements of cash flows.

The 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 consolidated balance sheets.

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

| | |
|--|------------------|
| Balance at December 31, 2013 | — |
| Net income attributable to non-controlling interests—redeemable | 4,079 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | 191,278 |
| Distributions to non-controlling interests—redeemable holders | (2,768) |
| Balance at December 31, 2014 | <u>\$192,589</u> |

Variable Interest Entities

The consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary under the provisions of Accounting Standards Codification Topic 810, *Consolidation*. The variable interest entities include four surgical facilities and two anesthesia practices for which the Company has the power to direct the activities that most significantly impact their economic performance. Additionally, the Company would absorb the majority of the expected losses of these entities should they occur. The Company has fully guaranteed the debt obligations for one of its variable interest surgical facilities located in the state of Florida. The debt obligations are subordinated to such a level that the Company absorbs the majority of the expected losses. As of December 31, 2014 and 2013, the consolidated balance sheets of the Company included total assets of \$24.7 million and \$23.6 million, respectively, and total liabilities of \$1.7 million and \$1.4 million, respectively, related to the Company's variable interest entities.

Equity Method Investments

In connection with the Symbion acquisition, the Company acquired non-consolidating investments in surgical facilities and management companies that own or manage surgical facilities and hospitals. 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 consolidated balance sheets was \$33.4 million as of December 31, 2014.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the comparative periods’ financial statements to conform to the year ended December 31, 2014 presentation. The reclassifications primarily related to the presentation of the provision for doubtful accounts 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), or inputs other than quoted prices in active markets that are either directly or indirectly observable (Level 2), or unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions (Level 3), depending on the nature of the item being valued.

The carrying amounts reported in the 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):

| | <u>Carrying Amount</u> | | <u>Fair Value</u> | |
|--|------------------------|-------------|---------------------|-------------|
| | <u>December 31,</u> | <u>2013</u> | <u>December 31,</u> | <u>2013</u> |
| | 2014 | 2013 | 2014 | 2013 |
| 2014 First Lien Credit Agreement, net of debt issuance discount | \$846,183 | \$ — | \$820,798 | \$ — |
| 2014 Second Lien Credit Agreement, net of debt issuance discount | 471,816 | — | 452,943 | — |
| 2013 First Lien Credit Agreement, net of debt issuance discount | — | 303,890 | — | 311,237 |
| 2013 Second Lien Credit Agreement, net of debt issuance discount | — | 115,267 | — | 120,300 |

The fair values of the First Lien Term Loan and Second Lien Term Loan, as defined in Note 8 on Long-Term Debt, were based on a Level 2 computation using quoted prices for identical liabilities in inactive markets at December 31, 2014 and 2013, as applicable. The carrying amounts related to the Company’s other long-term debt obligations approximate their fair values.

In connection with the Symbion acquisition, the Company acquired and continues to maintain 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

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 December 31, 2014, the fair value of the assets in the SERP was \$1.4 million and was included in other long-term assets in the consolidated balance sheet. The Company had a liability of \$1.4 million related to the SERP, which was included in other long-term liabilities as of December 31, 2014.

Revenue Recognition

The Company recognizes revenues in the period in which the services are performed. Patient services revenues and receivables from third-party payors are recorded net of estimated contractual adjustments and allowances from third-party payors, 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:

| | <u>Year Ended December 31,</u> | | |
|----------------------------------|--------------------------------|---------------|---------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Patient service revenues: | | | |
| Surgical facilities revenues | 83.9% | 78.9% | 81.0% |
| Ancillary services revenues | 12.3% | 15.5% | 12.9% |
| | <u>96.2%</u> | <u>94.4%</u> | <u>93.9%</u> |
| Other service revenues: | | | |
| Optical services revenues | 3.5% | 5.6% | 6.1% |
| Other service revenues | 0.3% | — % | — % |
| | <u>3.8%</u> | <u>5.6%</u> | <u>6.1%</u> |
| Total revenues | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

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 a small number of surgical facilities, the Company charges for anesthesia services. Ancillary service revenues include fees for patient visits to our physician clinics, pharmacy services and toxicology screens ordered by pain 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 year ended December 31, 2014, the Company recognized approximately \$104,000 as a reduction to patient service revenues as a result of changes in estimates to third-party settlements related to prior periods. These adjustments were related to two of the Company's surgical hospitals that were acquired in connection with acquisition of Symbion.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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):

| | <u>2014</u> | | <u>Year Ended December 31,</u> | | <u>2012</u> | |
|--------------------------------|------------------|---------------|--------------------------------|---------------|------------------|---------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Private insurance payors | \$202,172 | 52.1% | \$162,888 | 60.6% | \$146,176 | 59.8% |
| Government payors | 134,041 | 34.5% | 75,125 | 28.0% | 76,999 | 31.5% |
| Self-pay payors | 13,645 | 3.5% | 7,587 | 2.8% | 7,333 | 3.0% |
| Other payors | 38,215 | 9.9% | 23,081 | 8.6% | 13,934 | 5.7% |
| Total patient service revenues | <u>\$388,073</u> | <u>100.0%</u> | <u>\$268,681</u> | <u>100.0%</u> | <u>\$244,442</u> | <u>100.0%</u> |

Other service revenues. Revenues from other services 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 of products and services 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 service revenues additionally 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 clinics 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 clinic and are recognized in the period in which services are rendered.

The operating results of Symbion are included in the Company's 2014 operating results effective November 3, 2014. For the year ended December 31, 2014, on a pro forma basis assuming the acquisition of Symbion had been completed on January 1, 2014, approximately 92.7%, 5.7% and 1.6% of the Company's revenues were generated by the Company's Surgical Facilities Segment, Ancillary Services Segment and Optical Services Segment, respectively.

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

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 December 31, 2014, the Company had third-party Medicaid settlements of \$11.7 million in other current liabilities in the consolidated balance sheet. The Company had no third-party Medicaid settlement liabilities as of December 31, 2013.

A summary of accounts receivable, net, by type of payor follows (in thousands):

| | <u>December 31,</u> | |
|--------------------------------|---------------------|---------------|
| | <u>2014</u> | <u>2013</u> |
| Private insurance payors | 44.5% | 56.1% |
| Government payors | 31.3% | 17.5% |
| Self-pay payors | 5.9% | 1.3% |
| Other payors | 18.3% | 25.1% |
| Total accounts receivable, net | <u>100.0%</u> | <u>100.0%</u> |

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 its surgical facilities to ensure the proper aged category and collection assessment. At a consolidated level, the Company's policy is to review accounts receivables aging, by surgical facility, to determine the appropriate allowance for doubtful accounts. Patient account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual 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.

A summary of the changes in the allowance for doubtful accounts receivable follows (in thousands):

| | |
|---|-----------------|
| Balance at December 31, 2011 | \$ 6,804 |
| Provision for doubtful accounts | 3,073 |
| Accounts written off, net of recoveries | <u>(6,643)</u> |
| Balance at December 31, 2012 | 3,234 |
| Provision for doubtful accounts | 5,885 |
| Accounts written off, net of recoveries | <u>(4,091)</u> |
| Balance at December 31, 2013 | 5,028 |
| Provision for doubtful accounts | 9,509 |
| Accounts written off, net of recoveries | <u>(9,208)</u> |
| Balance at December 31, 2014 | <u>\$ 5,329</u> |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

The Company records an estimate for doubtful accounts based on the aging category and historical collection experience of each product sales or other business included in other service revenues, as discussed in the note above.

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 consolidated balance sheets. Such receivables were \$7.6 million and \$7.0 million at December 31, 2014 and 2013, 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):

| | <u>December 31,</u> | |
|----------------------|---------------------|----------------|
| | <u>2014</u> | <u>2013</u> |
| Prepaid expenses | \$ 7,050 | \$1,552 |
| Other current assets | 16,955 | 7,873 |
| Total | <u>\$24,005</u> | <u>\$9,425</u> |

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.

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.

Goodwill and Intangible Assets

Goodwill represents the fair value of the consideration provided in an acquisition over the fair value of net assets acquired and is not amortized. 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 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 consolidated statements of operations over the service lives of the agreements,

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 consolidated statements of operations over the estimated lives of the relationships, ranging from three to ten years.

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. 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. No impairment losses were recognized during the years ended December 31, 2014, 2013 and 2012.

The Company tests its goodwill and intangible assets for impairment at least annually, or more frequently if certain indicators arise. The Company tests goodwill at the reporting unit level in accordance with Accounting Standards Codification Topic 350, Intangibles—Goodwill and Other. In performing the test, the Company compares the carrying value of the net assets of the individual reporting units as of December 31, or additionally if impairment indicators are present, to the net present value of the estimated discounted future cash flows of the individual reporting units. The Company corroborates the results of the discounted cash flow analysis with a market-based approach. As the Company does not have publicly traded equity from which to derive a market value, an assessment of peer company data is performed whereby the Company selects comparable peers based on healthcare industry specific characteristics. Management estimates a reasonable market value of the Company based on earnings multiples and trading data of the Company's peers. The Company completed its required annual impairment testing and determined no impairment existed in the year ended December 31, 2014. During the year ended December 31, 2013, the Company recorded an impairment charge of \$581,000 related to its Patient Education Concepts reporting unit, which was the entire goodwill balance of this reporting unit. The impairment charge is included in the consolidated statement of operations as of December 31, 2013 as a component of other (income) expense. No goodwill impairment charges were recorded during the year ended December 31, 2012.

Restricted Invested Assets

Restricted invested assets of \$316,000 at December 31, 2014 were related to a requirement under the operating lease agreement at the Company's Chesterfield, Missouri facility. The Company purchased this facility in connection with its acquisition of Symbion on November 3, 2014. In accordance with the provisions of the lease agreement, the Company has a deposit with the landlord that shall be held by the landlord as a security for performance by the Company of the Company's covenants and obligations under the lease through January 2024.

Other Long-Term Assets

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

| | December 31, | |
|------------------|---------------------|--------------|
| | 2014 | 2013 |
| Notes receivable | \$ 182 | \$— |
| Deposits | 2,196 | 521 |
| Assets of SERP | 1,402 | — |
| Other | 2,099 | — |
| Total | <u>\$5,879</u> | <u>\$521</u> |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Other Current Liabilities

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

| | December 31, | |
|------------------------------------|---------------------|-----------------|
| | 2014 | 2013 |
| Interest payable | \$ 7,027 | \$ 190 |
| Current taxes payable | 3,189 | 285 |
| Insurance liabilities | 5,552 | — |
| Third-party settlements | 11,708 | — |
| Amounts due to patients and payors | 9,476 | 4,041 |
| Other accrued expenses | 16,918 | 6,246 |
| Total | <u>\$53,870</u> | <u>\$10,762</u> |

Other Long-Term Liabilities

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

| | December 31, | |
|-------------------------------------|---------------------|-----------------|
| | 2014 | 2013 |
| Facility lease obligations | \$50,749 | \$ — |
| Medical malpractice liability | 4,253 | — |
| Liability of SERP | 1,415 | — |
| Contingent consideration obligation | 13,009 | 12,045 |
| Acquisition consideration payable | 16,768 | — |
| Unfavorable lease liability | 2,427 | — |
| Other long-term liabilities | 1,989 | — |
| Total long-term liabilities | <u>\$90,610</u> | <u>\$12,045</u> |

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 Company acquired this facility in connection with its acquisition of Symbion on November 3, 2014. The obligation is payable to the lessor of this facility for the land, building and improvements. The current portion of the lease obligation was \$568,000 at December 31, 2014, 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 \$51.3 million at December 31, 2014.

Unit-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. On the grant date, the Company employs a market approach to estimate the fair value of these 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. 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 unit-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.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Earnings Per Share

The Company's business is currently conducted through Surgery Center Holdings, Inc., which is a subsidiary of Surgery Center Holdings, LLC. The Company expects to conduct a corporate reorganization during 2015 whereby Surgery Partners, Inc. will become the sole managing member of Surgery Center Holdings, LLC, and all of the equity units in Surgery Center Holdings, LLC will be exchanged for shares of common stock in Surgery Partners, Inc. As a result, the Company does not believe earnings per share to be a meaningful presentation in the accompanying consolidated financial statements.

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 consolidated balance sheets. Expected insurance recoveries are presented on the consolidated balance sheets separately from the liabilities. At December 31, 2014 \$3.1 million is included in other current liabilities and \$4.3 million is included in other long-term liabilities on the consolidated balance sheets. Expected insurance recoveries of \$2.2 million are included in prepaid expenses and other current assets and \$2.8 million is included in other long-term assets on the consolidated balance sheets at 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 received incentive payments and recognized revenue of \$3.4 million during the year ended December 31, 2014 related to the completion of the EHR meaningful use requirements at its surgical hospitals.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Income Taxes

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 our deferred tax valuation allowances.

The company, or one or more of our 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.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update, or ASU, 2014-08, which changes the requirements for reporting discontinued operations. A discontinued operation continues to include a component of an entity or a group of components of an entity, or a business activity. However, in a shift reflecting stakeholder concerns that too many disposals of small groups of assets that are recurring in nature qualified for reporting as discontinued operations, a disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. A business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale will still be a discontinued operation. Additional disclosures will be required for significant components of the entity that are disposed of or are held for sale but do not qualify as discontinued operations. This ASU is effective for fiscal years beginning after December 15, 2014 and is to be applied on a prospective basis for disposals or components initially classified as held for sale after that date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company has elected to adopt this ASU starting January 1, 2014. This ASU did not impact the Company's consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, 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 is effective for fiscal years beginning after December 15, 2016. Early adoption is not permitted. The Company will adopt this ASU on January 1, 2017 and is currently evaluating its plan for adoption and the impact the Company's revenue recognition policies, procedures and the resulting impact on the Company's consolidated financial position, results of operations and cash flows.

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

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 noncontrolling 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.

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 outstanding share of common stock of Symbion, 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. The Company will fund an additional \$16.8 million to the escrow account by May 3, 2016. The \$33.0 million escrow balance is payable to Symbion on May 3, 2016, pending the resolution of any adjustments to acquired working capital and the settlement of any other indemnities.

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

The Merger was financed through the issuance of approximately \$1.4 billion of Senior Secured Credit Facilities (“Facilities”), which includes an \$870 million 2014 First Credit Agreement due November 3, 2020, a \$490 million 2014 Second Lien Credit Agreement due November 3, 2021 and a \$80 million revolving credit facility.

Fees and expenses 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.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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:

| | November 3, 2014 |
|--|-------------------------|
| Cash consideration | \$ 300,098 |
| Acquisition consideration payable | 16,768 |
| Fair value of noncontrolling interests | 395,663 |
| Fair value of Symbion | 712,529 |
| 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 | \$ 957,650 |

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 acquisition of Symbion that will be deductible for tax purposes is \$142.5 million.

Fair value attributable to noncontrolling 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 noncontrolling 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.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Revenues and net income included in the year ended December 31, 2014 associated with the Symbion acquisition are as follows (in thousands):

| | <u>Year Ended December 31,</u> <u>2014</u> |
|---|---|
| Net revenues | \$ 103,979 |
| Net income | 21,018 |
| Less: net income attributable to noncontrolling interests | (10,439) |
| Net loss attributable to Surgery Center Holdings, Inc. | <u>\$ 10,579</u> |

The unaudited consolidated pro forma results for the years ended December 31, 2014 and 2013, assuming the Symbion acquisition had been consummated on January 1, 2013, are as follows (in thousands):

| | <u>Year Ended December 31,</u> | |
|---|--------------------------------|--------------------|
| | <u>2014</u> | <u>2013</u> |
| Net revenues | \$ 873,683 | \$ 820,186 |
| Net (loss) income | 31,557 | 42,714 |
| Less: net income attributable to noncontrolling interests | (68,973) | (64,396) |
| Net loss attributable to Surgery Center Holdings, Inc. | <u>\$ (37,416)</u> | <u>\$ (21,682)</u> |

These pro forma amounts for the year ended December 31, 2014 do not include expenses related to merger transaction costs of \$21.7 million or loss on debt extinguishment of \$23.4 million.

Other 2014 Transactions

Throughout 2014 the Company acquired three physician practices for an aggregate purchase price of \$1.6 million. These transactions were funded with cash from operations.

2013 Transactions

During 2013 the Company acquired 100% ownership interests in both a specialty pharmacy and a physician practice. The aggregate purchase price of these transactions was approximately \$417,000.

2012 Transactions

Effective October 25, 2012, the Company acquired a 100% ownership interest in an optical laboratory for a purchase price of approximately \$647,000. The purchase price was funded with \$125,000 in cash, and the remaining \$522,000 was financed through a note payable over seven years. The total amount of the purchase price was allocated to customer relationships.

4. Divestitures

2013 Transactions

In March 2013, the Company closed an ASC in Sebring, Florida and a physician practice in Indiana. Pre-tax net losses of approximately \$3.2 million were recorded as a result of these dispositions.

In October 2013, the Company received net proceeds of \$1.0 million for the sale of an ASC in Merrillville, Indiana. This transaction resulted in the recognition of a pre-tax gain of approximately \$637,050.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

2012 Transactions

Effective April 2012, the Company sold its majority interest in an ASC in Richmond, Virginia for approximately \$1.5 million and recorded a pre-tax loss on sale of approximately \$830,000 in the consolidated statement of operations.

5. Property and Equipment

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

| | December 31, | |
|---------------------------------|---------------------|------------------|
| | 2014 | 2013 |
| Land | \$ 6,790 | \$ 100 |
| Buildings and improvements | 100,574 | 13,457 |
| Furniture and equipment | 13,662 | 896 |
| Computer and software | 20,622 | 3,501 |
| Medical equipment | 86,132 | 20,037 |
| Construction in progress | 2,923 | — |
| Property and equipment, at cost | <u>230,703</u> | <u>37,991</u> |
| Less: Accumulated depreciation | <u>(55,697)</u> | <u>(17,187)</u> |
| Property and equipment, net | <u>\$175,006</u> | <u>\$ 20,804</u> |

The Company is liable to various vendors for equipment leases. The carrying values of assets under capital lease were \$13.3 million and \$5.1 million as of December 31, 2014 and 2013, respectively, which included accumulated depreciation of \$6.8 million and \$4.7 million, respectively.

6. Intangible Assets

In connection with the acquisition of Symbion, the Company acquired various intangible assets including \$24.7 million related to management agreements, \$3.7 million related to certificates of need, \$1.8 million related to non-compete agreements, \$1.1 million related to physician income guarantees and \$242,000 related to Medicare licenses.

A summary of changes in intangible assets follows (in thousands):

| | Physician Guarantees | Management Rights | Non-Compete Agreements | Certificates of Need | Customer Relationships | Other | Total Intangible Assets |
|------------------------------|---------------------------------|------------------------------|-----------------------------------|---------------------------------|-----------------------------------|----------------|--|
| Balance at December 31, 2011 | \$ — | \$ 268 | \$ 21,593 | \$ — | \$ 10,463 | \$3,750 | \$ 36,074 |
| Additions | — | — | — | — | 647 | — | 647 |
| Recruitment expense | — | — | — | — | — | — | — |
| Amortization | — | (20) | (2,728) | — | (1,788) | (469) | (5,005) |
| Balance at December 31, 2012 | — | 248 | 18,865 | — | 9,322 | 3,281 | 31,716 |
| Additions | — | 150 | — | — | — | — | 150 |
| Recruitment expense | — | — | — | — | — | — | — |
| Amortization | — | (21) | (2,742) | — | (1,657) | (470) | (4,890) |
| Balance at December 31, 2013 | — | 377 | 16,123 | — | 7,665 | 2,811 | 26,976 |
| Additions | 1,081 | 24,700 | 3,500 | 3,711 | — | 242 | 33,234 |
| Recruitment expense | (108) | — | — | — | — | — | (108) |
| Amortization | — | (320) | (3,033) | — | (1,391) | (470) | (5,214) |
| Balance at December 31, 2014 | <u>\$ 973</u> | <u>\$ 24,757</u> | <u>\$ 16,590</u> | <u>\$ 3,711</u> | <u>\$ 6,274</u> | <u>\$2,583</u> | <u>\$ 54,888</u> |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

A summary of cost and accumulated amortization related to the Company's finite-lived intangible assets, which excludes certificates of need, physician income guarantees and certain other indefinite-lived intangible assets, follows (in thousands):

| | <u>December 31,</u> | |
|---|---------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| Management rights agreements | \$ 25,160 | \$ 460 |
| Non-compete agreements | 30,633 | 27,133 |
| Customer relationships | 12,348 | 12,348 |
| Other | 4,700 | 4,700 |
| Finite-lived intangible assets, at cost | 72,841 | 44,641 |
| Less: Accumulated amortization | (22,879) | (17,665) |
| Finite-lived intangible assets, net | <u>\$ 49,962</u> | <u>\$ 26,976</u> |

During the years ended December 31, 2014, 2013 and 2012, the Company had amortization expense of \$5.2 million, \$4.9 million and \$5.0 million, respectively.

A summary of the scheduled amortization related to the Company's finite-lived intangible assets as of December 31, 2014 follows (in thousands):

| | <u>Amortization of</u> <u>Finite-Lived</u> <u>Intangible Assets</u> |
|------------|---|
| 2015 | \$ 8,203 |
| 2016 | 6,082 |
| 2017 | 5,249 |
| 2018 | 5,043 |
| 2019 | 4,897 |
| Thereafter | 20,488 |
| Total | <u>\$ 49,962</u> |

As of December 31, 2014, physician income guarantees consisted of recruitment costs of \$1.1 million and accumulated amortization of these recruitment costs into salaries and benefits costs of approximately \$108,000.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

7. Goodwill

A summary of changes in goodwill follows (in thousands):

| | |
|------------------------------|---------------------|
| Balance at December 31, 2011 | \$ 345,746 |
| Acquisitions | — |
| Divestitures | (2,238) |
| Impairment | — |
| Purchase price adjustments | 159 |
| Balance at December 31, 2012 | 343,667 |
| Acquisitions | 269 |
| Divestitures | (3,834) |
| Impairment | (581) |
| Purchase price adjustments | — |
| Balance at December 31, 2013 | 339,521 |
| Acquisitions | 959,232 |
| Divestitures | — |
| Impairment | — |
| Purchase price adjustments | — |
| Balance at December 31, 2014 | <u>\$ 1,298,753</u> |

Additions to goodwill include new business combination acquisitions and incremental ownership acquired in the Company's subsidiaries. A summary of the Company's acquisitions for the years ended December 31, 2014, 2013 and 2012 is included in Note 3, Acquisitions and Developments.

The Company reviews goodwill and indefinite-lived intangible assets for impairment annually, as of December 31, or more frequently if certain indicators arise. The Company reviews goodwill at the reporting unit level, which is defined as one level below an operating segment. The Company has determined that it has six reporting units, which include the following: 1) Surgical Facilities 2) Ancillary Services, 3) Midwest Labs, 4) The Alliance, including Optical Synergies, 5) Family Vision Care and 6) Patient Education Concepts, the Company's marketing products and services business. When reviewing goodwill, the Company compares the carrying value of the net assets of the reporting unit to the estimated fair value of the reporting unit. If the carrying value exceeds the net present value of the estimated discounted future cash flows, an impairment indicator exists and an estimate of the possible impairment loss is calculated. The fair value calculation includes multiple assumptions and estimates, including the projected cash flows and discount rates applied.

The Company performed its annual goodwill impairment assessment by developing a fair value estimate of the business enterprise as of December 31, 2014 using a discounted cash flows approach. The results of our fair value estimate were corroborated using a market-based approach. As the Company does not have publicly traded equity from which to derive a market value, an assessment of peer-company trading data was performed, whereby management selected comparable peers based on industry specific characteristics. Management estimated a reasonable market value of the Company as of December 31, 2014 based on earnings multiples and trading data of the Company's peers. This market-based approach was then used to assess the reasonableness of the discounted cash flows approach. The result of our annual goodwill impairment test at December 31, 2014 indicated no impairment.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

8. Long-Term Debt

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

| | <u>December 31,</u> | |
|--|---------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Revolver loan | \$ — | \$ — |
| 2014 First Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2020, net of debt issuance discount of \$23,818 at December 31, 2014 | 846,183 | — |
| 2014 Second Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2021, net of debt issuance discount of \$18,184 at December 31, 2014 | 471,816 | — |
| 2013 First Lien Credit Agreement, dated April 11, 2013, maturing April 11, 2019, net of debt issuance discount of \$6,385 at December 31, 2013 | — | 303,890 |
| 2013 Second Lien Credit Agreement, dated April 11, 2013, maturing April 11, 2020, net of debt issuance discount of \$4,733 at December 31, 2013 | — | 115,267 |
| Subordinated Notes A | 1,000 | 1,000 |
| Notes payable and secured loans | 31,600 | 3,590 |
| Capital lease obligations | 10,755 | 3,654 |
| Total debt | <u>1,361,354</u> | <u>427,401</u> |
| Less: Current maturities | (22,088) | (8,842) |
| Total long-term debt | <u>\$ 1,339,266</u> | <u>\$ 418,559</u> |

The acquisition of Symbion on November 3, 2014 and payoff of the senior debt was financed through new approximately \$1.4 billion Senior Secured Credit Facilities (the “Facilities”) consisting of the following:

- \$80 million revolving credit facility (“2014 Revolver Loan”)
- \$870 million 1st lien term loan facility (“2014 First Lien Credit Agreement”)
- \$490 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 2013 First and 2013 Second Lien Credit Agreements and 2013 Revolver Agreement dated April 11, 2013, consisting of \$522.1 million outstanding under senior secured credit facilities, including accrued interest. The Company recognized a loss of approximately \$23.4 million related to the extinguishment of these debt instruments.

Included in the \$522.1 million debt extinguishment was \$311.9 million outstanding principal and accrued interest related to the 2013 First Lien Credit Agreement and the 2013 Revolver Agreement that the Company entered into as part of a debt refinancing in April 2013. With regard to the 2013 First Lien Credit Agreement, the Company had recorded \$3.2 million and \$4.0 million as reductions to the carrying value in the form of original issue discount and amounts paid to lender for debt related issuance costs, respectively. Approximately \$921,000 and \$780,000 of these costs were accreted to interest expense during the years ended December 31, 2014 and 2013, respectively. In addition, the Company paid \$3.1 million in connection with obtaining the 2013 First Lien Credit Agreement and recorded this amount as debt issuance costs, which is

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

presented, net of accumulated amortization of approximately \$397,000, in the accompanying consolidated balance sheets as of December 31, 2013. In connection with obtaining the 2013 Revolver Agreement for \$30 million, the Company incurred approximately \$702,000 and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately \$105,000, in the accompanying balance sheet as of December 31, 2013.

Additionally included in the \$522.1 million debt extinguishment was \$210.2 million outstanding principal and accrued interest related to the 2013 Second Lien Credit Agreement that the Company entered into as part of a debt refinancing in April 2013 (and amended January 27, 2014). With regard to the 2013 Second Lien Credit Agreement as amended January 27, 2014, the Company had recorded \$4.4 million and \$5.1 million as reductions to the carrying value in the form of original issue discount and amounts paid to lender for debt related issuance costs, respectively. Approximately \$843,000 and \$369,000 of these costs were accreted to interest expense during the years ended December 31, 2014 and 2013, respectively. In addition to this, the Company paid \$1.2 million in connection with obtaining the 2013 Second Lien Credit Agreement and recorded this amount as debt issuance costs, which is presented, net of accumulated amortization of approximately \$135,000, in the accompanying consolidated balance sheets as of December 31, 2013.

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 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 December 31, 2014, the Company had \$77.3 million available under the Revolver.

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 \$76,000, in the accompanying consolidated balance sheet as of December 31, 2014. 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 December 31, 2014, 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%;

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 December 31, 2014.

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 2014, approximately \$565,000 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 \$41,000, in the accompanying consolidated balance sheet as of December 31, 2014.

The credit agreement that governs the 2014 Term Loan 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 December 31, 2014, 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, 2012. 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 First Lien Credit Agreement. There were no excess cash flow payments required as of December 31, 2014.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 2014, approximately \$308,000 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 \$14,000, in the accompanying consolidated balance sheet as of December 31, 2014.

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 the Company maintain a maximum net leverage ratio. At December 31, 2014, 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 April 11, 2013, the Company raised \$465 million in Senior Secured Credit Facilities (“Credit Facilities”) to refinance a portion of its then existing debt and to return capital to its shareholders (“2013 Debt Refinancing”). These Credit Facilities were used to pay off the \$233.7 million outstanding balance of the original \$240.0 million term loan (“Term A Loan”), plus accrued interest and fees, and \$52.8 million of the outstanding balance of the subordinated debt facility (“Subordinated Notes A”), plus accrued interest and fees. On the date of closing, the Company had no outstanding balance on the original \$30.0 million Revolving Loan (“Revolving Loan”). As a result of these transactions, the Term A Loan and Revolving Loan were terminated. The Subordinated Notes A were amended with the outstanding principal balance reduced to \$1.0 million.

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 2014, approximately \$383,000 was accreted to interest expense.

Subordinated Notes A

Effective April 11, 2013, the Company amended and reduced the size of its subordinated debt facility to \$1.0 million from \$53.8 million. The Company accounted for the amendment as extinguishment of debt. The prepayment premium of \$1.6 million that the Company paid in connection with decreasing the size of the subordinated debt facility and the unamortized balance of debt issuance costs related to Subordinated Notes A of \$1.1 million were recorded as loss on the extinguishment of debt in the accompanying consolidated statements of operations for the year ended December 31, 2013. Through a separate transaction in April 2013, H.I.G. Surgery Centers, LLC, an affiliate of the Company’s Parent Company, Surgery Center Holdings, LLC, purchased the Subordinated Notes from an independent third party. At December 31, 2014 and 2013, the debt is payable to H.I.G. Surgery Centers, LLC, which is also a related party.

The facility matures on August 4, 2017. The outstanding balance of the Subordinated Notes A bore interest of 15.00% per annum through December 31, 2013, of which 12.00% per annum was payable quarterly in cash. The Company had the option to elect that the remaining 3.00% per annum be added to the unpaid principal amount as payment-in-kind (“PIK”) or to pay the additional interest in cash. Through September 30, 2012, the Company elected to add the PIK to the unpaid principal amount of the Subordinated Notes A. Total PIK interest of \$1.2 million accrued during 2012. Beginning October 1, 2012, the Company elected to begin paying the additional 3.00% interest in cash on a quarterly basis. Effective January 1, 2014, the Subordinated Notes A bear interest of 17.00% per annum.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Term Loan A

During 2011, the Company entered into a \$240.0 million Term Loan A related to the acquisition of NovaMed. The Term Loan A was effective May 4, 2011, and was terminated on April 11, 2013 in connection with the 2013 Debt Transactions discussed above. The Company was required to pay quarterly principal payments of \$600,000 on the last business day of each March, June, September and December during which the Term Loan A was outstanding. The Company had the option of classifying the Term Loan A as either an ABR loan or an ED loan. During 2012 and 2013 (until termination of the Term Loan A), the Company classified the Term Loan A as an ED loan with an interest rate of 6.50%.

The Company recorded \$1.2 million as a reduction of the carrying value of the Term Loan A as original issue discount which was accreted to interest expense over the term of the loan. During 2013 and 2012, approximately \$58,000 and \$209,000 was accreted to interest expense, respectively. The Company also paid \$8.7 million in connection with obtaining the Term Loan A and amortized approximately \$417,000 and \$1.7 million of these costs during the years ended December 31, 2013 and 2012, respectively.

2011 Revolving Loan

In 2011, the Company secured a 5-year, \$20.0 million Revolving Loan (“2011 Revolving Loan”) to be used for working capital and general corporate purposes. The 2011 Revolving Loan was terminated on April 11, 2013 in connection with the 2013 Debt Refinancing. The Company recorded \$100,000 as a reduction of the carrying value of the 2011 Revolving Loan as original issue discount, which was accreted to interest expense over the term of the loan. During 2013 and 2012, approximately \$5,600 and \$20,000 was accreted to interest expense, respectively. The Company also paid \$681,000 in connection with obtaining the Revolving Loan and amortized \$37,800 and \$148,000 of these costs during the years ended December 31, 2013 and 2012, respectively. The Company also paid quarterly commitment fees of 0.50% per annum on the average daily unused amount of the 2011 Revolving Loan.

The Company incurred a loss on the extinguishment of the 2011 Revolving Loan and Term Loan A of \$7.0 million, which is included in loss on extinguishment of debt in the accompanying consolidated statement of operations for the year ended December 31, 2013.

Interest Rate Swap and Cap Agreements

In May 2011, the Company entered into an interest-rate swap agreement (“2011 Swap”) to exchange variable rate interest payments for a 3.38% fixed rate payment commencing with the effective date of December 31, 2011. The 2011 Swap provided for quarterly reductions in notional value until its termination on December 31, 2012. The 2011 Swap was intended to effectively cap the variable interest LIBOR on certain of the Company’s long-term debt at a fixed rate minimizing the Company’s exposure to increasing interest rates. The 2011 Swap had a negative fair value of \$0 as of December 31, 2012. The 2011 Swap expired and was settled in 2012 for approximately \$722,000. The 2011 Swap did not qualify for hedge accounting and, as a result, the Company recognized the change in fair value of the swap of \$51,535 as other expense in the accompanying consolidated statements of operations for the year ended December 31, 2012.

In July 2011, the Company entered into an interest-rate cap agreement (“2011 Cap”) which caps the interest rate the Company would have to pay on a portion of its senior debt for a three year period. As of December 31, 2013, the 2011 Cap had an outstanding notional amount of \$115,000,000. The 2011 Cap provided for a maximum six month LIBOR of 3.0% for the 12 months ended July 29, 2012, 4.0% for the 12 months ended July 29, 2013 and 5.0% for the 12 months ended July 29, 2014. The notional amount did not change through the

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

July 29, 2014 termination date. The 2011 Cap was intended to effectively cap the variable interest LIBOR on the notional amount at a fixed rate minimizing the Company's exposure to increasing interest rates. The 2011 Cap had a fair value of \$67 and \$101 as of December 31, 2013 and 2012, respectively, which was recorded in the accompanying consolidated balance sheets. The 2011 Cap did not qualify for hedge accounting and as a result the Company recognized the change in fair value of this cap of \$34 and \$30,164 as other expense in the accompanying consolidated statement of operations for the year ended December 31, 2013 and 2012, respectively.

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 December 31, 2014, 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 \$31.6 million and \$3.6 million as of December 31, 2014 and 2013, respectively.

Letters of Credit

At December 31, 2013, the Company had outstanding letters of credit issued to two of its optical products buying group vendors in the amounts of \$600,000 and \$200,000 that expired on April 30, 2014. During 2014, the \$630,000 letter of credit was increased to \$730,000. 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. The carrying value of the leased assets was \$13.3 million and \$5.1 million as of December 31, 2014 and December 31, 2013, respectively.

Maturities

A summary of the scheduled maturities of our debt obligations as of December 31, 2014 follows (in thousands):

| | <u>Capital Lease Obligations</u> | <u>Other Long-Term Debt</u> | <u>Total</u> |
|------------|--------------------------------------|-------------------------------------|--------------------|
| 2015 | \$ 4,005 | \$ 18,083 | \$ 22,088 |
| 2016 | 3,018 | 19,307 | 22,325 |
| 2017 | 1,999 | 15,717 | 17,716 |
| 2018 | 1,035 | 13,540 | 14,575 |
| 2019 | 384 | 9,281 | 9,665 |
| Thereafter | 314 | 1,316,673 | 1,316,987 |
| Total debt | <u>\$ 10,755</u> | <u>\$1,392,601</u> | <u>\$1,403,356</u> |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

9. Operating Leases

The Company leases office space and equipment for its surgical facilities, including surgical facilities under development. The lease agreements generally require the lessee to pay all maintenance, property taxes, utilities and insurance costs. The Company accounts for operating lease obligations and sublease income on a straight-line basis. Lease obligations paid in advance are included in prepaid rent. The difference between actual lease payments and straight-line lease expense over the initial lease term, excluding optional renewal periods, is included in deferred rent.

The future minimum lease payments under non-cancellable operating leases, net of sub-lease income, follows (in thousands):

| | |
|--|------------------|
| 2015 | \$ 34,399 |
| 2016 | 30,700 |
| 2017 | 26,449 |
| 2018 | 23,289 |
| 2019 | 19,743 |
| Thereafter | 81,458 |
| Total minimum operating lease payments | <u>\$216,038</u> |

Total operating lease expense was \$18.8 million, \$13.5 million and \$13.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. Included in these amounts, the Company incurred lease expense of \$6.9 million, \$5.8 million and \$5.8 million for years ended December 31, 2014, 2013 and 2012, respectively, under operating lease agreements with physician investors who are related parties.

The Company has various sub-lease arrangements at its surgical hospital located in Idaho Falls, Idaho. Future minimum lease payments to be received at this facility under these non-cancellable sub-lease arrangements follows (in thousands):

| | |
|--|----------------|
| 2015 | \$ 762 |
| 2016 | 785 |
| 2017 | 809 |
| 2018 | 833 |
| 2019 | 553 |
| Thereafter | 2,699 |
| Total non-cancellable sub-lease income | <u>\$6,441</u> |

10. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. The partnerships and limited liability companies file separate income tax returns. The Company's allocable portion of each partnership's and limited liability company's income or loss is included in taxable income of the Company. The remaining income or loss of each partnership and limited liability company is allocated to the other owners. The Company made income tax payments of \$676,000 and \$538,000 for the periods ended December 31, 2014 and 2013, respectively.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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

| | <u>Year Ended December 31,</u> | | |
|--------------------------|--------------------------------|----------------|----------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Current: | | | |
| Federal | \$ — | \$ — | \$ — |
| State | 1,669 | 469 | 309 |
| Deferred: | | | |
| Federal | 13,235 | 6,353 | 5,190 |
| State | 854 | 748 | 611 |
| Total income tax expense | <u>\$15,758</u> | <u>\$7,570</u> | <u>\$6,110</u> |

A reconciliation of the provision for income taxes as reported in the consolidated statements of operations and the amount of income tax expense (benefit) computed by multiplying consolidated income (loss) in each year by the U.S. federal statutory rate of 34% follows (in thousands):

| | <u>Year Ended December 31,</u> | | |
|--|--------------------------------|-----------------|-----------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Tax (benefit) expense at U.S. federal statutory rate | \$ (3,840) | \$ 8,601 | \$10,870 |
| State income tax, net of U.S. federal tax benefit | 1,402 | 408 | 1,369 |
| Change in valuation allowance | 29,336 | 4,067 | (5,364) |
| Expiration of carryforwards and stock option forfeitures | 1,286 | 2,524 | — |
| Net income attributable to non-controlling interests | (13,207) | (9,108) | (8,141) |
| Changes in measurement of uncertain tax positions | 589 | — | — |
| Nondeductible transaction costs | 4,230 | — | — |
| Partnership basis tax return reconciling differences | (4,419) | 836 | 6,955 |
| Other | 381 | 242 | 421 |
| Total income tax expense | <u>\$ 15,758</u> | <u>\$ 7,570</u> | <u>\$ 6,110</u> |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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

| | <u>December 31,</u> | |
|--|---------------------|--------------------|
| | <u>2014</u> | <u>2013</u> |
| Deferred tax assets: | | |
| Medical malpractice liability | \$ 526 | \$ — |
| Accrued vacation and incentive compensation | 2,079 | 222 |
| Net operating loss carryforwards | 123,709 | 21,542 |
| Allowance for bad debts | 980 | 1,446 |
| Basis differences of partnerships and joint ventures | 16,131 | — |
| SERP liability | 527 | — |
| Capital loss carryforwards | 3,513 | 339 |
| Stock option compensation | 362 | 577 |
| Depreciation on property and equipment | — | 299 |
| Deferred rent | — | 133 |
| Deferred financing costs | 4,386 | — |
| Audit and tax fee accruals | 760 | — |
| FIN 48 liabilities | 440 | — |
| Other deferred assets | 1,597 | 653 |
| Total gross deferred tax assets | 155,010 | 25,211 |
| Less: Valuation allowance | (142,909) | (21,469) |
| Total deferred tax assets | 12,101 | 3,742 |
| Deferred tax liabilities: | | |
| Depreciation on property and equipment | (1,050) | — |
| Amortization of intangible assets | (16,159) | (3,383) |
| Basis differences of partnerships and joint ventures | (43,195) | (15,978) |
| Deferred rent | (515) | — |
| Other deferred liabilities | (466) | (359) |
| Total deferred tax liabilities | (61,385) | (19,720) |
| Net deferred tax liabilities | <u>\$ (49,284)</u> | <u>\$ (15,978)</u> |

As of December 31, 2014 and 2013, the Company had net current deferred tax assets (liabilities) of \$(114,000) and \$39,000, respectively, and net long-term deferred tax liabilities of \$49.2 million and \$16.0 million, respectively. The Company had federal net operating loss carryforwards of \$305.6 million as of December 31, 2014, which expire between 2025 and 2034. The Company had state net operating loss carryforwards of \$463.4 million as of December 31, 2014, which expire between 2015 and 2034. The Company had capital loss carryforwards of \$8.2 million as of December 31, 2014, which expire between 2015 and 2019. The Company had federal and state credit carryforwards of \$574,000 as of December 31, 2014. The federal credits do not expire, and the state credits expire between 2017 and 2028.

The Company has recorded a valuation allowance against its deferred tax assets at December 31, 2014 and 2013 totaling \$142.9 million and \$21.5 million, respectively, which represents an increase of approximately \$121.4 million for the year ended December 31, 2014. The valuation allowance has been provided for certain deferred tax assets for which the Company believes it is more likely than not that the tax benefits will not be realized. Included in the increase in the valuation allowance for the year ended December 31, 2014 was approximately \$88.7 million recorded to goodwill as a result of the deferred tax assets acquired in the Symbion

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

transaction. Also included in the increase in the valuation allowance was an increase of approximately \$532,000 recorded to additional-paid-in-capital as the result of the tax effect of the disposals of shares of noncontrolling interests. Finally, approximately \$532,000 of the valuation allowance as of December 31, 2014 is recorded against deferred tax assets that, if subsequently recognized, will be credited directly to contributed capital.

A reconciliation of the beginning and ending liability for gross unrecognized tax benefits for the years ended December 31, 2014 and 2013 is as follows (in thousands):

| | <u>Year Ended December 31,</u> | |
|---|--------------------------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| Unrecognized tax benefits at beginning of year | \$ — | \$ — |
| Additions for tax positions acquired from Symbion | 1,766 | — |
| Additions based on tax provisions related to the current year | 66 | — |
| Additions for tax positions of prior years | 923 | — |
| Unrecognized tax benefits at end of year | <u>\$ 2,755</u> | <u>\$ —</u> |

The Company recognizes interest and penalties related to uncertain tax positions in its provision for income taxes in the consolidated statements of operations. For the years ended December 31, 2014 and 2013, the Company had approximately \$357,000 and \$0, respectively, of accrued interest and penalties related to uncertain tax positions. The total amount of accrued liabilities related to uncertain tax positions that would affect the Company's effective tax rate, if recognized, is \$1.1 million as of December 31, 2014.

The reserve for uncertain tax positions will be reduced by approximately \$387,000 in the coming twelve months, principally as a result of the settlement of the 2010, 2011 and 2012 Internal Revenue Service ("IRS") examinations. Final notices related to these examinations were received in February and March 2015. The reserves are included in non-current taxes payable and non-current deferred tax liabilities in the consolidated balance sheet as of December 31, 2014.

In February 2015, the Company settled the IRS audit of the Company's federal income tax returns for the years ended December 31, 2010 and 2011. In March 2015, the Company settled the IRS audit of the Company's federal income tax returns for the year ended December 31, 2012. In addition, the Company's 2011 and 2012 Illinois income tax returns are under audit by the State of Illinois. The Company's U.S. federal income tax returns for tax years 2011 and beyond remain subject to examination. The Company's state income tax returns for tax years 2010 and beyond remain subject to examination.

11. Supplemental Cash Flow Information

A summary of additional information related to cash flows from operations follows (in thousands):

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|-------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Non-cash transactions: | | | |
| Notes payable issued in connection with an acquisition | \$ — | \$ — | \$ 522 |
| Increase in debt related to new capital lease obligations | 3,252 | 1,054 | 2,880 |
| Cash payments: | | | |
| Interest paid, net of interest income received | 50,377 | 31,101 | 24,031 |
| Cash paid for income taxes | 676 | 538 | 591 |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

12. Unit-Based Compensation

Overview

The Amended and Restated Limited Liability Company Agreement of Surgery Center Holdings, LLC (the “Parent”), dated December 24, 2009, provides, from time to time, as approved by the Parent’s Board, for the issuance of a subordinate class of the Parent’s nonvoting membership units to certain key persons, as defined, of the Company or its subsidiaries.

On December 24, 2009, the Parent issued to the Company’s Chief Executive Officer subordinate classes of vested Parent membership units, which are partially forfeitable upon a termination from cause, as defined, or a violation of non-competition clauses in the Chief Executive Officer’s Employment Agreement.

Also on December 24, 2009, the Parent issued 2,437,023 subordinate class non-voting Parent unvested membership units (“B-Units”) to the Company’s Chief Executive Officer and another employee of the Company, subject to vesting conditions and contingent events through December 2014. In 2010, the Parent issued an additional 2,932,120 unvested B-Units to certain employees of the Company, which are subject to vesting conditions and contingent events through December 2015. In April 2013, the Company modified the terms of the 2010 awards to allow for additional vesting in 2013 of its share-based awards with time-vesting conditions. In 2011, the Parent issued to certain executives of NovaMed, Inc. who became employees of the Company following the Company’s acquisition of NovaMed in 2011, an additional 1,202,268 unvested B-Units, which are subject to vesting conditions to occur through January 2016. In November 2014, the Parent issued to certain executives of Symbion, Inc. who became employees of the Company following the Company’s acquisition of Symbion an additional 1,300,000 unvested B-Units, which are subject to vesting conditions to occur through November 2019.

In the event of employee termination, the B-Units are subject to a 90-day repurchase option. Upon termination, all unvested B-Units are effectively forfeited. If the employee is terminated for cause, as defined, or resigns prior to the expiration of certain tenure periods specified in such employee’s agreement, the repurchase price for each vested B-Unit is zero, and shall be deemed automatically repurchased by the Company. The repurchase price for vested B-Units, should the Company elect to exercise the repurchase option, is at fair market value, as defined. If the Company does not exercise the repurchase option, the employee owns the vested B-Units pursuant to the Parent’s LLC Agreement, which includes restrictions on transfer, among other provisions. The fair value of each Parent issued B-Unit is estimated on the date of grant.

The Company recorded compensation expense of \$942,000, \$455,000, and \$411,000 to recognize the fair value of the B-Units that vested through December 2014, 2013, and 2012, respectively.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Unit Activity

A summary of Parent issued B-Unit activity for the years ended December 31, 2014, 2013 and 2012 follows:

| | <u>Total Units</u> | <u>Vested Units</u> | <u>Unvested Units</u> | <u>Weighted-Average Grant Fair Value</u> |
|----------------------------------|--------------------|---------------------|-----------------------|--|
| Outstanding at January 1, 2012 | 5,639,556 | 1,315,097 | 4,324,459 | \$ 0.49 |
| Granted | — | — | — | — |
| Forfeited/Terminated | (160,648) | — | (160,648) | 0.90 |
| Purchased | — | — | — | — |
| Vested | — | 794,561 | (794,561) | 0.52 |
| Outstanding at December 31, 2012 | 5,478,908 | 2,109,658 | 3,369,250 | \$ 0.48 |
| Granted | — | — | — | — |
| Forfeited/Terminated | — | — | — | — |
| Purchased | — | — | — | — |
| Vested | — | 920,197 | (920,197) | 0.49 |
| Outstanding at December 31, 2013 | 5,478,908 | 3,029,855 | 2,449,053 | \$ 0.48 |
| Granted | 1,300,000 | — | 1,300,000 | 2.89 |
| Forfeited/Terminated | (216,100) | — | (216,100) | 0.75 |
| Purchased | (1,360,699) | (1,360,699) | — | 2.15 |
| Vested | — | 1,126,493 | (1,126,493) | 0.84 |
| Outstanding at December 31, 2014 | <u>5,202,109</u> | <u>2,795,649</u> | <u>2,406,460</u> | \$ 1.01 |

At December 31, 2014, unrecognized compensation cost related to unvested B-Units was approximately \$3,743,996. Unrecognized compensation cost will be expensed annually based on the number of B-Units that vest during the year.

In 2014, 2013, and 2012, the Company terminated 216,100, zero and 160,648 unvested B-Units, respectively, related to the termination of employment of executives.

13. Employee Benefit Plans***Surgery Partners 401(k) Plan***

The Surgery Partners 401(k) Plan is a defined contribution plan whereby certain employees who have completed at least one month of service, including at least one hour of service during that period of time, are eligible to participate. Employees may enroll in the plan immediately upon completion of the minimum service requirement. The Surgery Partners 401(k) Plan allows eligible employees to make contributions of varying percentages of their annual compensation, up to the maximum allowable amounts by the Internal Revenue Service (“IRS”). Eligible employees may or may not receive a match by the Company of their contributions. Employee salary deferrals exceeding six percent of annual compensation are ineligible for a Company matching contribution. Employer contributions vest 20% after one year of service and continue vesting at 20% per year until fully vested. The Company’s matching contribution expense for the years ended December 31, 2014, 2013 and 2012 was \$754,000, \$516,000 and \$680,000, respectively.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Symbion, Inc. 401(k) Plan

In connection with the Symbion acquisition, the Company acquired and continues to maintain the Symbion, Inc. 401(k) Plan on behalf of certain former employees of Symbion. The Symbion, Inc. 401(k) Plan is a defined contribution plan whereby employees who have completed six months of service and are age 21 or older are eligible to participate. Employees may enroll in the plan on either January 1 or July 1 of each year. The 401(k) Plan allows eligible employees to make contributions of varying percentages of their annual compensation, up to the maximum allowable amounts by the IRS. Eligible employees may or may not receive a match by the Company of their contributions. The Company match varies depending on location and is determined prior to the start of each plan year. Generally, employer contributions vest 20% after two years of service and continue vesting at 20% per year until fully vested. The Company recorded no matching contribution expense related to the Symbion, Inc. 401(k) Plan for the year ended December 31, 2014.

Supplemental Executive Retirement Savings Plan

In connection with the Symbion acquisition, the Company acquired and continues to maintain a supplemental executive retirement savings plan (the "SERP") for certain former Symbion executives. The SERP provides supplemental retirement savings alternatives to eligible officers and key employees of the Company by allowing participants to defer portions of their compensation. Under the SERP, eligible employees may enroll in the plan before December 31 to be entered in the plan the following year. Eligible employees may defer into the SERP up to 25% of their normal period payroll and up to 50% of their annual bonus. If the enrolled employee contributes a minimum of 2% of his or her base salary into the SERP, the Company will contribute 2% of the enrolled employee's base salary to the plan and has the option of contributing additional amounts. Periodically, the enrolled employee's deferred amounts are transferred to a plan administrator. The plan administrator maintains separate non-qualified accounts for each enrolled employee to track deferred amounts. On May 1 of each year, the Company is required to make its contribution to each enrolled employee's account. See Note 2 on Significant Accounting Policies for information about the fair value of the assets and liabilities in the SERP.

14. Related Party Transactions

On December 24, 2009, the Company and Bayside Capital, Inc., an affiliate of 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. Prior to the Symbion acquisition, compensation for those services is payable in arrears in equal quarterly installments of \$250,000 plus all related expenses. The Management Agreement also provides that the Company will be required to pay additional fees related to certain future transactions, including certain subsequent financing, acquisition, disposition and change in control transactions. The Company's obligation to pay any amounts pursuant to the Management Agreement is subordinate to certain obligations to lenders in the event that these obligations are in default. Effective May 4, 2011, the Management Agreement was amended pursuant to the NovaMed merger and the management fee was increased to \$2.0 million annually. The Company recognized \$2.0 million for each of the years ended December 31, 2013 and 2012 related to the Management Agreement. 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 years ended December 31, 2014, 2013 and 2012 are recognized as professional fees in the accompanying consolidated statements of operations. Additionally, the Company incurred additional advisory fees related to refinancing transactions of \$17.6 million and \$2.7 million for the years ended December 31, 2014 and 2013, respectively.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

15. Commitments and Contingencies

Lease and Debt Guarantees of Non-Consolidated Facilities

As of December 31, 2014, the Company had guaranteed \$539,000 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 our 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 our surgical facilities conduct their operations, from licensing requirements to how and whether our 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.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 interest 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 initial purchase price was \$119.5 million, plus or minus a closing adjustment based on agreed-upon acquisition date values for cash on hand and current liabilities. In 2010, the Company was awarded \$588,688 to settle the acquisition price adjustment, based on the ruling of an independent arbitrator engaged pursuant to the dispute resolution clauses in the Purchase Agreement.

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 Subordinated Promissory Note bears interest at 8% beginning on August 4, 2011, and the entire principal balance plus any and all accrued and unpaid interest is payable on the earliest of the consummation of a sale of the Company; July 7, 2015; the date on which the Company's lenders' consent is received in writing; or the date on which all of the then outstanding indebtedness of the Company has been refinanced. The Company may prepay all or a portion of the outstanding principal and accrued interest, but only if such prepayment is not prohibited by the provisions of certain agreements with the Company's lenders. Within five days of the final determination of the amount of contingent consideration and on each anniversary of the date, the Company shall request its lenders to waive any restrictions to permit the required payment under the Subordinated Promissory Note to be paid in cash prior to its maturity date. The Company does not intend to prepay any of the outstanding principal or accrued and unpaid interest. During 2014, 2013 and 2012, the Company recorded approximately \$1.0 million, \$900,000 and \$800,000, respectively, of interest expense related to the Subordinated Promissory 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 December 31, 2014, 2013 and 2012 was \$13.0 million, \$12.0 million and \$11.2 million, respectively.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

In conjunction with the 2009 Acquisition, an escrow account in the amount of \$2,944,000 was created to cover any contingencies. With the formation of this escrow account, the Company was indemnified against certain indemnification obligations. In 2010, \$588,688 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 consolidated balance sheets a net indemnification receivable due from Seller of \$1.1 million as of December 31, 2014, 2013 and 2012, 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 2014, 2013 and 2012 consolidated balance sheets.

Subsequent to the acquisition date, the Company determined that the acquired accounts receivable were not properly recorded at the net realizable value of the asset. The Company determined that 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 balance sheet at December 31, 2014.

16. Subsequent Events

Effective January 31, 2015, the Company acquired an ownership interest of 51.0% in Delaware Outpatient Center for Surgery, LLC, located in Newark, Delaware for a purchase price of \$8.6 million. This transaction was financed with proceeds from the refinancing of the Company's credit facilities in connection with the Symbion acquisition.

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Effective February 27, 2015, the Company sold its majority interest in an ASC in Orange City, Florida for one dollar. In connection with the divestiture, the Company paid down the outstanding indebtedness of the ASC. The Company recognized a pre-tax loss of approximately \$1.7 million in the consolidated statement of operations for the year ended December 31, 2014.

Effective March 2, 2015, the Company sold its majority interest in an ASC in Dallas, Texas for \$8.3 million. The Company expects to recognize pre-tax gain of approximately \$4.0 million related to this divestiture.

Effective April 9, 2015, the surgical hospital located in Lubbock, Texas, in which the Company has a 58.3% consolidating ownership interest, acquired a 100.0% ownership in an ASC located in the same market in which the Company has a 45.6% consolidating ownership interest. The total purchase price was \$10.0 million and the surgical hospital used a combination of equity and cash of \$2.9 million to fund the transaction. As a result of this acquisition, the Company's consolidating ownership in the surgical hospital increased to 59.8%.

17. 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.

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

| | 2014 | Year ended December 31, | |
|----------------------------|------------------|-------------------------|------------------|
| | | 2013 | 2012 |
| Net Revenue: | | | |
| Surgical Facility Services | \$339,309 | \$224,578 | \$210,872 |
| Ancillary Services | 49,787 | 44,103 | 33,570 |
| Optical Services | 14,193 | 15,918 | 15,773 |
| Total | <u>\$403,289</u> | <u>\$284,599</u> | <u>\$260,215</u> |

| | Year Ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2014 | 2013 | 2012 |
| Segment Operating Income: | | | |
| Surgical Facility Services | \$ 82,970 | \$54,261 | \$52,752 |
| Ancillary Services | 10,808 | 11,017 | 5,169 |
| Optical Services | 2,133 | 2,811 | 2,532 |
| Total | <u>\$ 95,911</u> | <u>\$68,089</u> | <u>\$60,453</u> |
| Merger transaction costs | \$(21,690) | \$ — | — |
| Loss on debt extinguishment | \$(23,414) | \$(9,863) | — |
| Operating income per consolidated statements of operations | <u>\$ 50,807</u> | <u>\$58,226</u> | <u>\$60,453</u> |

SURGERY CENTER HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

| | <u>Year Ended December 31,</u> | | |
|----------------------------------|--------------------------------|------------------|------------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Supplemental Information: | | | |
| Depreciation and amortization: | | | |
| Surgical Facility Services | \$ 11,399 | \$ 8,196 | \$ 7,988 |
| Ancillary Services | 2,021 | 1,605 | 1,235 |
| Optical Services | 1,641 | 1,862 | 1,985 |
| Total | <u>\$ 15,061</u> | <u>\$ 11,663</u> | <u>\$ 11,208</u> |

| | <u>Year Ended December 31,</u> | |
|----------------------------|--------------------------------|----------------|
| | <u>2014</u> | <u>2013</u> |
| Assets: | | |
| Surgical Facility Services | 1,758,947 | 379,677 |
| Ancillary Services | 73,971 | 68,492 |
| Optical Services | 25,876 | 26,532 |
| | <u>1,858,794</u> | <u>474,701</u> |

| | <u>Year Ended December 31,</u> | |
|--|--------------------------------|-----------------|
| | <u>2014</u> | <u>2013</u> |
| Supplemental Information: | | |
| Cash purchases of property and equipment, net: | | |
| Surgical Facility Services | \$ 6,202 | \$ 3,248 |
| Ancillary Services | 1,197 | 736 |
| Optical Services | 337 | 166 |
| Total | <u>\$ 7,736</u> | <u>\$ 4,150</u> |

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands, except shares and per share amounts)

| | March 31, 2015 | December 31, 2014 |
|--|--------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 56,416 | \$ 74,920 |
| Accounts receivable, less allowance for doubtful accounts of \$8,910 and \$5,329 at March 31, 2015 and December 31, 2014, respectively | 152,534 | 144,960 |
| Inventories | 24,379 | 23,692 |
| Prepaid expenses and other current assets | 23,413 | 24,005 |
| Indemnification receivable due from seller | 1,072 | 1,072 |
| Total current assets | 257,814 | 268,649 |
| Property and equipment, net | 173,289 | 175,006 |
| Intangible assets, net | 53,883 | 54,888 |
| Goodwill | 1,303,167 | 1,298,753 |
| Investments in and advances to affiliates | 33,178 | 33,441 |
| Restricted invested assets | 431 | 316 |
| Acquisition escrow deposit | 16,232 | 16,232 |
| Other long-term assets | 7,135 | 5,879 |
| Debt issuance costs | 5,351 | 5,630 |
| Total assets | <u>\$1,850,480</u> | <u>\$ 1,858,794</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 45,493 | \$ 43,063 |
| Accrued payroll and benefits | 19,793 | 22,370 |
| Other current liabilities | 46,360 | 53,870 |
| Current maturities of long-term debt | 22,628 | 22,088 |
| Total current liabilities | 134,274 | 141,391 |
| Long-term debt, less current maturities | 1,337,871 | 1,339,266 |
| Long-term deferred tax liabilities | 51,035 | 49,170 |
| Acquisition escrow liability | 16,232 | 16,232 |
| Other long-term liabilities | 91,539 | 90,610 |
| Non-controlling interests—redeemable | 191,499 | 192,589 |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 1,000 shares authorized, issued and outstanding at March 31, 2015 and 2014 | — | — |
| Additional paid-in-capital | 59,192 | 58,151 |
| Retained deficit | (328,998) | (322,233) |
| Total Surgery Center Holdings, Inc. stockholders' equity (deficit) | (269,806) | (264,082) |
| Non-controlling interests—non-redeemable | 297,836 | 293,618 |
| Total equity | 28,030 | 29,536 |
| Total liabilities and stockholders' equity | <u>\$1,850,480</u> | <u>\$ 1,858,794</u> |

See notes to unaudited condensed consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands)

| | <u>Three Months Ended March 31,</u> | |
|---|-------------------------------------|-------------|
| | <u>2015</u> | <u>2014</u> |
| Revenues | \$ 224,143 | \$ 70,480 |
| Operating expenses: | | |
| Salaries and benefits | 60,151 | 17,781 |
| Cost of sales and supplies | 57,077 | 15,306 |
| Professional and medical fees | 14,740 | 1,627 |
| Lease expense | 10,960 | 3,596 |
| Other operating expenses | 12,836 | 4,743 |
| Cost of revenues | 155,764 | 43,053 |
| General and administrative expenses | 11,862 | 6,835 |
| Depreciation and amortization | 8,462 | 2,860 |
| Provision for doubtful accounts | 5,186 | 1,322 |
| Income from equity investments | (707) | — |
| Loss on disposal or impairment of long-lived assets, net | 228 | 68 |
| Merger transaction and integration costs | 5,006 | — |
| Loss on debt extinguishment | — | 1,975 |
| Total operating expenses | 185,801 | 56,113 |
| Operating income | 38,342 | 14,367 |
| Interest expense, net | (25,751) | (10,106) |
| Income before income taxes | 12,591 | 4,261 |
| Provision for income taxes | 2,107 | 1,963 |
| Net income | 10,484 | 2,298 |
| Less: Net income attributable to non-controlling interests | (17,249) | (6,377) |
| Net loss attributable to Surgery Center Holdings, Inc. | \$ (6,765) | \$ (4,079) |
| Net earnings (loss) per share attributable to common stockholders | | |
| Basic | | |
| Diluted | | |
| Weighted average common shares outstanding | | |
| Basic | | |
| Diluted | | |

See notes to unaudited condensed consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(In thousands)

| | <u>Three Months Ended March 31,</u> | |
|--|-------------------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Net income | \$ 10,484 | \$ 2,298 |
| Other comprehensive income | — | — |
| Comprehensive income | <u>10,484</u> | <u>2,298</u> |
| Less: Comprehensive income attributable to non-controlling interests | <u>(17,249)</u> | <u>(6,377)</u> |
| Comprehensive loss attributable to Surgery Center Holdings, Inc. | <u>\$ (6,765)</u> | <u>\$ (4,079)</u> |

See notes to unaudited condensed consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (Unaudited)
(In thousands, except shares)

| | Surgery Center Holdings, Inc. Common Stock | | Additional Paid-in Capital | Retained Deficit | Non-Controlling Interests - Non-Redeemable | Total |
|--|--|-------------|----------------------------|--------------------|--|--------------------|
| | Shares | Amount | | | | |
| Balance at December 31, 2013 | 1,000 | — | 59,719 | (163,336) | 89,242 | (14,375) |
| Net (loss) income | — | — | — | (4,079) | 6,377 | 2,298 |
| Distributions to non-controlling interests—non-redeemable holders | — | — | — | — | (7,154) | (7,154) |
| Acquisition and disposal of shares of non-controlling interests, net | — | — | (34) | — | (20) | (54) |
| Distributions to Parent | — | — | — | (93,000) | — | (93,000) |
| Unit-based compensation | — | — | 114 | — | — | 114 |
| Balance at March 31, 2014 | <u>1,000</u> | <u>\$ —</u> | <u>\$ 59,799</u> | <u>\$(260,415)</u> | <u>\$ 88,445</u> | <u>\$(112,171)</u> |
| Balance at December 31, 2014 | 1,000 | — | 58,151 | (322,233) | 293,618 | 29,536 |
| Net (loss) income | — | — | — | (6,765) | 12,677 | 5,912 |
| Distributions to non-controlling interests—non-redeemable holders | — | — | — | — | (11,217) | (11,217) |
| Acquisition and disposal of shares of non-controlling interests, net | — | — | 615 | — | 2,758 | 3,373 |
| Unit-based compensation | — | — | 426 | — | — | 426 |
| Balance at March 31, 2015 | <u>1,000</u> | <u>\$ —</u> | <u>\$ 59,192</u> | <u>\$(328,998)</u> | <u>\$ 297,836</u> | <u>\$ 28,030</u> |

See notes to unaudited condensed consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

| | <u>Three Months Ended March 31,</u> | |
|--|-------------------------------------|-----------------|
| | <u>2015</u> | <u>2014</u> |
| Cash flows from operating activities: | | |
| Net income | \$ 10,484 | \$ 2,298 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 8,462 | 2,860 |
| Amortization of debt issuance costs and discount | 1,620 | 743 |
| Unit-based compensation | 426 | 114 |
| Amortization of unfavorable lease liability | (108) | — |
| Loss on disposal or impairment of long-lived assets, net | 228 | 68 |
| Loss on debt extinguishment | — | 1,975 |
| Deferred income taxes | 1,717 | 1,794 |
| Provision for doubtful accounts | 5,186 | 1,322 |
| Income from equity investments, net of distributions received | 257 | — |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | |
| Accounts receivable | (12,400) | (6,084) |
| Other operating assets and liabilities | (6,386) | (769) |
| Net cash provided by operating activities | <u>9,486</u> | <u>4,321</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment, net | (5,461) | (979) |
| Proceeds from divestitures | 8,367 | — |
| Payments for acquisitions, net of cash acquired | (8,102) | (76) |
| Net cash used in investing activities | <u>(5,196)</u> | <u>(1,055)</u> |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | (8,457) | (10,994) |
| Borrowings of long-term debt | 4,124 | 100,901 |
| Payments of debt issuance costs | — | (1,975) |
| Distribution to Parent | — | (93,000) |
| Distributions to non-controlling interests holders | (16,059) | (7,154) |
| Payments related to ownership transactions with consolidated affiliates | (2,292) | (124) |
| Other financing activities | (110) | — |
| Net cash used in financing activities | <u>(22,794)</u> | <u>(12,346)</u> |
| Net decrease in cash and cash equivalents | <u>(18,504)</u> | <u>(9,080)</u> |
| Cash and cash equivalents at beginning of year | 74,920 | 13,026 |
| Cash and cash equivalents at end of year | <u>\$ 56,416</u> | <u>\$ 3,946</u> |

See notes to unaudited condensed consolidated financial statements.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

Surgery Center Holdings, Inc. and Subsidiaries (the “Company”) was incorporated in Delaware in 2009 to own and operate ambulatory surgery centers (“ASCs”), provide anesthesia services and operate physician practices. The Company is a wholly-owned subsidiary of Surgery Center Holdings, LLC (the “Parent Company”). As further described below, the Company expanded its business by acquiring Symbion, Inc. in November 2014.

As of March 31, 2015, the Company owned and operated a national network of short stay surgical facilities and physician practices in 29 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 our surgical hospitals also provide acute care services such as diagnostic imaging, laboratory, obstetrics, oncology, pharmacy, physical therapy and wound care.

The Company owns surgical facilities in partnership with physicians and, in some cases, healthcare systems in the markets and communities it serves. As of March 31, 2015, the Company owned or operated a portfolio of 102 surgical facilities comprised of 96 ASCs and six surgical hospitals. Of the 96 ASCs, seven are managed only. The Company owned a majority interest in 70 of the surgical facilities and consolidated 90 of the surgical facilities for financial reporting purposes.

In addition to surgical facilities, the Company operates or manages a network of 30 physician practices. The Company also provides anesthesia services in ASCs and owns and operates a toxicology laboratory, a specialty pharmacy, optical laboratories, an optical products purchasing organization, and a marketing products and services business.

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 accruals) considered necessary for fair presentation of our 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 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 included in this filing. 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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 noncontrolling interests outside of permanent equity is required. Consolidated net income attributable to the Company and to the noncontrolling interests are identified and presented on the condensed consolidated statements of income; changes in ownership interests are accounted for as equity transactions. Certain transactions with noncontrolling 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 | 4,572 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | (820) |
| Distributions to non-controlling interests—redeemable holders | (4,842) |
| Balance at March 31, 2015 | <u>\$191,499</u> |

Variable Interest Entities

The consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary under the provisions of Accounting Standards Codification Topic 810, *Consolidation*

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The variable interest entities include two surgical facilities and two anesthesia practices for which the Company has the power to direct the activities that most significantly impact their economic performance. Additionally, the Company would absorb the majority of the expected losses of these entities should they occur. As of March 31, 2015 and December 31, 2014, the condensed consolidated balance sheets of the Company included total assets of \$23.2 million and \$24.7 million, respectively, and total liabilities of \$0.7 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 and hospitals. 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 \$33.2 million and \$33.4 million as of March 31, 2015 and December 31, 2014, respectively.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the comparative periods' financial statements to conform to the three months ended March 31, 2015 presentation. The reclassifications primarily related to the presentation of the provision for doubtful accounts 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), or inputs other than quoted prices in active markets that are either directly or indirectly observable (Level 2), or unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions (Level 3), depending on the nature of the item being valued.

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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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

| | <u>Carrying Amount</u> | | <u>Fair Value</u> | |
|---|---------------------------|------------------------------|---------------------------|------------------------------|
| | <u>March 31, 2015</u> | <u>December 31, 2014</u> | <u>March 31, 2015</u> | <u>December 31, 2014</u> |
| 2014 First Lien Credit Agreement, net of debt issuance discount of \$22,946 and \$23,818 at March 31, 2015 and December 31, 2014, respectively | \$844,879 | \$ 846,183 | \$844,879 | \$ 820,798 |
| 2014 Second Lien Credit Agreement, net of debt issuance discount of \$17,705 and \$18,184 at March 31, 2015 and December 31, 2014, respectively | 472,295 | 471,816 | 461,668 | 452,943 |

The fair values of the First Lien Term Loan and Second Lien Term Loan, 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 March 31, 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 March 31, 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 March 31, 2015 and December 31, 2014, respectively, which was included in other long-term liabilities in the condensed consolidated balance sheets.

Revenue Recognition

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 from third-party payors, 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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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

| | Three Months Ended March 31, | |
|----------------------------------|---|---------------|
| | 2015 | 2014 |
| Patient service revenues: | | |
| Surgical facilities revenues | 92.1% | 77.8% |
| Ancillary services revenues | 5.7% | 17.0% |
| | <u>97.8%</u> | <u>94.8%</u> |
| Other service revenues: | | |
| Optical services revenues | 1.7% | 5.2% |
| Surgical facilities other | 0.5% | — % |
| | <u>2.2%</u> | <u>5.2%</u> |
| Total revenues | <u>100.0%</u> | <u>100.0%</u> |

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 a small number of surgical facilities, the Company charges for anesthesia services. Ancillary service revenues include fees for patient visits to our physician clinics, pharmacy services and toxicology screens ordered by pain 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 months ended March 31, 2015, the Company recognized approximately \$0.6 million as a reduction to patient service revenues as a result of changes in estimates to third-party settlements related to prior periods. 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 March 31, | | | |
|---------------------------------------|-------------------------------------|---------------|-----------------|---------------|
| | 2015 | | 2014 | |
| | Amount | % | Amount | % |
| Private insurance payors | \$122,481 | 55.9% | \$35,714 | 53.4% |
| Government payors | 79,433 | 36.2% | 22,422 | 33.6% |
| Self-pay payors | 5,104 | 2.3% | 2,305 | 3.4% |
| Other payors | 12,132 | 5.6% | 6,382 | 9.6% |
| Total patient service revenues | <u>\$219,150</u> | <u>100.0%</u> | <u>\$66,823</u> | <u>100.0%</u> |

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Other Service Revenues

Revenues from other services 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 of products and services 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 service revenues additionally 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 clinics 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 clinic 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 March 31, 2015 and December 31, 2014, the Company had third-party Medicaid settlements of \$9.7 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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The Company analyzes accounts receivable at each of its surgical facilities to ensure the proper aged category and collection assessment. At a consolidated level, the Company's policy is to review accounts receivables aging, by surgical facility, to determine the appropriate allowance for doubtful accounts. Patient account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual 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 \$8.8 million and \$7.6 million at March 31, 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):

| | <u>March 31,</u> <u>2015</u> | <u>December 31,</u> <u>2014</u> |
|---|---------------------------------|------------------------------------|
| Prepaid expenses | \$ 6,769 | \$ 7,050 |
| Receivables—optical product purchasing organization | 8,815 | 7,556 |
| Other current assets | 7,829 | 9,399 |
| Total | <u>\$ 23,413</u> | <u>\$ 24,005</u> |

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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

A summary of property and equipment follows:

| | March 31, 2015 | December 31, 2014 |
|---------------------------------|-------------------|----------------------|
| Land | \$ 6,792 | \$ 6,790 |
| Buildings and improvements | 100,366 | 100,574 |
| Furniture and equipment | 13,966 | 13,662 |
| Computer and software | 23,071 | 20,622 |
| Medical equipment | 90,121 | 86,132 |
| Construction in progress | 2,258 | 2,923 |
| Property and equipment, at cost | 236,604 | 230,703 |
| Less: Accumulated depreciation | (63,315) | (55,697) |
| Property and equipment, net | <u>\$173,289</u> | <u>\$ 175,006</u> |

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 \$11.6 million and \$13.3 million as of March 31, 2015 and December 31, 2014, respectively, which included accumulated depreciation of \$7.9 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 three months ended March 31, 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 | 250 | — | 850 | — | — | — | 1,100 |
| Recruitment expense | (133) | — | — | — | — | — | (133) |
| Amortization | — | (394) | (1,125) | — | (334) | (119) | (1,972) |
| Balance at March 31, 2015 | <u>\$ 1,090</u> | <u>\$ 24,363</u> | <u>\$ 16,315</u> | <u>\$ 3,711</u> | <u>\$ 5,940</u> | <u>\$2,464</u> | <u>\$ 53,883</u> |

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 new business combinations and incremental ownership purchases (“buy-ups”) in the Company’s subsidiaries.

A summary of activity related to goodwill for the three months ended March 31, 2015 follows (in thousands):

| | |
|------------------------------|---------------------|
| Balance at December 31, 2014 | \$ 1,298,753 |
| Acquisitions | 12,813 |
| Divestitures | (8,399) |
| Purchase price adjustments | — |
| Balance at March 31, 2015 | <u>\$ 1,303,167</u> |

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. 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. The Company tests goodwill at the reporting unit level in accordance with Accounting Standards Codification Topic 350, *Intangibles—Goodwill and Other*. In performing the test, the Company compares the carrying value of the net assets of the individual reporting units as of December 31, or additionally if impairment indicators are present, to the net present value of the estimated discounted future cash flows of the individual reporting units. The Company corroborates the results of the discounted cash flow analysis with a market-based approach. As the Company does not have publicly traded equity from which to derive a market value, an assessment of peer company data is performed whereby the Company selects comparable peers based on healthcare industry specific characteristics. Management estimates a reasonable market value of the Company based on earnings multiples and trading data of the Company’s peers.

Restricted Invested Assets

Restricted invested assets of \$431,000 and \$316,000 at March 31, 2015 and December 31, 2014, respectively, 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 by the landlord as security for performance by the Company of the Company’s covenants and obligations under the lease through January 2024.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Other Long-Term Assets

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

| | March 31, 2015 | December 31, 2014 |
|------------------|-------------------|----------------------|
| Notes receivable | \$ 173 | \$ 182 |
| Deposits | 2,249 | 2,196 |
| Assets of SERP | 1,518 | 1,402 |
| Other | 3,195 | 2,099 |
| Total | <u>\$ 7,135</u> | <u>\$ 5,879</u> |

Other Current Liabilities

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

| | March 31, 2015 | December 31, 2014 |
|------------------------------------|-------------------|----------------------|
| Interest payable | \$ 6,598 | \$ 7,027 |
| Current taxes payable | 2,923 | 3,189 |
| Insurance liabilities | 4,897 | 5,552 |
| Third-party settlements | 9,667 | 11,708 |
| Amounts due to patients and payors | 10,042 | 9,476 |
| Other accrued expenses | 12,233 | 16,918 |
| Total | <u>\$ 46,360</u> | <u>\$ 53,870</u> |

Other Long-Term Liabilities

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

| | March 31, 2015 | December 31, 2014 |
|-------------------------------------|-------------------|----------------------|
| Facility lease obligations | \$ 50,625 | \$ 50,749 |
| Medical malpractice liability | 4,253 | 4,253 |
| Liability of SERP | 1,518 | 1,415 |
| Contingent consideration obligation | 13,269 | 13,009 |
| Acquisition consideration payable | 16,768 | 16,768 |
| Unfavorable lease liability | 2,319 | 2,427 |
| Other long-term liabilities | 2,787 | 1,989 |
| Total long-term liabilities | <u>\$ 91,539</u> | <u>\$ 90,610</u> |

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 \$600,000 and \$568,000 at March 31, 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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

radiation oncology building in Idaho Falls, Idaho was \$51.2 million and \$51.3 million at March 31, 2015 and December 31, 2014, respectively.

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 the 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.

Unit-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. On the grant date, the Company employs a market approach to estimate the fair value of these 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. 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 unit-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.

Earnings Per Share

The Company's business is currently conducted through Surgery Center Holdings, Inc. which is a subsidiary of Surgery Center Holdings, LLC. The Company expects to have a corporate reorganization during 2015 whereby Surgery Partners, Inc. will become the sole managing member of Surgery Center Holdings, LLC, and all of the equity units in Surgery Center Holdings, LLC will be exchanged for shares of common stock in Surgery Partners, Inc. As a result, the Company does not believe earnings per share to be a meaningful presentation in the accompanying condensed consolidated financial statements.

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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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; \$3.0 million and \$3.1 million are included in other current liabilities and \$4.3 million and \$4.3 million are included in other long-term liabilities on the condensed consolidated balance sheets as of March 31, 2015 and December 31, 2014, respectively. Expected insurance recoveries of \$2.2 million and \$2.2 million are included in prepaid expenses and other current assets and \$2.8 million and \$2.8 million are included in other long-term assets on the condensed consolidated balance sheets at March 31, 2015 and December 31, 2014, respectively.

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. No electronic records incentive income was recognized during the quarters ended March 31, 2015 and 2014.

Income Taxes

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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update, or ASU, 2014-08, which changes the requirements for reporting discontinued operations. A discontinued operation continues to include a component of an entity or a group of components of an entity, or a business activity. However, in a shift reflecting stakeholder concerns that too many disposals of small groups of assets that are recurring in nature qualified for reporting as discontinued operations, a disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. A business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale will still be a discontinued operation. Additional disclosures will be required for significant components of the entity that are disposed of or are held for sale but do not qualify as discontinued operations. This ASU is effective for fiscal years beginning after December 15, 2014 and is to be applied on a prospective basis for disposals or components initially classified as held for sale after that date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company elected to adopt this ASU starting January 1, 2014. This ASU did not impact the Company's condensed consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, 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 is effective for fiscal years beginning after December 15, 2016. Early adoption is not permitted. The Company will adopt this ASU on January 1, 2017 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 April 2015, the Financial Accounting Standards Board issued Accounting Standards Update ASU 2015-03, "Interest-Imputation of Interest." ASU 2015-03 simplifies the presentation of debt issuance costs by requiring that 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. Management is evaluating the impact of ASU 2015-03 on the Company's condensed consolidated financial statements.

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 noncontrolling 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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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

Effective January 31, 2015, the Company acquired an ownership interest of 51.0% in Delaware Outpatient Center for Surgery, LLC, located in Newark, Delaware for a purchase price of \$8.6 million, resulting in approximately \$12.8 million of goodwill. This transaction was financed with proceeds from the refinancing of the Company's credit facilities in connection with the Symbion acquisition.

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. The Company will fund an additional \$16.8 million to the escrow account by May 3, 2016. The \$33.0 million escrow balance is payable to Symbion on May 3, 2016, pending the resolution of any adjustments to acquired working capital and the settlement of any other indemnities.

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

The Merger was financed through the issuance of \$1.440 billion of Senior Secured Credit Facilities ("Facilities"), which includes an \$870 million first lien term loan due November 3, 2020, a \$490 million second lien term loan due November 3, 2021 and an \$80 million revolving credit facility.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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:

| | November 3, 2014 |
|--|---------------------|
| Cash consideration | \$ 300,098 |
| Acquisition consideration payable | 16,768 |
| Fair value of noncontrolling interests | 395,663 |
| Fair value of Symbion | 712,529 |
| 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 | <u>\$ 957,650</u> |

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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Fair value attributable to noncontrolling 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 noncontrolling 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 the three months ended March 31, 2014, assuming the Symbion acquisition had been consummated on January 1, 2014, are as follows (in thousands):

| | <u>Three Months</u> <u>Ended March 31,</u> <u>2014</u> |
|---|--|
| Net revenues | \$ 204,446 |
| Net income | 1,778 |
| Less: net income attributable to noncontrolling interests | <u>(14,990)</u> |
| Net loss attributable to Surgery Center Holdings, Inc. | <u>\$ (13,212)</u> |

4. Divestitures

Effective February 27, 2015, the Company sold its interest in an ASC in Orange City, Florida for one dollar. In connection with the divestiture, the Company paid down the outstanding indebtedness of the ASC. The Company recognized a pre-tax loss of approximately \$0.3 million related to this divestiture in the condensed consolidated statement of operations for the three months ended March 31, 2015.

Effective March 2, 2015, the Company sold its majority interest in an ASC in Dallas, Texas for \$8.4 million. The Company recognized a pre-tax gain of approximately \$0.4 million related to this divestiture in the condensed consolidated statement of operations for the three months ended March 31, 2015.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

5. Long-Term Debt

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

| | March 31, 2015 | December 31, 2014 |
|--|---------------------|----------------------|
| Revolver loan | \$ — | \$ — |
| 2014 First Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2020, net of debt issuance discount of \$22,946 and \$23,818 at March 31, 2015 and December 31, 2014, respectively | 844,879 | 846,183 |
| 2014 Second Lien Credit Agreement, dated November 3, 2014, maturing November 3, 2021, net of debt issuance discount of \$17,705 and \$18,184 at March 31, 2015 and December 31, 2014, respectively | 472,295 | 471,816 |
| Subordinated Notes A | 1,000 | 1,000 |
| Notes payable and secured loans | 32,406 | 31,600 |
| Capital lease obligations | 9,919 | 10,755 |
| Total debt | 1,360,499 | 1,361,354 |
| Less: Current maturities | (22,628) | (22,088) |
| Total long-term debt | \$ 1,337,871 | \$ 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 million revolving credit facility (“2014 Revolver Loan”)
- \$870 million 1st lien term loan facility (“2014 First Lien Credit Agreement”)
- \$490 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 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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 March 31, 2015, the Company availability on the Revolver was \$77.1 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 \$189,000 and \$76,000, in the accompanying consolidated balance sheets as of March 31, 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 March 31, 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 March 31, 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 three months ended March 31, 2015, approximately \$872,000 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 \$104,000 and \$41,000, in the accompanying condensed consolidated balance sheets as of March 31, 2015 and December 31, 2014, respectively.

The credit agreement that governs the 2014 Term Loan 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 March 31, 2015, the

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 First Lien Credit Agreement. There were no excess cash flow payments required as of March 31, 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 three months ended March 31, 2015, approximately \$479,000 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 \$36,000 and \$14,000, in the accompanying condensed consolidated balance sheets as of March 31, 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 the Company maintain a maximum net leverage ratio. At March 31, 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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

three months ended March 31, 2014, approximately \$84,000 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 A

Effective April 11, 2013, the Company amended and reduced the size of its subordinated debt facility to \$1.0 million from \$53.8 million. The Company accounted for the amendment as extinguishment of debt. Through a separate transaction in April 2013, H.I.G. Surgery Centers, LLC, an affiliate of the Company's Parent Company, Surgery Center Holdings, LLC, purchased the Subordinated Notes from an independent third party. At March 31, 2015 and December 31, 2014, the debt is payable to HIG Surgery Centers, LLC, which is also a related party.

The facility matures on August 4, 2017. Effective January 1, 2014, the Subordinated Notes A 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 March 31, 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 \$32.4 million and \$31.6 million as of March 31, 2015 and December 31, 2014, respectively.

Letters of Credit

At December 31 2013, the Company had outstanding letters of credit issued to two of its optical products buying group vendors in the amounts of \$630,000 and \$200,000. During 2014, the \$630,000 letter of credit was increased to \$730,000. 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. The carrying value of the leased assets was \$11.6 million and \$13.3 million as of March 31, 2015 and December 31, 2014, respectively.

6. Related Party Transactions

On December 24, 2009, the Company and H.I.G. Funds 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. Prior to the Symbion acquisition, compensation for those services is payable in arrears in equal quarterly installments of \$250,000 plus all related expenses. The

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Management Agreement also provides that the Company will be required to pay additional fees related to certain future transactions, including certain subsequent financing, acquisition, disposition and change in control transactions. The Company's obligation to pay any amounts pursuant to the Management Agreement is subordinate to certain obligations to lenders in the event that these obligations are in default. Effective May 4, 2011, the Management Agreement was amended pursuant to the NovaMed merger and the management fee was increased to \$2.0 million annually. The Company recognized \$2.0 million for each of the years ended December 31, 2013 and 2012 related to the Management Agreement. 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 three months ended March 31, 2015 and the three months ended March 31, 2014 are recognized as general and administrative expense in the accompanying condensed consolidated statements of operations.

7. Commitments and Contingencies

Lease and Debt Guarantees of Non-Consolidated Facilities

As of March 31, 2015 and December 31, 2014, the Company had guaranteed approximately \$441,000 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 our 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 our surgical facilities conduct their operations, from licensing requirements to how and whether our 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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 interest 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 initial purchase price was \$119.5 million, plus or minus a closing adjustment based on agreed-upon acquisition date values for cash on hand and current liabilities. In 2010, the Company was awarded \$589,000 to settle the acquisition price adjustment, based on the ruling of an independent arbitrator engaged pursuant to the dispute resolution clauses in the Purchase Agreement.

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

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 Subordinated Promissory Note bears interest at 8% beginning on August 4, 2011, and the entire principal balance plus any and all accrued and unpaid interest is payable on the earliest of the consummation of a sale of the Company; July 7, 2015; the date on which the Company's lenders' consent is received in writing; or the date on which all of the then outstanding indebtedness of the Company has been refinanced. The Company may prepay all or a portion of the outstanding principal and accrued interest, but only if such prepayment is not prohibited by the provisions of certain agreements with the Company's lenders. Within five days of the final determination of the amount of contingent consideration and on each anniversary of the date, the Company shall request its lenders to waive any restrictions to permit the required payment under the Subordinated Promissory Note to be paid in cash prior to its maturity date. The Company does not intend to prepay any of the outstanding principal or accrued and unpaid interest. During the three months ended March 31, 2015 and 2014, the Company recorded approximately \$260,000 and \$241,000, respectively, of interest expense related to the Subordinated Promissory 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 March 31, 2015 and December 31, 2014 was \$13.3 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 March 31, 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 March 31, 2015 and December 31, 2014.

Subsequent to the acquisition date, the Company determined that the acquired accounts receivable were not properly recorded at the net realizable value of the asset. The Company determined that 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.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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 March 31, 2015 and December 31, 2014.

8. Subsequent Events

Effective April 9, 2015, the surgical hospital located in Lubbock, Texas, in which the Company has a 58.3% consolidating ownership interest, acquired a 100.0% ownership in an ASC located in the same market in which the Company has a 45.6% consolidating ownership interest. The total purchase price was \$10.0 million and the surgical hospital used a combination of equity and cash of \$2.9 million to fund the transaction. As a result of this acquisition, the Company's consolidating ownership in the surgical hospital increased to 59.8%.

Effective April 22, 2015, the Company received approximately \$1.5 million for the sale of a 25% ownership interest in Arise Healthcare System, LLC. Additionally, the Company also received a payment of \$1 million in past due administrative service fees and terminated the administrative services agreement.

Effective April 23, 2015 and April 30, 2015, the Company used a total of approximately \$2.5 million of cash to acquire two physician practices in Florida.

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 toxicology laboratory and a specialty pharmacy.

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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

| | Three Months Ended March 31, | |
|----------------------------|---------------------------------|-----------------|
| | 2015 | 2014 |
| Net Revenue: | | |
| Surgical Facility Services | \$207,684 | \$54,813 |
| Ancillary Services | 12,719 | 12,010 |
| Optical Services | 3,740 | 3,657 |
| Total | <u>\$224,143</u> | <u>\$70,480</u> |

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------------|
| | 2015 | 2014 |
| Segment Operating Income: | | |
| Surgical Facility Services | \$40,337 | \$12,939 |
| Ancillary Services | 2,401 | 2,792 |
| Optical Services | 610 | 611 |
| Total | <u>\$43,348</u> | <u>\$16,342</u> |
| Loss and debt extinguishment | — | (1,975) |
| Merger transaction and integration costs | (5,006) | — |
| Operating income per consolidated statements of operations | <u>\$38,342</u> | <u>\$14,367</u> |

| | Three Months Ended March 31, | |
|----------------------------------|---------------------------------|----------------|
| | 2015 | 2014 |
| Supplemental Information: | | |
| Depreciation and amortization: | | |
| Surgical Facility Services | \$7,631 | \$1,969 |
| Ancillary Services | 424 | 482 |
| Optical Services | 407 | 409 |
| Total | <u>\$8,462</u> | <u>\$2,860</u> |

| | March 31, 2015 | December 31, 2014 |
|----------------------------|-------------------|----------------------|
| Assets: | | |
| Surgical Facility Services | 1,755,616 | 1,758,947 |
| Ancillary Services | 66,161 | 73,971 |
| Optical Services | 28,703 | 25,876 |
| Total | <u>1,850,480</u> | <u>1,858,794</u> |

SURGERY CENTER HOLDINGS, INC.
THREE MONTHS ENDED MARCH 31, 2015
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

| | Three Months Ended March 31, | |
|--|---|--------------------|
| | <u>2015</u> | <u>2014</u> |
| Supplemental Information: | | |
| Cash purchases of property and equipment, net: | | |
| Surgical Facility Services | \$5,154 | \$ 277 |
| Ancillary Services | 269 | 562 |
| Optical Services | <u>38</u> | <u>140</u> |
| Total | <u>\$5,461</u> | <u>\$ 979</u> |

SYMBION, INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Symbion, Inc.

We have audited the accompanying consolidated balance sheets of Symbion, Inc. as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Symbion, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
March 14, 2014

SYMBION, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares and per share amounts)

| | <u>December 31,</u> | |
|--|---------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 56,026 | \$ 73,470 |
| Accounts receivable, less allowance for doubtful accounts of \$17,028 and \$11,496 at December 31, 2013 and 2012, respectively | 78,290 | 71,646 |
| Inventories | 17,229 | 14,393 |
| Prepaid expenses and other current assets | 9,775 | 9,950 |
| Current assets of discontinued operations | 1,356 | 3,636 |
| Total current assets | 162,676 | 173,095 |
| Property and equipment, net | 129,732 | 130,106 |
| Intangible assets, net | 22,516 | 24,151 |
| Goodwill | 661,758 | 656,058 |
| Investments in and advances to affiliates | 14,088 | 12,132 |
| Restricted invested assets | 177 | 5,169 |
| Other long-term assets | 13,961 | 14,044 |
| Long-term assets of discontinued operations | 1,831 | 2,448 |
| Total assets | <u>\$1,006,739</u> | <u>\$1,017,203</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 19,514 | \$ 22,786 |
| Accrued payroll and benefits | 12,269 | 12,718 |
| Other current liabilities | 33,731 | 29,020 |
| Current maturities of long-term debt | 9,102 | 39,462 |
| Current liabilities of discontinued operations | 325 | 2,033 |
| Total current liabilities | 74,941 | 106,019 |
| Long-term debt, less current maturities | 551,046 | 534,114 |
| Long-term deferred tax liabilities | 76,020 | 71,781 |
| Other long-term liabilities | 61,424 | 62,802 |
| Long-term liabilities of discontinued operations | 169 | 325 |
| Non-controlling interests—redeemable | 35,150 | 33,634 |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 1,000 shares authorized, issued and outstanding at December 31, 2013 and 2012 | — | — |
| Additional paid-in-capital | 243,312 | 242,597 |
| Stockholders' notes | (485) | — |
| Retained deficit | (106,136) | (93,516) |
| Total Symbion, Inc. stockholders' equity | 136,691 | 149,081 |
| Non-controlling interests—non-redeemable | 71,298 | 59,447 |
| Total equity | 207,989 | 208,528 |
| Total liabilities and stockholders' equity | <u>\$1,006,739</u> | <u>\$1,017,203</u> |

See notes to consolidated financial statements.

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

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|--------------------|--------------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Revenues | \$ 535,587 | \$ 491,804 | \$ 422,888 |
| Operating expenses: | | | |
| Salaries and benefits | 148,793 | 134,360 | 115,090 |
| Supplies | 143,287 | 124,357 | 100,890 |
| Professional and medical fees | 41,179 | 36,624 | 31,319 |
| Lease expense | 27,237 | 23,652 | 22,050 |
| Other operating expenses | 36,637 | 32,315 | 29,384 |
| Cost of revenues | 397,133 | 351,308 | 298,733 |
| General and administrative expenses | 21,976 | 26,901 | 22,723 |
| Depreciation and amortization | 22,993 | 21,360 | 19,497 |
| Provision for doubtful accounts | 11,149 | 10,211 | 6,574 |
| Income from equity investments | (4,246) | (4,490) | (1,876) |
| Loss (gain) on disposal or impairment of long-lived assets, net | 5,870 | (6,195) | 4,824 |
| Loss on debt extinguishment | — | — | 4,751 |
| Electronic health records incentives | (4,553) | (1,054) | — |
| Proceeds from insurance settlements, net | (919) | — | — |
| Litigation settlements, net | (233) | (532) | (231) |
| Total operating expenses | 449,170 | 397,509 | 354,995 |
| Operating income | 86,417 | 94,295 | 67,893 |
| Interest expense, net | (57,982) | (57,641) | (54,308) |
| Income before income taxes and discontinued operations | 28,435 | 36,654 | 13,585 |
| Provision for income taxes | 5,330 | 10,939 | 8,721 |
| Income from continuing operations | 23,105 | 25,715 | 4,864 |
| Income from discontinued operations, net of income taxes | 1,882 | 1,132 | 1,340 |
| Net income | 24,987 | 26,847 | 6,204 |
| Less: Net income attributable to non-controlling interests | (37,607) | (38,557) | (32,791) |
| Net loss attributable to Symbion, Inc. | <u>\$ (12,620)</u> | <u>\$ (11,710)</u> | <u>\$ (26,587)</u> |

See notes to consolidated financial statements.

SYMBION, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

| | <u>Year Ended December 31,</u> | | |
|--|--------------------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Net income | <u>\$ 24,987</u> | <u>\$ 26,847</u> | <u>\$ 6,204</u> |
| Other comprehensive income, net of income taxes: | | | |
| Recognition of interest rate swap from liability to earnings | <u>—</u> | <u>—</u> | <u>314</u> |
| Other comprehensive income | <u>—</u> | <u>—</u> | <u>314</u> |
| Comprehensive income | <u>24,987</u> | <u>26,847</u> | <u>6,518</u> |
| Less: Comprehensive income attributable to non-controlling interests | <u>(37,607)</u> | <u>(38,557)</u> | <u>(32,791)</u> |
| Comprehensive loss attributable to Symbion, Inc. | <u>\$(12,620)</u> | <u>\$(11,710)</u> | <u>\$(26,273)</u> |

See notes to consolidated financial statements.

SYMBION, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except shares)

| | <u>Symbion, Inc. Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Stockholders' Notes</u> | <u>Accumulated Other Comprehensive Loss</u> | <u>Retained Deficit</u> | <u>Non- Controlling Interests - Non- Redeemable</u> | <u>Total</u> |
|--|---------------------------------------|---------------|---|--------------------------------|---|-----------------------------|---|--------------|
| | <u>Shares</u> | <u>Amount</u> | | | | | | |
| Balance at December 31, 2010 | 1,000 | \$ — | \$ 240,959 | \$ — | \$ (314) | \$ (55,219) | \$ 40,867 | \$ 226,293 |
| Net (loss) income | | | | | | (26,587) | 15,449 | (11,138) |
| Recognition of interest rate swap liability into earnings | | | | | 314 | | | 314 |
| Stock-based compensation | | | 1,353 | | | | | 1,353 |
| Acquisition and disposal of shares of non-controlling interests, net | | | (2,377) | | | | 3,558 | 1,181 |
| Distributions to non-controlling interests—non-redeemable holders | | | | | | | (14,541) | (14,541) |
| Balance at December 31, 2011 | 1,000 | \$ — | \$ 239,935 | \$ — | \$ — | \$ (81,806) | \$ 45,333 | \$ 203,462 |
| Net (loss) income | | | | | | (11,710) | 20,033 | 8,323 |
| Stock-based compensation | | | 2,057 | | | | | 2,057 |
| Acquisition and disposal of shares of non-controlling interests, net | | | 605 | | | | 13,616 | 14,221 |
| Distributions to non-controlling interests—non-redeemable holders | | | | | | | (19,535) | (19,535) |
| Balance at December 31, 2012 | 1,000 | \$ — | \$ 242,597 | \$ — | \$ — | \$ (93,516) | \$ 59,447 | \$ 208,528 |
| Net (loss) income | | | | | | (12,620) | 21,784 | 9,164 |
| Stock-based compensation | | | 410 | | | | | 410 |
| Exercise of stock options | | | 201 | | | | | 201 |
| Acquisition and disposal of shares of non-controlling interests, net | | | 104 | | | | 7,092 | 7,196 |
| Issuance of stockholders' notes | | | | (485) | | | | (485) |
| Distributions to non-controlling interests—non-redeemable holders | | | | | | | (17,025) | (17,025) |
| Balance at December 31, 2013 | 1,000 | \$ — | \$ 243,312 | \$ (485) | \$ — | \$ (106,136) | \$ 71,298 | \$ 207,989 |

See notes to consolidated financial statements.

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

| | Year Ended December 31, | | |
|---|--------------------------------|------------------|------------------|
| | 2013 | 2012 | 2011 |
| Cash flows from operating activities: | | | |
| Net income | \$ 24,987 | \$ 26,847 | \$ 6,204 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Income from discontinued operations, net of income taxes | (1,882) | (1,132) | (1,340) |
| Depreciation and amortization | 22,993 | 21,360 | 19,497 |
| Amortization of debt issuance costs and discount | 3,994 | 3,798 | 2,886 |
| Payment-in-kind interest expense | 8,982 | 8,305 | 22,368 |
| Stock-based compensation | 410 | 2,057 | 1,353 |
| Recognition of interest rate swap from liability to earnings | — | — | 665 |
| Loss (gain) on disposal or impairment of long-lived assets, net | 5,870 | (6,195) | 4,824 |
| Loss on debt extinguishment | — | — | 4,751 |
| Deferred income taxes | 4,556 | 13,800 | 8,334 |
| Income from equity investments, net of distributions received | (768) | (1,931) | 106 |
| Provision for doubtful accounts | 11,149 | 10,211 | 6,574 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | | |
| Accounts receivable | (13,419) | (6,198) | (10,696) |
| Other operating assets and liabilities | (5,379) | (4,243) | (1,673) |
| Net cash provided by operating activities—continuing operations | 61,493 | 66,679 | 63,853 |
| Net cash provided by operating activities—discontinued operations | 2,148 | 3,679 | 5,126 |
| Net cash provided by operating activities | <u>63,641</u> | <u>70,358</u> | <u>68,979</u> |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment, net | (19,047) | (14,107) | (9,415) |
| Payments for acquisitions, net of cash acquired | (9,090) | (21,142) | (7,836) |
| Proceeds from divestitures | 3,349 | 11,465 | — |
| Other investing activities | — | (64) | (590) |
| Net cash used in investing activities—continuing operations | (24,788) | (23,848) | (17,841) |
| Net cash provided by (used in) investing activities—discontinued operations | 3,102 | 6,888 | (278) |
| Net cash used in investing activities | <u>(21,686)</u> | <u>(16,960)</u> | <u>(18,119)</u> |
| Cash flows from financing activities: | | | |
| Principal payments on long-term debt | (45,283) | (8,743) | (355,415) |
| Borrowings of long-term debt | 13,350 | 10,471 | 348,784 |
| Payments of debt issuance costs | (469) | — | (11,891) |
| Change in restricted invested assets | 4,992 | (7) | (2,000) |
| Distributions to non-controlling interests holders | (32,563) | (39,353) | (32,700) |
| Proceeds from (payments related to) ownership transactions with consolidated affiliates | 1,148 | (3,079) | (2,155) |
| Other financing activities | (117) | 49 | 192 |
| Net cash used in financing activities—continuing operations | (58,942) | (40,662) | (55,185) |
| Net cash used in financing activities—discontinued operations | (457) | (1,306) | (1,441) |
| Net cash used in financing activities | <u>(59,399)</u> | <u>(41,968)</u> | <u>(56,626)</u> |
| Net (decrease) increase in cash and cash equivalents | (17,444) | 11,430 | (5,766) |
| Cash and cash equivalents at beginning of year | 73,470 | 62,040 | 67,806 |
| Cash and cash equivalents at end of year | <u>\$ 56,026</u> | <u>\$ 73,470</u> | <u>\$ 62,040</u> |

See notes to consolidated financial statements.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Symbion, Inc. (the “Company”), through its wholly-owned subsidiaries, owns interests in partnerships and limited liability companies that own and operate a national network of short stay surgical facilities in joint ownership with physicians and in some cases healthcare systems. As of December 31, 2013, the Company owned and operated 50 surgical facilities, including 44 ambulatory surgery centers (“ASCs”) and six surgical hospitals. The Company also managed seven additional ambulatory surgery centers and one physician clinic in a market in which the Company operates an ASC and a surgical hospital. The Company owns a majority ownership interest in 31 of the 50 surgical facilities and consolidates 46 surgical facilities for financial reporting purposes. The Company reported one operating surgical facility as discontinued operations at December 31, 2013.

The Company became a wholly-owned subsidiary of Symbion Holdings Corporation (“Holdings”), which is owned by an investor group that includes affiliates of Crestview Partners, L.P. (“Crestview”), members of the Company’s management and other investors as a result of a merger transaction (the “Merger”) as of August 23, 2007.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as well as interests in partnerships and limited liability companies controlled by the Company through 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.

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.

Non-Controlling Interests—Non-Redeemable. The 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. These transactions are accounted for as equity transactions as they are undertaken among the Company, its consolidated subsidiaries, and the non-controlling interests. The cash flow effect of these transactions is classified within financing activities in the consolidated statements of cash flows.

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 consolidated balance sheets.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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

| | |
|--|------------------|
| Balance at December 31, 2010 | \$ 34,595 |
| Net income attributable to non-controlling interests—redeemable | 17,342 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | 458 |
| Distributions to non-controlling interests—redeemable holders | <u>(18,159)</u> |
| Balance at December 31, 2011 | 34,236 |
| Net income attributable to non-controlling interests—redeemable | 18,524 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | 692 |
| Distributions to non-controlling interests—redeemable holders | <u>(19,818)</u> |
| Balance at December 31, 2012 | 33,634 |
| Net income attributable to non-controlling interests—redeemable | 15,823 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | 1,231 |
| Distributions to non-controlling interests—redeemable holders | <u>(15,538)</u> |
| Balance at December 31, 2013 | <u>\$ 35,150</u> |

Variable Interest Entities

The consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary, under the provisions of Accounting Standards Codification Topic 810, *Consolidation*. The variable interest entities are surgical facilities located in the states of Florida and New York. With regard to the New York facility, the Company is the primary beneficiary due to the power to direct the activities of the facility and the level of variability within the management service agreement as well as the obligation and likelihood of absorbing the majority of expected gains and losses. Regarding the Florida facility, the Company has the power to direct the activities of the facility and has fully guaranteed the facility's debt obligations. The debt obligations are subordinated to such a level that the Company absorbs the majority of the expected losses. As of December 31, 2013 and 2012, the consolidated balance sheets of the Company included total assets of \$17.3 million and \$17.7 million, respectively, and total liabilities of \$3.0 million and \$3.7 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 and hospitals. 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 consolidated balance sheets was \$13.5 million and \$11.4 million as of December 31, 2013 and 2012, respectively.

Use of Estimates

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

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Reclassifications

Certain reclassifications have been made to the comparative period's financial statements to conform to the year ended December 31, 2013 presentation. The reclassifications primarily related to the presentation of discontinued operations and non-controlling interests 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), or inputs other than quoted prices in active markets that are either directly or indirectly observable (Level 2), or unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions (Level 3), depending on the nature of the item being valued.

The carrying amounts reported in the 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):

| | <u>Carrying Amount</u> | | <u>Fair Value</u> | |
|---|------------------------|-----------|---------------------|-----------|
| | <u>December 31,</u> | | <u>December 31,</u> | |
| | 2013 | 2012 | 2013 | 2012 |
| Senior Secured Notes, net of debt issuance discount | \$338,142 | \$337,132 | \$357,585 | \$348,088 |
| PIK Exchangeable Notes | 118,639 | 109,688 | 118,639 | 109,688 |
| Toggle Notes | 73,475 | 94,724 | 73,475 | 94,724 |

The fair values of the Senior Secured Notes and Toggle Notes, as defined in Note 8 on Long-Term Debt, were based on a Level 1 computation using quoted prices at December 31, 2013 and 2012, as applicable. The fair value of the PIK Exchangeable Notes, also defined in Note 8 on Long-Term Debt, was based on a Level 3 computation, using a Company-specific discounted cash flow analysis. 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"). 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 December 31, 2013 and 2012, the fair values of the assets in the SERP were \$1.8 million and \$1.3 million, respectively, which were included in other long-term assets in the consolidated balance sheets. The Company had liabilities of \$1.8 million and \$1.3 million related to the SERP, which were included in other long-term liabilities as of December 31, 2013 and 2012, respectively.

Revenue Recognition

The Company recognizes revenues in the period in which the services are performed. Patient services revenues and receivables from third-party payors are recorded net of estimated contractual adjustments and

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

allowances from third-party payors, which the Company estimates based on the historical trend of its surgical facilities' cash collections and contractual write-offs, accounts receivable agings, established fee schedules, relationships with payors and procedure statistics.

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

| | <u>Year Ended December 31,</u> | | |
|----------------------------|--------------------------------|---------------|---------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Patient service revenues | 99.0% | 98.5% | 97.6% |
| Physician service revenues | — % | — % | 1.1% |
| Other service revenues | 1.0% | 1.5% | 1.3% |
| Total revenues | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Patient service revenues. Patient service revenues are revenues from healthcare procedures performed in facilities that the Company consolidates for financial reporting purposes. The fee charged varies depending on the type of service provided, but usually includes all charges for usage of an operating room, a recovery room, special equipment, 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 a very limited number of surgical facilities, the Company charges for anesthesia services. 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 years ended December 31, 2013, 2012 and 2011, the Company recognized \$76,000, \$1.1 million and \$248,000 as a reduction to patient service revenues as a result of changes in estimates to third-party settlements related to prior periods.

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 included in continuing operations (dollars in thousands):

| | <u>Year Ended December 31,</u> | | | | | |
|--------------------------------|--------------------------------|---------------|------------------|---------------|------------------|---------------|
| | <u>2013</u> | | <u>2012</u> | | <u>2011</u> | |
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Private insurance payors | \$316,376 | 59.7% | \$302,464 | 62.5% | \$275,003 | 66.7% |
| Government payors | 177,338 | 33.5% | 147,568 | 30.5% | 105,636 | 25.6% |
| Self-pay payors | 15,198 | 2.9% | 11,113 | 2.3% | 12,490 | 3.0% |
| Other payors | 21,174 | 3.9% | 22,921 | 4.7% | 19,243 | 4.7% |
| Total patient service revenues | <u>\$530,086</u> | <u>100.0%</u> | <u>\$484,066</u> | <u>100.0%</u> | <u>\$412,372</u> | <u>100.0%</u> |

Physician service revenues. Physician service revenues were revenues from a physician network consisting of reimbursed expenses, plus participation in the excess of revenue over expenses of the physician networks, as provided for in the Company's service agreements with the Company's former physician networks. Effective September 30, 2011, the Company completed a scheduled termination of its physician network agreements.

Other service revenues. Other service revenues consists of management and administrative services fees derived from the non-consolidated surgical facilities that the Company accounts for either under the equity method or does not own an interest. The fees derived from these management arrangements are based on a predetermined percentage of the revenues of each surgical facility and are recognized in the period in which services are rendered.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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 December 31, 2013 and 2012, the Company had third-party Medicaid settlements of \$10.0 million and \$7.0 million, respectively, in other current liabilities and \$1.9 million and \$3.9 million, respectively, in other long-term liabilities in the consolidated balance sheets.

A summary of accounts receivable, net, by type of payor follows (in thousands):

| | <u>December 31,</u> | |
|--------------------------------|---------------------|---------------|
| | <u>2013</u> | <u>2012</u> |
| Private insurance payors | 47.9% | 49.0% |
| Government payors | 27.4% | 25.9% |
| Self-pay payors | 8.5% | 7.7% |
| Other payors | 16.2% | 17.4% |
| Total accounts receivable, net | <u>100.0%</u> | <u>100.0%</u> |

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 minimal. 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 have an ability to control the procedures related to seeking and obtaining third-party reimbursements. The Company does not require collateral from self-pay patients.

Each surgical facility is responsible for analyzing accounts receivable to ensure proper collection. At a consolidated level, the Company's policy is to review accounts receivables aging, by surgical facility, to determine the appropriate allowance for doubtful accounts. Patient account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual 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 deemed an account to be uncollectible.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

A summary of the changes in the allowance for doubtful accounts receivable follows (in thousands):

| | |
|---|-----------------|
| Balance at December 31, 2010 | \$ 9,513 |
| Provision for doubtful accounts | 6,574 |
| Accounts written off, net of recoveries | <u>(6,345)</u> |
| Balance at December 31, 2011 | 9,742 |
| Provision for doubtful accounts | 10,211 |
| Accounts written off, net of recoveries | <u>(8,457)</u> |
| Balance at December 31, 2012 | 11,496 |
| Provision for doubtful accounts | 11,149 |
| Accounts written off, net of recoveries | <u>(5,617)</u> |
| Balance at December 31, 2013 | <u>\$17,028</u> |

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):

| | December 31, | |
|----------------------|----------------|----------------|
| | 2013 | 2012 |
| Prepaid expenses | \$5,325 | \$5,722 |
| Other current assets | 4,450 | 4,228 |
| Total | <u>\$9,775</u> | <u>\$9,950</u> |

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.

The Company also leases certain facilities and equipment under capital leases. These assets are depreciated on a straight-line basis over the lesser of the lease term or the remaining useful life of the leased asset.

Goodwill and Intangible Assets

Goodwill represents the fair value of the consideration provided in an acquisition over the fair value of net assets acquired and is not amortized. 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 and a

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

management rights agreement. Physician income guarantees are amortized into salaries and benefits costs in the consolidated statements of operations over the commitment period of the contract, generally three to four years. Non-compete agreements and the management rights agreement are amortized into depreciation and amortization expense in the consolidated statements of operations over the service lives of the agreements, ranging from three years to five years for non-compete agreements and 15 years for the management rights agreement.

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. 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 discount rate applied represents management's best estimate, using appropriate and customary assumptions and projections, at the date of evaluation. During the year ended December 31, 2011, the Company recorded an impairment charge of \$2.9 million related to its non-consolidating surgical facility located in Novi, Michigan. The Company additionally recorded a valuation allowance of \$2.1 million related to a note receivable due from this facility.

The Company tests its goodwill and intangible assets for impairment at least annually, or more frequently if certain indicators arise. The Company tests goodwill at the reporting unit level, which the Company has concluded to be the consolidated operating results of Symbion, Inc., as the Company has only one operating segment. In performing the test, the Company compares the carrying value of the net assets of the Company as of December 31, or additionally if impairment indicators are present, to the net present value of the estimated discounted future cash flows of the reporting unit, or the Company. The Company corroborates the results of the discounted cash flow analysis with a market-based approach. As the Company does not have publicly traded equity from which to derive a market value, an assessment of peer company data is performed whereby the Company selects comparable peers based on growth and leverage ratios, as well as healthcare industry specific characteristics. Management estimates a reasonable market value of the Company based on earnings multiples and trading data of the Company's peers. The Company completed its required annual impairment testing and determined no impairment existed in the years ended December 31, 2013, 2012 and 2011.

Restricted Invested Assets

The Company is required to maintain \$10.0 million in letters of credit as a requirement of the lease agreement related to its Idaho Falls, Idaho facility. At December 31, 2012, these letters of credit were secured by restricted invested assets of \$5.0 million, in the form of certificates of deposit. In March 2013, the Company refinanced its debt at the Idaho Falls, Idaho facility with a new lender. As a result of this refinancing, the Company is no longer required to maintain this restricted invested assets balance. The Company reclassified these investments to short-term investments and ultimately to cash and cash equivalents upon the maturity of the underlying certificates of deposit during the year ended December 31, 2013. There were no borrowings against the letters of credit as of December 31, 2013 and December 31, 2012. The other restricted invested assets balances of \$177,000 and \$169,000 at December 31, 2013 and 2012, respectively were related to a requirement under the operating lease agreement at the Company's Chesterfield, Missouri facility.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Other Long-Term Assets

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

| | <u>December 31,</u> | |
|--------------------------------|---------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Deferred loan costs | \$ 6,809 | \$ 9,324 |
| Medical malpractice recoveries | 2,193 | 925 |
| Assets of SERP | 1,783 | 1,256 |
| Other | 3,176 | 2,539 |
| Total | <u>\$13,961</u> | <u>\$14,044</u> |

Deferred loan costs are amortized into interest expense over the maturity period of the related debt obligation. As of December 31, 2013 and 2012, accumulated amortization of deferred loan costs was \$9.0 million and \$6.0 million, respectively. Other long-term assets, not separately disclosed, generally includes security deposits, notes receivable and other miscellaneous deferred costs.

Other Current Liabilities

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

| | <u>December 31,</u> | |
|-------------------------------------|---------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Interest payable | \$ 4,434 | \$ 5,265 |
| Current taxes payable | 1,975 | 2,235 |
| Insurance liabilities | 3,733 | 3,268 |
| Third-party settlements | 10,015 | 6,987 |
| Accounts receivable credit balances | 3,484 | 3,475 |
| Other accrued expenses | 10,090 | 7,790 |
| Total | <u>\$33,731</u> | <u>\$29,020</u> |

Other Long-Term Liabilities

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

| | <u>December 31,</u> | |
|-------------------------------|---------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Facility lease obligation | \$48,044 | \$48,352 |
| Third-party settlements | 1,910 | 3,914 |
| Medical malpractice liability | 4,083 | 3,765 |
| Deferred rent | 3,324 | 4,270 |
| Liability of SERP | 1,783 | 1,256 |
| Other long-term liabilities | 2,280 | 1,245 |
| Total long-term liabilities | <u>\$61,424</u> | <u>\$62,802</u> |

The Company has a facility lease obligation which was assumed in connection with the Company's acquisition of the surgical hospital located in Idaho Falls, Idaho. This obligation is payable to the lessor of this

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

facility for the land, building and improvements. The current portion of the lease obligation was \$308,000 and \$117,000 at December 31, 2013 and 2012, respectively, and was included in other current liabilities in the consolidated balance sheets. The total lease obligation was \$48.4 million and \$48.5 million at December 31, 2013 and 2012, respectively.

Stockholders' Notes

In December 2013, certain employees of the Company exercised stock options and borrowed funds from Holdings to pay the exercise price and applicable taxes payable. Each loan is represented by a full recourse promissory note bearing interest and payable in three equal annual installments beginning December 10, 2014. Payment and performance under the notes is secured by the shares of Holdings common stock received upon exercise of the stock options exercised on December 10, 2013. The total amount of stockholders' notes outstanding at December 31, 2013 was \$485,000, which was included in stockholders' equity on the consolidated balance sheet.

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

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

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. The 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) deductibles on claims made during the policy period, and (ii) an estimate of claims incurred but not yet reported that are expected to be reported after the policy period expires. Reserves and provisions are based upon actuarially determined estimates. The reserves are estimated using individual case-basis valuations and actuarial analysis. Based on historical results and data currently available, management does not believe a change in one or more of the underlying assumptions will have a material impact on the Company's consolidated financial position or results of operations. Reserves for professional, general and workers' compensation claim liabilities are determined with no regard for expected insurance recoveries and are presented gross on the consolidated balance sheets. Expected insurance recoveries are presented on the consolidated balance sheets separately from the liabilities. At December 31, 2013 and 2012, \$1.9 million and \$1.4 million, respectively, are included in other current liabilities and \$4.1 million and \$3.8 million, respectively, are included in other long-term liabilities on the consolidated balance sheets. Expected

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

insurance recoveries of \$1.1 million and \$611,000 are included in prepaid expenses and other current assets and \$2.2 million and \$925,000 are included in other long-term assets on the consolidated balance sheets at December 31, 2013 and 2012, respectively.

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 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 initiated its meaningful use initiatives in 2012. During the years ended December 31, 2013 and 2012, the Company spent \$4.1 million and \$5.0 million, respectively, on hardware, software and implementation costs, including \$3.5 million and \$4.8 million, respectively, of capitalized costs, related to its EHR initiatives at its surgical hospitals. The Company received incentive payments and recognized revenue of \$4.6 million and \$1.1 million during the years ended December 31, 2013 and 2012, respectively, upon the completion of the EHR meaningful use requirements at its surgical hospitals.

Income Taxes

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. 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 our deferred tax valuation allowances.

Comprehensive Income

The change in other comprehensive loss of the Company during the year ended December 31, 2011 resulted from the derecognition of an interest rate swap as a cash flow hedge as a result of the Company’s debt extinguishment in the second quarter of 2011. Upon extinguishment of the Company’s previous senior secured credit facility, which was the underlying hedged instrument, the Company discontinued hedge accounting and charged the amount previously recorded to other comprehensive income to earnings.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2013-02, which requires additional disclosures on the effect of significant reclassifications out of accumulated other comprehensive income. The ASU requires a company that reports other comprehensive income to present (either on the face of the statement where net income is presented or in the notes to the financial statements) the effects on the line items of net income of the significant amounts reclassified out of accumulated other comprehensive income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, a company is required to cross-reference to other required disclosures that provide additional details about those amounts. This ASU is effective for fiscal years beginning after December 15, 2012, and was adopted by the Company on January 1, 2013. As it only requires additional disclosure, the adoption of this ASU had no impact on the Company’s consolidated financial position, results of operations or cash flows.

3. Acquisitions and Developments**2013 Transactions**

Effective December 1, 2013, the Company acquired a 52.5% ownership interest in a surgical facility located in Providence, Rhode Island. The purchase price of the acquisition was \$2.4 million. The Company funded \$1.8 million of the purchase price with debt and the remainder was funded with cash from operations. The Company consolidates this facility for financial reporting purposes.

Effective December 1, 2013, the surgical hospital located in Great Falls, Montana, in which the Company has a 50.0% consolidating ownership interest, acquired the ancillary services performed at the physician clinic that the Company manages in the same market. The transaction was structured as a contribution of services from the physician clinic to the surgical hospital. The Company contributed cash of \$4.1 million representing 50.0% of the estimated fair value of the ancillary services as of the effective date of the transaction.

Effective July 31, 2013, the Company acquired a 20.0% ownership interest in a surgical facility located in Jackson, Tennessee. The purchase price of the acquisition was \$1.3 million, which was funded with cash from continuing operations. The Company holds a minority interest ownership and does not consolidate this facility for financial reporting purposes. We entered into a management agreement with this facility in April 2012 and continue to manage the facility.

Effective July 1, 2013, the Company acquired a 58.7% ownership interest in a surgical facility located in Irvine, California. The Company merged the operations of the acquired facility with an existing surgical facility in this market, which is consolidated for financial reporting purposes. The purchase price of the acquisition was \$1.1 million, which was funded with cash from continuing operations.

Effective January 1, 2013, the Company exercised its contractual right to hold a majority of the Governor seats on the Governing Board of its surgical hospital located in Great Falls, Montana. As the Company now controls the majority of the Governor seats on the Governing Board, the Company consolidates this facility for financial reporting purposes. Prior to January 1, 2013, this facility was accounted for using the equity method for financial reporting purposes.

2012 Transactions

Effective December 31, 2012, the Company acquired a 77.3% ownership interest in a surgical facility located in Bellingham, Washington. The Company merged the operations of the acquired facility with its existing

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

surgical facility in this market. The purchase price of the acquisition was \$1.5 million. The acquisition was financed with cash from continuing operations. The Company consolidates this facility for financial reporting purposes with the results of operations from its existing facility located in Bellingham, Washington.

Effective October 4, 2012, the Company acquired the remaining 44.0% incremental ownership interest at its surgical facility located in Great Falls, Montana for \$4.0 million. The acquisition was financed with cash from continuing operations. The Company previously held a 56.0% ownership interest in this surgical facility and continues to consolidate this facility for financial reporting purposes.

Effective June 20, 2012, the Company acquired a 58.3% ownership interest in a surgical hospital located in Lubbock, Texas. The purchase price of the acquisition was \$10.3 million. The acquisition was financed with cash from continuing operations. As part of the acquisition, the Company assumed debt of \$1.4 million. The Company consolidates the facility for financial reporting purposes.

Effective June 1, 2012, the Company acquired a 60.0% ownership interest in a surgical facility located in St. Louis, Missouri. The purchase price of the acquisition was \$7.6 million. The acquisition was funded with cash from continuing operations. As part of the acquisition, the Company assumed debt of \$419,000. The Company consolidates the facility for financial reporting purposes.

Effective April 1, 2012, the Company entered into a management agreement with a surgical facility located in Jackson, Tennessee. The management agreement has a term of 15 years, with two optional five-year renewal terms. The Company also received an option to purchase up to a 20.0% ownership interest in the facility. The Company exercised this option on July 31, 2013.

Effective February 8, 2012, the Company completed the acquisition of four separate urgent care and family practice facilities located in Idaho Falls, Idaho. The purchase price of the acquisition was \$5.8 million, consisting of \$3.1 million of cash, \$1.1 million in the form of equity ownership in the surgical facility located in Idaho Falls, Idaho, approximately \$470,000 of contingent consideration and the assumption of debt of \$1.1 million. Subsequent to the acquisition, the contingencies were met, and the cash was released from escrow to the sellers. The facilities are operated by the Company's existing facility located in Idaho Falls, Idaho and are consolidated with this facility for financial reporting purposes.

2011 Transactions

Effective October 1, 2011, the Company acquired an oncology practice, which is operated within its existing facility located in Idaho Falls, Idaho. The purchase price of the acquisition was \$3.8 million, consisting of \$2.7 million of cash and \$1.1 million in the form of equity ownership in the Company's facility located in Idaho Falls, Idaho. This transaction was financed with cash borrowings under an available facility level line of credit.

Effective August 1, 2011, the Company acquired a 56.0% ownership interest in an ASC and a 50.0% ownership interest in a 20-bed surgical hospital located in Great Falls, Montana. The Company consolidates the ambulatory surgery center for financial reporting purposes and accounts for the surgical hospital as an equity method investment for financial reporting purposes. In addition, the Company acquired the rights to manage a physician clinic in Great Falls, Montana consisting of multi-specialty physicians who are partners in the surgical facilities acquired. The aggregate purchase price was \$5.2 million plus the assumption of debt of \$232,000. The acquisition was financed with cash from continuing operations.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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

4. Discontinued Operations and Divestitures

2013 Transactions

Effective December 31, 2013, the Company reclassified its surgical facility located in Worcester, Massachusetts to discontinued operations. The Company entered into a purchase agreement effective January 2, 2014 related to the sale of this facility and expects to complete this transaction in the first half of 2014. For the years ended December 31, 2013, 2012 and 2011, the results of operations related to this facility have been included in discontinued operations. This facility is consolidated for financial reporting purposes.

Effective June 30, 2013, the Company completed an asset sale related to its surgical hospital located in Austin, Texas. As part of the transaction, a new entity was formed to operate the surgical hospital. The new entity acquired the equipment and inventory as well as the rights to various licensing agreements, contracts and leases associated with the operations of the surgical hospital. As consideration for the transaction, the Company received cash proceeds of \$2.7 million and a 25.0% non-consolidating ownership interest in the new entity. The Company continues to provide management services to the new entity. The Company recorded a loss of \$6.2 million as a result of this transaction.

Effective April 8, 2013, the Company sold its ownership interest in its surgical facility located in Havertown, Pennsylvania. The Company received net proceeds of \$3.2 million on this transaction and recognized a net gain on the sale of \$1.3 million, which included an allocated disposal of goodwill of \$2.4 million. For the years ended December 31, 2013, 2012 and 2011, the results of operations related to this facility were included in discontinued operations. Concurrent with the sale, a new management service company was created to provide various management services to this surgical facility. The Company acquired a 48.0% non-consolidating ownership interest in the new management service company as part of the consideration received for the sale of its interest in the surgical facility. Additionally, the Company entered into an agreement to manage the new management service company.

Effective February 28, 2013, the Company ceased operations at its surgical facility located in San Antonio, Texas. The Company recognized a loss on the disposal of \$1.0 million. For the years ended December 31, 2013, 2012 and 2011, the results of operations related to this facility were included in discontinued operations.

Effective January 29, 2013, the Company sold its ownership interest in a surgical facility located in Novi, Michigan for proceeds of \$310,000 and recognized a gain on the sale of \$269,000. During the year ended December 31, 2011, the Company recorded impairment of \$2.9 million related to this investment and additionally recorded a valuation allowance of \$2.1 million related to a note receivable due from this facility. This facility was non-consolidating for financial reporting purposes.

2012 Transactions

Effective December 31, 2012, the Company ceased operations at its surgical facility located in Metairie, Louisiana. This facility was previously non-consolidating for financial reporting purposes. During the year ended December 31, 2012, the Company recorded a loss on the disposal of \$351,000.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Effective December 31, 2012, the Company divested its ownership interest and management rights in a surgical facility located in Oklahoma City, Oklahoma for net proceeds of \$10.1 million. This facility was previously non-consolidating for financial reporting purposes. During the year ended December 31, 2012, the Company recorded a gain on the disposal of \$5.9 million.

Effective August 31, 2012, the Company divested its ownership interest in a surgical facility located in Greenville, South Carolina for net proceeds of \$348,000. This facility was previously consolidated for financial reporting purposes. During the year ended December 31, 2012, the Company recorded a loss on the disposal of \$1.6 million, which included an allocated disposal of goodwill of \$239,000.

Effective July 1, 2012, the Company, along with its physician investors in the facility, divested its interest in a surgical facility located in Austin, Texas for aggregate net proceeds of approximately \$4.4 million. Additionally, the Company terminated its management agreement with this facility and received cash proceeds of approximately \$2.0 million. This facility was previously consolidated for financial reporting purposes. During the year ended December 31, 2012, the Company recorded a gain on the disposal of \$1.1 million, which included an allocated disposal of goodwill of \$3.7 million.

Effective February 29, 2012, the Company, along with its physician investors in the facility, divested our interests in a surgical facility located in Fort Worth, Texas for aggregate net proceeds of \$1.9 million. Additionally, the Company terminated its management agreement with this facility and received cash proceeds of \$1.1 million. During the year ended December 31, 2012, the Company recorded a net gain on the disposal of \$78,000, which included an allocated disposal of goodwill of \$1.3 million.

Effective April 30, 2012, the Company divested its ownership interest in a surgical facility located in Nashville, Tennessee for net proceeds of \$1.3 million. This facility was previously non-consolidating for financial reporting purposes. During the year ended December 31, 2012, the Company recorded a gain on the disposal of \$750,000.

2011 Transactions

Effective December 31, 2011, the Company committed to plans to divest its ownership interests in surgical facilities located in Austin and Fort Worth, Texas which were previously consolidated for financial reporting purposes.

Summary of Operating Results of Discontinued Operations

A summary of certain operating results impacting the statements of operations related to discontinued operations follows (in thousands):

| | Year Ended December 31, | | |
|--|--------------------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Revenues | \$7,959 | \$22,471 | \$33,396 |
| Operating income | 483 | 159 | 2,460 |
| (Gain) loss on sale or disposal | (884) | 285 | 418 |
| (Benefit from) provision for income taxes | (515) | (1,258) | 702 |
| Income from discontinued operations, net of income taxes | 1,882 | 1,132 | 1,340 |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

5. Property and Equipment

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

| | <u>December 31,</u> | |
|---------------------------------|---------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| Land | \$ 5,713 | \$ 5,713 |
| Buildings and improvements | 107,655 | 103,923 |
| Furniture and equipment | 13,707 | 17,646 |
| Computer and software | 12,747 | 6,702 |
| Medical equipment | 81,730 | 69,368 |
| Construction in progress | 3,000 | 4,932 |
| Property and equipment, at cost | 224,552 | 208,284 |
| Less: Accumulated depreciation | (94,820) | (78,178) |
| Property and equipment, net | <u>\$129,732</u> | <u>\$130,106</u> |

The Company is liable to various vendors for equipment leases. The carrying values of assets under capital lease were \$4.6 million and \$5.3 million as of December 31, 2013 and 2012, respectively, which included accumulated depreciation of \$2.7 million and \$11.8 million, respectively. The Company disposed of \$1.1 million carrying value of medical equipment under capital lease, which included \$9.7 million of accumulated depreciation, in connection with the asset sale at its surgical hospital located in Austin, Texas during the year ended December 31, 2013.

6. Intangible Assets

A summary of changes in intangible assets follows (in thousands):

| | <u>Physician Guarantees</u> | <u>Management Rights</u> | <u>Non-Compete Agreements</u> | <u>Certificates of Need</u> | <u>Total Intangible Assets</u> |
|------------------------------|---------------------------------|------------------------------|-----------------------------------|---------------------------------|--|
| Balance at December 31, 2010 | \$ 632 | \$ — | \$ 2,337 | \$ 17,740 | \$ 20,709 |
| Additions | 800 | 2,300 | 3,632 | — | 6,732 |
| Recruitment expense | (325) | — | — | — | (325) |
| Amortization | — | (64) | (765) | — | (829) |
| Balance at December 31, 2011 | 1,107 | 2,236 | 5,204 | 17,740 | 26,287 |
| Additions | — | — | — | — | — |
| Recruitment expense | (288) | — | — | — | (288) |
| Amortization | — | (153) | (1,695) | — | (1,848) |
| Balance at December 31, 2012 | 819 | 2,083 | 3,509 | 17,740 | 24,151 |
| Additions | 800 | — | — | — | 800 |
| Recruitment expense | (587) | — | — | — | (587) |
| Amortization | — | (153) | (1,695) | — | (1,848) |
| Balance at December 31, 2013 | <u>\$ 1,032</u> | <u>\$ 1,930</u> | <u>\$ 1,814</u> | <u>\$ 17,740</u> | <u>\$ 22,516</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

A summary of cost and accumulated amortization related to the Company's finite-lived intangible assets follows (in thousands):

| | <u>December 31,</u> | |
|---|---------------------|-----------------|
| | <u>2013</u> | <u>2012</u> |
| Management rights agreements | \$ 2,300 | \$ 2,300 |
| Non-compete agreements | 5,969 | 5,969 |
| Finite-lived intangible assets, at cost | 8,269 | 8,269 |
| Less: Accumulated amortization | (4,525) | (2,677) |
| Finite-lived intangible assets, net | <u>\$ 3,744</u> | <u>\$ 5,592</u> |

During the years ended December 31, 2013, 2012 and 2011, the Company had amortization expense of \$1.8 million, \$1.8 million and \$829,000, respectively.

A summary of the scheduled amortization related to the Company's finite-lived intangible assets as of December 31, 2013 follows (in thousands):

| | <u>Management Rights and Non-Compete Agreements</u> |
|------------|---|
| 2014 | \$ 1,550 |
| 2015 | 621 |
| 2016 | 153 |
| 2017 | 153 |
| 2018 | 153 |
| Thereafter | 1,114 |
| Total | <u>\$ 3,744</u> |

As of December 31, 2013 and 2012, physician income guarantees consisted of recruitment costs of \$2.3 million and \$1.5 million, respectively, and accumulated amortization of these recruitment costs into salaries and benefits costs of \$1.3 million and \$682,000, respectively.

7. Goodwill

A summary of changes in goodwill follows (in thousands):

| | |
|------------------------------|------------------|
| Balance at December 31, 2010 | \$624,737 |
| Acquisitions | 4,941 |
| Divestitures | (359) |
| Purchase price adjustments | 825 |
| Balance at December 31, 2011 | 630,144 |
| Acquisitions | 31,243 |
| Divestitures | (5,329) |
| Balance at December 31, 2012 | 656,058 |
| Acquisitions | 13,383 |
| Divestitures | (2,373) |
| Purchase price adjustments | (5,310) |
| Balance at December 31, 2013 | <u>\$661,758</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Additions to goodwill include new business combination acquisitions and incremental ownership acquired in the Company's subsidiaries. A summary of the Company's acquisitions for the years ended December 31, 2013, 2012 and 2011 is included in Note 3 on Acquisitions and Developments.

8. Long-Term Debt

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

| | December 31, | |
|--|-------------------|-------------------|
| | 2013 | 2012 |
| Credit Facility | \$ — | \$ — |
| Senior Secured Notes, net of debt issuance discount of \$2,858 and \$3,868 at December 31, 2013 and 31, 2012, respectively | 338,142 | 337,132 |
| PIK Exchangeable Notes | 118,639 | 109,688 |
| Toggle Notes | 73,475 | 94,724 |
| Notes payable and secured loans | 24,970 | 28,168 |
| Capital lease obligations | 4,922 | 3,864 |
| Total debt | 560,148 | 573,576 |
| Less: Current maturities | (9,102) | (39,462) |
| Total long-term debt | <u>\$ 551,046</u> | <u>\$ 534,114</u> |

The Company modified its long-term debt structure during the second quarter of 2011. On June 14, 2011, the Company completed the offering of \$350.0 million aggregate principal amount of Senior Secured Notes (the "Offering"). The proceeds of the Offering were used to retire the Company's then existing senior secured credit facility and a portion of its Toggle Notes. In connection with the Offering, the Company entered into the Credit Facility as well as exchanged outstanding Toggle Notes having an aggregate principal amount of \$85.4 million, at par plus accrued and unpaid interest, for \$88.5 million initial aggregate principal amount of PIK Exchangeable Notes. As a result of the debt restructuring, the Company recorded a loss on debt extinguishment of \$4.8 million. This loss is comprised primarily of capitalized debt issuance costs written off in connection with the termination of debt instruments as part of the restructuring.

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

Credit Facility

The Credit Facility provides the ability to borrow under revolving credit loans and swingline loans. Letters of credit may also be issued under the Credit Facility. The Credit Facility matures on December 15, 2015. The Credit Facility is subject to a potential, although uncommitted, increase of up to \$25.0 million at our request at any time prior to maturity of the facility, subject to certain conditions, including compliance with a maximum net senior secured leverage ratio and a minimum cash interest coverage ratio. The increase is only available if one or more financial institutions agree to provide it.

The Company has letters of credit outstanding under the Credit Facility of \$1.8 million at December 31, 2013 related to our self-insured workers compensation coverage and the operating lease on our surgical hospital in Lubbock, Texas. As of December 31, 2013, \$48.2 million was available under the Credit Facility.

Loans under the Credit Facility bear interest, at our option, at the reserve adjusted LIBOR plus 4.50% or at the alternate base rate plus 3.50%. The Company is required to pay a commitment fee at a rate equal to 0.50%

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

per annum on the undrawn portion of commitments under the Credit Facility. This fee is payable quarterly in arrears and on the date of termination or expiration of the commitments.

The Credit Facility contains financial covenants requiring the Company not to exceed a maximum net senior secured leverage ratio or fall below a minimum cash interest coverage ratio, in each case tested quarterly. Borrowings under the Credit Facility are subject to significant conditions, including the absence of any material adverse change. At December 31, 2013, the Company was in compliance with all material covenants contained in the Credit Facility.

Senior Secured Notes

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

The Senior Secured Notes are guaranteed by substantially all of the Company's existing and future material wholly-owned domestic restricted subsidiaries. The Senior Secured Notes and the guarantees are the Company's and the guarantors' senior secured obligations and rank equal in right of payment with any of the Company's or the guarantors' existing and future senior indebtedness and pari passu with the Company's and the guarantors' first priority liens, except to the extent that the property and assets securing the notes also secure the obligations under the Credit Facility, which is entitled to proceeds of the collateral prior to the Senior Secured Notes, in the event of a foreclosure or any insolvency proceedings.

The Company may redeem all or any portion of the Senior Secured Notes on or after June 15, 2014 at the redemption price set forth in the indenture governing the Senior Secured Notes, plus accrued interest. Prior to June 15, 2014, in each of 2011, 2012 and 2013, the Company may redeem up to 10% of the original aggregate principal amount of the Senior Secured Notes at a price equal to 103% of the aggregate principal amount thereof, plus accrued and unpaid interest. The Company may also redeem all or any portion of the Senior Secured Notes at any time prior to June 15, 2014 at a price equal to 100% of the aggregate principal amount thereof plus a make-whole premium and accrued and unpaid interest. In addition, the Company may redeem up to 35% of the aggregate principal amount of the Senior Secured Notes with proceeds of certain equity offerings at any time prior to June 15, 2014. At December 31, 2013, the Company had not redeemed any of its Senior Secured Notes.

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

At December 31, 2013, the Company was in compliance with all material covenants contained in the indenture governing the Senior Secured Notes.

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

| | |
|---|----------------|
| January 1, 2014 through December 31, 2014 | \$1,092 |
| January 1, 2015 through December 31, 2015 | 1,186 |
| January 1, 2016 through June 15, 2016 | 580 |
| Total discount on Senior Secured Notes | <u>\$2,858</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

PIK Exchangeable Notes

Concurrent with the Offering, the Company exchanged with certain holders of our outstanding Toggle Notes, Toggle Notes having an aggregate principal amount of \$85.4 million, at par plus accrued and unpaid interest, for \$88.5 million initial aggregate principal amount of our PIK Exchangeable Notes. Effective September 9, 2011, the Company canceled \$9.0 million aggregate principal amount of our Senior Secured Notes held by certain holders, plus accrued and unpaid interest, in exchange for our issuance to such parties of \$9.2 million aggregate principal amount of our PIK Exchangeable Notes.

The PIK Exchangeable Notes mature on June 15, 2017. Interest accrues on the PIK Exchangeable Notes at a rate of 8.00% per year, compounding semi-annually on June 15 and December 15 of each year. The Company pays interest on the PIK Exchangeable Notes in kind by increasing the principal amount of the PIK Exchangeable Notes on each interest accrual date by an amount equal to the entire amount of the accrued interest. The Company records this accrued interest in other current liabilities until the interest payment date. On June 15 and December 15 of each year, the Company reclassifies the accrued interest to long-term debt. Due to the required payment-in-kind interest, the Company increased the principal amount of the PIK Exchangeable Notes by \$9.0 million, \$8.3 million and \$3.8 million during the years ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013, the Company had \$422,000 of accrued interest on the PIK Exchangeable Notes, which was included in other current liabilities in the consolidated balance sheet.

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

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

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

The Company recorded the PIK Exchangeable Notes in accordance with ASC Topic 470, *Debt*. In the exchange, the new PIK Exchangeable Notes were recorded at fair value. At December 31, 2013, the Company was in compliance with all material covenants contained in the indenture governing the PIK Exchangeable Notes.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Toggle Notes

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

Between August 23, 2008 and August 23, 2011, the Company elected the PIK option of the Toggle Notes in lieu of making scheduled interest payments for various interest periods. As a result, the principal due on the Toggle Notes has increased by \$71.0 million from the issuance of the Toggle Notes to December 31, 2013. Beginning with the February 2012 interest payment, all interest under the Toggle Notes is required to be paid in cash. As of December 31, 2013, the Company had \$2.9 million of accrued interest on the Toggle Notes in other current liabilities on the consolidated balance sheet.

In connection with the Offering, the Company repurchased \$70.8 million aggregate principal amount of the Toggle Notes, at par plus accrued and unpaid interest of \$2.6 million, and exchanged \$85.4 million aggregate principal amount of Toggle Notes, at par plus accrued interest of \$3.1 million, for \$88.5 million aggregate principal amount of PIK Exchangeable Notes.

The indenture governing the Toggle Notes includes a mandatory redemption provision. Under this provision, if the Toggle Notes would otherwise constitute applicable high yield discount obligations, within the meaning of Section 163(i)(1) of the Tax Code, the Company is required to redeem, for cash, a portion of the Toggle Notes then outstanding, equal to the mandatory principal redemption amount. Under the mandatory redemption provisions of the Toggle Notes, \$21.2 million of principal balance outstanding was paid on August 23, 2013.

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

The indenture governing the Toggle Notes contains various restrictive covenants, including financial covenants that limit the Company’s ability and the ability of its subsidiaries to borrow money or guarantee other indebtedness, grant liens, make investments, sell assets, pay dividends or engage in transactions with affiliates. At December 31, 2013, the Company was in compliance with all material covenants contained in the indenture governing the Toggle Notes.

Notes Payable to Banks

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.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

In March 2013, the Company refinanced the debt of its surgical hospital located in Idaho Falls, Idaho. This refinancing transaction resulted in \$6.1 million of borrowings from a new lender, \$7.5 million of repayments to the previous lenders and \$427,000 of debt issuance cost payments. In September 2013, the Company repaid the \$6.1 million of borrowings from the new lender with cash from continuing operations. In December 2013, the Company had new borrowings of \$2.0 million at its surgical facilities in East Greenwich and East Bay, Rhode Island. In addition, the Company borrowed \$1.8 million in December 2013 to partially fund the acquisition of a surgical facility in Providence, Rhode Island.

Maturities

A summary of the scheduled maturities of our debt obligations as of December 31, 2013 follows (in thousands):

| | Capital Lease Obligations | Other Long-Term Debt | Total |
|------------|--------------------------------------|-------------------------------------|-------------------|
| 2014 | \$ 1,753 | \$ 7,349 | \$ 9,102 |
| 2015 | 1,426 | 81,399 | 82,825 |
| 2016 | 1,039 | 346,039 | 347,078 |
| 2017 | 446 | 121,177 | 121,623 |
| 2018 | 258 | 2,067 | 2,325 |
| Thereafter | — | 53 | 53 |
| Total debt | <u>\$ 4,922</u> | <u>\$ 558,084</u> | <u>\$ 563,006</u> |

9. Operating Leases

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

The future minimum lease payments under non-cancellable operating leases, net of sub-lease income, follows (in thousands):

| | |
|--|-------------------|
| 2014 | \$ 23,526 |
| 2015 | 21,340 |
| 2016 | 17,711 |
| 2017 | 13,921 |
| 2018 | 11,914 |
| Thereafter | 62,641 |
| Total minimum operating lease payments | <u>\$ 151,053</u> |

Total operating lease expense was \$27.2 million, \$23.7 million and \$22.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. Included in these amounts, the Company incurred lease expense of \$7.1 million, \$7.1 million and \$6.7 million for years ended December 31, 2013, 2012 and 2011, respectively, under operating lease agreements with physician investors and an entity that is an affiliate of one of the Company's former directors.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

The Company has various sub-lease arrangements at its surgical hospital located in Idaho Falls, Idaho. Future minimum lease payments to be received at this facility under these non-cancellable sub-lease arrangements follows (in thousands):

| | |
|--|----------------|
| 2014 | \$ 740 |
| 2015 | 762 |
| 2016 | 785 |
| 2017 | 809 |
| 2018 | 833 |
| Thereafter | 3,267 |
| Total non-cancellable sub-lease income | <u>\$7,196</u> |

10. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. The partnerships and limited liability companies in which the Company has ownership each file separate income tax returns. The Company's allocated share of income or loss based on its percentage ownership in each partnership and limited liability company is included in taxable income of the Company. The remaining income or loss of each partnership and limited liability company is allocated to the other owners as taxable income.

The provision for income taxes from continuing operations follows (in thousands):

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|-----------------|----------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Current: | | | |
| Federal | \$ — | \$ (3,527) | \$ 240 |
| State | 774 | 666 | 147 |
| Deferred | 4,556 | 13,800 | 8,334 |
| Total income tax expense from continuing operations | <u>\$5,330</u> | <u>\$10,939</u> | <u>\$8,721</u> |

Income from discontinued operations is reported net of income taxes in the consolidated statements of operations. For the years ended December 31, 2013, 2012 and 2011, the Company had income tax expense (benefit) related to discontinued operations of \$(515,000), \$(1.3) million and \$702,000, respectively.

A reconciliation of the provision for income taxes from continuing operations as reported in the consolidated statements of operations and the amount of income tax expense (benefit) computed by multiplying consolidated income (loss) before discontinued operations and income taxes in each year by the U.S. federal statutory rate of 35% follows (in thousands):

| | <u>Year Ended December 31,</u> | | |
|--|--------------------------------|------------------|-----------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Tax at U.S. federal statutory rate | \$ 9,953 | \$ 12,829 | \$ 4,755 |
| State income tax, net of U.S. federal tax benefit | 878 | 290 | 127 |
| Change in valuation allowance | 12,123 | 9,774 | 11,740 |
| Expiration of capital loss carryforwards | 445 | 170 | 722 |
| Net income attributable to non-controlling interests | (13,163) | (13,495) | (11,477) |
| Changes in measurement of uncertain tax positions | (2,976) | (3,169) | 3,885 |
| Write-off of non-deductible goodwill | (1,031) | 1,581 | 133 |
| Partnership basis tax return reconciling differences | (1,174) | 2,757 | (1,302) |
| Other | 275 | 202 | 138 |
| Total income tax expense from continuing operations | <u>\$ 5,330</u> | <u>\$ 10,939</u> | <u>\$ 8,721</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

The components of temporary differences and the approximate tax effects that give rise to the Company's net deferred tax liabilities follows (in thousands):

| | <u>December 31,</u> | |
|--|---------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| Deferred tax assets: | | |
| Medical malpractice liability | \$ 669 | \$ 745 |
| Accrued vacation and incentive compensation | 447 | 514 |
| Net operating loss carryforwards | 61,281 | 50,167 |
| Amortization of intangible assets | 1,407 | 1,632 |
| Basis differences of partnerships and joint ventures | 8,662 | 6,879 |
| SERP liability | 723 | 511 |
| Capital loss carryforwards | 2,782 | 1,879 |
| Stock-based compensation | 3,935 | 4,508 |
| Other deferred assets | 1,520 | 1,591 |
| Total gross deferred tax assets | <u>81,426</u> | <u>68,426</u> |
| Less: Valuation allowance | <u>(80,389)</u> | <u>(66,325)</u> |
| Total deferred tax assets | 1,037 | 2,101 |
| Deferred tax liabilities: | | |
| Depreciation on property and equipment | (520) | (271) |
| Amortization of intangible assets | (952) | (854) |
| Basis differences of partnerships and joint ventures | (75,261) | (71,130) |
| Debt issuance costs and discounts | (79) | (1,389) |
| Other deferred liabilities | (398) | (378) |
| Total deferred tax liabilities | <u>(77,210)</u> | <u>(74,022)</u> |
| Net deferred tax liabilities | <u>\$ (76,173)</u> | <u>\$ (71,921)</u> |

As of December 31, 2013 and 2012, the Company had net current deferred tax liabilities of \$153,000 and \$140,000, respectively, and net long-term deferred tax liabilities of \$76.0 million and \$71.8 million, respectively. The Company had federal net operating loss carryforwards of \$140.5 million as of December 31, 2013, which expire between 2027 and 2033. The Company had state net operating loss carryforwards of \$285.0 million as of December 31, 2013, which expire between 2013 and 2033. The Company had capital loss carryforwards of \$7.9 million as of December 31, 2013, which expire between 2015 and 2017.

The Company has recorded a valuation allowance against its deferred tax assets at December 31, 2013 and 2012 of \$80.4 million and \$66.3 million, respectively, which represented an increase of \$14.1 million for the year ended December 31, 2013. The valuation allowance has been provided for certain deferred tax assets that management believes it is more likely than not that the tax benefits will not be realized. Included in the increase in the valuation allowance for the year ended December 31, 2013 was an increase of \$0.9 million recorded to additional paid-in-capital as a result of the tax effect of disposals of shares of non-controlling interests. As of December 31, 2013, \$2.8 million of valuation allowance was recorded against deferred tax assets, that if subsequently recognized, will be credited directly to additional paid-in-capital.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

A reconciliation of the beginning and ending liability for gross unrecognized income tax benefit for the years ended December 31, 2013, 2012 and 2011 follows (in thousands):

| | Year Ended December 31, | | |
|---|--------------------------------|-----------------|----------------|
| | 2013 | 2012 | 2011 |
| Unrecognized tax benefits at beginning of year | \$ 7,109 | \$ 7,962 | \$3,578 |
| Additions based on tax provisions related to the current year | 293 | 899 | — |
| Additions for tax positions of prior years | 165 | 1,356 | 4,426 |
| Reductions for settlements with taxing authorities | (5,611) | (3,077) | — |
| Reductions for the expiration of statutes of limitations | (27) | (31) | (42) |
| Unrecognized tax benefits at end of year | <u>\$ 1,929</u> | <u>\$ 7,109</u> | <u>\$7,962</u> |

The Company recognizes interest and penalties related to uncertain tax positions in its provision for income taxes in the consolidated statements of operations. For the years ended December 31, 2013 and 2012, the Company had approximately \$109,000 and \$150,000, respectively, of accrued interest and penalties related to uncertain tax positions.

The Company's U.S. federal and state income tax returns for tax years 2010 and beyond remain subject to examination. The total amount of accrued liabilities related to uncertain tax positions that would affect the Company's effective tax rate if recognized was \$435,000 and \$634,000 at December 31, 2013 and 2012, respectively. It is possible the amount of unrecognized tax benefit could change in the next 12 months as a result of the lapse of the statute of limitations and settlements with tax authorities; however, the Company does not anticipate the change will have a material adverse impact on its consolidated financial statements.

11. Supplemental Cash Flow Information

A summary of additional information related to cash flows from continuing operations follows (in thousands):

| | Year Ended December 31, | | |
|---|--------------------------------|-------------|-------------|
| | 2013 | 2012 | 2011 |
| Non-cash transactions: | | | |
| Increase in debt for paid-in-kind interest expense | \$ 8,951 | \$ 8,275 | \$22,369 |
| Increase in debt related to new capital lease obligations | 2,667 | 2,097 | 2,100 |
| Cash payments: | | | |
| Interest paid, net of interest income received | 38,527 | 39,055 | 28,072 |
| Income taxes paid, net of refunds received | 882 | 78 | 271 |

12. Stock Options

Overview

The Company is a participant in the Symbion Holdings Corporation 2007 Equity Incentive Plan (the "2007 Plan"), which permits grants of stock options and other equity-based awards to purchase Holdings common stock.

In connection with the Merger, certain members of the Company's predecessor management were permitted to roll over options into the 2007 Plan. The rollover options were exchanged for 611,799 options under the 2007 Plan. The exercise price of each rollover option is \$1.50 per share and the options expire on the expiration date of the original grants.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Effective January 23, 2012, Holdings amended the 2007 Plan. The amendment increased the shares authorized for future grant under the 2007 Plan by 2,400,000 shares to 5,627,263 shares. Additionally, the exercise price of options originally issued on and after August 31, 2007, or the Merger effective date, was reduced to \$3.00 per share from \$10.00 per share and the expiration date of such options was extended to January 23, 2022. As a result of this stock option plan modification, the Company recorded non-cash stock compensation expense of \$1.7 million during the year ended December 31, 2012, consisting of \$1.6 million in general and administrative expenses and \$83,000 in salaries and benefits in the consolidated statements of operations.

The Company's outstanding stock option awards include a time-vesting or performance-vesting component. Under the amended plan, the maximum contractual term of the options is ten years, or earlier if the employee terminates employment before that time. Time-vesting options vest over a five-year period with 20% of the options vesting each anniversary period as of the option issuance date. Performance-vesting options vest and become exercisable upon a liquidity event based on the extent to which Crestview and certain affiliated investors receive a target share price for their equity. No stock-based compensation expense has been recorded in the consolidated statements of operations since inception of the 2007 Plan for the performance-vesting options as the conditions for vesting are not probable.

The Company recorded stock-based compensation expense of \$410,000, \$2.1 million and \$1.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. After non-controlling interests and the related income tax benefit, the Company recorded a net impact to Symbion, Inc. net loss related to stock-based compensation expense of \$410,000, \$2.1 million and \$825,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

During the years ended December 31, 2013, 2012 and 2011, the Company issued 21,987 options, 1,024,842 options and 62,268 options with a time-vesting component and 21,987 options, 1,024,842 options and 94,763 options with a performance-vesting component, respectively. As of December 31, 2013, the Company had 2,356,289 shares of time-vesting options and 2,494,404 shares of performance-vesting options outstanding. In addition, Holdings had 818,684 shares of unissued stock options reserved for future grants under the 2007 Plan as of December 31, 2013.

Valuation Methodology

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

- *Weighted average risk-free interest rate.* The weighted average risk-free interest rate is used as a component of the fair value of stock options to take into account the time value of money. For the risk-free interest rate, the Company uses the implied yield on United States Treasury zero-coupon issues with a remaining term equal to the expected life, in years, of the options granted.
- *Expected volatility.* Volatility, for the purpose of stock-based compensation, is a measurement of the amount that a share price has fluctuated. Expected volatility involves reviewing historical volatility and determining what, if any, change the share price will have in the future. FASB recommended that companies such as Holdings, whose common stock is not publicly traded or have a limited public stock trading history, use average volatilities of similar entities. As a result, the Company uses the average volatilities of some of its competitors as an estimate in determining stock option fair values.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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

The following table sets forth the assumptions used by the Company to estimate the fair value of time-vesting options:

| | <u>Year Ended December 31,</u> | | |
|--|--------------------------------|-------------|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Weighted-average fair value per option | \$ 2.05 | \$ 1.53 | \$ 0.59 |
| Weighted-average risk-free interest rate | 0.8% | 2.0% | 2.0% |
| Expected volatility | 42.0% | 42.0% | 42.0% |
| Expected life, in years | 6.5 | 6.5 | 6.5 |
| Expected dividend yield | — % | — % | — % |
| Expected forfeiture rate | 4.0% | 4.0% | 4.0% |

Stock Option Activity

A summary of stock option activity for the years ended December 31, 2013, 2012 and 2011 follows:

| | <u>Number of Options</u> | <u>Weighted- Average Exercise Price</u> | <u>Weighted- Average Fair Value</u> | <u>Total Fair Value</u> | <u>Aggregate Intrinsic Value</u> | <u>Weighted- Average Remaining Contractual Term (in Years)</u> |
|----------------------------------|------------------------------|---|---|-----------------------------|--|--|
| Outstanding at December 31, 2010 | 3,766,149 | \$ 3.92 | 2.78 | \$10,469,894 | \$ — | 5.7 |
| Granted | 153,392 | 3.00 | 1.63 | 250,029 | — | 8.2 |
| Exercised | — | | | | | |
| Forfeited | (104,525) | | | | | |
| Outstanding at December 31, 2011 | 3,815,016 | 2.72 | 2.72 | 10,376,844 | — | 4.3 |
| Granted | 2,201,432 | 3.43 | 1.53 | 3,368,191 | — | 9.2 |
| Exercised | (258,962) | | | | | |
| Forfeited | (402,311) | | | | | |
| Outstanding at December 31, 2012 | 5,355,175 | 3.08 | 2.04 | 10,924,557 | — | 8.5 |
| Granted | 43,974 | 4.00 | 2.05 | 90,147 | — | 9.1 |
| Exercised | (221,000) | | | | | |
| Forfeited | (327,456) | | | | | |
| Outstanding at December 31, 2013 | 4,850,693 | 3.18 | 1.77 | 8,585,727 | — | 8.1 |
| Exercisable at December 31, 2013 | 1,462,128 | 2.94 | 2.21 | 3,231,303 | — | 7.5 |
| Unvested at December 31, 2013 | 3,160,057 | 3.26 | 1.58 | 4,992,890 | — | 8.2 |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

As of December 31, 2013 and 2012, the Company had 3,160,057 and 3,490,170 of unvested stock options outstanding. Total stock-based compensation expense related to unvested time-vesting options not yet recognized was \$1.0 million as of December 31, 2013. Substantially all of this expense will be recognized over the next four years.

A summary of information about stock options outstanding as of December 31, 2013 follows:

| | <u>Options Outstanding</u> | | | <u>Options Exercisable</u> | | |
|--|----------------------------|--|---|----------------------------|--|---|
| | <u>Number of Options</u> | <u>Weighted-Average Exercise Price</u> | <u>Weighted-Average Remaining Contractual Life (in Years)</u> | <u>Number of Options</u> | <u>Weighted-Average Exercise Price</u> | <u>Weighted-Average Remaining Contractual Life (in Years)</u> |
| | 121,944 | \$ 1.50 | 0.1 | 121,944 | \$ 1.50 | 0.1 |
| | 2,789,119 | 3.00 | 8.1 | 1,150,618 | 3.00 | 8.1 |
| | 1,895,656 | 3.50 | 8.4 | 189,566 | 3.50 | 8.4 |
| | 43,974 | 4.00 | 9.1 | — | 4.00 | 9.1 |
| | <u>4,850,693</u> | 3.18 | 8.1 | <u>1,462,128</u> | 2.94 | 7.5 |

13. Employee Benefit Plans

Symbion, Inc. 401(k) Plan

The Symbion, Inc. 401(k) Plan (the “401(k) Plan”) is a defined contribution plan whereby employees who have completed six months of service and are age 21 or older are eligible to participate. Employees may enroll in the plan on either January 1 or July 1 of each year. The 401(k) Plan allows eligible employees to make contributions of varying percentages of their annual compensation, up to the maximum allowable amounts by the Internal Revenue Service. Eligible employees may or may not receive a match by the Company of their contributions. The Company match varies depending on location and is determined prior to the start of each plan year. Generally, employer contributions vest 20% after two years of service and continue vesting at 20% per year until fully vested. The Company’s matching contribution expense for the years ended December 31, 2013, 2012 and 2011 was \$795,000, \$1.5 million and \$864,000, respectively.

Supplemental Executive Retirement Savings Plan

The Company adopted the supplemental executive retirement plan in May 2005. The SERP provides supplemental retirement savings alternatives to eligible officers and key employees of the Company by allowing participants to defer portions of their compensation. Under the SERP, eligible employees may enroll in the plan before December 31 to be entered in the plan the following year. Eligible employees may defer into the SERP up to 25% of their normal period payroll and up to 50% of their annual bonus. If the enrolled employee contributes a minimum of 2% of his or her base salary into the SERP, the Company will contribute 2% of the enrolled employee’s base salary to the plan and has the option of contributing additional amounts. Periodically, the enrolled employee’s deferred amounts are transferred to a plan administrator. The plan administrator maintains separate non-qualified accounts for each enrolled employee to track deferred amounts. On May 1 of each year, the Company is required to make its contribution to each enrolled employee’s account. Compensation expense recorded by the Company related to the Company’s contribution to the SERP was \$67,000, \$64,000 and \$50,000 for the years ended December 31, 2013, 2012 and 2011, respectively. See Note 2 on Significant Accounting Policies for information about the fair value of the assets and liabilities in the SERP.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

14. Related Party Transactions

On August 23, 2007, the Company entered into a ten-year advisory services and management agreement with Crestview Advisors, L.L.C. The annual management fee is \$1.0 million and is payable on August 23 of each year. The Company prepaid this annual management fee in each of the years ended December 31, 2013, 2012 and 2011 and had a prepaid asset of \$645,000 as of December 31, 2013 that was included in prepaid expenses and other current assets on the consolidated balance sheet.

Affiliates of Crestview and affiliates of the Northwestern Mutual Insurance Company hold the majority of the PIK Exchangeable Notes which entitle them to additional ownership in Holdings upon exchange. The PIK Exchangeable Notes are exchangeable into shares of common stock of Holdings at any time prior to the close of business on the business day immediately preceding the maturity date of the PIK Exchangeable Notes at a per share exchange price of \$3.50. Upon exchange, holders of the PIK Exchangeable Notes will receive a number of shares of common stock of Holdings equal to (i) the accreted principal amount of the PIK Exchangeable Notes to be exchanged, plus accrued and non-capitalized interest, divided by (ii) the exchange price. The exchange price in effect at any time is subject to customary adjustments.

The PIK Exchangeable Notes mature on June 15, 2017, subject to certain redemption provisions. The Company pays interest on the PIK Exchangeable Notes in kind by increasing the principal amount of the PIK Exchangeable Notes on each interest accrual date by an amount equal to the entire amount of the accrued interest. As of December 31, 2013, the Company had \$118.6 million of aggregate principal amount of PIK Exchangeable Notes outstanding and had accrued interest of \$422,000 on the PIK Exchangeable Notes, which was included in other current liabilities on the consolidated balance sheet. See Note 8 on Long-Term Debt for further discussion of the PIK Exchangeable Notes.

In December 2013, certain employees of the Company exercised stock options and borrowed funds from Holdings to pay the exercise price and applicable taxes payable. Each loan is represented by a full recourse promissory note executed by the employee and bearing interest at a rate of 0.25% per annum (the applicable federal rate). Principal and interest on the notes is payable in three equal annual installments beginning December 10, 2014, with payment in full due on December 10, 2016. Payment and performance under the notes is secured by the shares of Holdings common stock received upon exercise of the options exercised on December 10, 2013. The total amount of stockholders' notes outstanding at December 31, 2013 was \$485,000, which was included in stockholders' equity on the consolidated balance sheet.

15. Commitments and Contingencies

Lease and Debt Guarantees of Non-Consolidated Facilities

As of December 31, 2013 and 2012, the Company had guaranteed \$950,000 and \$1.3 million, respectively, of operating lease payments for certain non-consolidated surgical facilities. These operating leases typically have ten-year terms, with optional renewal periods. At December 31, 2012, the Company guaranteed \$181,000 of debt at its non-consolidated surgical facility located in Novi, Michigan. In January 2013, the Company sold its ownership interest in this facility and no longer has any debt guarantees.

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

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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. The 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 our 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 our surgical facilities conduct their operations, from licensing requirements to how and whether our 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

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

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.

16. Subsequent Events

Effective March 7, 2014, the Company acquired an incremental ownership interest of 13.6% related to its surgical hospital located in Idaho Falls, Idaho for a purchase price of \$23.8 million. This transaction was financed with proceeds from the Credit Facility.

17. Quarterly Financial Information (Unaudited)

The following tables include a summary of certain information related to the Company's quarterly consolidated results of operations for each of the four quarters in the years ended December 31, 2013 and 2012. The amounts have been adjusted for discontinued operations (in thousands and unaudited):

| | <u>Year Ended December 31, 2013</u> | | | | <u>Total</u> |
|--|-------------------------------------|---------------------------|--------------------------|---------------------------|--------------|
| | <u>First Quarter</u> | <u>Second Quarter</u> | <u>Third Quarter</u> | <u>Fourth Quarter</u> | |
| Revenues | \$ 132,598 | \$ 134,598 | \$ 127,404 | \$ 140,987 | \$ 535,587 |
| Cost of revenues | 98,688 | 101,294 | 95,378 | 101,773 | 397,133 |
| Income (loss) from continuing operations | 4,910 | (589) | 4,219 | 14,565 | 23,105 |
| Net income | 4,197 | 1,536 | 4,312 | 14,942 | 24,987 |

| | <u>Year Ended December 31, 2012</u> | | | | <u>Total</u> |
|-----------------------------------|-------------------------------------|---------------------------|--------------------------|---------------------------|--------------|
| | <u>First Quarter</u> | <u>Second Quarter</u> | <u>Third Quarter</u> | <u>Fourth Quarter</u> | |
| Revenues | \$ 116,307 | \$ 118,221 | \$ 122,341 | \$ 134,935 | \$ 491,804 |
| Cost of revenues | 81,086 | 82,565 | 91,887 | 95,770 | 351,308 |
| Income from continuing operations | 4,861 | 7,828 | 2,574 | 10,452 | 25,715 |
| Net income | 5,036 | 7,619 | 1,724 | 12,468 | 26,847 |

18. Financial Information for the Company and Its Subsidiaries

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

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Balance Sheet as of December 31, 2013
(In thousands)

| | Parent Issuer | Guarantor Subsidiaries | Combined Non- Guarantors | Eliminations | Total Consolidated |
|--|------------------|---------------------------|--------------------------------|---------------------|-----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 6,415 | \$ 4,788 | \$ 44,823 | \$ — | \$ 56,026 |
| Accounts receivable, net | — | — | 78,290 | — | 78,290 |
| Inventories | — | — | 17,229 | — | 17,229 |
| Prepaid expenses and other current assets | 1,476 | 1,301 | 6,998 | — | 9,775 |
| Due from related parties | 3,050 | 23,579 | — | (26,629) | — |
| Current assets of discontinued operations | — | — | 1,356 | — | 1,356 |
| Total current assets | 10,941 | 29,668 | 148,696 | (26,629) | 162,676 |
| Property and equipment, net | 1,422 | 2,100 | 126,210 | — | 129,732 |
| Intangible assets, net | 1,929 | — | 20,587 | — | 22,516 |
| Goodwill | 661,758 | — | — | — | 661,758 |
| Investments in and advances to affiliates | 69,558 | 40,384 | 563 | (96,417) | 14,088 |
| Restricted invested assets | — | — | 177 | — | 177 |
| Other long-term assets | 9,419 | — | 4,542 | — | 13,961 |
| Long-term assets of discontinued operations | — | — | 1,831 | — | 1,831 |
| Total assets | <u>\$755,027</u> | <u>\$ 72,152</u> | <u>\$ 302,606</u> | <u>\$ (123,046)</u> | <u>\$1,006,739</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 269 | \$ — | \$ 19,245 | \$ — | \$ 19,514 |
| Accrued payroll and benefits | 1,151 | — | 11,118 | — | 12,269 |
| Due to related parties | — | — | 26,629 | (26,629) | — |
| Other current liabilities | 8,348 | 3 | 25,380 | — | 33,731 |
| Current maturities of long-term debt | 344 | 859 | 7,899 | — | 9,102 |
| Current liabilities of discontinued operations | — | — | 325 | — | 325 |
| Total current liabilities | 10,112 | 862 | 90,596 | (26,629) | 74,941 |
| Long-term debt, less current maturities | 529,912 | 1,732 | 19,402 | — | 551,046 |
| Long-term deferred tax liabilities | 76,020 | — | — | — | 76,020 |
| Other long-term liabilities | 2,292 | — | 59,132 | — | 61,424 |
| Long-term liabilities of discontinued operations | — | — | 169 | — | 169 |
| Non-controlling interests—redeemable | — | — | 35,150 | — | 35,150 |
| Total Symbion, Inc. stockholders' equity | 136,691 | 69,558 | 26,859 | (96,417) | 136,691 |
| Non-controlling interests—non-redeemable | — | — | 71,298 | — | 71,298 |
| Total equity | 136,691 | 69,558 | 98,157 | (96,417) | 207,989 |
| Total liabilities and stockholders' equity | <u>\$755,027</u> | <u>\$ 72,152</u> | <u>\$ 302,606</u> | <u>\$ (123,046)</u> | <u>\$1,006,739</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Balance Sheet as of December 31, 2012
(In thousands)

| | Parent Issuer | Guarantor Subsidiaries | Combined Non- Guarantors | Eliminations | Total Consolidated |
|--|------------------|---------------------------|--------------------------------|---------------------|-----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 8,505 | \$ 26,174 | \$ 38,791 | \$ — | \$ 73,470 |
| Accounts receivable, net | — | — | 71,646 | — | 71,646 |
| Inventories | — | 167 | 14,226 | — | 14,393 |
| Prepaid expenses and other current assets | 1,794 | 3 | 8,153 | — | 9,950 |
| Due from related parties | 1,878 | 44,895 | — | (46,773) | — |
| Current assets of discontinued operations | — | — | 3,636 | — | 3,636 |
| Total current assets | 12,177 | 71,239 | 136,452 | (46,773) | 173,095 |
| Property and equipment, net | 918 | 2,100 | 127,088 | — | 130,106 |
| Intangible assets, net | 2,083 | — | 22,068 | — | 24,151 |
| Goodwill | 656,058 | — | — | — | 656,058 |
| Investments in and advances to affiliates | 91,614 | 18,344 | 423 | (98,249) | 12,132 |
| Restricted invested assets | — | — | 5,169 | — | 5,169 |
| Other long-term assets | 12,847 | — | 1,197 | — | 14,044 |
| Long-term assets of discontinued operations | — | — | 2,448 | — | 2,448 |
| Total assets | <u>\$775,697</u> | <u>\$ 91,683</u> | <u>\$ 294,845</u> | <u>\$ (145,022)</u> | <u>\$1,017,203</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 161 | \$ 2 | \$ 22,623 | \$ — | \$ 22,786 |
| Accrued payroll and benefits | 1,429 | 62 | 11,227 | — | 12,718 |
| Due to related parties | — | — | 46,773 | (46,773) | — |
| Other current liabilities | 9,063 | 5 | 19,952 | — | 29,020 |
| Current maturities of long-term debt | 21,232 | — | 18,230 | — | 39,462 |
| Current liabilities of discontinued operations | — | — | 2,033 | — | 2,033 |
| Total current liabilities | 31,885 | 69 | 120,838 | (46,773) | 106,019 |
| Long-term debt, less current maturities | 520,316 | — | 13,798 | — | 534,114 |
| Long-term deferred tax liabilities | 71,781 | — | — | — | 71,781 |
| Other long-term liabilities | 2,634 | — | 60,168 | — | 62,802 |
| Long-term liabilities of discontinued operations | — | — | 325 | — | 325 |
| Non-controlling interests—redeemable | — | — | 33,634 | — | 33,634 |
| Total Symbion, Inc. stockholders' equity | 149,081 | 91,614 | 6,635 | (98,249) | 149,081 |
| Non-controlling interests—non-redeemable | — | — | 59,447 | — | 59,447 |
| Total equity | 149,081 | 91,614 | 66,082 | (98,249) | 208,528 |
| Total liabilities and stockholders' equity | <u>\$775,697</u> | <u>\$ 91,683</u> | <u>\$ 294,845</u> | <u>\$ (145,022)</u> | <u>\$1,017,203</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Operations for the Year Ended December 31, 2013
(In thousands)

| | <u>Parent Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Combined Non- Guarantors</u> | <u>Eliminations</u> | <u>Total Consolidated</u> |
|---|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Revenues | \$ 21,143 | \$ — | \$ 530,787 | \$ (16,343) | \$ 535,587 |
| Operating expenses: | | | | | |
| Salaries and benefits | — | — | 148,793 | — | 148,793 |
| Supplies | — | — | 143,287 | — | 143,287 |
| Professional and medical fees | — | — | 41,179 | — | 41,179 |
| Lease expense | — | — | 27,237 | — | 27,237 |
| Other operating expenses | — | — | 36,637 | — | 36,637 |
| Cost of revenues | — | — | 397,133 | — | 397,133 |
| General and administrative expenses | 21,976 | — | — | — | 21,976 |
| Depreciation and amortization | 631 | — | 22,362 | — | 22,993 |
| Provision for doubtful accounts | — | — | 11,149 | — | 11,149 |
| Income from equity investments | — | (4,104) | (142) | — | (4,246) |
| (Gain) loss on disposal or impairment of long-lived assets, net | (1,000) | 20,823 | (13,953) | — | 5,870 |
| Management fees | — | — | 16,343 | (16,343) | — |
| Equity in earnings of affiliates | (43,225) | (57,901) | — | 101,126 | — |
| Electronic health records incentives | — | — | (4,553) | — | (4,553) |
| Proceeds from insurance settlements, net | — | — | (919) | — | (919) |
| Litigation settlements, net | — | — | (233) | — | (233) |
| Total operating expenses | <u>(21,618)</u> | <u>(41,182)</u> | <u>427,187</u> | <u>84,783</u> | <u>449,170</u> |
| Operating income | 42,761 | 41,182 | 103,600 | (101,126) | 86,417 |
| Interest (expense) income, net | <u>(51,226)</u> | <u>1,877</u> | <u>(8,633)</u> | <u>—</u> | <u>(57,982)</u> |
| (Loss) income before income taxes and discontinued operations | (8,465) | 43,059 | 94,967 | (101,126) | 28,435 |
| Provision for income taxes | 4,414 | — | 916 | — | 5,330 |
| (Loss) income from continuing operations | (12,879) | 43,059 | 94,051 | (101,126) | 23,105 |
| Income from discontinued operations, net of income taxes | 259 | 166 | 1,457 | — | 1,882 |
| Net (loss) income | (12,620) | 43,225 | 95,508 | (101,126) | 24,987 |
| Less: Net income attributable to non-controlling interests | — | — | (37,607) | — | (37,607) |
| Net (loss) income attributable to Symbion, Inc. | <u>\$ (12,620)</u> | <u>\$ 43,225</u> | <u>\$ 57,901</u> | <u>\$ (101,126)</u> | <u>\$ (12,620)</u> |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Operations for the Year Ended December 31, 2012
(In thousands)

| | Parent Issuer | Guarantor Subsidiaries | Combined Non- Guarantors | Eliminations | Total Consolidated |
|---|------------------|---------------------------|--------------------------------|--------------|-----------------------|
| Revenues | \$ 20,116* | \$ 1,732 | \$ 484,774* | \$ (14,818) | \$ 491,804 |
| Operating expenses: | | | | | |
| Salaries and benefits | — | 1,339 | 133,021 | — | 134,360 |
| Supplies | — | 33 | 124,324 | — | 124,357 |
| Professional and medical fees | — | 56 | 36,568 | — | 36,624 |
| Lease expense | — | 141 | 23,511 | — | 23,652 |
| Other operating expenses | — | 83 | 32,232 | — | 32,315 |
| Cost of revenues | — | 1,652 | 349,656 | — | 351,308 |
| General and administrative expenses | 26,901 | — | — | — | 26,901 |
| Depreciation and amortization | 614 | — | 20,746 | — | 21,360 |
| Provision for doubtful accounts | — | — | 10,211 | — | 10,211 |
| Income from equity investments | — | (4,490) | — | — | (4,490) |
| Loss (gain) on disposal or impairment of long-lived assets, net | (6,632) | — | 437 | — | (6,195) |
| Management fees | — | — | 14,818 | (14,818) | — |
| Equity in earnings of affiliates | (48,649)* | (41,253)* | — | 89,902 | — |
| Electronic health records incentives | — | — | (1,054) | — | (1,054) |
| Litigation settlements, net | (45) | — | (487) | — | (532) |
| Total operating expenses | (27,811) | (44,091) | 394,327 | 75,084 | 397,509 |
| Operating income | 47,927 | 45,823 | 90,447 | (89,902) | 94,295 |
| Interest (expense) income, net | (51,208) | 2,488 | (8,921) | — | (57,641) |
| (Loss) income before income taxes and discontinued operations | (3,281) | 48,311 | 81,526 | (89,902) | 36,654 |
| Provision for income taxes | 9,315 | — | 1,624 | — | 10,939 |
| (Loss) income from continuing operations | (12,596) | 48,311 | 79,902 | (89,902) | 25,715 |
| Income (loss) from discontinued operations, net of income taxes | 886* | 338 | (92)* | — | 1,132 |
| Net (loss) income | (11,710)* | 48,649* | 79,810* | (89,902) | 26,847 |
| Less: Net income attributable to non-controlling interests | — | — | (38,557) | — | (38,557) |
| Net (loss) income attributable to Symbion, Inc. | \$ (11,710) | \$ 48,649 | \$ 41,253 | \$ (89,902) | \$ (11,710) |

* Revenues of \$15,704 previously reported in the Parent Issuer column have been included in the Combined Non-Guarantor column for the year ended December 31, 2012. This adjustment impacted equity in earnings of affiliates and net (loss) income on the condensed consolidating statement of operations and is deemed by the Company to be an immaterial correction of an error.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Operations for the Year Ended December 31, 2011
(In thousands)

| | Parent Issuer | Guarantor Subsidiaries | Combined Non- Guarantors | Eliminations | Total Consolidated |
|---|------------------|---------------------------|--------------------------------|--------------|-----------------------|
| Revenues | \$ 17,763* | \$ 6,655 | \$ 412,406* | \$ (13,936) | \$ 422,888 |
| Operating expenses: | | | | | |
| Salaries and benefits | — | 3,763 | 111,327 | — | 115,090 |
| Supplies | — | 761 | 100,129 | — | 100,890 |
| Professional and medical fees | — | 577 | 30,742 | — | 31,319 |
| Lease expense | — | 601 | 21,449 | — | 22,050 |
| Other operating expenses | — | 331 | 29,053 | — | 29,384 |
| Cost of revenues | — | 6,033 | 292,700 | — | 298,733 |
| General and administrative expense | 22,723 | — | — | — | 22,723 |
| Depreciation and amortization | 945 | — | 18,552 | — | 19,497 |
| Provision for doubtful accounts | — | 106 | 6,468 | — | 6,574 |
| Income from equity investments | — | (1,876) | — | — | (1,876) |
| Loss on disposal or impairment of long-lived assets, net | 4,824 | — | — | — | 4,824 |
| Loss on debt extinguishment | 4,751 | — | — | — | 4,751 |
| Management fees | — | — | 13,936 | (13,936) | — |
| Equity in earnings of affiliates | (44,347)* | (39,267)* | — | 83,614 | — |
| Litigation settlements, net | — | — | (231) | — | (231) |
| Total operating expenses | (11,104) | (35,004) | 331,425 | 69,678 | 354,995 |
| Operating income | 28,867 | 41,659 | 80,981 | (83,614) | 67,893 |
| Interest (expense) income, net | (48,002) | 2,379 | (8,685) | — | (54,308) |
| (Loss) income before income taxes and discontinued operations | (19,135) | 44,038 | 72,296 | (83,614) | 13,585 |
| Provision for income taxes | 8,839 | — | (118) | — | 8,721 |
| (Loss) income from continuing operations | (27,974) | 44,038 | 72,414 | (83,614) | 4,864 |
| Income (loss) from discontinued operations, net of income taxes | 1,387* | 309 | (356)* | — | 1,340 |
| Net (loss) income | (26,587)* | 44,347* | 72,058* | (83,614) | 6,204 |
| Less: Net income attributable to non-controlling interests | — | — | (32,791) | — | (32,791) |
| Net (loss) income attributable to Symbion, Inc. | \$ (26,587) | \$ 44,347 | \$ 39,267 | \$ (83,614) | \$ (26,587) |

* Revenues of \$15,323 previously reported in the Parent Issuer column have been included in the Combined Non-Guarantor column for the year ended December 31, 2011. This adjustment impacted equity in earnings of affiliates and net (loss) income on the condensed consolidating statement of operations and is deemed by the Company to be an immaterial correction of an error.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Comprehensive Income for the Year Ended December 31, 2013
(In thousands)

| | <u>Parent Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Combined Non- Guarantors</u> | <u>Eliminations</u> | <u>Total Consolidated</u> |
|--|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Net (loss) income | \$(12,620) | \$ 43,225 | \$ 95,508 | \$ (101,126) | \$ 24,987 |
| Comprehensive (loss) income | \$(12,620) | \$ 43,225 | \$ 95,508 | \$ (101,126) | \$ 24,987 |
| Less: Comprehensive income attributable to non-controlling interests | — | — | (37,607) | — | (37,607) |
| Comprehensive (loss) income attributable to Symbion, Inc. | <u>\$(12,620)</u> | <u>\$ 43,225</u> | <u>\$ 57,901</u> | <u>\$ (101,126)</u> | <u>\$ (12,620)</u> |

Condensed Consolidating Statement of Comprehensive Income for the Year Ended December 31, 2012
(In thousands)

| | <u>Parent Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Combined Non- Guarantors</u> | <u>Eliminations</u> | <u>Total Consolidated</u> |
|--|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Net (loss) income | \$(11,710)* | \$ 48,649* | \$ 79,810* | \$ (89,902) | \$ 26,847 |
| Comprehensive (loss) income | \$(11,710) | \$ 48,649 | \$ 79,810 | \$ (89,902) | \$ 26,847 |
| Less: Comprehensive income attributable to non-controlling interests | — | — | (38,557) | — | (38,557) |
| Comprehensive (loss) income attributable to Symbion, Inc. | <u>\$(11,710)</u> | <u>\$ 48,649</u> | <u>\$ 41,253</u> | <u>\$ (89,902)</u> | <u>\$ (11,710)</u> |

* Revenues of \$15,704 previously reported in the Parent Issuer column have been included in the Combined Non-Guarantor column for the year ended December 31, 2012 on the condensed consolidating statement of operations. This adjustment impacted net (loss) income on the condensed consolidating statement of comprehensive income and is deemed by the Company to be an immaterial correction of an error.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Comprehensive Income for the Year Ended December 31, 2011
(In thousands)

| | <u>Parent Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Combined Non- Guarantors</u> | <u>Eliminations</u> | <u>Total Consolidated</u> |
|--|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Net (loss) income | \$(26,587)* | \$ 44,347* | \$ 72,058* | \$ (83,614) | \$ 6,204 |
| Other comprehensive income, net of income taxes: | | | | | |
| Recognition of interest rate swap from liability to earnings | 314 | — | — | — | 314 |
| Other comprehensive income | 314 | — | — | — | 314 |
| Comprehensive (loss) income | (26,273) | 44,347 | 72,058 | (83,614) | 6,518 |
| Less: Comprehensive income attributable to non-controlling interests | — | — | (32,791) | — | (32,791) |
| Comprehensive (loss) income attributable to Symbion, Inc. | \$(26,273) | \$ 44,347 | \$ 39,267 | \$ (83,614) | \$ (26,273) |

* Revenues of \$15,323 previously reported in the Parent Issuer column have been included in the Combined Non-Guarantor column for the year ended December 31, 2011 on the condensed consolidating statement of operations. This adjustment impacted net (loss) income on the condensed consolidating statement of comprehensive income and is deemed by the Company to be an immaterial correction of an error.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2013
(In thousands)

| | <u>Parent Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Combined Non- Guarantors</u> | <u>Eliminations</u> | <u>Total Consolidated</u> |
|--|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Cash flows from operating activities: | | | | | |
| Net (loss) income | \$(12,620) | \$ 43,225 | \$ 95,508 | \$ (101,126) | \$ 24,987 |
| Adjustments to reconcile net (loss) income to net cash from operating activities: | | | | | |
| Loss from discontinued operations, net of income taxes | (259) | (166) | (1,457) | — | (1,882) |
| Depreciation and amortization | 631 | — | 22,362 | — | 22,993 |
| Amortization of debt issuance costs and discounts | 3,878 | — | 116 | — | 3,994 |
| Payment-in-kind interest expense | 8,982 | — | — | — | 8,982 |
| Stock-based compensation | 410 | — | — | — | 410 |
| (Gain) loss on disposal or impairment of long-lived assets, net | (1,000) | 20,823 | (13,953) | — | 5,870 |
| Deferred income taxes | 4,556 | — | — | — | 4,556 |
| Equity in earnings of affiliates | (43,225) | (57,901) | — | 101,126 | — |
| Income from equity investments, net of distributions received | — | (626) | (142) | — | (768) |
| Provision for doubtful accounts | — | — | 11,149 | — | 11,149 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | | | | |
| Accounts receivable | — | — | (13,419) | — | (13,419) |
| Other operating assets and liabilities | 59,294 | (22,148) | (42,525) | — | (5,379) |
| Net cash (used in) provided by operating activities—continuing operations | 20,647 | (16,793) | 57,639 | — | 61,493 |
| Net cash provided by operating activities—discontinued operations | — | — | 2,148 | — | 2,148 |
| Net cash (used in) provided by operating activities | 20,647 | (16,793) | 59,787 | — | 63,641 |
| Cash flows from investing activities: | | | | | |
| Purchases of property and equipment, net | (1,488) | — | (17,559) | — | (19,047) |
| Payments for acquisitions, net of cash acquired | — | (9,090) | — | — | (9,090) |
| Proceeds from divestitures | — | 3,349 | — | — | 3,349 |
| Other investing activities | — | — | — | — | — |
| Net cash provided by (used in) investing activities—continuing operations | (1,488) | (5,741) | (17,559) | — | (24,788) |
| Net cash provided by investing activities—discontinued operations | — | — | 3,102 | — | 3,102 |
| Net cash used in investing activities | (1,488) | (5,741) | (14,457) | — | (21,686) |
| Cash flows from financing activities: | | | | | |
| Principal payments on long-term debt | (21,249) | — | (24,034) | — | (45,283) |
| Borrowings of long-term debt | — | — | 13,350 | — | 13,350 |
| Payments of debt issuance costs | — | — | (469) | — | (469) |
| Change in restricted invested assets | — | — | 4,992 | — | 4,992 |
| Distributions to non-controlling interest holders | — | — | (32,563) | — | (32,563) |
| Proceeds from ownership transactions with consolidated affiliates | — | 1,148 | — | — | 1,148 |
| Other financing activities | — | — | (117) | — | (117) |
| Net cash provided by (used in) financing activities—continuing operations | (21,249) | 1,148 | (38,841) | — | (58,942) |
| Net cash used in financing activities— discontinued operations | — | — | (457) | — | (457) |
| Net cash provided by (used in) financing activities | (21,249) | 1,148 | (39,298) | — | (59,399) |
| Net (decrease) increase in cash and cash equivalents | (2,090) | (21,386) | 6,032 | — | (17,444) |
| Cash and cash equivalents at beginning of period | 8,505 | 26,174 | 38,791 | — | 73,470 |
| Cash and cash equivalents at end of period | \$ 6,415 | \$ 4,788 | \$ 44,823 | \$ — | \$ 56,026 |

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2012
(In thousands)

| | Parent Issuer | Guarantor Subsidiaries | Combined Non- Guarantors | Eliminations | Total Consolidated |
|--|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Cash flows from operating activities: | | | | | |
| Net (loss) income | \$(11,710)* | \$ 48,649* | \$ 79,810* | \$ (89,902) | \$ 26,847 |
| Adjustments to reconcile net (loss) income to net cash from operating activities: | | | | | |
| Loss (income) from discontinued operations, net of income taxes | (886)* | (338) | 92* | — | (1,132) |
| Depreciation and amortization | 614 | — | 20,746 | — | 21,360 |
| Amortization of debt issuance costs and discounts | 3,798 | — | — | — | 3,798 |
| Payment-in-kind interest expense | 8,305 | — | — | — | 8,305 |
| Stock-based compensation | 2,057 | — | — | — | 2,057 |
| (Gain) loss on disposal or impairment of long-lived assets, net | (6,632) | — | 437 | — | (6,195) |
| Deferred income taxes | 13,800 | — | — | — | 13,800 |
| Equity in earnings of affiliates | (48,649)* | (41,253)* | — | 89,902 | — |
| Income from equity investments, net of distributions received | — | (1,931) | — | — | (1,931) |
| Provision for doubtful accounts | — | — | 10,211 | — | 10,211 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | | | | |
| Accounts receivable | — | — | (6,198) | — | (6,198) |
| Other operating assets and liabilities | 42,590 | 6,186 | (53,019) | — | (4,243) |
| Net cash provided by operating activities—continuing operations | 3,287 | 11,313 | 52,079 | — | 66,679 |
| Net cash provided by operating activities—discontinued operations | — | — | 3,679 | — | 3,679 |
| Net cash provided by operating activities | 3,287 | 11,313 | 55,758 | — | 70,358 |
| Cash flows from investing activities: | | | | | |
| Purchases of property and equipment, net | (291) | — | (13,816) | — | (14,107) |
| Payments for acquisitions, net of cash acquired | — | (21,142) | — | — | (21,142) |
| Proceeds from divestitures | — | 11,465 | — | — | 11,465 |
| Other investing activities | — | — | (64) | — | (64) |
| Net cash used in investing activities—continuing operations | (291) | (9,677) | (13,880) | — | (23,848) |
| Net cash provided by investing activities—discontinued operations | — | — | 6,888 | — | 6,888 |
| Net cash used in investing activities | (291) | (9,677) | (6,992) | — | (16,960) |
| Cash flows from financing activities: | | | | | |
| Principal payments on long-term debt | — | — | (8,743) | — | (8,743) |
| Borrowings of long-term debt | — | — | 10,471 | — | 10,471 |
| Payment of debt issuance costs | — | — | — | — | — |
| Change in restricted invested assets | — | — | (7) | — | (7) |
| Distributions to non-controlling interest holders | — | — | (39,353) | — | (39,353) |
| Payments related to ownership transactions with consolidated affiliates | — | (3,079) | — | — | (3,079) |
| Other financing activities | — | — | 49 | — | 49 |
| Net cash used in financing activities—continuing operations | — | (3,079) | (37,583) | — | (40,662) |
| Net cash used in financing activities—discontinued operations | — | — | (1,306) | — | (1,306) |
| Net cash used in financing activities | — | (3,079) | (38,889) | — | (41,968) |
| Net increase (decrease) in cash and cash equivalents | 2,996 | (1,443) | 9,877 | — | 11,430 |
| Cash and cash equivalents at beginning of period | 5,509 | 27,617 | 28,914 | — | 62,040 |
| Cash and cash equivalents at end of period | <u>\$ 8,505</u> | <u>\$ 26,174</u> | <u>\$ 38,791</u> | <u>\$ —</u> | <u>\$ 73,470</u> |

* Revenues of \$15,704 previously reported in the Parent Issuer column have been included in the Combined Non-Guarantor column for the year ended December 31, 2012 on the condensed consolidating statement of operations. This adjustment impacted net (loss) income, equity in earnings of affiliates and changes in other operating assets and liabilities on the condensed consolidating statement of cash flows and is deemed by the Company to be an immaterial correction of an error.

SYMBION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED

Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2011
(In thousands)

| | <u>Parent Issuer</u> | <u>Guarantor Subsidiaries</u> | <u>Combined Non- Guarantors</u> | <u>Eliminations</u> | <u>Total Consolidated</u> |
|--|--------------------------|-----------------------------------|---|---------------------|-------------------------------|
| Cash flows from operating activities: | | | | | |
| Net (loss) income | \$ (26,587)* | \$ 44,347* | \$ 72,058* | \$ (83,614) | \$ 6,204 |
| Adjustments to reconcile net (loss) income to net cash from operating activities: | | | | | |
| (Income) loss from discontinued operations, net of income taxes | (1,387)* | (309) | 356* | — | (1,340) |
| Depreciation and amortization | 945 | — | 18,552 | — | 19,497 |
| Amortization of debt issuance costs and discounts | 2,886 | — | — | — | 2,886 |
| Payment-in-kind interest expense | 22,368 | — | — | — | 22,368 |
| Stock-based compensation | 1,353 | — | — | — | 1,353 |
| Recognition of interest rate swap from liability to earnings | 665 | — | — | — | 665 |
| Loss (gain) on disposal or impairment of long-lived assets, net | 4,824 | — | — | — | 4,824 |
| Loss on debt extinguishment | 4,751 | — | — | — | 4,751 |
| Deferred income taxes | 8,334 | — | — | — | 8,334 |
| Equity in earnings of affiliates | (44,347)* | (39,267)* | — | 83,614 | — |
| Income from equity investments, net of distributions received | — | 106 | — | — | 106 |
| Provision for doubtful accounts | — | 106 | 6,468 | — | 6,574 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | | | | |
| Accounts receivable | — | — | (10,696) | — | (10,696) |
| Other operating assets and liabilities | 32,369 | 4,925 | (38,967) | — | (1,673) |
| Net cash provided by operating activities—continuing operations | 6,174 | 9,908 | 47,771 | — | 63,853 |
| Net cash provided by operating activities—discontinued operations | — | — | 5,126 | — | 5,126 |
| Net cash provided by operating activities | 6,174 | 9,908 | 52,897 | — | 68,979 |
| Cash flows from investing activities: | | | | | |
| Purchases of property and equipment, net | (78) | — | (9,337) | — | (9,415) |
| Payments for acquisitions, net of cash | — | (7,836) | — | — | (7,836) |
| Other investing activities | — | — | (590) | — | (590) |
| Net cash used in investing activities—continuing operations | (78) | (7,836) | (9,927) | — | (17,841) |
| Net cash provided by investing activities—discontinued operations | — | — | (278) | — | (278) |
| Net cash used in investing activities | (78) | (7,836) | (10,205) | — | (18,119) |
| Cash flows from financing activities: | | | | | |
| Principal payments on long-term debt | (348,267) | — | (7,148) | — | (355,415) |
| Borrowings of long-term debt | 344,722 | — | 4,062 | — | 348,784 |
| Payment of debt issuance costs | (11,891) | — | — | — | (11,891) |
| Change in restricted invested assets | — | — | (2,000) | — | (2,000) |
| Distributions to non-controlling interest holders | — | — | (32,700) | — | (32,700) |
| Payments related to ownership transactions with consolidated affiliates | — | (2,155) | — | — | (2,155) |
| Other financing activities | — | — | 192 | — | 192 |
| Net cash used in financing activities—continuing operations | (15,436) | (2,155) | (37,594) | — | (55,185) |
| Net cash used in financing activities—discontinued operations | — | — | (1,441) | — | (1,441) |
| Net cash used in financing activities | (15,436) | (2,155) | (39,035) | — | (56,626) |
| Net increase (decrease) in cash and cash equivalents | (9,340) | (83) | 3,657 | — | (5,766) |
| Cash and cash equivalents at beginning of period | 14,849 | 27,700 | 25,257 | — | 67,806 |
| Cash and cash equivalents at end of period | <u>\$ 5,509</u> | <u>\$ 27,617</u> | <u>\$ 28,914</u> | <u>\$ —</u> | <u>\$ 62,040</u> |

* Revenues of \$15,323 previously reported in the Parent Issuer column have been included in the Combined Non-Guarantor column for the year ended December 31, 2012 on the condensed consolidating statement of operations. This adjustment impacted net (loss) income, equity in earnings of affiliates and changes in other operating assets and liabilities on the condensed consolidating statement of cash flows and is deemed by the Company to be an immaterial correction of an error.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands, except shares and per share amounts)

| | September 30, 2014 | December 31, 2013 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 49,005 | \$ 55,792 |
| Accounts receivable, less allowance for doubtful accounts of \$17,285 and \$16,939 at September 30, 2014 and December 31, 2013, respectively | 79,632 | 77,630 |
| Inventories | 17,343 | 17,080 |
| Prepaid expenses and other current assets | 12,293 | 9,594 |
| Current assets of discontinued operations | 1,375 | 2,580 |
| Total current assets | 159,648 | 162,676 |
| Property and equipment, net | 132,814 | 127,334 |
| Intangible assets, net | 17,283 | 18,566 |
| Goodwill | 660,654 | 661,758 |
| Investments in and advances to affiliates | 6,000 | 6,773 |
| Restricted invested assets | 316 | 177 |
| Other long-term assets | 11,684 | 13,957 |
| Long-term assets of discontinued operations | 1,677 | 15,498 |
| Total assets | <u>\$ 990,076</u> | <u>\$ 1,006,739</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 19,968 | \$ 19,132 |
| Accrued payroll and benefits | 14,166 | 12,102 |
| Other current liabilities | 41,201 | 33,534 |
| Current maturities of long-term debt | 83,861 | 8,993 |
| Current liabilities of discontinued operations | 432 | 1,180 |
| Total current liabilities | 159,628 | 74,941 |
| Long-term debt, less current maturities | 484,868 | 550,986 |
| Long-term deferred tax liabilities | 81,431 | 76,020 |
| Other long-term liabilities | 65,814 | 61,404 |
| Long-term liabilities of discontinued operations | 40 | 4,854 |
| Non-controlling interests—redeemable | 30,368 | 30,545 |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 1,000 shares authorized, issued and outstanding at September 30, 2014 and December 31, 2013 | — | — |
| Additional paid-in-capital | 229,552 | 243,312 |
| Stockholders' notes | (485) | (485) |
| Retained deficit | (124,659) | (106,136) |
| Total Symbion, Inc. stockholders' equity | 104,408 | 136,691 |
| Non-controlling interests—non-redeemable | 63,519 | 71,298 |
| Total equity | 167,927 | 207,989 |
| Total liabilities and stockholders' equity | <u>\$ 990,076</u> | <u>\$ 1,006,739</u> |

See notes to unaudited condensed consolidated financial statements.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$142,291 | \$125,442 | \$418,467 | \$388,089 |
| Operating expenses: | | | | |
| Salaries and benefits | 40,079 | 35,110 | 117,221 | 108,898 |
| Supplies | 36,857 | 33,381 | 107,770 | 103,826 |
| Professional and medical fees | 11,737 | 9,724 | 34,214 | 30,815 |
| Lease expense | 7,044 | 6,345 | 20,779 | 19,748 |
| Other operating expenses | 9,855 | 9,104 | 28,415 | 26,686 |
| Cost of revenues | 105,572 | 93,664 | 308,399 | 289,973 |
| General and administrative expenses | 5,703 | 5,723 | 16,878 | 16,847 |
| Depreciation and amortization | 5,916 | 5,779 | 17,390 | 17,006 |
| Provision for doubtful accounts | 4,265 | 3,099 | 10,951 | 8,283 |
| Income from equity investments | (752) | (1,061) | (2,358) | (2,981) |
| Loss (gain) on disposal or impairment of long-lived assets, net | (19) | (1,370) | (276) | 5,811 |
| Electronic health record incentives | (387) | — | (387) | — |
| Proceeds from insurance settlements, net | (8) | — | (89) | — |
| Merger transaction costs | 376 | — | 2,694 | — |
| Litigation settlements, net | (65) | (32) | (62) | (230) |
| Total operating expenses | 120,601 | 105,802 | 353,140 | 334,709 |
| Operating income | 21,690 | 19,640 | 65,327 | 53,380 |
| Interest expense, net | (14,489) | (14,486) | (43,345) | (43,882) |
| Income (loss) before income taxes and discontinued operations | 7,201 | 5,154 | 21,982 | 9,498 |
| Provision for (benefit from) income taxes | 4,623 | 1,152 | 7,407 | 1,760 |
| Income (loss) from continuing operations | 2,578 | 4,002 | 14,575 | 7,738 |
| Income (loss) from discontinued operations, net of income taxes | (64) | 91 | (5,998) | 2,098 |
| Net income | 2,514 | 4,093 | 8,577 | 9,836 |
| Less: Net income attributable to non-controlling interests | (8,822) | (7,419) | (27,100) | (24,386) |
| Net loss attributable to Symbion, Inc. | \$ (6,308) | \$ (3,326) | \$ (18,523) | \$ (14,550) |

See notes to unaudited condensed consolidated financial statements.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(In thousands)

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| Net income | \$ 2,514 | \$ 4,093 | \$ 8,577 | \$ 9,836 |
| Comprehensive income | \$ 2,514 | \$ 4,093 | \$ 8,577 | \$ 9,836 |
| Less: Comprehensive income attributable to non-controlling interests | (8,822) | (7,419) | (27,100) | (24,386) |
| Comprehensive loss attributable to Symbion, Inc. | \$ (6,308) | \$ (3,326) | \$ (18,523) | \$ (14,550) |

See notes to unaudited condensed consolidated financial statements.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(In thousands, except shares)

| | Symbion, Inc. Common Stock | | Additional Paid-in Capital | Stockholders' Notes | Retained Deficit | Non- Controlling Interests— Non- Redeemable | Total |
|--|-------------------------------|-------------|----------------------------------|------------------------|---------------------|---|------------------|
| | Shares | Amount | | | | | |
| Balance at December 31, 2012 | 1,000 | \$ — | \$242,597 | \$ — | \$ (93,516) | \$ 59,447 | \$208,528 |
| Net (loss) income | | | | | (14,550) | 13,082 | (1,468) |
| Stock-based compensation | | | 206 | | | | 206 |
| Acquisition and disposal of shares of non-controlling interests, net | | | 1,291 | | | 8,509 | 9,800 |
| Distributions to non-controlling interest—non-redeemable holders | | | | | | (12,469) | (12,469) |
| Balance at September 30, 2013 | <u>1,000</u> | <u>\$ —</u> | <u>\$244,094</u> | <u>\$ —</u> | <u>\$(108,066)</u> | <u>\$ 68,569</u> | <u>\$204,597</u> |
| Balance at December 31, 2013 | 1,000 | \$ — | \$243,312 | \$ (485) | \$(106,136) | \$ 71,298 | \$207,989 |
| Net (loss) income | | | | | (18,523) | 13,866 | (4,657) |
| Stock-based compensation | | | 292 | | | | 292 |
| Acquisition and disposal of shares of non-controlling interests, net | | | (14,052) | | | (6,782) | (20,834) |
| Distributions to non-controlling interest—non-redeemable holders | | | | | | (14,863) | (14,863) |
| Balance at September 30, 2014 | <u>1,000</u> | <u>\$ —</u> | <u>\$229,552</u> | <u>\$ (485)</u> | <u>\$(124,659)</u> | <u>\$ 63,519</u> | <u>\$167,927</u> |

See notes to unaudited condensed consolidated financial statements.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net income | \$ 8,577 | \$ 9,836 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Loss (income) from discontinued operations, net of income taxes | 5,998 | (2,206) |
| Depreciation and amortization | 17,390 | 17,006 |
| Amortization of debt issuance costs and discounts | 3,054 | 2,995 |
| Payment-in-kind interest expense | 7,230 | 6,685 |
| Stock-based compensation | 292 | 206 |
| (Gain) Loss on disposal or impairment of long-lived assets, net | (276) | 5,811 |
| Deferred income taxes | 7,151 | 1,179 |
| Income (loss) from equity investments, net of distributions received | 811 | (569) |
| Provision for doubtful accounts | 10,951 | 8,283 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures: | | |
| Accounts receivable | (12,953) | (6,171) |
| Other operating assets and liabilities | 5,868 | (1,373) |
| Net cash provided by operating activities—continuing operations | 54,093 | 41,682 |
| Net cash provided by operating activities—discontinued operations | 592 | 2,732 |
| Net cash provided by operating activities | 54,685 | 44,414 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment, net | (14,191) | (11,353) |
| Payments for acquisitions, net of cash acquired | (341) | (2,652) |
| Proceeds from divestitures | 313 | 3,136 |
| Net cash used in investing activities—continuing operations | (14,219) | (10,869) |
| Net cash provided by investing activities—discontinued operations | 3,479 | 3,337 |
| Net cash used in investing activities | (10,740) | (7,532) |
| Cash flows from financing activities: | | |
| Borrowings on revolving credit facility | 10,000 | — |
| Principal payments on long-term debt | (18,731) | (42,941) |
| Borrowings of long-term debt | 8,894 | 8,180 |
| Payments of debt issuance costs | — | (427) |
| Change in restricted invested assets | (139) | 4,992 |
| Distributions to non-controlling interest holders | (28,290) | (23,680) |
| (Payments related to) proceeds from ownership transactions with consolidated affiliates | (22,096) | 912 |
| Other financing activities | (217) | (62) |
| Net cash used in financing activities—continuing operations | (50,579) | (53,026) |
| Net cash used in financing activities—discontinued operations | (153) | (332) |
| Net cash used in financing activities | (50,732) | (53,358) |
| Net decrease in cash and cash equivalents | (6,787) | (16,476) |
| Cash and cash equivalents at beginning of period | 55,792 | 73,153 |
| Cash and cash equivalents at end of period | <u>\$ 49,005</u> | <u>\$ 56,677</u> |

See notes to unaudited condensed consolidated financial statements.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

Symbion, Inc. (the “Company”), through its wholly-owned subsidiaries, owns interests in partnerships and limited liability companies that own and operate a national network of short stay surgical facilities in joint ownership with physicians and in some cases healthcare systems. As of September 30, 2014, the Company owned and operated 50 surgical facilities, including 44 ambulatory surgery centers (“ASCs”) and six surgical hospitals. The Company also managed six ASCs and one physician clinic in a market in which the Company operates an ASC and a surgical hospital. The Company owns a majority ownership interest in 28 of the 50 surgical facilities and consolidates 45 surgical facilities for financial reporting purposes. The Company reported one operating surgical facility in discontinued operations.

The Company is a wholly-owned subsidiary of Symbion Holdings Corporation (“Holdings”), which is owned by an investor group that includes affiliates of Crestview Partners, L.P. (“Crestview”), members of the Company’s management and other investors.

2. Merger with Surgery Center Holdings, Inc.

On June 13, 2014, Holdings entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Surgery Center Holdings, Inc. (“Buyer”), Buyer’s wholly-owned subsidiary, SCH Acquisition Corp. (“Merger Sub”), and, solely in its capacity as the Stockholders’ Representative under the Merger Agreement, Crestview Symbion Holdings, L.L.C., an affiliate of Crestview. Pursuant to the terms of the Merger Agreement, Merger Sub is to merge with and into Holdings, with Holdings being the surviving corporation in the merger (the “Merger”). At the closing of the Merger, each outstanding share of common stock of Holdings, 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, will be converted into the right to receive a cash payment per share equal to (x) \$792.0 million, subject to certain adjustments for Holdings’ 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 Holdings’ common stock will be cancelled, and the holders of vested options will be paid an amount equal to the excess, if any, of the Merger Consideration over the per-share exercise price of such vested options.

Buyer obtained financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which are to be sufficient for Buyer to pay the aggregate Merger Consideration and all related fees and expenses. Consummation of the Merger was not subject to a financing condition, but it was subject to customary closing conditions including (i) the absence of a material adverse effect on Holdings, (ii) the receipt of certain state regulatory approvals and (iii) the expiration or termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The transactions contemplated by the Merger Agreement closed on November 3, 2014.

3. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as well as interests in partnerships and limited liability companies controlled by the Company

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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.

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.

Non-Controlling Interests—Non-Redeemable

The 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. These transactions are accounted for as equity transactions as they are undertaken among the Company, its consolidated subsidiaries and the non-controlling interest holders. The cash flow effect of these transactions is classified within financing activities in the consolidated statements of cash flows.

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 on the consolidated balance sheets.

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

| | |
|--|------------------|
| Balance at December 31, 2012 | \$ 29,269 |
| Net income attributable to non-controlling interests—redeemable | 11,306 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | 131 |
| Distributions to non-controlling interest—redeemable holders | <u>(11,211)</u> |
| Balance at September 30, 2013 | <u>\$ 29,495</u> |
| Balance at December 31, 2013 | \$ 30,545 |
| Net income attributable to non-controlling interests—redeemable | 13,234 |
| Acquisition and disposal of shares of non-controlling interests—redeemable | 15 |
| Distributions to non-controlling interest—redeemable holders | <u>(13,426)</u> |
| Balance at September 30, 2014 | <u>\$ 30,368</u> |

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Variable Interest Entities

The consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary, under the provisions of Accounting Standards Codification Topic 810, *Consolidation*. The variable interest entities of the Company include a surgical facility located in Florida and a surgical facility located in New York. Regarding the Florida facility, the Company has the power to direct the activities of the facility and has fully guaranteed the facility's debt obligations. The debt obligations are subordinated to such a level that the Company absorbs the majority of the expected losses. The consolidated balance sheets of the Company at September 30, 2014 and December 31, 2013 included total assets of \$2.4 million and \$2.4 million, respectively, and total liabilities of \$1.4 million and \$2.0 million, respectively, related to the Florida facility. Effective March 31, 2014, the Company reclassified the New York facility to discontinued operations and, on May 22, 2014, the Company sold this facility. With regard to the New York facility prior to the sale, the Company was the primary beneficiary as it had the power to direct the activities of the facility and the level of variability within the management service agreement as well as the obligation and likelihood of absorbing the majority of expected gains and losses. At December 31, 2013, the discontinued operations line items on the consolidated balance sheet included assets of \$14.9 million and liabilities of \$936,000 related to the New York facility. See Note 5 on Discontinued Operations and Divestitures for further discussion on the sale of the New York facility.

Equity Method Investments

The Company has non-consolidating investments in surgical facilities and management companies that own or manage surgical facilities and hospitals. 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 on the consolidated balance sheets was \$6.0 million and \$6.8 million as of September 30, 2014 and December 31, 2013, respectively. The cash flow effect of transactions related to the purchase and sale of ownership interests with respect to the Company's non-consolidated affiliates is classified within investing activities in the consolidated statements of cash flows.

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the comparative period's financial statements to conform to the three and nine months ended September 30, 2014 presentation. The reclassifications primarily related to the presentation of discontinued operations and non-controlling interests and had no impact on the Company's consolidated financial position, results of operations or cash flows.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Fair Value of Financial Instruments

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

The carrying amounts reported on the 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):

| | <u>Carrying Amount</u> | | <u>Fair Value</u> | |
|---|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | <u>September 30, 2014</u> | <u>December 31, 2013</u> | <u>September 30, 2014</u> | <u>December 31, 2013</u> |
| Senior Secured Notes, net of debt issuance discount | \$ 338,958 | \$ 338,142 | \$ 352,516 | \$ 357,585 |
| PIK Exchangeable Notes | 123,384 | 118,639 | 123,384 | 118,639 |
| Toggle Notes | 73,130 | 73,475 | 73,130 | 73,475 |

The fair values of the Senior Secured Notes and Toggle Notes were based on a Level 1 measurement using quoted prices at September 30, 2014 and December 31, 2013, as applicable. The fair value of the PIK Exchangeable Notes was based on a Level 3 measurement, using a Company-specific discounted cash flow analysis. 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"). 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 assets of the SERP and related obligation are recorded on the consolidated balance sheets at fair value. The fair value was determined based on a quoted market price for the underlying investments held in the SERP, or a Level 1 measurement. As of September 30, 2014 and December 31, 2013, the fair values of the SERP assets were \$2.0 million and \$1.8 million, respectively, which were included in other long-term assets on the consolidated balance sheets. The Company had liabilities related to the SERP of \$2.0 million and \$1.8 million as of September 30, 2014 and December 31, 2013, respectively, which were included in other long-term liabilities on the consolidated balance sheets.

Revenue Recognition

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 from third-party payors, which the Company estimates based on the historical trend of its surgical facilities' cash collections and contractual write-offs, accounts receivable agings, established fee schedules, relationships with payors and procedure statistics.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------|---|---------------|--|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Patient service revenues | 98.8% | 98.9% | 98.9% | 99.1% |
| Other service revenues | 1.2% | 1.1% | 1.1% | 0.9% |
| Total revenues | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |

Patient service revenues. Patient service revenues are revenues from healthcare procedures performed in surgical facilities that the Company consolidates for financial reporting purposes. The fee charged varies depending on the type of service provided, but usually includes all charges for usage of an operating room, a recovery room, special equipment, 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. In a very limited number of surgical facilities, the Company charges for anesthesia services. 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.

Other service revenues. Other service revenues consist of management and administrative service fees derived from the non-consolidated surgical facilities that the Company either accounts for using the equity method or does not own an interest. The fees derived from these management arrangements are based on a predetermined percentage of the revenues of each surgical facility and are recognized in the period in which services are rendered.

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

| | Three Months Ended September 30, | | | |
|--------------------------------|---|---------------|------------------|---------------|
| | 2014 | | 2013 | |
| | Amount | % | Amount | % |
| Private insurance payors | \$ 79,286 | 56.4% | \$ 73,424 | 59.2% |
| Government payors | 52,537 | 37.4% | 43,102 | 34.7% |
| Self-pay payors | 3,705 | 2.6% | 3,415 | 2.8% |
| Other payors | 5,102 | 3.6% | 4,100 | 3.3% |
| Total patient service revenues | <u>\$140,630</u> | <u>100.0%</u> | <u>\$124,041</u> | <u>100.0%</u> |

| | Nine Months Ended September 30, | | | |
|--------------------------------|--|---------------|------------------|---------------|
| | 2014 | | 2013 | |
| | Amount | % | Amount | % |
| Private insurance payors | \$236,974 | 57.2% | \$227,105 | 59.1% |
| Government payors | 151,544 | 36.6% | 130,999 | 34.1% |
| Self-pay payors | 9,857 | 2.4% | 10,746 | 2.8% |
| Other payors | 15,554 | 3.8% | 15,392 | 4.0% |
| Total patient service revenues | <u>\$413,929</u> | <u>100.0%</u> | <u>\$384,242</u> | <u>100.0%</u> |

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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, 2014 and December 31, 2013, the Company had accruals for third-party Medicare and Medicaid settlements of \$7.9 million and \$10.0 million, respectively, in other current liabilities and \$3.3 million and \$1.9 million, respectively, in other long-term liabilities on the 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 minimal. The Company does not require collateral from self-pay patients. 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. The patient services provided by the Company's surgical facilities are primarily non-emergency services which allows the surgical facilities to have the ability to control the procedures related to seeking and obtaining third-party reimbursements.

Each surgical facility is responsible for analyzing its own accounts receivable to ensure proper collection. On a consolidated basis, the Company's policy is to review accounts receivables aging, by surgical facility, to determine the appropriate allowance for doubtful accounts. Patient account balances are reviewed for delinquency based on contractual terms. This review is supported by an analysis of the actual 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 deemed an account to be uncollectible.

A summary of the activity in the allowance for doubtful accounts receivable for the nine months ended September 30, 2014 follows (in thousands):

| | |
|---|------------------|
| Balance at December 31, 2013 | \$ 16,939 |
| Provision for doubtful accounts | 10,951 |
| Accounts written off, net of recoveries | (10,605) |
| Balance at September 30, 2014 | <u>\$ 17,285</u> |

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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, 2014 | December 31, 2013 |
|---|-------------------------------|------------------------------|
| Prepaid expenses | \$ 5,847 | \$ 5,143 |
| Other current assets | 6,446 | 4,451 |
| Total prepaid expenses and other current assets | <u>\$ 12,293</u> | <u>\$ 9,594</u> |

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 charged to expense as incurred, while expenditures that increase capacities or extend useful lives are capitalized.

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

| | September 30, 2014 | December 31, 2013 |
|---------------------------------|-------------------------------|------------------------------|
| Land | \$ 5,713 | \$ 5,713 |
| Buildings and improvements | 111,265 | 103,980 |
| Furniture and equipment | 14,547 | 13,522 |
| Computer and software | 16,045 | 12,715 |
| Medical equipment | 89,873 | 79,994 |
| Construction in progress | 307 | 3,000 |
| Property and equipment, at cost | <u>237,750</u> | <u>218,924</u> |
| Less: Accumulated depreciation | <u>(104,936)</u> | <u>(91,590)</u> |
| Property and equipment, net | <u>\$ 132,814</u> | <u>\$ 127,334</u> |

The Company leases certain facilities and equipment under capital leases. These assets are depreciated using the straight-line method over the lesser of the lease term or the remaining useful life of the leased asset. The carrying values of assets under capital leases were \$5.9 million and \$4.4 million as of September 30, 2014 and December 31, 2013, respectively, and were included in property and equipment, net, on the consolidated balance sheets.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Intangible Assets

The Company has indefinite-lived intangible assets related to the certificates of need held by its surgical facilities located in jurisdictions where certificates of need are required. The Company also has finite-lived intangible assets related to physician guarantee agreements, non-compete agreements and a management rights agreement. Physician income guarantees are amortized as recruitment expense into salaries and benefits costs on the consolidated statements of operations over the commitment period of the contract, generally three to four years. Non-compete agreements and the management rights agreement are amortized into depreciation and amortization expense in the consolidated statements of operations over the service lives of the agreements, ranging from three to five years for non-compete agreements and 15 years for the management rights agreement.

A summary of activity related to intangible assets for the nine months ended September 30, 2014 follows (in thousands):

| | <u>Physician Income Guarantees</u> | <u>Management Rights</u> | <u>Non-Compete Agreements</u> | <u>Certificates of Need</u> | <u>Total Intangible Assets</u> |
|-------------------------------|--|------------------------------|-----------------------------------|---------------------------------|--|
| Balance at December 31, 2013 | \$ 1,032 | \$ 1,930 | \$ 1,814 | \$ 13,790 | \$ 18,566 |
| Additions | 545 | — | — | — | 545 |
| Recruitment expense | (443) | — | — | — | (443) |
| Amortization | — | (116) | (1,269) | — | (1,385) |
| Balance at September 30, 2014 | <u>\$ 1,134</u> | <u>\$ 1,814</u> | <u>\$ 545</u> | <u>\$ 13,790</u> | <u>\$ 17,283</u> |

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 new business combinations and incremental ownership purchases (“buy-ups”) in the Company’s subsidiaries.

A summary of activity related to goodwill for the nine months ended September 30, 2014 follows (in thousands):

| | |
|-------------------------------|------------------|
| Balance at December 31, 2013 | \$661,758 |
| Acquisitions | 108 |
| Divestitures | (499) |
| Purchase price adjustments | (713) |
| Balance at September 30, 2014 | <u>\$660,654</u> |

Impairment of Long-Lived Assets, Goodwill and Intangible Assets

The Company evaluates the carrying values of long-lived assets when impairment indicators are present or when circumstances indicate that impairment may exist. The Company performs an impairment test by preparing an expected undiscounted cash flow projection. If the projection indicates that the recorded amount of a long-lived asset is not expected to be recovered, the carrying value is reduced to the new estimated fair value. The cash flow projection applied represents management’s best estimate, using appropriate and customary assumptions and projections, at the date of evaluation. During the nine months ended September 30, 2014, the

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Company recorded an impairment charge of \$6.6 million related to its consolidated surgical facility located in Lynbrook, New York and sold this facility on May 22, 2014. See Note 5 on Discontinued Operations and Divestitures for further discussion on the sale of this facility.

The Company tests its goodwill and intangible assets for impairment at least annually, or more frequently if certain impairment indicators arise. The Company tests goodwill at the reporting unit level, which the Company has concluded to be the consolidated operating results of Symbion, Inc., as the Company has only one operating segment. In performing the test, the Company compares the carrying value of the net assets of the Company as of December 31, or additionally if impairment indicators are present, to the net present value of the estimated discounted future cash flows of the reporting unit, or the Company. The cash flow projection and discount rate applied represents management's best estimate, using appropriate and customary assumptions and projections, at the date of evaluation. The Company corroborates the results of the discounted cash flow analysis with a market-based approach. As the Company does not have publicly traded equity from which to derive a market value, an assessment of peer company data is performed whereby the Company selects comparable peers based on growth and leverage ratios, as well as healthcare industry specific characteristics. Management estimates a reasonable market value of the Company based on earnings multiples and trading data of the Company's peers.

Restricted Invested Assets

As a requirement of the operating lease agreement related to the Company's surgical facility located in Chesterfield, Missouri, the Company is required to maintain a letter of credit that is secured by restricted invested assets in the form of certificates of deposit. As of September 30, 2014 and December 31, 2013, restricted invested assets were \$316,000 and \$177,000, respectively. There were no borrowings against the letter of credit at September 30, 2014 and December 31, 2013.

Other Long-Term Assets

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

| | <u>September 30, 2014</u> | <u>December 31, 2013</u> |
|--|-------------------------------|------------------------------|
| Deferred loan costs | \$ 4,726 | \$ 6,809 |
| Medical malpractice insurance recoveries | 2,193 | 2,193 |
| Assets of the SERP | 2,046 | 1,783 |
| Other assets | 2,719 | 3,172 |
| Total other long-term assets | <u>\$ 11,684</u> | <u>\$ 13,957</u> |

Deferred loan costs are amortized into interest expense over the maturity period of the related debt obligation. Other long-term assets, not individually disclosed, generally includes security deposits, notes receivable and other miscellaneous deferred costs.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Other Current Liabilities

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

| | September 30, 2014 | December 31, 2013 |
|--|-------------------------------|------------------------------|
| Interest payable | \$ 11,712 | \$ 4,434 |
| Current taxes payable | 2,895 | 1,975 |
| Insurance liabilities | 3,963 | 3,726 |
| Third-party settlements | 7,864 | 10,015 |
| Amounts due to patients and payors | 3,245 | 3,443 |
| Other accrued expenses | 11,522 | 9,941 |
| Total other current liabilities | \$ 41,201 | \$ 33,534 |

Other Long-Term Liabilities

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

| | September 30, 2014 | December 31, 2013 |
|--|-------------------------------|------------------------------|
| Facility lease obligations | \$ 51,575 | \$ 48,044 |
| Third-party settlements | 3,333 | 1,910 |
| Medical malpractice insurance liability | 3,203 | 4,083 |
| Deferred rent | 3,589 | 3,324 |
| Liability for the SERP | 2,019 | 1,783 |
| Other liabilities | 2,095 | 2,260 |
| Total other long-term liabilities | \$ 65,814 | \$ 61,404 |

The Company has a facility lease obligation which was assumed in connection with the Company's acquisition of the surgical hospital located in Idaho Falls, Idaho. This obligation is payable to the lessor of this facility for the land, building and improvements. During the nine months ended September 30, 2014, the Company recorded an additional facility lease obligation of \$3.9 million for construction costs associated with a radiation oncology building at this facility which was completed in the second quarter of 2014. The current portion of the facility lease obligations was \$507,000 and \$308,000 at September 30, 2014 and December 31, 2013, respectively, and was included in other current liabilities on 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 \$52.1 million and \$48.4 million at September 30, 2014 and December 31, 2013, respectively.

Stockholders' Notes

In December 2013, certain employees of the Company exercised stock options and borrowed funds from Holdings to pay the exercise price and applicable taxes payable. Each loan is represented by a full recourse promissory note bearing interest and payable in three equal annual installments beginning December 10, 2014. Payment and performance under the notes is secured by the shares of Holdings common stock received upon exercise of the stock options. The total amount of stockholders' notes outstanding was \$485,000 at both

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

September 30, 2014 and December 31, 2013, and was included in stockholders' equity on the consolidated balance sheets. Subject to and conditioned upon the closing of the Merger, such employees will be required to satisfy all obligations and repay all amounts owed under their respective promissory notes.

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 the prepaid expenses and other current assets on the 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 consolidated balance sheets.

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

The Company's policy is to recognize stock compensation expense using the straight-line method. The Company's stock compensation expense estimate could vary in the future depending on many factors, including levels of options and awards granted in the future, forfeitures and when option or award holders exercise these awards and depending on whether performance targets are met and a liquidity event occurs.

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. General liability and professional insurance coverage is on a claims-made basis and workers' compensation insurance is on an occurrence basis.

The Company expenses costs under the self-insured retention exposure for general and professional liability and workers' compensation claims which relate to (i) deductibles on claims made during the policy period and (ii) an estimate of claims incurred but not yet reported that are expected to be reported after the policy period expires. Reserves and provisions are based upon actuarially determined estimates. The reserves are estimated using individual case-basis valuations and actuarial analysis. Based on historical results and data currently available, management does not believe a change in one or more of the underlying assumptions will have a material impact on the Company's consolidated financial position or results of operations. Expected insurance recoveries are presented on the consolidated balance sheets separately from the liabilities. At September 30, 2014 and December 31, 2013, \$2.2 million and \$1.9 million, respectively, were included in other

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

current liabilities and \$3.2 million and \$4.1 million, respectively, were included in other long-term liabilities on the consolidated balance sheets. Expected insurance recoveries of \$1.2 million and \$1.1 million, respectively, were included in prepaid expenses and other current assets and \$1.7 million and \$2.2 million, respectively, were included in other long-term assets on the consolidated balance sheets at September 30, 2014 and December 31, 2013.

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 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 initiated its meaningful use initiatives in 2012. During the three months ended September 30, 2014 and 2013, the Company spent \$20,000 and \$1.1 million, respectively, related to hardware, software and implementation costs, of which \$20,000 and \$938,000, respectively, was capitalized in these periods. For the nine months ended September 30, 2014 and 2013, the Company spent \$592,000 and \$3.0 million, respectively, related to hardware, software and implementation costs, of which \$568,000 and \$2.5 million, respectively, was capitalized in these periods. The Company expects to receive incentive payments and recognize corresponding revenue upon the completion of the EHR meaningful use requirements. As such, the Company recognized \$387,000 in electronic health record incentives in the three and nine months ended September 30, 2014.

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. The partnerships and limited liability companies in which the Company has ownership each file separate income tax returns. The Company’s allocated share of income or loss based on its percentage ownership in each partnership and limited liability company is included in taxable income of the Company. The remaining income or loss of each partnership and limited liability company is allocated to the other owners as taxable income.

The Company uses the asset and liability method to account for income taxes. Under this method, deferred 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, 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

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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.

During the three and nine months ended September 30, 2014, the Company increased its reserve for uncertain tax positions by \$85,000 and \$147,000, respectively, principally as a result of the accrual of tax and interest on existing uncertain tax positions. These increases affected the effective tax rate in each period. The reserve for uncertain tax positions is included in long-term deferred tax liabilities on the consolidated balance sheets. The total amounts of accrued liabilities related to uncertain tax positions that would affect the Company's effective tax rate if recognized were \$581,000 and \$435,000 as of September 30, 2014 and December 31, 2013, respectively.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-8, "Presentation of Financial Statements and Property, Plant, and Equipment—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-8"). Among other provisions and in addition to expanded disclosures, ASU 2014-8 changes the definition of what components of an entity qualify for discontinued operations treatment and reporting from a reportable segment, operating segment, reporting unit, subsidiary or asset group to only those components of an entity that represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results. Additionally, ASU 2014-8 requires disclosure about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements, including the pretax profit or loss, attributable to the component of an entity for the period in which it is disposed of or is classified as held for sale. The disclosure of this information is required for all of the same periods that are presented in the entity's results of operations for the period.

From time-to-time, a company may identify one or more individual facilities that do not meet its on-going or future business strategy. In accordance with ASU 2014-8, in the event that an individually significant facility is identified for disposal but does not represent a strategic shift that has, or will have, a major effect on a company's operating and financial results, the results of an identified facility would continue to be reported as a component of the company's consolidated results. In this event and in accordance with ASU 2014-8, additional disclosures would be required.

The provisions of ASU 2014-8 are effective prospectively for all disposals or classifications as held for sale of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted. The Company is currently assessing the impact of ASU 2014-8 on its operating and financial results and anticipates adopting the provisions of ASU 2014-8 as of January 1, 2015.

In May 2014, the FASB issued Accounting Standards Update No. 2014-9 (ASU 2014-9) "Revenue from Contracts with Customers." ASU 2014-9 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)" and requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-9 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is assessing the impact of ASU 2014-9 on its consolidated financial statements.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

4. Acquisitions and Developments

Effective March 7, 2014, the Company acquired an incremental ownership interest of 13.6% in the surgical hospital located in Idaho Falls, Idaho for a purchase price of \$24.4 million. As of September 30, 2014, the Company had a 61.7% ownership interest in this facility. This transaction was partially financed with \$10.0 million of proceeds from the Company's revolving credit facility and the remainder was funded with cash from continuing operations.

Effective January 31, 2014, the surgical hospital located in Lubbock, Texas, in which the Company has a 58.3% ownership interest, acquired the ancillary services of a physician practice located in the same market. The purchase price paid for the acquisition of these services was \$428,000. The Company funded this acquisition with cash from continuing operations. These services were merged into the operations of the surgical hospital.

5. Discontinued Operations and Divestitures

Effective March 31, 2014, the Company reclassified its surgical facility located in Lynbrook, New York to discontinued operations. On May 22, 2014, the Company completed the sale of this facility. The Company recorded net proceeds of \$3.7 million on this transaction and recognized a net loss of \$6.6 million. The net loss consisted of an impairment charge of \$6.6 million recorded as of March 31, 2014 and \$37,000 of other net write-offs related to the facility, which were recorded in the three months ended September 30, 2014. The fair value used to calculate impairment as of March 31, 2014 was estimated based on what a market participant would be willing to pay as of that date and represented a Level 2 non-recurring fair value measurement. The net loss on sale of this facility, including impairment, was included in net loss from discontinued operations, net of income taxes, in the consolidated statements of income for the three and nine months ended September 30, 2014, as applicable. This facility was previously consolidated for financial reporting purposes.

Effective December 31, 2013, the Company reclassified its surgical facility located in Worcester, Massachusetts to discontinued operations. The sale of this facility was completed on October 14, 2014. The results of operations related to this facility have been included in discontinued operations for the three and nine months ended September 30, 2014 and 2013. This facility is consolidated for financial reporting purposes.

A summary of certain operating results impacting the statements of operations related to discontinued operations follows (in thousands):

| | <u>Three Months Ended</u> <u>September 30,</u> | | <u>Nine Months Ended</u> <u>September 30,</u> | |
|---|---|-------------|--|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues | \$ 1,528 | \$ 3,487 | \$ 6,996 | \$13,040 |
| Operating income | 18 | (1,432) | 613 | 1,028 |
| Loss (gain) on sale or disposal | 37 | (1,478) | 37 | (563) |
| Impairment of assets held for sale | — | — | 6,577 | — |
| Benefit from income taxes | 45 | (45) | (3) | (507) |
| Income (loss) from discontinued operations, net of income taxes | (64) | 91 | (5,998) | 2,098 |

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

6. Long-Term Debt

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

| | September 30, 2014 | December 31, 2013 |
|--|-------------------------------|------------------------------|
| Credit Facility | \$ — | \$ — |
| Senior Secured Notes, net of debt issuance discount of \$2,042 and \$2,858 at September 30, 2014 and December 31, 2013, respectively | 338,958 | 338,142 |
| PIK Exchangeable Notes | 123,384 | 118,639 |
| Toggle Notes | 73,130 | 73,475 |
| Notes payable and secured loans | 27,100 | 24,970 |
| Capital lease obligations | 6,157 | 4,753 |
| Total debt | 568,729 | 559,979 |
| Less: Current maturities | (83,861) | (8,993) |
| Total long-term debt | <u>\$ 484,868</u> | <u>\$ 550,986</u> |

Credit Facility

The Company's senior secured super-priority revolving credit facility (the "Credit Facility") matures on December 15, 2015. During the nine months ended September 30, 2014, the Company borrowed and subsequently repaid \$10.0 million on the Credit Facility. As of September 30, 2014, the Company had letters of credit outstanding of \$1.8 million and availability of \$48.2 million under the Credit Facility.

Loans under the Credit Facility bear interest, at the Company's option, at the reserve adjusted LIBOR plus 4.50% or at the alternate base rate plus 3.50%. The Company is required to pay a commitment fee at a rate of 0.50% per annum on the undrawn portion of commitments under the Credit Facility. This fee is payable quarterly in arrears and on the date of termination or expiration of the commitments. The interest rate on the Credit Facility was 4.65% at September 30, 2014.

The Credit Facility contains financial covenants requiring the Company not to exceed a maximum net senior secured leverage ratio or fall below a minimum cash interest coverage ratio, in each case tested quarterly. Borrowings under the Credit Facility are subject to significant conditions, including the absence of any material adverse change in the Company's business, financial condition, operations or cash flows. At September 30, 2014, the Company was in compliance with all material covenants contained in the Credit Facility.

Subject to and conditioned upon the closing of the Merger on November 3, 2014, all amounts outstanding under the Credit Facility were repaid.

Senior Secured Notes

The Senior Secured Notes mature on June 15, 2016. The Senior Secured Notes were issued at a 1.51% discount and accrue interest at the rate of 8.00% per annum, payable on June 15 and December 15 of each year. At September 30, 2014, the Company was in compliance with all material covenants contained in the indenture governing the Senior Secured Notes.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The Company may redeem all or any portion of the Senior Secured Notes on or after June 15, 2014 at the redemption price set forth in the indenture governing the Senior Secured Notes, plus accrued interest. At September 30, 2014, the Company had not redeemed any of its Senior Secured Notes.

Subject to and conditioned upon the closing of the Merger on November 3, 2014 the obligations with respect to all of the outstanding Senior Secured Notes were satisfied.

PIK Exchangeable Notes

The PIK Exchangeable Notes mature on June 15, 2017. Interest accrues on the PIK Exchangeable Notes at a rate of 8.00% per year, compounding semi-annually on June 15 and December 15 of each year. The Company pays interest on the PIK Exchangeable Notes in kind by increasing the principal amount of the PIK Exchangeable Notes on each interest accrual date by an amount equal to the entire amount of the accrued interest. On June 15 and December 15 of each year, the Company reclassifies accrued interest to long-term debt. As of September 30, 2014, the Company had accrued interest of \$2.9 million on the PIK Exchangeable Notes, which was included in other current liabilities on the consolidated balance sheet. At September 30, 2014, the Company was in compliance with all material covenants contained in the indenture governing the PIK Exchangeable Notes.

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

On or after June 15, 2014, the Company may redeem some or all of the PIK Exchangeable Notes for cash at a redemption price equal to a specified percentage of the accreted principal amount of the PIK Exchangeable Notes to be redeemed, plus accrued and non-capitalized interest. The specific percentage for such redemptions will be 104% for redemptions during the year commencing on June 15, 2014, 102% for redemptions during the year commencing on June 15, 2015, and 100% for redemptions during the year commencing on June 15, 2016.

Subject to and conditioned upon the closing of the Merger on November 3, 2014 the PIK Exchangeable Notes were exchanged for shares of common stock of Holdings immediately prior to the closing of the Merger.

Toggle Notes

The Toggle Notes mature on August 23, 2015. The payment-in-kind interest option on the Toggle Notes expired in February 2012. Cash interest on the Toggle Notes accrues at the rate of 11.0% per annum. As of September 30, 2014, the Company had accrued interest of \$0.8 million on the Toggle Notes, which was included in other current liabilities on the consolidated balance sheet.

The indenture governing the Toggle Notes includes a mandatory redemption provision. Under this provision, if the Toggle Notes would otherwise constitute applicable high yield discount obligations, within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended, the Company is required to redeem, for cash, a portion of the Toggle Notes then outstanding, equal to the mandatory principal redemption amount. Under the mandatory redemption provisions of the Toggle Notes, the Company has repaid \$21.6 million of the principal outstanding balance through September 30, 2014.

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The indenture governing the Toggle Notes contains various restrictive covenants, including financial covenants that limit the Company's ability and the ability of the Company's subsidiaries to borrow money or guarantee other indebtedness, grant liens, make investments, sell assets, pay dividends or engage in transactions with affiliates. At September 30, 2014, the Company was in compliance with all material covenants contained in the indenture governing the Toggle Notes.

Subject to and conditioned upon the closing of the Merger on November 3, 2014 the obligations with respect to all of the outstanding Toggle Notes were satisfied.

Notes Payable to Banks

Certain of the Company's subsidiaries have third-party bank indebtedness secured by real estate and equipment assets at the surgical facilities to which the loans were made. These bank indebtedness agreements contain customary covenants related to maintaining certain financial ratios and restricting activities, including the encumbrance of assets, other indebtedness, investing activities and payment of minority interest distributions.

7. Related Party Transactions

On August 23, 2007, the Company entered into a ten-year advisory services and management agreement with Crestview Advisors, L.L.C. The annual management fee is \$1.0 million and payable on August 23 of each year. As of September 30, 2014, the Company had a prepaid asset of \$895,000 related to this annual management fee, which was included in prepaid expenses and other current assets on the consolidated balance sheets.

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

As of September 30, 2014, the principal outstanding balance of the PIK Exchangeable Notes was \$123.4 million and accrued interest related to the PIK Exchangeable Notes was \$2.9 million. See Note 6 on Long-Term Debt for further discussion of the PIK Exchangeable Notes.

8. Commitments and Contingencies

Lease Guarantees on Non-Consolidated Affiliates

As of September 30, 2014, the Company had outstanding lease guarantees of \$635,000 related to operating lease payments of certain of its non-consolidated surgical facilities. 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

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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. The 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 our 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 our surgical facilities conduct their operations, from licensing requirements to how and whether our 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

SYMBION, INC.
NINE MONTHS ENDED SEPTEMBER 30, 2014
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

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.

9. Subsequent Events

Effective October 14, 2014, the Company sold its interest in the surgical facility located in Worcester, Massachusetts. The Company recorded net proceeds of \$2.1 million on this transaction and anticipates recording a gain of approximately \$1.7 million.

See Note 2 for description of the Merger with Surgery Center Holdings, Inc.

Through and including _____, 2015 (the 25th day after the commencement of our initial public offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares
Surgery Partners, Inc.
Common Stock

PROSPECTUS

BofA Merrill Lynch
Goldman, Sachs & Co.
Jefferies

Citigroup
Morgan Stanley
Credit Suisse
Raymond James

, 2015

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the estimated expenses payable by us in connection with the sale and distribution of the securities registered hereby, other than underwriting discounts or commissions. All amounts are estimates except for the SEC registration fee and the Financial Industry Regulatory Authority filing fee.

| | |
|-----------------------------------|-------------|
| SEC registration fee | * |
| FINRA filing fee | * |
| Stock exchange listing fees | * |
| Blue sky fees and expenses | * |
| Printing and engraving expenses | * |
| Accounting fees and expenses | * |
| Legal fees and expenses | * |
| Transfer agent and registrar fees | * |
| Miscellaneous fees and expenses | * |
| TOTAL | <u>\$</u> * |

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the General Corporation Law of the State of Delaware provides as follows:

A corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

A corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall

[Table of Contents](#)

determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

As permitted by the Delaware General Corporation Law, we have included in our amended and restated certificate of incorporation a provision to eliminate the personal liability of our directors for monetary damages for breach of their fiduciary duties as directors, subject to certain exceptions. In addition, our amended and restated certificate of incorporation and amended and restated by-laws provide that we are required to indemnify our officers and directors under certain circumstances, including those circumstances in which indemnification would otherwise be discretionary, and we are required to advance expenses to our officers and directors as incurred in connection with proceedings against them for which they may be indemnified.

We intend to enter into indemnification agreements with our directors and officers. These agreements will provide broader indemnity rights than those provided under the Delaware General Corporation Law and our amended and restated certificate of incorporation. The indemnification agreements are not intended to deny or otherwise limit third-party or derivative suits against us or our directors or officers, but to the extent a director or officer were entitled to indemnity or contribution under the indemnification agreement, the financial burden of a third-party suit would be borne by us, and we would not benefit from derivative recoveries against the director or officer. Such recoveries would accrue to our benefit but would be offset by our obligations to the director or officer under the indemnification agreement.

The underwriting agreement provides that the underwriters are obligated, under certain circumstances, to indemnify our directors, officers and controlling persons against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of underwriting agreement filed as Exhibit 1.1 hereto.

We maintain directors' and officers' liability insurance for the benefit of our directors and officers.

Item 15. Recent Sales of Unregistered Securities.

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

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

In 2015, we issued 250,460 Class B units of Surgery Center Holdings, LLC 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 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

The exhibit index attached hereto is incorporated herein by reference.

(b) Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(4) The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) To provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(6) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such

[Table of Contents](#)

indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of _____ on the _____ day of _____, 2015.

Surgery Partners, Inc.
(Registrant)

By: _____
Name: Michael Doyle
Title: Chief Executive Officer

POWER OF ATTORNEY

Each of the undersigned executive officers and directors of Surgery Partners, Inc. hereby severally constitute and appoint each of Michael Doyle and Teresa Sparks as the attorneys-in-fact for the undersigned, in any and all capacities, with full power of substitution, to sign any and all pre- or post-effective amendments to this Registration Statement, any subsequent Registration Statement for the same offering which may be filed pursuant to Rule 462 under the Securities Act of 1933, as amended, and any and all pre- or post-effective amendments thereto, and to file the same with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the _____ day of _____, 2015.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|------------------------------|---|-------------|
| _____ Michael T. Doyle | Chief Executive Officer, Director | , 2015 |
| _____ Christopher Laitala | President, Director | , 2015 |
| _____ Matthew I. Lozow | Director | , 2015 |
| _____ Teresa F. Sparks | Executive Vice President, Chief Financial Officer | , 2015 |

EXHIBIT LIST

| <u>Exhibit number</u> | <u>Description of exhibit</u> |
|------------------------------|--|
| 1.1* | Form of Underwriting Agreement |
| 3.1* | Amended and Restated Certificate of Incorporation of the Registrant |
| 3.2* | Amended and Restated By-Laws of the Registrant |
| 4.1* | Form of Common Stock Certificate of the Registrant |
| 5.1* | Opinion of Ropes & Gray LLP |
| 10.1* | Form of Amended and Restated Limited Liability Company Agreement of Surgery Center Holdings, LLC |
| 10.2 | Management and Investment Advisory Services Agreement, dated as of December 24, 2009, by and among Bayside Capital, Inc., Surgery Center Holdings, Inc. and certain of its subsidiaries |
| 10.3 | First Amendment to Management and Investment Advisory Services Agreement, dated as of May 4, 2011, by and among Bayside Capital, Inc., Surgery Center Holdings, Inc. and certain of its subsidiaries |
| 10.4 | Second Amendment to Management and Investment Advisory Services Agreement, dated as of November 3, 2014, by and among Bayside Capital, Inc., Surgery Center Holdings, Inc. and certain of its subsidiaries |
| 10.5 | First Lien Credit Agreement, dated as of November 3, 2014, among SP Holdco I, Inc., Surgery Center Holdings, Inc., Jefferies Finance LLC and the other guarantors and lenders party thereto |
| 10.6 | Second Lien Credit Agreement, dated as of November 3, 2014, among SP Holdco I, Inc., Surgery Center Holdings, Inc., Jefferies Finance LLC and the other guarantors and lenders party thereto |
| 10.7 | Assignment and Acceptance Agreement, dated May 4, 2011, among H.I.G. Surgery Centers LLC and THL Credit, Inc. |
| 10.8* | Management Incentive Plan |
| 10.9* | 2015 Equity Incentive Plan, and form of agreements thereunder |
| 10.10* | Cash Incentive Plan |
| 10.11* | Employment Agreement of Michael Doyle |
| 10.12* | Employment Agreement of Teresa Sparks |
| 10.13* | Employment Agreement of John Crysel |
| 10.14* | Form of Tax Receivable Agreement |
| 10.15* | Form of Indemnification Agreement |
| 21.1* | List of Subsidiaries of the Registrant |
| 23.1* | Consents of Independent Registered Public Accounting Firms |
| 23.2* | Consent of Ropes & Gray LLP (included in Exhibit 5.1) |
| 24.1* | Power of Attorney (included on signature page) |

* To be filed by amendment

THE PAYMENT OF AMOUNTS PAYABLE UNDER THIS AGREEMENT ARE SUBJECT TO CERTAIN SUBORDINATION PROVISIONS AS SET FORTH IN (I) THAT CERTAIN MANAGEMENT FEE SUBORDINATION AGREEMENT, DATED AS OF THE DATE HEREOF, AMONG THE COMPANY, BAYSIDE, AND U.S. BANK, NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT FOR VARIOUS LENDERS PARTY TO THAT CERTAIN CREDIT AGREEMENT DATED AS OF THE DATE HEREOF AND (II) THAT CERTAIN SUBORDINATION AGREEMENT, DATED AS OF THE DATE HEREOF, AMONG THE COMPANY, BAYSIDE, AND THL CREDIT OPPORTUNITIES, L.P., AS AGENT FOR CERTAIN PURCHASERS PARTY TO THAT CERTAIN SECURITIES PURCHASE AGREEMENT DATED AS OF THE DATE HEREOF.

MANAGEMENT AND INVESTMENT
ADVISORY SERVICES AGREEMENT

THIS MANAGEMENT AND INVESTMENT ADVISORY SERVICES AGREEMENT (this "Agreement") is made and entered into as of December 24, 2009, by and among Surgery Center Holdings, Inc., a Delaware corporation ("Parent"), each of Parent's direct or indirect subsidiaries listed on the Signature Page hereto (such entities together with Parent, collectively being, the "Company"), and Bayside Capital, Inc., a Florida corporation ("Bayside").

WHEREAS, on the terms and subject to the conditions contained in this Agreement, the Company desires to engage Bayside to provide certain management, consulting and financial advisory services and Bayside desires to perform such services for the Company and its subsidiaries.

NOW, THEREFORE, in consideration of the promises and the respective mutual agreements, covenants, representations and warranties contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Appointment of Bayside On the terms and subject to the conditions provided in this Agreement, the Company appoints Bayside and Bayside accepts appointment as a management and financial advisory consultant and advisor to the Company and its subsidiaries, including the business of any companies hereafter formed or acquired by the Company or any such subsidiary. The Company hereby covenants to cause any subsidiaries which become directly or indirectly wholly owned by Parent to execute a joinder to this Agreement to be include as a Company hereunder.

2. Board of Directors Supervision. The activities of Bayside to be performed under this Agreement will be subject to the supervision of the Board of Directors of the Company (the "Board") to the extent required by applicable law or regulation and subject to reasonable policies consistent with the terms of this Agreement adopted by the Board and in effect from time to time.

3. Authority of Bayside Subject to any limitations imposed by applicable law or regulation, Bayside will render management, consulting and financial advisory services to the Company and its subsidiaries, which services will include advice and assistance concerning any and all aspects of the operations, planning, financing and budgeting of the Company and its subsidiaries and all acquisitions, dispositions and financings undertaken by such entities, as needed from time to time, including advising the Company and its subsidiaries in their relationships with banks and other financial institutions and with accountants, attorneys, financial advisers and other professionals with respect to such services; provided, however, that no minimum number of hours is required to be devoted by Bayside on a weekly, monthly, annual or other basis. Upon the request of the Board, Bayside will make periodic reports to the Company with respect to the management and financial advisory services provided hereunder. Bayside and the Company understand that the Company may, at times, engage one or more service providers to provide services in addition to, but not in lieu of, services provided by Bayside under this Agreement.

4. Reimbursement of Expenses; Independent Contractor.

4.1 All obligations or expenses incurred by Bayside (including, but not limited to, legal, accounting and other advisors' fees and expenses) in the performance of its duties under this Agreement will be for the account of, on behalf of, and at the expense of the Company and its subsidiaries. Bayside will not be obligated to make any advance to, or for the account of, the Company or any subsidiary or to pay any sums, except out of funds held in accounts maintained by the Company or any subsidiary, nor will Bayside be obligated to incur any liability or obligation for the account of the Company or any subsidiary without assurance that the necessary funds for the discharge of the liability or obligation will be provided. The Company will pay on demand all Reimbursable Expenses. As used herein, "Reimbursable Expenses" means all (i) expenses incurred or accrued prior to the date hereof by Bayside or its affiliates in connection with this Agreement or any related transactions, consisting of their respective out-of-pocket expenses for travel and other incidentals in connection with such transactions (including, without limitation, all air travel and other travel related expenses) and the out-of-pocket expenses and fees and charges of (A) Greenberg Traurig, LLP, legal counsel, (B) Bayside's accounting firm, and (C) any other consultants or advisors, appraisal or valuation firms, information or exchange agents, or other entities retained by Bayside in connection with such transactions, (ii) out-of-pocket expenses incurred from or after the date hereof relating to its affiliated funds' investment in, the operations of, or the services provided by Bayside to the Company or any of its affiliates from time to time (including, without limitation, all air travel and other travel related expenses), (iii) out-of-pocket legal expenses incurred by Bayside or its affiliates from and after the date hereof in connection with the enforcement of rights or, taking of actions under this Agreement, under the Company's or any of its subsidiaries certificates of incorporation (or similar organizational documents), or any subscription agreements, bylaws, limited liability company agreements, registration rights agreements, voting agreements or similar agreements entered into with the Company or any subsidiary in connection with investments in the Company and/or any its subsidiaries (subject to any applicable limitations on expense reimbursement rights expressly set forth in such agreements) and (iv) expenses incurred from and after the date hereof by Bayside and its affiliates which are properly allocable to the Company or any subsidiary under this Agreement.

4.2 Bayside will be an independent contractor, and nothing contained in this Agreement will be deemed or construed to (a) create a partnership or joint venture between the Company or any subsidiary and Bayside, (b) cause Bayside to be responsible in any way for the debts, liabilities or obligations of the Company, any of its subsidiaries or any other party or (c) constitute Bayside or any of its employees as employees, officers, or agents of the Company or any of its subsidiaries.

5. Other Activities of Bayside; Investment Opportunities. In recognition that Bayside and its respective Indemnitees (as defined in Section 10.1) currently have, and will in the future have or will consider acquiring, investments in numerous companies with respect to which Bayside or its Indemnitees may serve as an advisor, a director or in some other capacity, and in recognition that Bayside and its Indemnitees have myriad duties to various investors and partners, and in anticipation that the Company or any subsidiary, on the one hand, and Bayside (or one or more affiliates, associated investment funds or portfolio companies, or clients of Bayside), on the other hand, may engage in the same or similar activities or lines of business and have an interest in the same areas of corporate opportunities, and in recognition of the benefits to be derived by the Company and its subsidiaries hereunder and in recognition of the difficulties that may confront any advisor who desires and endeavors fully to satisfy such advisor's duties in determining the full scope of such duties in any particular situation, the provisions of this Section 5 are set forth to regulate, define and guide the conduct of certain affairs of the Company and its subsidiaries as they may involve Bayside Except as Bayside may otherwise agree in writing after the date hereof.

5.1 Bayside and its Indemnitees will have the right: (A) to directly or indirectly engage in any business (including, without limitation, any business activities or lines of business that are the same as or similar to those pursued by, or competitive with, the Company and its subsidiaries) or invest, own or deal in securities of any other person so engaged in any business, (B) to directly or indirectly do business with any client or customer of the Company and its subsidiaries, (C) to take any other action that Bayside believes in good faith is necessary to or appropriate to fulfill their obligations as described in the first sentence of Section 5, and (D) not to present potential transactions, matters or business opportunities to the Company or any of their subsidiaries, and to pursue, directly or indirectly, any such opportunity for itself, and to direct any such opportunity to another person.

5.2 Bayside and its Indemnitees will have no duty (contractual or otherwise) to communicate or present any corporate opportunities to the Company or any of its affiliates or to refrain from any actions specified in Section 5.1, and the Company, on its own behalf and on behalf of its affiliates, hereby renounce and waive any right to require Bayside or any of its Indemnitees to act in a manner inconsistent with the provisions of this Section 5.

5.3 Bayside and its Indemnitees will not be liable to the Company or any of its affiliates for breach of any duty (contractual or otherwise) by reason of any activities or omissions of the types referred to in this Section 5 or of any such person's participation therein.

6. Compensation of Bayside

6.1 Management Fee.

6.1.1 The Company shall pay (or cause to be paid) to Bayside or its designees with respect to the management of the business operations of the Company and its subsidiaries, a cash consulting and management fee equal to \$1,000,000 per annum, payable on a calendar quarterly basis in arrears in equal quarterly installments of \$250,000; provided that the first payment shall be pro rated for the period beginning on the date of this Agreement through the end of such calendar quarter.

6.1.2 Additional Business Operations. If the Company or its subsidiaries acquire or enter into any additional business operations after the date of this Agreement, the Board and Bayside will, prior to the acquisition or prior to entering into the business operations, in good faith, determine whether and to what extent the applicable fee set forth in Section 6.1.1 above should be increased as a result thereof. It is expected that the fee would be increased on a proportional basis (i.e., to represent the same percentage of aggregate enterprise value). Any increase will be evidenced by a written supplement to this Agreement signed by the Company and Bayside

6.2 Investment Banking Fee. Bayside or its designees will be entitled to the fees described below with respect to the acquisition or disposition of any business operation or material assets by the Company or its subsidiaries, the sale of the Company or any of its subsidiaries, or any other transaction not in the ordinary course of business, including any public or private debt or equity financing of the Company or its subsidiaries (which shall include an initial public offering), in each case which has been introduced, arranged, managed and/or negotiated by Bayside or its affiliates (each, a "Transaction"). In connection with each Transaction, Bayside will be entitled to (A) a fee for investment banking services (the "Investment Banking Fee") and (B) a supplemental management fee (the "Supplemental Management Fee" and together with the Investment Banking Fee, the "Transaction Fee"), in each case, that will be paid at the closing or other consummation of any Transaction. The Investment Banking Fee for a Transaction will be equal to 1% of the Transaction Value (as defined below) and the Supplemental Management Fee will also be equal to 1% of the Transaction Value. The "Transaction Value" for a Transaction shall mean (i) the enterprise value, in connection with an acquisition or disposition, (ii) the financing amount, in connection with a debt or equity financing, or (iii) the benefit value, in connection with any other transaction not in the ordinary course of business, as the case may be. The parties hereto agree that the Transaction Fee for the Transaction pursuant to that certain Purchase Agreement, dated as of December 24, 2009, by and among Surgery Center Holdings, Inc., Armenia Ambulatory Surgery Center, LLC, the Company, Surgery Center Holdings, LLC, Armenia Surgery Center and certain other parties thereto shall be \$2,450,000.

7. Term. This Agreement will continue in full force and effect until the tenth (10th) anniversary of the date hereof; provided that this Agreement shall be automatically extended for an additional 12 month period unless the Company or Bayside provides written notice of its desire not to automatically extend the term of this Agreement to the other parties hereto at least

90 days prior to such date; provided further that Bayside may cause this Agreement to terminate at any time with 30 days prior written notice to the Company; provided further that this Agreement shall terminate automatically upon a Change in Control of Surgery Center Holdings, Inc. (as defined in its Certificate of Incorporation as in effect from time to time), an initial public offering of the Company or a sale of substantially all of the assets of the Company (as determined on a consolidated basis); and provided further, that each of (x) Sections 6 through 19 (whether in respect of or relating to services rendered during or after the term) will all survive any termination of this Agreement to the maximum extent permitted under applicable law and (y) any and all accrued and unpaid obligations of the Company owed under Section 4 will be paid promptly upon any termination of this Agreement. At the end of the term, all obligations of Bayside under this Agreement will terminate and any subsequent services rendered by Bayside to the Company will be separately compensated.

8. Termination. Either the Company or Bayside may terminate Bayside's engagement under this Agreement in the event of the breach of any of the material terms or provisions of this Agreement by the other party, which breach is not cured within ten (10) business days after notice of the same is given to the party alleged to be in breach by the other party. If this Agreement is terminated by Bayside because of the breach of any of the material terms or provisions hereof by the Company, Bayside will be entitled to recover damages from the Company and will not be required to mitigate or reduce damages by seeking or undertaking other management arrangements or business opportunities.

9. Standard of Care; Limitation of Liability.

9.1 Bayside makes no representations or warranties, express or implied, in respect of the services to be provided by Bayside hereunder. Bayside (including any person or entity acting for or on behalf of Bayside) will not be liable for any mistakes of fact, errors of judgment, losses sustained by the Company or any subsidiary or acts or omissions of any kind (including for services rendered hereunder), unless caused by the gross negligence or willful misconduct of Bayside, as finally determined by a court of competent jurisdiction.

9.2 In no event will Bayside or any of its Indemnitees be liable to the Company or any of its affiliates (i) other than severally and (ii) for any indirect, special, incidental, consequential or punitive damages, including, without limitation, lost profits or savings, whether or not such damages are foreseeable, or for any third party claims (whether based in contract, tort or otherwise), relating to the services to be provided by Bayside hereunder.

10. Indemnification of Bayside

10.1 The Company hereby indemnifies and agrees to exonerate and hold Bayside and each of its former, current or future, direct or indirect directors, officers, employees, agents, advisors or affiliates, each former, current or future, direct or indirect holder (whether such holder is a limited or general partner, member, stockholder or otherwise) of any equity interests or securities of Bayside, each former, current or future assignee of each of Bayside and each former, current or future director, officer, employee, agent, advisor, general or limited partner, manager, member, stockholder, affiliate, controlling person, representative or assignee

of any of the foregoing (each such person or entity, a “Related Person”) (collectively, the “Indemnitees”), each of whom is an intended third party beneficiary of this Agreement, free and harmless from and against any and all actions, causes of action, suits, claims, liabilities, damages and costs and expenses in connection therewith (including reasonable attorneys’ fees and expenses) incurred by the Indemnitees or any of them before or after the date of this Agreement (collectively, the “Indemnified Liabilities”), as a result of, arising out of, or in any way relating to (i) this Agreement or (ii) operations of, or services provided by Bayside to the Company, or any of their affiliates from time to time (including but not limited to any indemnification obligations assumed or incurred by any Indemnitee to or on behalf of the Company, or any of its accountants or other representatives, agents or affiliates) except for any such Indemnified Liabilities arising from such Indemnitee’s gross negligence or willful misconduct. If and to the extent that the foregoing undertaking may be unavailable or unenforceable for any reason, the Company hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities that is permissible under applicable law. For purposes of this Section 10.1, “gross negligence or willful misconduct” will be deemed to have occurred only if so found in a final non-appealable judgment of a court of competent jurisdiction to such effect, in which case to the extent any of the foregoing limitations is so determined to apply to any Indemnitee as to any previously advanced indemnity payments made by the Company, then such payments shall be promptly repaid by such Indemnitee to the Company. The rights of any Indemnitee to indemnification hereunder will be in addition to any other rights any such person may have under any other agreement or instrument referenced above or any other agreement or instrument to which such Indemnitee is or becomes a party or is or otherwise becomes a beneficiary or under law or regulation. If the Indemnitees related to Bayside are similarly situated with respect to their interests in connection with a matter that may be an Indemnified Liability and such Indemnified Liability is not based on a Third-Party Claim, the Indemnitees may enforce their rights pursuant to this Section 10.01 with respect to such matter only with the consent of Bayside

10.2 In this Agreement, “Person” means any individual or corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, or other entity of any kind. A “Third-Party Claim” means any (i) claim brought by a Person other than the Company, Bayside or any Indemnitee related to Bayside and (ii) any derivative claim brought in the name of the Company that is initiated by a Person other than Bayside or any Indemnitee related to Bayside. The Company further agrees that with respect to any Indemnitee who is employed, retained or otherwise associated with, or appointed or nominated by, either Bayside or any of its affiliates and who acts or serves as a director, officer, manager, fiduciary, employee, consultant, advisor or agent of, for or to the Company or any of its subsidiaries, that the Company or such subsidiaries, as applicable, shall be primarily liable for all indemnification, reimbursements, advancements or similar payments (the “Indemnity Obligations”) afforded to such Indemnitee acting in such capacity or capacities on behalf or at the request of the Company or such subsidiaries, whether the Indemnity Obligations are created by law, organizational or constituent documents, contract (including this Agreement) or otherwise. Notwithstanding the fact that either Bayside and/or any of its affiliates, other than the Company (such persons, together with its and their heirs, successors and assigns, the “Sponsor Parties”), may have concurrent liability to an Indemnitee with respect to the Indemnity Obligations, the Company hereby agrees that in no event shall the Company or any of its

subsidiaries have any right or claim against any of the Sponsor Parties for contribution or have rights of subrogation against any Sponsor Parties through an Indemnitee for any payment made by the Company or any of its subsidiaries with respect to any Indemnity Obligation. In addition, the Company hereby agrees that in the event that any Sponsor Parties pay or advance an Indemnitee any amount with respect to an Indemnity Obligation, the Company will, or will cause its subsidiaries to, as applicable, promptly reimburse such Sponsor Parties for such payment or advance upon request.

11. Company Representations. The Company hereby represents and warrants to Bayside that (i) the execution, delivery and performance of this Agreement by the Company does not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which it is bound and (ii) upon the execution and delivery of this Agreement by Bayside, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, other similar laws affecting creditors' rights and general principles of equity affecting the availability of specific performance and other equitable remedies.

12. Successors and Assigns. Except as provided below, no party hereto has the right to assign this Agreement without the prior written consent of each of the other party. Notwithstanding the foregoing, (a) Bayside may assign all or part of its rights and obligations hereunder to any affiliate of Bayside that provides services similar to those called for by this Agreement, in which event Bayside will be released of such rights and obligations hereunder and (b) the provisions hereof for the benefit of Indemnitees other than Bayside itself shall also inure to the benefit of such other Indemnitees and their successors and assigns.

13. Notices. Any notices, requests, demands and other communications required or permitted to be given under this Agreement will be in writing and, except as otherwise specified in writing, will be given by personal delivery, facsimile transmission, PDF attachment to e-mail, express courier service or by registered or certified mail, postage prepaid, return receipt requested:

If to the Company: Surgery Center Holdings, Inc.

Attn: _____
Telephone: _____
Facsimile: _____

If to Bayside: Bayside Capital, Inc.
600 Fifth Avenue
24th Floor
New York, NY 10020
Attn: Chris Laitala
Telephone: 212-506-0500
Facsimile: 212-506-0559
Email: claitala@higcapital.com

or to such other addresses as either party hereto may from time to time give notice of (complying as to delivery with the terms of this Section 13) to the other. Notice by registered or certified mail will be effective three days after deposit in the United States mail. Notice by any other permitted means will be effective upon receipt.

14. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance will, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those which are invalid or unenforceable, will not be affected thereby, and each term and provision of this Agreement will be valid and be enforced to the fullest extent permitted by law.

15. No Waiver. The failure of the Company or Bayside to seek redress for any violation of, or to insist upon the strict performance of, any term or condition of this Agreement will not prevent a subsequent act by the Company or Bayside, which would have originally constituted a violation of this Agreement by the Company or Bayside, from having all the force and effect of any original violation. The failure by the Company or Bayside to insist upon the strict performance of any one of the terms or conditions of the Agreement or to exercise any right, remedy or election herein contained or permitted by law will not constitute or be construed as a waiver or relinquishment for the future of such term, condition, right, remedy or election, but the same will continue and remain in full force and effect. Except to the extent that the Company's rights of termination are limited herein, all rights and remedies that the Company or Bayside may have at law, in equity or otherwise upon breach of any term or condition of this Agreement, will be distinct, separate and cumulative rights and remedies and no one of them, whether exercised by the Company or Bayside or not, will be deemed to be in exclusion of any other right or remedy of the Company or Bayside

16. Entire Agreement; Amendment. This Agreement contains the entire agreement among the parties hereto with respect to the matters herein contained and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. The provisions of this Agreement may be amended only with the prior written consent of the Company and Bayside

17. Governing Law; Waiver of Jury Trial; Venue.

17.1 This Agreement, and all claims arising out of or relating to it, will be governed by and construed in accordance with the internal laws of the State of Florida without reference to the laws of any other state.

17.2 To the extent not prohibited by applicable law that 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, claim, demand, cause of action, action, suit or proceeding arising out of, based upon or relating to this

Agreement or the subject matter hereof, in each case whether now existing or hereafter arising and whether in contract or tort or otherwise. Each of the parties hereto acknowledges that it has been informed by each other party that the provisions of this Section 17.2 constitute a material inducement upon which such party is relying and will rely in entering into this Agreement and the transactions contemplated hereby. Any of the parties hereto may file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of each of the parties hereto to the waiver of its right to trial by jury.

17.3 The Company and Bayside hereby irrevocably and unconditionally submit, for themselves and their property, to the non-exclusive jurisdiction of any Florida state court or federal court of the United States of America sitting in Miami-Dade County, Florida and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or for recognition or enforcement of any judgment, and the Company and Bayside hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard and determined in any such Florida state court or, to the extent permitted by law, in such federal court. The Company and Bayside irrevocably waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. The Company and Bayside agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

17.4 The Company and Bayside irrevocably and unconditionally waive, to the fullest extent they may legally and effectively do so, any objection that they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any Florida state court or federal court of the United States of America sitting in Miami-Dade County, Florida and any appellate court from any thereof.

18. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Agreement.

19. Delivery by Facsimile and Email PDF. This Agreement and any amendments hereto, to the extent signed and delivered by means of a facsimile machine or other electronic means (including PDF format), shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto, each other party hereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto shall raise the use of a facsimile machine or other electronic means (including PDF format) to deliver a signature or the fact that any signature was transmitted or communicated through the use of a facsimile machine or other electronic means (including PDF format) as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

* * * * *

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first above written.

BAYSIDE:

BAYSIDE CAPITAL, INC.

By: 

Name: Richard Siegel

Its: Vice President and General Counsel

THE COMPANY:

SURGERY PARTNERS HOLDINGS, INC.

By: 

Name: Michael T. Doyle

Its: CEO

APS OF BRADENTON, LLC

By: 

Name: Michael T. Doyle

Its: CEO

APS OF MERRITT ISLAND, LLC

By: 

Name: Michael T. Doyle

Its: CEO

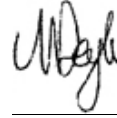
SURGERY PARTNERS OF CORAL GABLES, LLC

By: 

Name: Michael T. Doyle

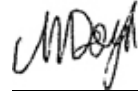
Its: CEO

SURGERY PARTNERS OF LAKE MARY, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS OF LAKE WORTH, LLC



By: _____
Name: Michael T. Doyle
Its: _____

SURGERY PARTNERS OF MERRITT ISLAND, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS OF MILLENIA, LLC



By: _____
Name: Michael T. Doyle
Its: _____

SURGERY PARTNERS OF NEW TAMPA, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS OF PARK PLACE, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS OF SARASOTA, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS OF WESTCHASE, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS OF WEST KENDALL, L.L.C.



By: _____
Name: Michael T. Doyle
Its: CEO

ANESTHESIA MANAGEMENT SERVICES, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.



By: _____
Name: Michael T. Doyle
Its: CEO

BUSINESS IT SOLUTIONS OF TAMPA, INC.



By: _____
Name: Michael T. Doyle
Its: CEO

MEDICAL BILLING SOLUTIONS, LLC



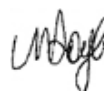
By: _____
Name: Michael T. Doyle
Its: CEO

SURGERY PARTNERS, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

TAMPA PAIN RELIEF CENTER, INC. D/B/A ORLANDO
PAIN RELIEF CENTER



By: _____
Name: Michael T. Doyle
Its: CEO

ARMENIA AMBULATORY SURGERY CENTER, LLC



By: _____
Name: Michael T. Doyle
Its: CEO

**FIRST AMENDMENT TO
MANAGEMENT AND INVESTMENT ADVISORY SERVICES AGREEMENT**

This **FIRST AMENDMENT TO MANAGEMENT AND INVESTMENT ADVISORY SERVICES AGREEMENT** (the "First Amendment"), is made and entered into this 4th day of May, 2011 (the "Effective Date"), by and among Surgery Center Holdings, Inc., a Delaware corporation ("Parent"), each of Parent's direct or indirect subsidiaries listed as signatories hereto (such entities together with Parent, collectively being, the "Company"), and Bayside Capital, Inc., a Florida corporation ("Bayside"). The Company and Bayside are referred to herein individually as a "Party" and, collectively as, the "Parties."

RECITALS:

WHEREAS, each of the Parties entered into that certain Management and Investment Advisory Services Agreement, dated as December 24, 2009 (the "Agreement");

WHEREAS, pursuant to and in accordance with Section 16 of the Agreement, each of the Parties desires to amend the Agreement in certain respects upon the terms and conditions set forth herein; and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the parties hereto, intending to become legally bound, hereby agree as follows:

TERMS AND CONDITIONS:

1. AMENDMENTS TO THE AGREEMENT.

(a) Amendment to Section 4.1. Section 4.1 of the Agreement is hereby amended by deleting the phrase "Greenberg Traurig, LLP" in clause (A) of Section 4.1 of the Agreement and replacing it with the phrase "McDermott Will & Emery LLP".

(b) Amendment to Section 6.1.1. Section 6.1.1 of the Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

"6.1.1 The Company shall pay (or cause to be paid) to Bayside or its designees with respect to the management of the business operations of the Company and its subsidiaries, a cash consulting and management fee equal to \$2,000,000 per annum, payable on a calendar quarterly basis in arrears in equal quarterly installments of \$500,000; provided that the first payment shall be pro rated for the period beginning on the date of this Agreement through the end of such calendar quarter."

(c) Amendment to Section 6.2. The following sentence shall be added at the end of Section 6.2 of the Agreement:

"The parties hereto agree that the Transaction Fee for the Transaction pursuant to that certain Agreement and Plan of Merger, dated as of January 20, 2011, by and among Surgery Center Holdings, Inc., Wildcat Merger Sub, Inc. and NovaMed, Inc. shall be \$3,950,000, which shall consist of an Investment Banking Fee of \$1,975,000 and a Supplemental Management Fee of \$1,975,000."

3. MISCELLANEOUS

(a) Effect of Amendment. Except as otherwise expressly provided in this First Amendment, nothing herein shall be deemed to amend or modify any provision of the Agreement, which shall remain unchanged and in full force and effect and is hereby ratified and reaffirmed in all respects,

(b) Headings. The headings, captions, and arrangements used in this First Amendment are for convenience only and shall not affect the interpretation of this First Amendment.

(c) Compliance. This First Amendment is made pursuant to and in the accordance with Section 16 of the Agreement.

(d) Counterparts. This First Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties. The parties hereto agree that facsimile and electronically transmitted portable document format (pdf) signatures shall be deemed originals.

(e) Severability. Any provision of this First Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this First Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

(f) Entire Agreement. This First Amendment and the Agreement represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.


(g) Applicable Law. This First Amendment shall be governed by the laws of the State of Florida as to all matters, including, but not limited to, matters of validity, construction, effect and performance.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, this First Amendment has been duly executed as of the date first written above.


BAYSIDE:

BAYSIDE CAPITAL, INC.


By: 
Name: **Richard Siegel**
Its: **Vice President and General Counsel**

THE COMPANY:

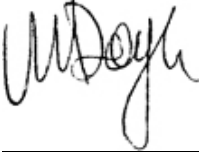
SURGERY CENTER HOLDINGS, INC.

By: 
Name: Christopher Laitala
Its: President


APS OF BRADENTON, LLC

By: 
Name: Michael Doyle
Its: Chief Executive Officer

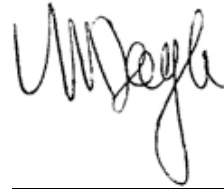
APS OF MERRITT ISLAND, LLC

By: 
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF CORAL GABLES, LLC

By: 
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF LAKE MARY, LLC



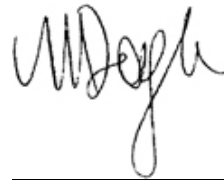
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF LAKE WORTH, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF MERRITT ISLAND, LLC



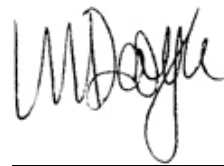
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF MILLENIA, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF NEW TAMPA, LLC



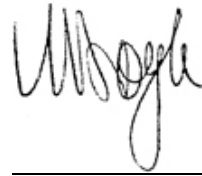
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF PARK PLACE, LLC



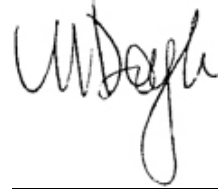
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF SARASOTA, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF WESTCHASE, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF WEST KENDALL, L.L.C.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

ANESTHESIA MANAGEMENT SERVICES, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

BUSINESS IT SOLUTIONS OF TAMPA, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

MEDICAL BILLING SOLUTIONS, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

TAMPA PAIN RELIEF CENTER, INC. D/B/A ORLANDO
PAIN RELIEF CENTER



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

ARMENIA AMBULATORY SURGERY CENTER, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

BLUE RIDGE NOVAMED, INC.



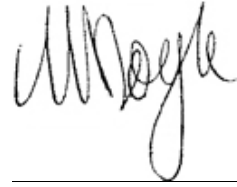
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

MDN ACQUISITION COMPANY, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

MIDWEST UNCUTS, INC.



By: _____

Name: Michael Doyle

Its: Chief Executive Officer

NMGK, INC.

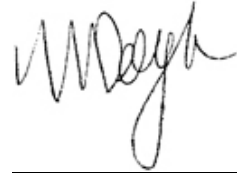


By: _____

Name: Michael Doyle

Its: Chief Executive Officer

NMI, INC.



By: _____

Name: Michael Doyle

Its: Chief Executive Officer

NMLO, INC.



By: _____

Name: Michael Doyle

Its: Chief Executive Officer

NOVAMED, INC.



By: _____

Name: Michael Doyle

Its: Chief Executive Officer

NOVAMED ACQUISITION COMPANY, INC.

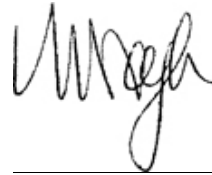


By: _____

Name: Michael Doyle

Its: Chief Executive Officer

NOVAMED ALLIANCE, INC.



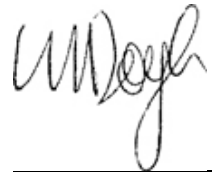
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY AND LASER CENTER OF ST. JOSEPH, INC.



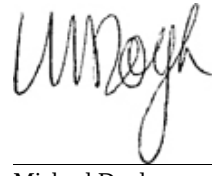
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY CENTER OF CINCINNATI, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY CENTER OF NORTH COUNTY, LLC



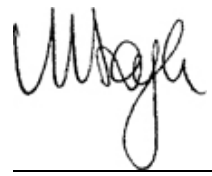
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY CENTER (PLAZA), L.L.C.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYECARE RESEARCH, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED MANAGEMENT OF KANSAS CITY, INC.



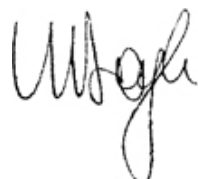
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED MANAGEMENT SERVICES, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF BETHLEHEM, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF DALLAS, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF LAREDO, INC.



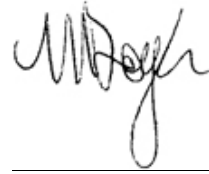
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF LEBANON, INC.



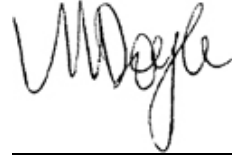
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF LOUISVILLE, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF SAN ANTONIO, INC.



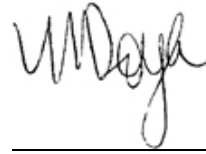
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF TEXAS, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF WISCONSIN, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED SURGERY CENTER OF LAREDO, LP



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

PATIENT EDUCATION CONCEPTS, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

**SECOND AMENDMENT TO
MANAGEMENT AND INVESTMENT ADVISORY SERVICES AGREEMENT**

This **SECOND AMENDMENT TO MANAGEMENT AND INVESTMENT ADVISORY SERVICES AGREEMENT** (the "**Second Amendment**"), is made and entered into this 3rd day of November, 2014 (the "**Effective Date**"), by and among Surgery Center Holdings, Inc., a Delaware corporation ("**Parent**"), each of Parent's direct or indirect subsidiaries listed as signatories hereto (such entities together with Parent, collectively being, the "**Company**"), and Bayside Capital, Inc., a Florida corporation ("**Bayside**"). The Company and Bayside are referred to herein individually as a "**Party**" and, collectively as, the "**Parties**."

RECITALS:

WHEREAS, each of the Parties entered into that certain Management and Investment Advisory Services Agreement, dated as of December 24, 2009, and later entered into that certain First Amendment to Management and Investment Advisory Services Agreement, dated as of May 4, 2011 (collectively, the "**Agreement**");

WHEREAS, pursuant to and in accordance with Section 16 of the Agreement, each of the Parties desires to amend the Agreement in certain respects upon the terms and conditions set forth herein; and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the parties hereto, intending to become legally bound, hereby agree as follows:

TERMS AND CONDITIONS:

1. AMENDMENTS TO THE AGREEMENT.

(a) Amendment to Header of Agreement. The Legend set forth at the top of the Agreement in all capital letters beginning with the phrase "THE PAYMENT OF AMOUNTS PAYABLE . . ." and ending with the phrase "CERTAIN SECURITIES PURCHASE AGREEMENT DATED AS OF THE DATE HEREOF." is hereby deleted from the Agreement.

(b) Amendment to Section 1. The last sentence of Section 1 of the Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

If requested by Bayside, the Company shall cause any subsidiaries which become directly or indirectly wholly owned by Parent to execute a joinder to this Agreement to be included as a Company hereunder.

(c) **Amendment to Section 6.1.1.** Section 6.1.1 of the Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

“6.1.1 The Company shall pay (or cause to be paid) to Bayside or its designees with respect to the management of the business operations of the Company and its subsidiaries, a cash consulting and management fee equal to \$3,000,000 per annum, payable on a calendar quarterly basis in arrears in equal quarterly installments of \$750,000; provided that the first payment shall be pro rated for the period beginning on the date of this Agreement through the end of such calendar quarter.”

(d) **Amendment to Section 6.2.** The following sentence shall be added at the end of Section 6.2 of the Agreement:

“The parties hereto agree that the Transaction Fee for the Transaction pursuant to that certain Agreement and Plan of Merger, dated as of June 13, 2014, by and among Surgery Center Holdings, Inc., SCH Acquisition Corp., Symbion Holdings Corporation and Crestview Symbion Holdings, L.L.C. shall be \$15,800,000, which shall consist of an Investment Banking Fee of \$7,900,000 and a Supplemental Management Fee of \$7,900,000.”

2. MISCELLANEOUS

(a) **Effect of Amendment.** Except as otherwise expressly provided in this Second Amendment, nothing herein shall be deemed to amend or modify any provision of the Agreement, which shall remain unchanged and in full force and effect and is hereby ratified and reaffirmed in all respects.

(b) **Headings.** The headings, captions, and arrangements used in this Second Amendment are for convenience only and shall not affect the interpretation of this Second Amendment.

(c) **Compliance.** This Second Amendment is made pursuant to and in the accordance with Section 16 of the Agreement.

(d) **Counterparts.** This Second Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties. The parties hereto agree that facsimile and electronically transmitted portable document format (pdf) signatures shall be deemed originals.

(e) **Severability.** Any provision of this Second Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Second Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

(f) **Entire Agreement.** This Second Amendment and the Agreement represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.


(g) Applicable Law. This Second Amendment shall be governed by the laws of the State of Florida as to all matters, including, but not limited to, matters of validity, construction, effect and performance.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, this First Amendment has been duly executed as of the date first written above.


BAYSIDE:

BAYSIDE CAPITAL, INC.

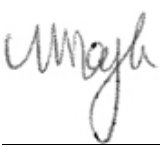
By: 
Name: Richard Siegel
Its: Vice President and General Counsel

THE COMPANY:

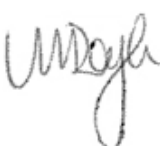
SURGERY CENTER HOLDINGS, INC.

By: 
Name: Chris Laitala
Its: President

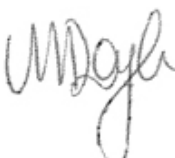
APS OF BRADENTON, LLC

By: 
Name: Michael Doyle
Its: Chief Executive Officer

APS OF MERRITT ISLAND, LLC

By: 
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF CORAL GABLES, LLC


By: 
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF LAKE MARY, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF LAKE WORTH, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF MERRITT ISLAND, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF MILLENIA, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF NEW TAMPA, LLC



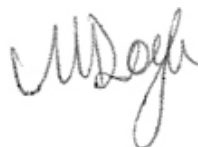
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF PARK PLACE, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF SARASOTA, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF WESTCHASE, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS OF WEST KENDALL, L.L.C.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

ANESTHESIA MANAGEMENT SERVICES, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

BUSINESS IT SOLUTIONS OF TAMPA, INC.



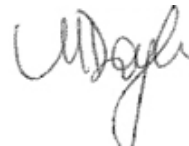
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

MEDICAL BILLING SOLUTIONS, LLC



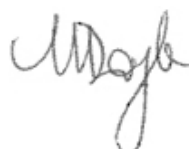
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

SURGERY PARTNERS, LLC



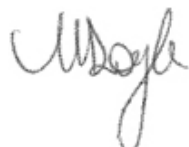
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

TAMPA PAIN RELIEF CENTER, INC. D/B/A ORLANDO
PAIN RELIEF CENTER



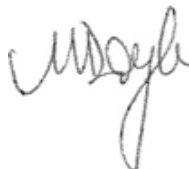
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

ARMENIA AMBULATORY SURGERY CENTER, LLC



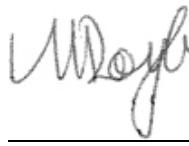
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

BLUE RIDGE NOVAMED, INC.



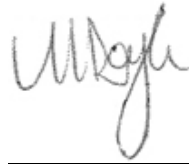
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

MDN ACQUISITION COMPANY, INC.



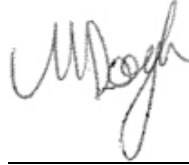
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

MIDWEST UNCUTS, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NMGK, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NMI, INC.



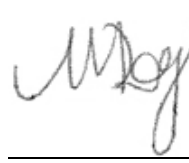
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NMLO, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED, INC.



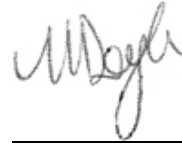
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED ACQUISITION COMPANY, INC.



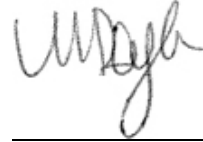
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED ALLIANCE, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY AND LASER CENTER OF ST. JOSEPH, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY CENTER OF CINCINNATI, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY CENTER OF NORTH COUNTY, LLC



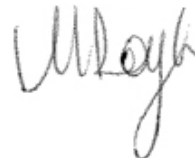
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYE SURGERY CENTER (PLAZA), L.L.C.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED EYECARE RESEARCH, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED MANAGEMENT OF KANSAS CITY, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED MANAGEMENT SERVICES, LLC



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF BETHLEHEM, INC.



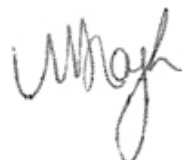
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF DALLAS, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF LAREDO, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF LEBANON, INC.



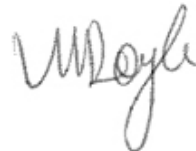
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF LOUISVILLE, INC.




By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF SAN ANTONIO, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF TEXAS, INC.



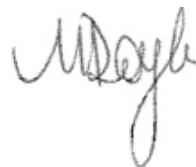
By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED OF WISCONSIN, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

NOVAMED SURGERY CENTER OF LAREDO, LP



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

PATIENT EDUCATION CONCEPTS, INC.



By: _____
Name: Michael Doyle
Its: Chief Executive Officer



By: _____
Name: Michael Doyle
Its: Chief Executive Officer

FIRST LIEN CREDIT AGREEMENT

dated as of

November 3, 2014

among

SP HOLDCO I, INC.,
as Holdings,

SURGERY CENTER HOLDINGS, INC.,
as the Borrower,

THE OTHER GUARANTORS PARTY HERETO FROM TIME TO TIME,

THE LENDERS PARTY HERETO

and

JEFFERIES FINANCE LLC,
as Administrative Agent and Collateral Agent

JEFFERIES FINANCE LLC,

KKR CAPITAL MARKETS LLC
and
MCS CAPITAL MARKETS LLC,
as Joint Lead Arrangers and Joint Bookrunners

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| ARTICLE 1 | |
| DEFINITIONS | 1 |
| Section 1.01. <i>Defined Terms</i> | 1 |
| Section 1.02. <i>Other Interpretive Provisions</i> | 62 |
| Section 1.03. <i>Accounting Terms</i> | 62 |
| Section 1.04. <i>Rounding</i> | 63 |
| Section 1.05. <i>References to Agreements, Laws, Etc.</i> | 63 |
| Section 1.06. <i>Times of Day</i> | 63 |
| Section 1.07. <i>Timing of Payment of Performance</i> | 63 |
| Section 1.08. <i>Cumulative Credit Transactions</i> | 63 |
| Section 1.09. <i>Pro Forma Calculations</i> | 63 |
| Section 1.10. <i>Certain Accounting Matters</i> | 66 |
| Section 1.11. <i>Classification of Loans and Borrowings</i> | 66 |
| Section 1.12. <i>Currency Equivalents Generally</i> | 67 |
| Section 1.13. <i>Excluded Swap Obligations</i> | 67 |
| ARTICLE 2 | |
| THE CREDITS | 68 |
| Section 2.01. <i>Commitments</i> | 68 |
| Section 2.02. <i>Loans</i> | 69 |
| Section 2.03. <i>Borrowing Procedure</i> | 70 |
| Section 2.04. <i>Evidence of Debt; Repayment of Loans</i> | 70 |
| Section 2.05. <i>Fees</i> | 71 |
| Section 2.06. <i>Interest on Loans</i> | 72 |
| Section 2.07. <i>Default Interest</i> | 73 |
| Section 2.08. <i>Alternate Rate of Interest</i> | 73 |
| Section 2.09. <i>Termination and Reduction of Commitments</i> | 74 |
| Section 2.10. <i>Conversion and Continuation of Borrowings</i> | 74 |
| Section 2.11. <i>Repayment of Term Borrowings</i> | 75 |
| Section 2.12. <i>Voluntary Prepayments</i> | 76 |
| Section 2.13. <i>Mandatory Prepayments</i> | 77 |
| Section 2.14. <i>Pro Rata Treatment</i> | 80 |
| Section 2.15. <i>Sharing of Setoffs</i> | 81 |
| Section 2.16. <i>Payments</i> | 82 |
| Section 2.17. <i>Letters of Credit</i> | 82 |
| Section 2.18. <i>Defaulting Lenders</i> | 89 |
| Section 2.19. <i>Incremental Credit Extensions</i> | 91 |
| Section 2.20. <i>Refinancing Amendments</i> | 95 |
| Section 2.21. <i>Extension of Loans</i> | 97 |

| | | |
|--|------------------|-----|
| | ARTICLE 3 | |
| TAXES, INCREASED COSTS PROTECTION AND ILLEGALITY | | 99 |
| Section 3.01. <i>Taxes</i> | | 99 |
| Section 3.02. <i>Illegality</i> | | 104 |
| Section 3.03. <i>[Reserved]</i> | | 104 |
| Section 3.04. <i>Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Loans</i> | | 104 |
| Section 3.05. <i>Funding Losses</i> | | 106 |
| Section 3.06. <i>Matters Applicable to all Requests for Compensation</i> | | 106 |
| Section 3.07. <i>Replacement of Lenders under Certain Circumstances</i> | | 107 |
| Section 3.08. <i>Survival</i> | | 108 |
| | ARTICLE 4 | |
| CONDITIONS PRECEDENT TO CREDIT EXTENSIONS | | 109 |
| Section 4.01. <i>All Credit Extensions After The Closing Date</i> | | 109 |
| Section 4.02. <i>First Credit Extension</i> | | 109 |
| | ARTICLE 5 | |
| REPRESENTATIONS AND WARRANTIES | | 113 |
| Section 5.01. <i>Existence, Qualification and Power; Compliance with Laws</i> | | 114 |
| Section 5.02. <i>Authorization; No Contravention</i> | | 114 |
| Section 5.03. <i>Governmental Authorization; Other Consents</i> | | 114 |
| Section 5.04. <i>Binding Effect</i> | | 115 |
| Section 5.05. <i>Financial Statements; No Material Adverse Effect</i> | | 115 |
| Section 5.06. <i>Litigation</i> | | 116 |
| Section 5.07. <i>Compliance With Laws; No Default</i> | | 116 |
| Section 5.08. <i>Ownership of Property; Liens; Casualty Events</i> | | 116 |
| Section 5.09. <i>Environmental Matters</i> | | 117 |
| Section 5.10. <i>Taxes</i> | | 117 |
| Section 5.11. <i>ERISA Compliance, Etc.</i> | | 118 |
| Section 5.12. <i>Subsidiaries</i> | | 119 |
| Section 5.13. <i>Margin Regulations; Investment Company Act</i> | | 119 |
| Section 5.14. <i>Disclosure</i> | | 119 |
| Section 5.15. <i>Labor Matters</i> | | 119 |
| Section 5.16. <i>Intellectual Property; Licenses, Etc.</i> | | 120 |
| Section 5.17. <i>Solvency</i> | | 120 |
| Section 5.18. <i>Subordination of Junior Financing</i> | | 121 |
| Section 5.19. <i>Collateral Documents</i> | | 121 |
| Section 5.20. <i>Compliance with Anti-Terrorism and Corruption Laws</i> | | 122 |
| Section 5.21. <i>Use of Proceeds</i> | | 123 |
| Section 5.22. <i>Insurance</i> | | 123 |

ARTICLE 6

| | |
|---|-----|
| AFFIRMATIVE COVENANTS | 124 |
| Section 6.01. <i>Financial Statements, Reports, Etc.</i> | 124 |
| Section 6.02. <i>Certificates; Other Information</i> | 126 |
| Section 6.03. <i>Notices</i> | 128 |
| Section 6.04. <i>Payment of Obligations</i> | 128 |
| Section 6.05. <i>Preservation of Existence, Etc.</i> | 128 |
| Section 6.06. <i>Maintenance of Properties</i> | 129 |
| Section 6.07. <i>Maintenance of Insurance</i> | 129 |
| Section 6.08. <i>Compliance with Laws</i> | 130 |
| Section 6.09. <i>Books and Records</i> | 130 |
| Section 6.10. <i>Inspection Rights</i> | 130 |
| Section 6.11. <i>Additional Collateral; Additional Guarantors</i> | 131 |
| Section 6.12. <i>Compliance with Environmental Laws</i> | 133 |
| Section 6.13. <i>Further Assurances and Post-Closing Conditions</i> | 133 |
| Section 6.14. <i>Designation of Subsidiaries</i> | 134 |
| Section 6.15. <i>Maintenance of Ratings</i> | 135 |
| Section 6.16. <i>Use of Proceeds</i> | 135 |
| Section 6.17. <i>Lender Conference Call</i> | 135 |

ARTICLE 7

| | |
|---|-----|
| NEGATIVE COVENANTS | 135 |
| Section 7.01. <i>Liens</i> | 135 |
| Section 7.02. <i>Investments</i> | 140 |
| Section 7.03. <i>Indebtedness</i> | 143 |
| Section 7.04. <i>Fundamental Changes</i> | 149 |
| Section 7.05. <i>Dispositions</i> | 151 |
| Section 7.06. <i>Restricted Payments</i> | 153 |
| Section 7.07. <i>Change in Nature of Business; Organization Documents</i> | 156 |
| Section 7.08. <i>Transactions with Affiliates</i> | 157 |
| Section 7.09. <i>Burdensome Agreements</i> | 158 |
| Section 7.10. <i>[Reserved]</i> | 159 |
| Section 7.11. <i>Maximum Total Leverage Ratio</i> | 159 |
| Section 7.12. <i>Fiscal Year</i> | 160 |
| Section 7.13. <i>Prepayments, Etc. of Indebtedness</i> | 160 |
| Section 7.14. <i>Permitted Activities</i> | 161 |

ARTICLE 8

| | |
|---|-----|
| EVENTS OF DEFAULT AND REMEDIES | 161 |
| Section 8.01. <i>Events of Default</i> | 161 |
| Section 8.02. <i>Remedies Upon Event of Default</i> | 164 |
| Section 8.03. <i>Exclusion of Immaterial Subsidiaries</i> | 164 |
| Section 8.04. <i>Application of Funds</i> | 165 |
| Section 8.05. <i>Holdings' Right to Cure</i> | 165 |

ARTICLE 9

| | |
|--|-----|
| THE ADMINISTRATIVE AGENT AND THE COLLATERAL AGENT | 167 |
| Section 9.01. <i>Appointment</i> | 167 |
| Section 9.02. <i>Agent in Its Individual Capacity</i> | 168 |
| Section 9.03. <i>Exculpatory Provisions</i> | 168 |
| Section 9.04. <i>Reliance by Agent</i> | 169 |
| Section 9.05. <i>Delegation of Duties</i> | 169 |
| Section 9.06. <i>Successor Agent</i> | 170 |
| Section 9.07. <i>Non-Reliance on Agent and Other Lenders</i> | 170 |
| Section 9.08. <i>Name Agent</i> | 170 |
| Section 9.09. <i>Indemnification</i> | 171 |
| Section 9.10. <i>Withholding Taxes</i> | 171 |
| Section 9.11. <i>Lenders' Representations, Warranties and Acknowledgements</i> | 172 |
| Section 9.12. <i>Collateral Documents and Guaranty</i> | 172 |
| Section 9.13. <i>Release of Collateral and Guarantees, Termination of Loan Documents</i> | 173 |

ARTICLE 10

| | |
|---|-----|
| MISCELLANEOUS | 175 |
| Section 10.01. <i>Notices; Electronic Communications</i> | 175 |
| Section 10.02. <i>Survival of Agreement</i> | 179 |
| Section 10.03. <i>Binding Effect</i> | 179 |
| Section 10.04. <i>Successors and Assigns</i> | 179 |
| Section 10.05. <i>Expenses; Indemnity</i> | 187 |
| Section 10.06. <i>Right of Setoff</i> | 189 |
| Section 10.07. <i>Governing Law</i> | 190 |
| Section 10.08. <i>Waivers; Amendment</i> | 190 |
| Section 10.09. <i>Interest Rate Limitation</i> | 193 |
| Section 10.10. <i>Entire Agreement</i> | 194 |
| Section 10.11. <i>WAIVER OF JURY TRIAL</i> | 194 |
| Section 10.12. <i>Severability</i> | 194 |
| Section 10.13. <i>Counterparts</i> | 194 |
| Section 10.14. <i>Headings</i> | 195 |
| Section 10.15. <i>Jurisdiction; Consent to Service of Process</i> | 195 |
| Section 10.16. <i>Confidentiality</i> | 195 |
| Section 10.17. <i>Lender Action</i> | 196 |
| Section 10.18. <i>USA PATRIOT Act Notice</i> | 196 |
| Section 10.19. <i>Collateral And Guaranty Matters</i> | 196 |
| Section 10.20. <i>Secured Hedge Agreements and Secured Cash Management Services Obligations</i> | 197 |
| Section 10.21. <i>Payments Set Aside</i> | 197 |
| Section 10.22. <i>No Advisory or Fiduciary Responsibility</i> | 197 |
| Section 10.23. <i>Intercreditor Agreement</i> | 198 |

ARTICLE 11

| | |
|---|-----|
| GUARANTEE | 199 |
| Section 11.01. <i>The Guarantee</i> | 199 |
| Section 11.02. <i>Obligations Unconditional</i> | 200 |
| Section 11.03. <i>Certain Waivers, Etc.</i> | 200 |
| Section 11.04. <i>Reinstatement</i> | 201 |
| Section 11.05. <i>Subrogation; Subordination</i> | 201 |
| Section 11.06. <i>Remedies</i> | 201 |
| Section 11.07. <i>Instrument for the Payment of Money</i> | 202 |
| Section 11.08. <i>Continuing Guarantee</i> | 202 |
| Section 11.09. <i>General Limitation on Guarantee Obligations</i> | 202 |
| Section 11.10. <i>Release of Guarantors</i> | 202 |
| Section 11.11. <i>Right of Contribution</i> | 203 |
| Section 11.12. <i>Additional Guarantor Waivers and Agreements</i> | 203 |

SCHEDULES

| | |
|---------|--|
| 1.01(a) | Subsidiary Guarantors |
| 1.01(b) | Specified Subsidiaries |
| 2.01 | Lenders and Commitments |
| 2.17 | Existing Letters of Credit |
| 4.02(d) | Local Counsel Opinions |
| 5.05 | Certain Liabilities |
| 5.11 | Plans or Multiemployer Plans |
| 5.12 | Subsidiaries and Other Equity Interests |
| 5.15 | Labor Matters |
| 6.13(a) | Certain Post-Closing Documents |
| 6.13(b) | Intellectual Property Post-Closing Matters |
| 7.01(b) | Existing Liens |
| 7.02(f) | Existing Investments |
| 7.03(b) | Existing Indebtedness |
| 7.05(k) | Dispositions |
| 7.08 | Transactions with Affiliates |
| 7.09 | Certain Contractual Obligations |

EXHIBITS

| | |
|-------------|---|
| Exhibit A | Form of Administrative Questionnaire |
| Exhibit B-1 | Form of Assignment and Acceptance (Standard) |
| Exhibit B-2 | Form of Assignment and Acceptance (Specified Debt Funds/Affiliated Lenders) |
| Exhibit C | Form of Request for Credit Extension |
| Exhibit D | Form of Security Agreement |
| Exhibit E-1 | Form of Global Intercompany Note |
| Exhibit E-2 | Form of Promissory Note |
| Exhibit F | Form of Compliance Certificate |
| Exhibit G-1 | Form of United States Tax Compliance Certificate (For Non-U.S. Lenders that are not Partnerships) |
| Exhibit G-2 | Form of United States Tax Compliance Certificate (For Non-U.S. Lenders that are Partnerships) |
| Exhibit G-3 | Form of United States Tax Compliance Certificate (For Non-U.S. Participants that are not Partnerships) |
| Exhibit G-4 | Form of United States Tax Compliance Certificate (For Non-U.S. Participants that are Partnerships) |
| Exhibit H | Form of Solvency Certificate |
| Exhibit I-1 | Form of Revolving Note |
| Exhibit I-2 | Form of Term Note |
| Exhibit J | Auction Procedures |
| Exhibit K | Form of Letter of Credit Request |
| Exhibit L | Interest Election Request |

FIRST LIEN CREDIT AGREEMENT, dated as of November 3, 2014 (this “**Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party hereto from time to time, the Lenders (such term and each other capitalized term used but not defined in this introductory statement having the meaning given it in Article 1), JEFFERIES FINANCE LLC, as administrative agent (in such capacity, including any successor thereto, the “**Administrative Agent**”) for the Lenders and as collateral agent (in such capacity, including any successor thereto, the “**Collateral Agent**”) for the Secured Parties and JEFFERIES FINANCE LLC, as the Issuing Bank.

Pursuant to the Merger Agreement, the Borrower will acquire (the “**Acquisition**”) all of the equity interests in Symbion Holdings Corporation, a Delaware corporation (the “**Company**”), on the Closing Date through a merger of SCH Acquisition Corp., a Delaware corporation, with and into the Company with the Company being the surviving corporation and a direct wholly owned subsidiary (on the Closing Date) of the Borrower (the “**Merger**”), in consideration of an aggregate purchase price of approximately \$800,000,000 (the “**Merger Consideration**”). The total cash required to finance the Merger Consideration, to refinance or repay, redeem, defease or otherwise discharge the existing third party indebtedness of the Company and its Subsidiaries and of the Borrower and its Subsidiaries, and to pay related fees and expenses and other amounts contemplated under the Merger Agreement will be approximately \$1,300,000,000 (the “**Aggregate Consideration**”).

In order to fund the Aggregate Consideration, (i) the Lenders will extend credit to the Borrower in the form of Term Loans on the Closing Date in an aggregate principal amount of \$870,000,000, the proceeds of which will be used as set forth herein, (ii) the lenders under the Second Lien Credit Agreement will extend credit to the Borrower in the form of second lien term loans on the Closing Date in an aggregate principal amount of \$490,000,000, the proceeds of which shall be used on the Closing Date as set forth therein and (iii) the Lenders will extend credit to the Borrower in the form of a Revolving Facility in an aggregate principal amount of \$80,000,000, the proceeds of which will be used as set forth herein.

The provisions of this Agreement and the other Loan Documents and the Second Lien Credit Agreement and the other Second Lien Loan Documents are (as between the Secured Parties and the “Secured Parties” as defined in the Second Lien Credit Agreement) subject to the provisions of the Intercreditor Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Defined Terms.* As used in this Agreement, the following terms shall have the meanings specified below:

“**ABR**”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“**Acquisition**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Additional Lender**” shall mean, with respect to any Refinancing Amendment or Incremental Amendment, any bank, financial institution or investor not theretofore a Lender that agrees to provide an Other Loan, Other Commitment or Incremental Term Loan pursuant thereto; *provided* that the Administrative Agent and each Issuing Bank shall have consented (such consent not to be unreasonably withheld, conditioned or delayed) to such bank, financial institution or investor to the extent any such consent would be required under Section 10.04(b) for an assignment of Loans to such bank, financial institution or investor.

“**Adjusted LIBO Rate**” shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate *per annum* (rounded upward, if necessary, to the next 1/100th of 1.00%) determined by the Administrative Agent to be equal to (x) the LIBO Rate for such Eurodollar Borrowing in effect for such Interest Period divided by (y) 1 minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such Interest Period; *provided* that, solely with respect to the Term Loans, the Adjusted LIBO Rate shall not be less than 1.00% *per annum*.

“**Administrative Agent**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Administrative Agent Fees**” shall have the meaning assigned to such term in Section 2.05(b).

“**Administrative Questionnaire**” shall mean an Administrative Questionnaire in the form of Exhibit A, or such other form as may be supplied from time to time by the Administrative Agent.

“**Affiliate**” shall mean, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; *provided, however*, that for purposes of this Agreement, Jefferies LLC and its Affiliates shall be deemed to be “Affiliates” of Jefferies Finance LLC. “**Control**” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “**Controlling**” and “**Controlled**” have meanings correlative thereto.

“**Affiliated Lender**” shall mean, at any time, any Lender that is the Sponsor or a Related Party of the Sponsor at such time; *provided* that, notwithstanding the foregoing, “Affiliated Lender” shall not include Holdings, the Borrower, any Subsidiary of Holdings or the Borrower, any Specified Debt Fund or any natural person.

“**Agents**” shall have the meaning assigned to such term in Article 9.

“**Aggregate Consideration**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Agreement**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**AHYDO Catch-Up Payment**” shall mean any payment, including payments made on subordinated debt obligations, in each case to the extent such payment is necessary to avoid the application of Section 163(e)(5) of the Code.

“**Alternate Base Rate**” shall mean, for any day, a rate *per annum* (rounded upward, if necessary, to the next 1/100th of 1.00%) 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 (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.00%; *provided* that, solely with respect to the Term Loans, the Alternate Base Rate shall not be less than 2.00% *per annum*. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate or the Adjusted LIBO Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), as applicable, of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the then applicable or the Adjusted LIBO Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the then applicable Adjusted LIBO Rate, as the case may be.

“**Applicable ECF Percentage**” shall mean, for any Excess Cash Flow Period, (a) 50% if the First Lien Leverage Ratio as of the last day of such Excess Cash Flow Period is greater than 3.50 to 1.00, (b) 25% if the First Lien Leverage Ratio as of the last day of such Excess Cash Flow Period is less than or equal to 3.50 to 1.00 but is greater than 3.00 to 1.00, and (c) 0% if the First Lien Leverage Ratio as of the last day of such Excess Cash Flow Period is less than or equal to 3.00 to 1.00.

“**Applicable Margin**” shall mean, for any day (a) with respect to Term Loans, (i) with respect to any Eurodollar Term Loan, 4.25% *per annum* and (ii) with respect to any ABR Term Loan, 3.25% *per annum* and (b) with respect to Revolving Loans, (i) with respect to any Eurodollar Revolving Loan, 4.25% *per annum* and (ii) with respect to any ABR Revolving Loan, 3.25% *per annum*.

“**Approved Acquisitions**” shall have the meaning assigned to such term in Section 5.21.

“**Approved Electronic Communications**” shall mean any notice, demand, communication, information, document or other material that any Loan Party provides to the Administrative Agent pursuant to any Loan Document or the transactions contemplated therein which is distributed to the Agents or the Lenders by means of electronic communications pursuant to Section 10.01.

“**Assignment and Acceptance**” shall mean an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in the form of Exhibit B-1 or Exhibit B-2, as applicable, or such other form as shall be approved by the Administrative Agent.

“**Attorney Costs**” shall mean and shall include all reasonable fees, expenses and disbursements of any law firm or other external legal counsel.

“**Attributable Indebtedness**” shall mean, on any date, in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP.

“**Auction Manager**” shall mean Jefferies Finance LLC (or, if Jefferies Finance LLC declines to act as Auction Manager, an investment bank of recognized standing selected by the Borrower), which shall be engaged to act in such capacity on terms and conditions reasonably satisfactory to Jefferies Finance LLC (or such other investment bank).

“**Auction Procedures**” shall mean the auction procedures with respect to non-pro rata assignments of Term Loans pursuant to Sections 10.04(k) and 10.04(m) set forth in Exhibit J hereto.

“**Audited Financial Statements**” shall mean each of the (i) audited consolidated balance sheets of the Borrower and its consolidated subsidiaries for the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Borrower and its consolidated subsidiaries and (ii) audited consolidated balance sheets of Symbion, Inc. and its consolidated subsidiaries for the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Symbion, Inc. and its consolidated subsidiaries.

“**Bankruptcy Proceedings**” shall have the meaning assigned to such term in Section 10.08(d).

“**Blocked Person**” shall mean any Person that is publicly identified on the most current list of “Specially Designated Nationals and Blocked Persons” published by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“**OFAC**”).

“**Board**” shall mean the Board of Governors of the Federal Reserve System of the United States of America.

“**Borrower Materials**” shall have the meaning assigned to such term in Section 10.01.

“**Borrowing**” shall mean Loans of the same Class and Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“**Business Day**” shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law or other governmental action to close; *provided, however*, that when used in connection with a Eurodollar Loan, the term “**Business Day**” shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

“**Capital Expenditures**” shall mean, for any period, all amounts that would be reflected as additions to property, plant or equipment on a consolidated statement of cash flows of the Restricted Group in accordance with GAAP (including amounts expended or capitalized under Capitalized Leases).

“**Capitalized Leases**” shall mean all leases that have been or are required to be, in accordance with GAAP, recorded as capitalized leases; *provided* that, for all purposes hereunder the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability in accordance with GAAP.

“**Cash Collateral Account**” shall mean a blocked account at a commercial bank reasonably satisfactory to the Administrative Agent, in the name of the Administrative Agent and under the sole dominion and control of the Administrative Agent, and otherwise established in a manner satisfactory to the Administrative Agent.

“**Cash Collateralized**” shall mean, with respect to any Letter of Credit, as of any date, that the Borrower shall have deposited with the Collateral Agent for the benefit of the Revolving Lenders, an amount in cash equal to 103% of the LC Exposure as of such date plus any accrued and unpaid interest thereon. “**Cash Collateralize**” shall have the correlative meaning.

“**Cash Equivalents**” shall mean any of the following types of Investments, to the extent owned by Holdings, the Borrower or any Restricted Subsidiary:

(a) Dollars;

(b) in the case of any Foreign Subsidiary, such local currencies held by them from time to time in the ordinary course of business and not for speculation;

(c) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(d) investments in commercial paper maturing within 270 days from the date of issuance thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody’s;

(e) investments in demand deposits, time deposits, eurodollar time deposits, certificates of deposit, banker’s acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000 and that issues (or the parent of which issues) commercial paper rated at least “Prime 1” (or the then equivalent grade) by Moody’s or “A 1” (or the then equivalent grade) by S&P, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally;

(f) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody's;

(g) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (e) of this definition;

(h) repurchase agreements with a term of not more than 30 days for securities described in clause (c) above and entered into with a financial institution satisfying the criteria of clause (e) above;

(i) investments in "money market funds" within the meaning of Rule 2a-7 of the Investment Company Act of 1940, as amended, substantially all of whose assets are invested in investments of the type described in clauses (a) through (g) above;

(j) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended from time to time, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000; and

(k) other short-term investments utilized by Foreign Subsidiaries in accordance with normal investment practices for cash management in investments of a type analogous to the foregoing.

"Cash Management Services" shall mean treasury, depositary or cash management services or any similar transactions, including overdraft, credit card processing, credit or debit cards, purchase cards, electronic funds transfers and other cash management services.

"Cash Management Services Bank" shall mean any Person that (a) is a Lead Arranger or an Agent at any time or an Affiliate of any of the foregoing that enters into or becomes party to an agreement in respect of any Cash Management Services in its capacity as a party thereto or (b) is a Lender or an Affiliate of a Lender at the time it enters into an agreement in respect of any Cash Management Services or at the time it becomes party to an agreement in respect of any Cash Management Services in its capacity as a party thereto; *provided* that, in the case of an Affiliate of any of the foregoing such Affiliate executes and delivers to the Administrative Agent a letter agreement in the form of Exhibit VI to the Security Agreement.

"Casualty Event" shall mean any event that gives rise to the receipt by any member of the Restricted Group of any insurance proceeds or condemnation awards in respect of any equipment, fixed assets or Real Property (including any improvements thereon) to replace or repair such equipment, fixed assets or Real Property or as compensation for such condemnation event.

“Change of Control” shall be deemed to occur if:

(a) (i) at any time prior to a Qualified IPO, Permitted Holders (taken collectively) shall fail to own beneficially (within the meaning of Rule 13d-5 of the Exchange Act as in effect on the Closing Date), directly or indirectly, in the aggregate Equity Interests representing at least a majority of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings;

(ii) at any time upon or after a Qualified IPO, (x) any Person (other than a Permitted Holder) or (y) any Persons (other than one or more Permitted Holders) constituting a “group” (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Closing Date) shall have, directly or indirectly, acquired beneficial ownership of Equity Interests representing 40% or more of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings and the Permitted Holders shall own, directly or indirectly, less than such Person or “group” of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings;

unless, in the case of either clause (a)(i) or (a)(ii) above, the Permitted Holders have, at such time, the right or the ability by voting power, contract or otherwise to elect or designate for election at least a majority of the board of directors of Holdings;

(b) a “change of control” (or similar event) shall occur in respect of any Credit Agreement Refinancing Indebtedness, any Refinancing Facilities, any Incremental Equivalent Debt, any Second Lien Indebtedness, any Junior Financing or any Permitted Refinancing of any of the foregoing, in each case having an aggregate principal amount in excess of the Threshold Amount; or

(c) Holdings shall cease to own, directly, 100% of the Equity Interests of the Borrower.

“Charges” shall have the meaning assigned to such term in Section 10.09.

“Claim” shall have the meaning assigned to such term in Section 10.08(d).

“Class” when used in reference to (a) any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Initial Term Loans, Incremental Term Loans, Other Term Loans, Extended Term Loans, Revolving Loans, Other Revolving Loans or Extended Revolving Loans, (b) any Commitment, refers to whether such Commitment is a Term Loan Commitment, Other Term Loan Commitment (and, in the case of an Other Term Loan Commitment, the Class of Term Loans to which such commitment relates), a commitment in respect of Incremental Term Loans or a Term Loan Extension Offer, a Revolving Commitment, an Incremental Revolving Commitment, an Other Revolving Commitment or an Extended Revolving Commitment and (c) any Lender, refers to whether such Lender has a Loan or Commitment with respect to a particular Class of Loans or Commitments. Other Term Loan Commitments, Other Term Loans, Incremental Term Loans, Extended Term Loans, Other Revolving Commitments, Other Revolving Loans and Extended Revolving Commitments and Extended Revolving Loans that have different terms and conditions, and each tranche of Extended Term Loans, shall be construed to be in different Classes.

“**Closing Date**” shall mean November 3, 2014.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“**Collateral**” shall mean all of the “**Collateral**” as defined in any Collateral Document and shall also include the Mortgaged Properties.

“**Collateral Agent**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Collateral and Guarantee Requirement**” shall mean, at any time, the requirement that:

(a) the Administrative Agent and the Collateral Agent shall have received each Collateral Document to the extent required to be delivered on the Closing Date (pursuant to Section 4.02(f)) or from time to time (pursuant to Section 6.11 or 6.13), subject in each case to the limitations and exceptions of this Agreement, duly executed by each Loan Party party thereto;

(b) all Obligations shall have been unconditionally guaranteed by each of the Guarantors;

(c) in each case subject to the limitations and exceptions set forth in this Agreement and the Collateral Documents, the Obligations and the Guaranty shall have been secured by:

(i) a perfected first-priority security interest (subject to Liens permitted by Section 7.01) in substantially all tangible and intangible assets of the Borrower and each Guarantor, consisting of all accounts receivable arising from the sale of inventory (and other goods and services), inventory, equipment, general intangibles, investment property, contracts, intellectual property, cash, deposit accounts, securities accounts, commercial tort claims, letter of credit rights, intercompany notes and supporting obligations, and books and records related to the foregoing and, in each case, proceeds thereof;

(ii) a perfected first-priority pledge (subject to Liens permitted by Section 7.01) of all Equity Interests of the Borrower and a perfected first-priority pledge (subject to Liens permitted by Section 7.01) of all Equity Interests directly held by the Borrower or any Subsidiary Guarantor in any Restricted Subsidiary (which pledge, in the case of Equity Interests of any Foreign Subsidiary or of a Domestic Subsidiary that is a disregarded entity for U.S. Federal income Tax purposes if substantially all of its assets consist of the Equity Interests or Indebtedness of one or more Foreign Subsidiaries, shall be limited to 65% of the Equity Interests of such Foreign Subsidiary or Domestic Subsidiary, as the case may be, in existence on the Closing Date (or, in the case of a Domestic Subsidiary that is formed or acquired after the Closing Date, the date of the formation or acquisition of such Domestic Subsidiary; *provided* that, after the Closing Date, no Foreign Subsidiary or Domestic Subsidiary that is a disregarded entity for U.S. Federal income Tax purposes and substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries shall issue any non-voting Equity Interests)) other than any Restricted Subsidiary that conducts no business and has assets with a fair market value of less than \$2,000,000; and

(iii) perfected first-priority security interests (subject to Liens permitted by Section 7.01) in, and Mortgages on, each Material Real Property (each, a “**Mortgaged Property**”) (*provided* that Mortgages on any Mortgaged Property may be delivered within 90 days after the Closing Date (subject to extensions by the Collateral Agent in its reasonable discretion) in accordance with Section 4.02(f)) and substantially all equipment of the Borrower and each Guarantor;

(d) subject to the limitations and exceptions set forth in this Agreement (for the avoidance of doubt, including the limitations and exceptions set forth in the proviso to Section 4.02(f)) and the Collateral Documents, to the extent a security interest in and mortgage lien on any Mortgaged Property is required under Section 4.02, 6.11 or 6.13, the Collateral Agent shall have received (i) counterparts of a Mortgage with respect to such Mortgaged Property duly executed and delivered by the record owner of such Mortgaged Property in form suitable for filing or recording in all filing or recording offices that the Collateral Agent may reasonably deem necessary or desirable in order to create a valid and subsisting perfected Lien on the Mortgaged Property and/or rights described therein in favor of the Collateral Agent for the benefit of the Secured Parties, and evidence that all filing and recording taxes and fees have been paid or otherwise provided for in a manner reasonably satisfactory to the Collateral Agent (it being understood that if a mortgage tax will be owed on the entire amount of the indebtedness evidenced hereby, then the amount secured by the Mortgage shall be limited to 100% of the fair market value of the property at the time the Mortgage is entered into if such limitation results in such mortgage tax being calculated based upon such fair market value), (ii) fully paid policies of title insurance (or marked-up title insurance commitments having the effect of policies of title insurance) on such Mortgaged Property (the "**Mortgage Policies**") issued by a nationally recognized title insurance company reasonably acceptable to the Collateral Agent in form and substance and in an amount reasonably acceptable to the Collateral Agent (not to exceed 100% of the fair market value of the Real Property (or interest therein, as applicable) covered thereby), insuring the Mortgages to be valid, subsisting first-priority Liens on the property described therein, free and clear of all Liens other than Liens permitted pursuant to Section 7.01, each of which shall (A) to the extent reasonably necessary, include such reinsurance arrangements (with provisions for direct access, if reasonably necessary) as shall be reasonably acceptable to the Collateral Agent, (B) contain a "tie-in" or "cluster" endorsement, if available under applicable law (i.e., policies which insure against losses regardless of location or allocated value of the insured property up to a stated maximum coverage amount), (C) have been supplemented by such endorsements (or where such endorsements are not available, opinions of special counsel, architects or other professionals reasonably acceptable to the Collateral Agent) as shall be reasonably requested by the Collateral Agent (including endorsements on matters relating to usury, first loss, last dollar, zoning, contiguity, revolving credit (if available after the applicable Loan Party uses commercially reasonable efforts), doing business, non-imputation, public road access, variable rate, environmental lien, subdivision, mortgage recording tax, separate tax lot and so-called comprehensive coverage over covenants and restrictions), (iii) either (1) an American Land Title Association/American Congress of Surveying and Mapping (ALTA/ACSM) form of survey for which all charges have been paid, dated a date, containing a certification and otherwise being in form and substance reasonably satisfactory to the Collateral Agent or (2) such

documentation as is sufficient to omit the standard survey exception to coverage under the Mortgage Policy with respect to such Mortgaged Property and affirmative endorsements reasonably requested by the Collateral Agent, including “same as” survey and comprehensive endorsements, (iv) legal opinions, addressed to the Collateral Agent and the Secured Parties, reasonably acceptable to the Collateral Agent as to such matters as the Collateral Agent may reasonably request, and (v) in order to comply with the Flood Laws, the following documents: (A) a completed standard “life of loan” flood hazard determination form (a “**Flood Determination Form**”) with respect to each Mortgaged Property (together with a notice about special flood hazard area status and flood disaster assistance duly executed by the Borrower and each Loan Party relating thereto); (B) if any of the material improvement(s) to the improved Material Real Property is located in a special flood hazard area, a notification thereof to the Borrower (“**Borrower Notice**”) and, if applicable, notification to the Borrower that flood insurance coverage under the National Flood Insurance Program (“**NFIP**”) is not available because the community in which the property is located does not participate in the NFIP; (C) documentation evidencing the Borrower’s receipt of the Borrower Notice (e.g., a countersigned Borrower Notice or return receipt of certified U.S. Mail or overnight delivery); and (D) if the Borrower Notice is required to be given and flood insurance is available in the community in which such Mortgaged Property is located, a copy of one of the following: the flood insurance policy, the Borrower’s application for a flood insurance policy plus proof of premium payment, a declaration page confirming that flood insurance has been issued or such other evidence of flood insurance reasonably satisfactory to the Collateral Agent (any of the foregoing being “Evidence of Flood Insurance”); and

(e) after the Closing Date, each Restricted Subsidiary of the Borrower that is not an Excluded Subsidiary shall become a Guarantor and signatory to this Agreement pursuant to a joinder agreement in accordance with Section 6.11 or 6.13; provided that, notwithstanding the foregoing provisions, any Subsidiary of the Borrower that Guarantees any Junior Financing, Credit Agreement Refinancing Indebtedness, Refinancing Facilities, Incremental Equivalent Debt or Second Lien Indebtedness, or any Permitted Refinancing of any of the foregoing, shall be a Guarantor hereunder for so long as it Guarantees such other Indebtedness (or is a borrower with respect thereto).

Notwithstanding the foregoing provisions of this definition or anything in this Agreement or any other Loan Document to the contrary:

(A) the foregoing definition shall not require, unless otherwise stated in this clause (A), the creation or perfection of pledges of, security interests in, Mortgages on, the obtaining of title insurance with respect to or the taking of any other actions with respect to: (i) any fee owned Real Property that is not Material Real Property or any leasehold property (it being understood there shall be no requirement to obtain any landlord waivers, estoppels or collateral access letters), (ii) motor vehicles, airplanes and other assets subject to certificates of title, (iii) letter of credit rights (other than to the extent consisting of supporting obligations that can be perfected solely by the filing of a UCC financing statement) and commercial tort claims where the amount of damages claimed by the applicable Loan Party is less than \$5,000,000, (iv) any governmental licenses or state or local franchises, charters and authorizations, to the extent security interests in such licenses, franchises, charters or authorizations are prohibited or restricted thereby (except to the extent such prohibition or restriction is rendered ineffective under the UCC), (v) Collateral in

which pledges or security interests are prohibited or restricted by applicable law or that would require, to the extent commercially reasonable efforts have been made to acquire the same, the consent of any Governmental Authority or third party to such pledge or security interest, unless such consent has been obtained and so long as, in the case where such pledge or security interest is limited by contract, such limitation is otherwise permitted hereunder and under the other Loan Documents, (vi) Margin Stock and Equity Interests in joint ventures (with any party other than the Borrower or any Guarantor or Subsidiary) and other non-wholly-owned Subsidiaries of the Borrower (but only to the extent that the organizational documents of such Subsidiaries or agreements with other equity holders restrict the pledge thereof under restrictions that are enforceable under the UCC), (vii) any lease, license or agreement or any property subject to a purchase money security interest or similar arrangement to the extent a grant of a security interest therein would violate or invalidate such lease, license or agreement or purchase money security interest or similar arrangement or create a right of termination in favor of any other party thereto (other than the Borrower or any Guarantor) after giving effect to the applicable anti-assignment provisions of the UCC or other applicable law, other than proceeds and receivables thereof, the assignment of which is deemed effective under the UCC or other applicable law, notwithstanding such prohibition, (viii) any assets to the extent a security interest in such assets would result in material adverse Tax consequences as reasonably determined by the Borrower, in consultation with the Administrative Agent, (ix) any intent-to-use trademark application prior to the filing of a "Statement of Use" or "Amendment to Allege Use" with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application or any registration that issues from such intent-to-use trademark application under applicable Federal law and (x) assets in circumstances where the cost of obtaining a security interest in such assets exceeds the practical benefit to the Lenders afforded thereby as reasonably determined between the Borrower and the Administrative Agent;

(B) (i) the foregoing definition shall not require control agreements or, except with respect to Equity Interests or Indebtedness represented or evidenced by certificates or instruments, perfection by "control" with respect to any Collateral (including deposit accounts, securities accounts, etc.); (ii) perfection by possession or control shall not be required with respect to any notes or other evidence of Indebtedness in an aggregate principal amount not to exceed \$5,000,000; (iii) no actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction shall be required in order to create any security interests in assets located or titled outside of the United States or to perfect such security interests (it being understood that there shall be no security agreements or pledge agreements governed under the laws of any non-U.S. jurisdiction); and (iii) except to the extent that perfection and priority may be achieved (x) by the filing of a financing statement under the Uniform Commercial Code with respect to the Borrower or a Guarantor, (y) with respect to Real Property and the recordation of Mortgages in respect thereof, as contemplated by clauses (b)(iii) and (c) above or (z) with respect to Equity Interests or Indebtedness, by the delivery of certificates or instruments representing or evidencing such Equity Interests or Indebtedness along with appropriate undated instruments of transfer executed in blank, the Loan Documents shall not contain any requirements as to perfection or priority with respect to any assets or property described in clause (A) above and this clause (B);

(C) the Collateral Agent in its discretion may grant extensions of time for the creation or perfection of security interests in, and Mortgages on, or obtaining of title insurance or taking of other actions with respect to, particular assets (including extensions beyond the Closing Date) or any other compliance with the requirements of this definition where it reasonably determines, in consultation with the Borrower, that such creation or perfection of security interests or Mortgages, or such obtaining of title insurance or taking of other actions, or any other compliance with the requirements of this definition cannot be accomplished without undue delay, burden or expense by the time or times at which such act would otherwise be required by this Agreement or any Collateral Documents and sets forth such determination in writing; *provided* that the Collateral Agent shall have received on or prior to the Closing Date, (i) UCC financing statements in appropriate form for filing under the UCC in the jurisdiction of incorporation or organization of each Loan Party and (ii) any certificates or instruments representing or evidencing Equity Interests of the Borrower and each wholly-owned Domestic Subsidiary of the Borrower or any Subsidiary Guarantor that is not excluded from the Collateral, in each case accompanied by undated instruments of transfer and stock powers endorsed in blank; and

(D) Liens required to be granted from time to time pursuant to the Collateral and Guarantee Requirement shall be subject to the exceptions and limitations set forth in this Agreement and the Collateral Documents.

“**Collateral Documents**” shall mean, collectively, the Security Agreement, each of the Mortgages, collateral assignments, security agreements, pledge agreements, intellectual property security agreements or other similar agreements delivered to the Administrative Agent or the Collateral Agent pursuant to Section 4.02, Section 6.11 or Section 6.13, each of the other agreements, instruments or documents that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Parties, the Intercreditor Agreement, the First Lien Intercreditor Agreement (if any), the Second Lien Intercreditor Agreement (if any) and any other applicable subordination or intercreditor agreement.

“**Commitment**” shall mean, with respect to any Lender, such Lender’s Term Loan Commitment (including pursuant to any Incremental Amendment, Extension Amendment or Refinancing Amendment) or Revolving Commitment (including pursuant to any Extension Amendment or Refinancing Amendment).

“**Commitment Fee**” shall have the meaning assigned to such term in Section 2.05(a).

“**Commitment Letter**” shall mean the Amended and Restated Commitment Letter, dated June 28, 2014, between the Borrower, Jefferies Finance LLC, KKR Corporate Lending LLC, MCS Corporate Lending LLC, KKR Capital Markets LLC and MCS Capital Markets LLC.

“**Communications**” shall have the meaning assigned to such term in Section 10.01(c).

“**Company**” shall mean Symbion Holdings Corporation, a Delaware corporation.

“**Company Material Adverse Effect**” shall have the meaning assigned to such term in Section 4.02(m).

“**Compliance Certificate**” shall mean a certificate substantially in the form of Exhibit F.

“**Consolidated EBITDA**” shall mean, for any period, the Consolidated Net Income for such period, plus:

(a) without duplication and, except with respect to clauses (viii), (x), (xiv), (xv) and (xvi) below, to the extent deducted (and not added back or excluded) in arriving at such Consolidated Net Income, the sum of the following amounts for such period with respect to the Restricted Group:

(i) total interest expense determined in accordance with GAAP and, to the extent not reflected in such total interest expense, any expenses or losses on hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such hedging obligations or other derivative obligations, letter of credit fees, costs of surety bonds in connection with financing activities and any bank fees and financing fees (including commitment, underwriting, funding, “rollover” and similar fees and commissions, discounts, yields and other fees, charges and amounts incurred in connection with the issuance, incurrence or extinguishment of Indebtedness and all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing and net costs under Swap Contracts entered into for the purpose of hedging interest rate risk) and annual agency, unused line, facility or similar fees paid under definitive documentation related to Indebtedness (whether amortized or immediately expensed),

(ii) provision for taxes based on income, profits or capital gains of the Restricted Group, including, without limitation, federal, state, local, franchise and similar taxes and foreign withholding taxes paid or accrued during such period including penalties and interest related to such taxes or arising from any tax examinations (but, for clarity, including taxes in respect of cancellation of debt income in respect of Indebtedness extinguished prior to the Closing Date for which a valid election was made to defer the realization, to the extent such taxes reduced Consolidated Net Income for such period),

(iii) depreciation and amortization,

(iv) (A) duplicative running costs, severance, relocation costs or expenses, integration costs, transition costs, pre-opening, opening, consolidation and closing costs for facilities, signing, retention and completion bonuses, costs incurred in connection with any strategic initiatives, costs incurred in connection with Permitted Acquisitions and non-recurring product and intellectual property development after the Closing Date, other business optimization expenses (including costs and expenses relating to business optimization programs), and new systems design and implementation costs, project startup costs and restructuring charges or reserves (including restructuring costs related to acquisitions after the Closing Date and to closure/consolidation of facilities, retention charges, systems establishment costs and excess pension charges) and litigation settlements or losses and related expenses; (B) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses, compensation or otherwise) and adjustments thereof and purchase price adjustments, in each case in connection with acquisitions; and (C) Transaction Expenses,

(v) [reserved],

(vi) the amount of management, monitoring, consulting and advisory fees (including transaction and termination fees) and related indemnities and expenses paid or accrued (without duplication among periods) to the Sponsor under the Sponsor Management Agreement,

(vii) any costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Borrower or net cash proceeds of an issuance of Equity Interests of the Borrower (other than Disqualified Equity Interests), which cash proceeds are in each case Not Otherwise Applied,

(viii) (A) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to the Transactions projected by the Borrower in good faith to be realized as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after the Closing Date (calculated on a Pro Forma Basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined (the “**EBITDA Determination Period**”), and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith judgment of the Borrower, (B) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to mergers and other business combinations, acquisitions, divestitures, restructurings, insourcing initiatives, cost savings initiatives and other similar initiatives consummated after the Closing Date projected by the Borrower in good faith as a result of actions either taken or are expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after a merger or other business combination, acquisition, divestiture, restructuring, cost savings initiative or other initiative (calculated on a Pro Forma Basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the EBITDA Determination Period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith determination of the Borrower, and (C) the amount of run rate impact on Consolidated EBITDA occurring as a result of business initiatives consummated, continued or expanded after the Closing Date not contemplated by subclauses (A) and (B) of this clause (viii) projected by the Borrower in good faith as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are

expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months of the applicable business initiative, provided, that such impact on Consolidated EBITDA is reasonably identifiable and factually supportable, in the good faith determination of the Borrower; *provided* that (x) no cost savings, operating expense reductions and synergies shall be added pursuant to this clause (viii) to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for the EBITDA Determination Period and (y) the aggregate amount of cost savings, operating expense reductions, synergies and other run rate impact added pursuant to this clause (viii) shall not, taken together with those added pursuant to Section 1.09(c), exceed 35% of Consolidated EBITDA (calculated prior to giving effect to any addback pursuant to this clause (viii) or Section 1.09(c)) for any period of four-consecutive fiscal quarters,

(ix) any net loss from disposed, abandoned or discontinued operations,

(x) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to paragraph (b) below for any previous period and not added back, (xi) non-cash expenses, charges and losses (including reserves, impairment charges or asset write-offs, write-offs of deferred financing fees, losses from investments recorded using the equity method and stock-based awards compensation expense), in each case other than (A) any non-cash charge representing amortization of a prepaid cash item that was paid and not expensed in a prior period and (B) any non-cash charge relating to write-offs, write-downs or reserves with respect to accounts receivable in the normal course or inventory; *provided* that, if any of the non-cash charges referred to in this clause (xi) represents an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to add back such non-cash charge in the current period and (2) to the extent the Borrower does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA in such future period to the extent paid,

(xii) [Reserved],

(xiii) [Reserved],

(xiv) the net income of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof (i.e., the minority interest of the Borrower or any Subsidiary Guarantor in the entities generating such net income), (xv) with respect to any Restricted Subsidiary that is not wholly owned by the Borrower or any Subsidiary Guarantor that has any outstanding Pledged Notes(s) issued to the Borrower or any Subsidiary Guarantor, the least of (i) the minority interest of such Restricted Subsidiary as of the last day of such period, (ii) the outstanding amount of all

Pledged Notes issued by such Restricted Subsidiary to the Borrower or any Subsidiary Guarantor as of the last day of such period and (iii) the amount of the Consolidated EBITDA of such Restricted Subsidiary for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP, and

(xvi) with respect to any Person in which the Borrower or a Subsidiary Guarantor holds an equity interest, but which is not a Subsidiary of the Borrower, that has any outstanding Pledged Note(s) issued to the Borrower or any Subsidiary Guarantor, the lesser of (i) the outstanding amount of all Pledged Notes issued by such Person to the Borrower or a Subsidiary Guarantor as of the last day of such period and (ii) the amount of the Consolidated EBITDA of such Person for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP,

less (b) without duplication and to the extent included in arriving at such Consolidated Net Income, (i) non-cash gains (excluding any non-cash gain to the extent it represents the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period) and all other non-cash items of income for such period, (ii) any net gain from disposed, abandoned or discontinued operations, (iii) all gains and income from investments recorded using the equity method and (iv) the net loss of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof; *provided* that, for the avoidance of doubt, any gain representing the reversal of any non-cash charge referred to in clause (a)(xi)(B) above for a prior period shall be added (together with, without duplication, any amounts received in respect thereof to the extent not increasing Consolidated Net Income) to Consolidated EBITDA in any subsequent period to such extent so reversed (or received);

provided that:

(A) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA (x) currency translation gains and losses related to currency remeasurements of Indebtedness (including the net loss or gain (i) resulting from Swap Contracts for currency exchange risk and (ii) resulting from intercompany indebtedness) and (y) all other foreign currency translation gains or losses to the extent such gain or losses are non-cash items,

(B) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any adjustments resulting from the application of FASB Accounting Standards Codification 815 and International Accounting Standard No. 39 and their respective related pronouncements and interpretations, and

(C) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any income (loss) for such period attributable to the early extinguishment of (i) Indebtedness, (ii) obligations under any Swap Contracts or (iii) other derivative instruments.

Notwithstanding anything to the contrary contained herein, for purposes of determining Consolidated EBITDA under this Agreement for any period that includes any of the fiscal quarters ended September 30, 2013, December 31, 2013, March 31, 2014, or June 30, 2014 Consolidated EBITDA for such fiscal quarters shall be \$46,437,000, \$54,596,000, \$44,691,000, and \$48,557,000, respectively, in each case, as may be subject to addbacks and adjustments (without duplication) pursuant to Section 1.09.

“**Consolidated Net Income**” shall mean, for any period, the net income (loss) of the Restricted Group for such period determined on a consolidated basis in accordance with GAAP; *provided, however*, that, without duplication,

(a) (i) any after-tax effect of extraordinary, non-recurring or unusual items (including gains or losses and all fees and expenses relating thereto) for such period shall be excluded and (ii) income in respect of cancellation of Indebtedness extinguished prior to the Closing Date shall be excluded,

(b) the cumulative effect of a change in accounting principles during such period to the extent included in Consolidated Net Income shall be excluded,

(c) any fees and expenses incurred during such period (including any premiums, make-whole or penalty payments), or any amortization thereof for such period, in connection with any acquisition, investment, asset disposition, issuance or repayment of debt, issuance of equity securities and including any Qualified IPO, refinancing transaction or amendment or other modification of any debt instrument (in each case, including any such transaction consummated on or prior to the Closing Date (including, for the avoidance of doubt, any payments to option holders in connection with prior dividends to the extent such payments reduced Consolidated Net Income) and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful (including, for the avoidance of doubt the effects of expensing all transaction related expenses in accordance with FASB Accounting Standards Codification 805 and gains or losses associated with FASB Accounting Standards Codification 460) shall be excluded,

(d) accruals and reserves that are established or adjusted within 12 months after the Closing Date that are so required to be established or adjusted as a result of the Transactions (or within 12 months after the closing of any Permitted Acquisition that are so required to be established or adjusted as a result of such Permitted Acquisition) in accordance with GAAP or changes as a result of adoption or modification of accounting policies in accordance with GAAP shall be excluded,

(e) any net after-tax gains or losses on disposed, abandoned or discontinued operations shall be excluded,

(f) any net after-tax effect of gains or losses (less all fees, expenses and charges) attributable to asset dispositions or the sale or other disposition of any Equity Interests of any Person in each case other than in the ordinary course of business, as determined in good faith by the Borrower, shall be excluded,

(g) the net income (loss) for such period of any Person that is not a Subsidiary of the Borrower, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be excluded; *provided* that, unless already included, Consolidated Net Income of the Borrower shall be increased by the amount of dividends or distributions that are actually paid in cash or Cash Equivalents (or to the extent subsequently converted into cash or Cash Equivalents) by such Person to the Borrower or a Restricted Subsidiary thereof in respect of such period,

(h) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities or as a result of a change in law or regulation, in each case, pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP shall be excluded; *provided* that (x) any non-cash charge of the type referred to in clause (a)(xi)(B) of the definition of "Consolidated EBITDA" shall not be excluded and (y) if any non-cash charges referred to in this clause (h) represent an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to exclude such non-cash charge in the current period and (2) to the extent the Borrower does decide to exclude such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated Net Income in such future period to the extent paid,

(i) any equity based or non-cash (for such period and all other periods) compensation charge or expense, including any such charge or expense arising from the grants of stock appreciation rights, equity incentive programs or similar rights, stock options, restricted stock or other rights or equity incentive programs shall be excluded, and any cash charges associated with the rollover, acceleration or payout of Equity Interests by management of the Borrower or any of its Restricted Subsidiaries in connection with the Transactions, shall be excluded,

(j) any expenses, charges or losses that are covered by indemnification or other reimbursement provisions in connection with any Investment, Permitted Acquisition or any sale, conveyance, transfer or other disposition of assets permitted under this Agreement, to the extent actually reimbursed, or, so long as the Borrower has made a determination that a reasonable basis exists for indemnification or reimbursement and only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days), shall be excluded,

(k) to the extent covered by insurance and actually reimbursed, or, so long as the Borrower has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is in fact reimbursed within 365 days of the date of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so reimbursed within such 365 days), expenses, charges or losses with respect to liability or casualty events or business interruption shall be excluded,

(l) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of the Borrower's Restricted Subsidiaries or that Person's assets are acquired by the

Borrower or any of the Borrower's Restricted Subsidiaries shall be excluded (except to the extent required for any calculation of Consolidated EBITDA on a Pro Forma Basis in accordance with Section 1.09), and

(m) solely for the purpose of determining the Cumulative Credit pursuant to clause (b) of the definition thereof, the income of any Restricted Subsidiary of the Borrower that is not a Guarantor to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted without government approval or by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its equity holders (which has not been waived) shall be excluded, except (solely to the extent permitted to be paid) to the extent of the amount of dividends or other distributions actually paid in cash to the Borrower or any of its Restricted Subsidiaries that are Guarantors by such Person during such period in accordance with such documents and regulations.

There shall be excluded from (or, in the case of lost revenue, included in) Consolidated Net Income for any period the effects of fair value adjustments (including the effects of such adjustments pushed down to the Borrower and its Restricted Subsidiaries) in the inventory, property and equipment, goodwill, intangible assets, deferred revenue and debt line items in such Person's consolidated financial statements pursuant to GAAP resulting solely from the application of recapitalization accounting or purchase accounting in relation to the Transactions or any consummated acquisition permitted hereunder (and the amortization or write-off of any amounts thereof (or the loss of revenue otherwise recognizable), in each case net of taxes, shall be excluded from (or, in the case of lost revenue, included in) the determination of Consolidated Net Income).

"Consolidated Total Net Debt" shall mean, as of any date of determination, the aggregate principal amount of Indebtedness of the Restricted Group outstanding on such date, in an amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis for the Restricted Group in accordance with GAAP (but excluding the effects of any discounting of Indebtedness as provided in Section 1.10), consisting of Indebtedness for borrowed money, Attributable Indebtedness or purchase money Indebtedness, unreimbursed drawings in respect of letters of credit and, without duplication, all Guarantees of any Indebtedness of such type that is owed to a Person that is not the Borrower or a Restricted Subsidiary, minus the aggregate amount of cash and Cash Equivalents (other than Restricted Cash) as of such date held by the Borrower and its Domestic Subsidiaries that are also Restricted Subsidiaries, in each case held free and clear of all Liens, other than nonconsensual Liens permitted by Section 7.01 and Liens permitted by Section 7.01(a), Section 7.01(k), Section 7.01(p), Section 7.01(q), clauses (i) and (ii) of Section 7.01(r), Section 7.01(cc), Section 7.01(dd) and Section 7.01(ii); *provided* that Consolidated Total Net Debt shall not include Indebtedness in respect of letters of credit, except to the extent of unreimbursed amounts thereunder (*provided* that any unreimbursed amount under commercial letters of credit shall not be counted as Consolidated Total Net Debt until three Business Days after such amount is drawn).

"Consolidated Working Capital" shall mean, with respect to the Restricted Group on a consolidated basis at any date of determination, Current Assets at such date of determination minus Current Liabilities at such date of determination; *provided* that increases or decreases in

Consolidated Working Capital shall be calculated without regard to any changes in Current Assets or Current Liabilities as a result of (a) any reclassification in accordance with GAAP of assets or liabilities, as applicable, between current and noncurrent or (b) the effects of purchase accounting.

“**Contract Consideration**” shall have the meaning assigned to such term in the definition of “Excess Cash Flow”.

“**Contractual Obligation**” shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“**Control**” shall have the meaning assigned to such term in the definition of “Affiliate”.

“**Credit Agreement Refinancing Indebtedness**” shall mean Indebtedness, in each case, issued, incurred or otherwise obtained (including by means of the extension or renewal of existing Indebtedness) in exchange for, or to extend, renew, replace or refinance, in whole or part, existing Loans or Commitments (including any successive Credit Agreement Refinancing Indebtedness) (“**Refinanced Debt**”); *provided* that (i) such extending, renewing, replacing or refinancing Indebtedness is in an original aggregate principal amount (or accreted value, if applicable) not greater than the aggregate principal amount (or accreted value, if applicable) of the Refinanced Debt except by an amount equal to accrued but unpaid interest, premiums and fees payable by the terms of such Indebtedness and reasonable fees, expenses, original issue discount and upfront fees incurred in connection with such exchange, modification, refinancing, refunding, renewal, replacement or extension, and (ii) such Refinanced Debt shall be repaid, defeased or satisfied and discharged with 100% of the Net Proceeds of the applicable Credit Agreement Refinancing Indebtedness and all accrued interest, fees and premiums (if any) in connection therewith shall be paid, on the date such Credit Agreement Refinancing Indebtedness is issued, incurred or obtained. For the avoidance of doubt, (x) all Credit Agreement Refinancing Indebtedness (other than in respect of Revolving Loans and Revolving Commitments) must be one of the following (a) Permitted First Priority Refinancing Debt, (b) Permitted Second Priority Refinancing Debt, (c) Permitted Unsecured Refinancing Debt or (d) Indebtedness incurred pursuant to a Refinancing Amendment and (y) all Credit Agreement Refinancing Indebtedness in respect of existing Revolving Loans and Revolving Commitments must be Indebtedness incurred pursuant to a Refinancing Amendment.

“**Credit Extension**” shall mean, as the context may require, (i) the making of a Loan by a Lender or (ii) the issuance of any Letter of Credit, or the extension of the expiry date or renewal, or any amendment or other modification to increase the amount, of any existing Letter of Credit, by each Issuing Bank.

“**Cumulative Credit**” shall mean, at any date, an amount, not less than zero in the aggregate, determined on a cumulative basis equal to, without duplication:

(a) \$20,000,000; plus

(b) the Cumulative Retained Excess Cash Flow Amount at such time; plus

(c) (i) the cumulative amount of cash and Cash Equivalent proceeds from the sale of Equity Interests of the Borrower or of any direct or indirect parent of the Borrower after the Closing Date and on or prior to such time (including upon exercise of warrants or options) which proceeds have been received in the form of common equity by, or contributed as common equity to the capital of, the Borrower and (ii) the principal amount of Indebtedness (other than Indebtedness that is contractually subordinated to the Obligations or that is owed to an Unrestricted Subsidiary) of the Borrower or any Restricted Subsidiary owed to a Person other than a Loan Party or a Restricted Subsidiary of a Loan Party incurred after the Closing Date that is converted to common Equity Interests (other than Disqualified Equity Interests) of the Borrower (or to Qualified Equity Interests of Holdings or of any direct or indirect parent of Holdings), in each case to the extent Not Otherwise Applied; plus

(d) 100% of the aggregate amount of contributions to the common capital of the Borrower received in cash and Cash Equivalents after the Closing Date Not Otherwise Applied; plus

(e) to the extent not applied, or required to be applied, to the prepayment of Loans pursuant to Section 2.13, 100% of the aggregate after-tax amount received by the Borrower or any Restricted Subsidiary of the Borrower after the Closing Date in cash and Cash Equivalents from:

(A) the sale (other than to the Borrower or any such Restricted Subsidiary) of the Equity Interests of an Unrestricted Subsidiary, or

(B) any dividend or other distribution made by an Unrestricted Subsidiary, plus

(f) in the event any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Borrower or a Restricted Subsidiary, the fair market value of the Investments of the Borrower and the Restricted Subsidiaries in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable) so long as such Investments were originally made pursuant to Section 7.02(n)(ii); *provided*, in each case, that such amount does not exceed the amount of such Investment made pursuant to Section 7.02(n)(ii) as such amount is reduced by any returns contemplated by clause (f) below prior to such time, plus

(g) an amount equal to any after-tax returns in cash and Cash Equivalents (including dividends, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) actually received by the Borrower or any Restricted Subsidiary after the Closing Date in respect of any Investments made pursuant to Section 7.02(n)(ii); *provided*, in each case, that such amount does not exceed the amount of such Investment made pursuant to Section 7.02(n)(ii), minus

(h) any amount of the Cumulative Credit used to make Investments pursuant to Section 7.02(n)(ii) after the Closing Date and prior to such time, minus

(i) any amount of the Cumulative Credit used to pay dividends or make distributions or other Restricted Payments pursuant to Section 7.06(h) after the Closing Date and prior to such time, minus

(j) any amount of the Cumulative Credit used to make payments or distributions in respect of Permitted Second Priority Refinancing Debt (or any Permitted Refinancing thereof), Second Lien Indebtedness (or any Permitted Refinancing thereof) or Junior Financing pursuant to Section 7.13(a)(iv) after the Closing Date and prior to such time.

“**Cumulative Retained Excess Cash Flow Amount**” shall mean, at any date, an amount, not less than zero in any Excess Cash Flow Period, determined on a cumulative basis equal to the aggregate cumulative sum of, the applicable Retained Percentage of Excess Cash Flow for all Excess Cash Flow Periods ending after the Closing Date and prior to such date (subject to reduction as provided in the final parenthetical clause contained in the definition of Excess Cash Flow Period); *provided* that, for purposes of Section 7.06(h) and Section 7.13(a)(iv) (including the determination of the amount of the Cumulative Credit), the Cumulative Retained Excess Cash Flow Amount shall only be available if the Total Leverage Ratio at the time of the making of such Restricted Payment or prepayment, redemption, purchase, defeasance or other payment, as the case may be, calculated on a Pro Forma Basis, is less than or equal to 6.70 to 1.00 as of the last day of the most recently ended period of four consecutive fiscal quarters for which financial statements have been delivered.

“**Cure Expiration Date**” shall have the meaning assigned to such term in the definition of “Specified Equity Contribution”.

“**Current Assets**” shall mean, with respect to the Restricted Group on a consolidated basis at any date of determination, all assets (other than cash and Cash Equivalents) that would, in accordance with GAAP, be classified on a consolidated balance sheet of the Restricted Group as current assets at such date of determination, other than amounts related to current or deferred Taxes based on income or profits (but excluding assets held for sale, loans (permitted) to third parties, pension assets, deferred bank fees and derivative financial instruments).

“**Current Liabilities**” shall mean, with respect to the Restricted Group on a consolidated basis at any date of determination, all liabilities that would, in accordance with GAAP, be classified on a consolidated balance sheet of the Restricted Group as current liabilities at such date of determination, other than, without duplication (and to the extent otherwise included therein) (a) the current portion of any Indebtedness, (b) accruals of interest expense (excluding interest expense that is past due and unpaid), (c) accruals for current or deferred Taxes based on income or profits, (d) accruals of any costs or expenses related to restructuring reserves and (e) revolving loans, swing line loans and letter of credit obligations hereunder or under any other revolving credit facility.

“**Debtor Relief Laws**” shall mean the Bankruptcy Code of the United States and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Declined Proceeds” shall have the meaning assigned to such term in Section 2.13(d).

“Default” shall mean any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Excess” shall mean, with respect to any Defaulting Lender, the excess, if any, of such Defaulting Lender’s Pro Rata Share of the aggregate outstanding principal amount of Loans of all Lenders (calculated as if all Defaulting Lenders (including such Defaulting Lender) had funded all of their respective Defaulted Loans) over the aggregate outstanding principal amount of Loans of such Defaulting Lender.

“Default Period” shall mean, with respect to any Defaulting Lender, the period commencing on the date of the applicable Funding Default and ending on the earliest of the following dates: (a) the date on which all Commitments are cancelled or terminated and/or the Obligations and the Guaranteed Obligations are declared or become immediately due and payable, (b) with respect to any Funding Default (other than any such Funding Default arising pursuant to clause (e) of the definition of “Defaulting Lender”), the date on which (1) the Default Excess with respect to such Defaulting Lender shall have been reduced to zero (whether by the funding by such Defaulting Lender of any Defaulted Loans of such Defaulting Lender or by the non-pro rata application of any voluntary or mandatory prepayments of the Loans in accordance with the terms hereof or any combination thereof) and (2) such Defaulting Lender shall have delivered to the Borrower and the Administrative Agent a written reaffirmation of its intention to honor its obligations under this Agreement with respect to its Commitment(s), and (c) the date on which the Borrower, the Administrative Agent and the Required Lenders waive all Funding Defaults of such Defaulting Lender in writing.

“Defaulted Loan” shall mean the Loans of a Defaulting Lender.

“Defaulting Lender” shall mean any Lender that has (a) failed to fund its portion of any Borrowing, or any portion of its participation in any Letter of Credit, within one Business Day of the date on which it shall have been required to fund the same, unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s reasonable and good faith determination that one or more conditions precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, (b) notified the Borrower, the Administrative Agent or any Issuing Bank in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under agreements in which it commits to extend credit generally, (c) failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans (unless the subject of a good faith dispute between the Borrower and such Lender) and participations in then outstanding Letters of Credit; *provided* that any such Lender shall cease to be a Defaulting Lender under this clause (c) upon receipt of such confirmation by the Administrative Agent or the Borrower, (d) otherwise failed to pay over to the Borrower, the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due (unless the subject of a good faith dispute), or (e) (i) been adjudicated as, or determined by any

Governmental Authority having regulatory authority over such person or its properties or assets to be, insolvent or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar person charged with reorganization or liquidation of its business or custodian, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment, unless, in the case of any Lender referred to in this clause (e), the Borrower, the Administrative Agent and each Issuing Bank shall be satisfied that such Lender intends, and has all approvals required to enable it, to continue to perform its obligations as a Lender hereunder. For the avoidance of doubt, a Lender shall not be deemed to be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in such Lender or its parent by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender; *provided* that, as of any date of determination, the determination of whether any Lender is a Defaulting Lender hereunder shall not take into account, and shall not otherwise impair, any amounts funded by such Lender which have been assigned by such Lender to an SPV pursuant to Section 10.04(i). Any determination by the Administrative Agent that a Lender is a Defaulting Lender shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon delivery of written notice of such determination by the Administrative Agent to the Borrower and each other Lender.

“Disposition” or **“Dispose”** shall mean the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction and any sale or issuance of Equity Interests in a Restricted Subsidiary) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Disqualified Equity Interests” shall mean any Equity Interest that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and payable and the termination of the Commitments), (c) provides for scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 91 days after the then Latest Maturity Date; *provided* that if, such Equity Interests are issued pursuant to a plan for the benefit of employees of Holdings (or any direct or indirect parent thereof), the Borrower or its Restricted Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by the Borrower or its Restricted Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

“Disqualified Lenders” shall mean (a) each of those banks, financial institutions and other institutional lenders and competitors of the Company and its subsidiaries or the Borrower and its Subsidiaries identified by name in writing prior to the Closing Date by the Sponsor to the Administrative Agent and (b) each competitor of the Borrower and its Subsidiaries (and Affiliates thereof) that directly or indirectly is engaged in the same or similar line of business as the Borrower and its Subsidiaries (other than any Person that is a bona fide debt fund or investment fund that is engaged in making, purchasing, holding or otherwise investing in commercial loans or similar extensions of credit in the ordinary course of business) identified by name in writing by the Borrower to the Administrative Agent from time to time. Any supplement to such list of Disqualified Lenders will become effective two Business Days after delivery to the Administrative Agent. In no event shall a supplement apply retroactively to disqualify any Lender as of the date of such supplement. **“Dollars”** or **“\$”** shall mean lawful money of the United States of America.

“Domestic Subsidiary” shall mean any Subsidiary that is organized under the Laws of the United States, any state thereof or the District of Columbia.

“Dutch Auction” shall mean an auction conducted by Holdings, the Borrower or an Affiliated Lender in order to purchase Term Loans as contemplated by Section 10.04(k) or 10.04(m), as applicable, in accordance with the procedures set forth in Exhibit J.

“Eligible Assignee” shall mean (i) a Lender, (ii) an Affiliate of a Lender, (iii) a Related Fund of a Lender, and (iv) any other Person (other than a natural person); *provided* that, notwithstanding the foregoing, **“Eligible Assignee”** shall not include Holdings, the Borrower, any other Affiliate of Holdings or the Sponsor (it being understood that assignments to Holdings, the Borrower or an Affiliated Lender may only be made pursuant to Section 10.04(k) or 10.04(m), as applicable). For the avoidance of doubt, no Specified Debt Fund shall be deemed to be an Affiliate of Holdings or the Sponsor for purposes of the definition of **“Eligible Assignee”**. **“Eligible Assignee”** shall not include any Disqualified Lender without the prior written consent of the Borrower (which may be withheld in the Borrower’s sole discretion).

“Environmental Laws” shall mean all former, current and future federal, state, local and foreign laws (including common law), treaties, regulations, rules, ordinances, codes, decrees, judgments, directives, orders (including consent orders), and agreements in each case, relating to the environment, natural resources, human health and safety or the presence, Release of, or exposure to, hazardous materials, or the generation, manufacture, processing, distribution, use, treatment, storage, transport, recycling or handling of, or the arrangement for such activities with respect to, hazardous materials.

“Environmental Liability” shall mean all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs (including administrative oversight costs, capital and operating costs, injunctive relief, costs associated with financial assurance, permitting or closure requirements, indemnities, personal injury, property damages, natural resource damages and investigation or remediation costs, including any third party claims for the foregoing), whether contingent or otherwise, arising out of or relating to (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any

Hazardous Materials, (d) the presence, Release or threatened Release of any Hazardous Materials at any location or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permit” shall mean any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” shall mean, with respect to any Person, all of the shares, interests, rights, participations or other equivalents (however designated) of capital stock of (or other ownership or profit interests or units in) such Person and all of the warrants, options or other rights for the purchase, acquisition or exchange from such Person of any of the foregoing (including through convertible securities).

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” shall mean Person, any trade or business (whether or not incorporated) that, together with a Loan Party or any Restricted Subsidiary, is or, within the six year period immediately preceding the Closing Date, was treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414(m) or (o) of the Code.

“ERISA Event” shall mean (a) a Reportable Event; (b) written notice of the failure to satisfy the minimum funding standard with respect to a Plan within the meaning of Sections 412 or 430 of the Code or Sections 302 or 303 of ERISA, whether or not waived (unless such failure is corrected by the final due date for the plan year for which such failure occurred); (c) a written determination that a Plan is, or is expected to be, in “at risk” status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code); (d) the receipt by a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of written notice pursuant to Section 305(b)(3)(D) of ERISA that a Multiemployer Plan is or will be in “endangered status” or “critical status” (as defined in Section 305(b) of ERISA), or is, or is expected to be, “insolvent” (within the meaning of Section 4245 of ERISA) or in “reorganization” (within the meaning of Section 4241 of ERISA); (e) the filing pursuant to Section 431 of the Code or Section 304 of ERISA of an application for the extension of any amortization period; (f) the failure to timely make a contribution required to be made with respect to any Plan or Multiemployer Plan; (g) the filing of a notice to terminate any Plan if such termination would require material additional contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA; (h) the filing under Section 4041(c) of ERISA of a notice of intent to terminate any Plan or the termination of any Plan under Section 4041(c) of ERISA; (i) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (j) imposition on a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (k) the receipt by a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates from the PBGC or a plan administrator of any written notice of an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (l) the receipt by a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of any written notice, or the

receipt by any Multiemployer Plan from a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of any written notice, imposing Withdrawal Liability; or (m) the occurrence of a nonexempt prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Plan which could result in liability to a Loan Party or any Restricted Subsidiary or with respect to which a Loan Party or any Restricted Subsidiary is a "disqualified person" (as defined in Section 4975 of the Code) or a "party in interest" (as defined in Section 3(14) of ERISA).

"**Eurodollar**", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate (other than the Alternate Base Rate) determined by reference to the Adjusted LIBO Rate.

"**Event of Default**" shall have the meaning assigned to such term in Article 8.

"**Excess Cash Flow**" shall mean, for any period, an amount equal to:

(a) the sum, without duplication, of:

- (i) Consolidated Net Income for such period,
- (ii) an amount equal to the amount of all non-cash charges to the extent deducted in arriving at such Consolidated Net Income and cash gains (if any) included in clauses (a) through (m) of the definition of Consolidated Net Income,
- (iii) decreases in Consolidated Working Capital for such period (other than any such decreases arising from acquisitions or dispositions by the Restricted Group completed during such period),
- (iv) cash receipts in respect of Swap Contracts during such period to the extent such receipts were not otherwise included in arriving at such Consolidated Net Income,
- (v) the amount of tax expense deducted in determining Consolidated Net Income for such period to the extent it exceeds the amount of cash taxes paid in such period, and
- (vi) an amount equal to the aggregate net non-cash loss on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent deducted in arriving at such Consolidated Net Income; minus

(b) the sum, without duplication, of:

- (i) an amount equal to the amount of all non-cash credits included in arriving at such Consolidated Net Income and cash charges (if any) in respect of such period included in clauses (a) through (m) of the definition of Consolidated Net Income,

- (ii) without duplication of amounts deducted pursuant to clause (xi) below in prior fiscal years, the amount of Capital Expenditures made in cash during such period to the extent financed with Internally Generated Cash,
- (iii) the aggregate amount of all principal payments of Indebtedness of the Restricted Group during such period, in each case to the extent financed with Internally Generated Cash (including (A) the principal component of payments in respect of Capitalized Leases, (B) the amount of any scheduled repayment of Term Loans pursuant to Section 2.11 (to the extent actually made) and (C) any mandatory prepayment of Term Loans made pursuant to Section 2.13(a)(ii) to the extent required due to a Disposition that resulted in an increase to Consolidated Net Income and not in excess of the amount of such increase, but excluding (V) any mandatory prepayment of Term Loans made pursuant to Section 2.13(a)(iv), (W) all voluntary prepayments of Term Loans, Incremental Equivalent Debt (to the extent secured by the Collateral on a first lien basis) and Permitted First Priority Refinancing Debt, (X) all prepayments of Loans under the Existing Credit Agreements and the Existing Symbion Notes on the Closing Date, (Y) all prepayments, redemptions or repurchases in respect of (i) Permitted Second Priority Refinancing Debt (or any Permitted Refinancing thereof), except to the extent permitted under Section 7.13(a) and (ii) Junior Financing, except to the extent permitted under Section 7.13(a) and (Z) all prepayments of loans under any revolving credit facility made during such period (it being agreed that any amount excluded pursuant to clause (V), (W), (X), (Y) or (Z) may not be deducted under any other clause of this definition),
- (iv) an amount equal to the aggregate net non-cash gain on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent included in arriving at such Consolidated Net Income,
- (v) increases in Consolidated Working Capital for such period (other than any such increases arising from acquisitions or dispositions by the Restricted Group during such period),
- (vi) cash payments by the Restricted Group during such period in respect of long-term liabilities of the Restricted Group other than Indebtedness and that were made with Internally Generated Cash and were not deducted or were excluded in calculating Consolidated Net Income,
- (vii) without duplication of amounts deducted pursuant to clause (xi) below in prior fiscal years, the amount of Investments and acquisitions made during such period in cash pursuant to Section 7.02 (other than Section 7.02(a), (c) or (e)) (net of the return on any such Investments received during such period, except to the extent such return was included in the determination of Consolidated Net Income) to the extent that such Investments and acquisitions were not expensed and were financed with Internally Generated Cash,

- (viii) the amount of Restricted Payments paid during such period pursuant to Section 7.06(i) (but in the case of clauses (iv) through (vii), only to the extent such amounts were not deducted or were excluded in calculating Consolidated Net Income) or Section 7.06(g) in cash or 7.06(j) in cash (in the case of Section 7.06(g), in an amount not to exceed the amount permitted thereunder in any fiscal year) to the extent such Restricted Payments were financed with Internally Generated Cash,
- (ix) the aggregate amount of expenditures actually made by the Restricted Group in cash during such period (including expenditures for the payment of financing fees) to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash,
- (x) the aggregate amount of any premium, make-whole or penalty payments actually paid in cash by the Restricted Group during such period that are required to be made in connection with any prepayment of Indebtedness to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash,
- (xi) without duplication of amounts deducted from Excess Cash Flow in prior periods, the aggregate consideration required to be paid in cash by the Restricted Group pursuant to binding contracts with a third party that is not an Affiliate (the “**Contract Consideration**”) entered into prior to or during such period relating to Permitted Acquisitions or Capital Expenditures or acquisitions of IP Rights to the extent not expensed to be consummated or made, in each case during the period of four consecutive fiscal quarters of the Borrower following the end of such period; *provided* that, to the extent the aggregate amount of Internally Generated Cash actually utilized to finance such Permitted Acquisitions, Capital Expenditures or acquisitions of IP Rights during such period of four consecutive fiscal quarters is less than the Contract Consideration, the amount of such shortfall shall be added to the calculation of Excess Cash Flow at the end of such period of four consecutive fiscal quarters,
- (xii) the amount of cash taxes paid in such period to the extent they exceed the amount of tax expense deducted in determining Consolidated Net Income for such period (which amounts shall be included in the calculation of Excess Cash Flow for the period in which they are expensed), and
- (xiii) cash expenditures in respect of Swap Contracts, which were made during such fiscal year and were not deducted in determining (or were excluded in arriving at) such Consolidated Net Income.

Notwithstanding anything in the definition of any term used in the definition of Excess Cash Flow to the contrary, all components of Excess Cash Flow shall be computed for the Restricted Group on a consolidated basis.

“**Excess Cash Flow Period**” shall mean each fiscal year of the Borrower completed after the Closing Date (or, in the case of the fiscal year ending December 31, 2014, the period from

the Closing Date through December 31, 2014), but in all cases for purposes of calculating the Cumulative Retained Excess Cash Flow Amount shall only include such fiscal years for which financial statements and a Compliance Certificate have been delivered in accordance with Sections 6.01(a) and 6.02(a), respectively, and for which any prepayments required by Section 2.13(a)(i) (if any) have been made (it being understood that the Retained Percentage of Excess Cash Flow for any Excess Cash Flow Period shall be included in the Cumulative Retained Excess Cash Flow Amount regardless of whether a prepayment is required by Section 2.13(a)(i), except to the extent that a prepayment is not made in reliance on Section 2.13(f), in which case the Cumulative Retained Excess Cash Flow Amount shall be reduced by the Retained Percentage of the Excess Cash Flow for which the Applicable ECF Percentage has not been applied to make a prepayment pursuant to Section 2.13(a)(i)).

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

“**Excluded Subsidiary**” shall mean (a) any Subsidiary that is not a wholly owned Subsidiary of the Borrower or a Guarantor, (b) any Subsidiary of the Borrower that does not have total assets or annual revenues in excess of 1% of the Total Assets or consolidated annual revenue of the Restricted Group individually; *provided* that the aggregate amount of assets or annual revenues of subsidiaries constituting Excluded Subsidiaries pursuant to this clause (b) shall not at any time exceed 5% of the Total Assets or consolidated annual revenue of the Restricted Group, (c) any Subsidiary that is prohibited by applicable Law or Contractual Obligations existing on the Closing Date (or, in the case of any newly acquired Subsidiary, in existence at the time of acquisition but not entered into in contemplation thereof) from Guaranteeing the Obligations or if Guaranteeing the Obligations would require, to the extent commercially reasonable efforts have been made to acquire the same, governmental (including regulatory) or third party consent, unless such consent has been obtained, (d) any other Subsidiary with respect to which, (x) as reasonably determined by the Borrower, in consultation with the Administrative Agent, would result in any material adverse tax consequences or (y) the Administrative Agent and the Borrower agree that the cost of providing a Guarantee of the Obligations shall be excessive in view of the practical benefits to be obtained by the Lenders therefrom, (e) any Foreign Subsidiary of the Borrower or of any other direct or indirect Domestic Subsidiary or Foreign Subsidiary, (f) any Unrestricted Subsidiary, (g) any special purpose securitization vehicle (or similar entity), captive insurance company or non-profit Subsidiary, (h) any direct or indirect Domestic Subsidiary (x) that is treated as a disregarded entity for federal income tax purposes and (y) does not have any material assets other than the Equity Interests or Indebtedness of one or more Foreign Subsidiaries, (i) any Domestic Subsidiary that is a Subsidiary of a Foreign Subsidiary that is a controlled foreign corporation within the meaning of Section 957 of the Code and (j) any Specified Subsidiary.

“**Existing Borrower Credit Agreements**” shall mean (i) the First Lien Credit Agreement, dated as of April 11, 2013 (as amended, restated, modified or supplemented from time to time), by and among the Borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders and other agent banks from time to time party thereto and (ii) the Second Lien Credit Agreement, dated as of April 11, 2013 (as amended, restated, modified or supplemented from time to time), by and among the Borrower, Morgan Stanley Senior Funding, Inc., as administrative agent, and the lenders and other agent banks from time to time party thereto.

“Existing Company Credit Agreement” shall mean the Credit Agreement, dated as of June 14, 2011 (as amended, restated, modified or supplemented from time to time), by and among the Company, Symbion, Inc., Morgan Stanley Senior Funding, Inc., as administrative agent and as collateral agent, and the lenders and other agent banks from time to time party thereto.

“Existing Credit Agreements” shall mean the Existing Borrower Credit Agreements and the Existing Company Credit Agreement.

“Existing Letters of Credit” shall mean each Letter of Credit previously issued for the account of the Borrower or the Company that (a) is outstanding on the Closing Date and (b) is listed on Schedule 2.17.

“Extended Revolving Commitments” shall have the meaning assigned to such term in Section 2.21(b).

“Extended Revolving Loans” shall have the meaning assigned to such term in Section 2.21(b).

“Extended Term Loans” shall mean one or more Classes of Term Loans that result from an Extension Amendment entered into after the Closing Date.

“Extension” shall mean a Term Loan Extension or a Revolving Extension.

“Extension Amendment” shall have the meaning assigned to such term in Section 2.21(d).

“Extension Offer” shall mean a Term Loan Extension Offer or a Revolving Extension Offer.

“Facility” shall mean the Term Facility or the Revolving Facility, as the context may require.

“FATCA” shall mean Sections 1471 through 1474 of the Code, as in effect on the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any applicable Treasury regulation promulgated thereunder or published administrative guidance implementing such Sections.

“Federal Funds Effective Rate” shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System of the United States arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary to the next 1/100th of 1.00%) of the quotations for the day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“Fee Letter” shall mean the Amended and Restated Fee Letter dated June 28, 2014, among the Borrower, Jefferies Finance LLC, KKR Corporate Lending LLC, MCS Corporate Lending LLC, KKR Capital Markets LLC and MCS Capital Markets LLC.

“Fees” shall mean the Commitment Fees, the Administrative Agent Fees, the LC Participation Fees and the Fronting Fees.

“First Lien Intercreditor Agreement” shall mean a *“pari passu”* intercreditor agreement among the Collateral Agent and one or more Senior Representatives for holders of Permitted First Priority Refinancing Debt or Incremental Equivalent Debt that is secured on a pari passu basis with the Obligations, in each case in form and substance reasonably satisfactory to the Collateral Agent.

“First Lien Leverage Ratio” shall mean, as of any date, the ratio of (a) Consolidated Total Net Debt as of such date that is secured by a Lien on any Collateral on an equal priority basis with (but without regard to control of remedies) or senior priority basis to the liens on the Collateral securing the Obligations (disregarding any Obligations in respect of Incremental Loans or Refinancing Facilities secured on a junior lien basis to other Obligations) to (b) Consolidated EBITDA for the Test Period applicable as of such date.

“Flood Laws” shall mean the National Flood Insurance Reform Act of 1994 and related legislation (including the regulations of the Board).

“Foreign Disposition” shall have the meaning set forth in Section 2.13(f).

“Foreign Pension Plan” shall mean any defined benefit plan described in Section 4(b)(4) of ERISA that under applicable law is required to be funded through a trust or other funding vehicle other than a trust or funding vehicle maintained exclusively by a Governmental Authority.

“Foreign Subsidiary” shall mean any direct or indirect Subsidiary of the Borrower which is not a Domestic Subsidiary.

“Fronting Fee” shall have the meaning assigned to such term in Section 2.05(c).

“Funding Default” shall mean, with respect to any Defaulting Lender, the occurrence of any of the events set forth in the definition of “Defaulting Lender”.

“GAAP” shall mean generally accepted accounting principles in the United States of America, as in effect from time to time; *provided, however*, that if the Borrower notifies the Administrative Agent that it requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Closing Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

“**Gari Note**” shall mean the Subordinated Note, dated as of December 24, 2009, made by the Borrower in favor of Surgery Partners Holdings.

“**Gari Subordination Agreement**” shall mean the Subordination Agreement, dated as of December 24, 2009, between Surgery Partners Holdings, LLC and the Borrower and acknowledged by (among others) Rodolfo Gari and Laurie Gari.

“**Global Intercompany Note**” shall mean a promissory note substantially in the form of Exhibit E-1, or such other form as shall be approved by the Administrative Agent.

“**Governmental Authority**” shall mean any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Granting Lender**” shall have the meaning assigned to such term in Section 10.04(i).

“**Guarantee**” shall mean, as to any Person, without duplication, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other monetary obligation payable or performable by another Person (the “**primary obligor**”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other monetary obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other monetary obligation of the payment or performance of such Indebtedness or other monetary obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other monetary obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other monetary obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other monetary obligation of any other Person, whether or not such Indebtedness or other monetary obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit, in either case in the ordinary course of business, or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or disposition of assets permitted under this Agreement (other than such obligations with respect to Indebtedness). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “**Guarantee**” as a verb has a corresponding meaning.

“**Guaranteed Obligations**” shall have the meaning assigned to such term in Section 11.01.

“Guarantors” shall mean (i) Holdings, (ii) each wholly owned Domestic Subsidiary of the Borrower as of the Closing Date (other than an Excluded Subsidiary) and (iii) each wholly owned Subsidiary that issues a Guarantee of the Obligations after the Closing Date pursuant to Section 6.11 (which Section 6.11, for the avoidance of doubt, does not require that any Excluded Subsidiary provide such a Guarantee) or otherwise. For avoidance of doubt, the Borrower may cause any Restricted Subsidiary that is not a Guarantor to Guarantee the Obligations by causing such Restricted Subsidiary to execute a joinder to this Agreement, the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement, and any other applicable subordination or intercreditor agreement, in each case in form and substance reasonably satisfactory to the Administrative Agent, and any such Restricted Subsidiary shall be treated as a Guarantor hereunder for all purposes.

“Guaranty” shall mean, collectively, the guaranty of the Obligations by the Guarantors pursuant to this Agreement.

“Hazardous Materials” shall mean (a) any petroleum products, distillates or byproducts and all other hydrocarbons, coal ash, radon gas, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and all other ozone-depleting substances and (b) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law.

“Hedge Bank” shall mean any Person that (a) is a Lead Arranger or an Agent at any time or an Affiliate of any of the foregoing that enters in to or becomes party to a Secured Hedge Agreement in its capacity as a party thereto or (b) is a Lender or an Affiliate of a Lender at the time it enters into a Secured Hedge Agreement or at the time it becomes party to a Secured Hedge Agreement in its capacity as a party thereto; *provided* that, in the case of an Affiliate of any of the foregoing, such Affiliate executes and delivers to the Administrative Agent a letter agreement in the form of Exhibit VII to the Security Agreement.

“Holdings” shall mean SP Holdco I, Inc.

“Immaterial Subsidiary” shall have the meaning set forth in Section 8.03.

“Incremental Amendment” shall have the meaning assigned to such term in Section 2.19(c).

“Incremental Equivalent Debt” shall have the meaning assigned to such term in Section 7.03(s).

“Incremental Facility” shall have the meaning assigned to such term in Section 2.19(b).

“Incremental Lenders” shall have the meaning assigned to such term in Section 2.19(c).

“Incremental Loan” shall have the meaning assigned to such term in Section 2.19(c).

“Incremental Term Loans” shall have the meaning assigned to such term in Section 2.19(a).

“Indebtedness” shall mean, as to any Person at a particular time, without duplication, all of the following, whether or not the foregoing would constitute indebtedness or a liability in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) the maximum amount (after giving effect to any prior drawings or reductions which may have been reimbursed) of all outstanding letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts payable in the ordinary course of business, (ii) any earn-out obligation until such earn-out obligation is not paid after becoming due and payable, (iii) liabilities accrued in the ordinary course) and (iv) obligations under the Merger Agreement with regard to the Indemnity Escrow Account);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) all Attributable Indebtedness;

(g) all obligations of such Person in respect of Disqualified Equity Interests; and

(h) to the extent not otherwise included above, all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall (A) with respect to any non-wholly owned Subsidiary (including guarantee obligations in respect of obligations of a non-wholly owned Subsidiary) not include such portion of the Indebtedness (or guarantee obligations in respect of obligations) of such non-wholly owned Subsidiary that corresponds to the equity interest share of third parties in such non-wholly owned Subsidiary and (B) in the case of the Borrower and its Subsidiaries, exclude all intercompany Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) that is limited in recourse to the property encumbered thereby shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

“Indemnified Taxes” shall have the meaning assigned to such term in Section 3.01(a).

“**Indemnitee**” shall have the meaning assigned to such term in Section 10.05(b).

“**Indemnity Escrow Account**” shall have the meaning assigned to such term in the Merger Agreement.

“**Information**” shall have the meaning assigned to such term in Section 10.16.

“**Initial Term Loans**” shall mean the term loans made by the Lenders on the Closing Date to the Borrower pursuant to Section 2.01(a). For the avoidance of doubt, a Term Loan shall no longer be an “Initial Term Loan” when it shall have become an “Extended Term Loan”.

“**Intellectual Property Security Agreement**” shall have the meaning given to the term “Grant of Security Interest” in the Security Agreement.

“**Intercompany Note**” shall mean the Global Intercompany Note or a Promissory Note, as the case may be.

“**Intercreditor Agreement**” shall mean the Intercreditor Agreement, dated as of the date hereof, among the Collateral Agent, the Second Lien Collateral Agent and the Loan Parties.

“**Interest Election Request**” shall mean a request by the Borrower to convert or continue a Revolving Borrowing or Term Borrowing in accordance with Section 2.10(b), substantially in the form of Exhibit L.

“**Interest Payment Date**” shall mean (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December to occur during any period in which such Loan is outstanding, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Loan with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period, (c) with respect to any Revolving Loan, the Revolving Maturity Date (or such earlier date on which the Revolving Commitments are terminated) and, after such maturity (or termination as the case may be), on each date on which demand for payment is made and (d) with respect to any Term Loan, the Term Loan Maturity Date and, after such maturity, on each date on which demand for payment is made.

“**Interest Period**” shall mean, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is 1, 2, 3 or 6 months (or, if each affected Lender so agrees, twelve months) thereafter (or any shorter period agreed to by all applicable Lenders), as the Borrower may elect; *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month and (c) no Interest Period for any Loan shall extend beyond the maturity date of such Loan. Interest shall accrue from and including the first day of

an Interest Period to but excluding the last day of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Internally Generated Cash” shall mean cash of the Restricted Group not constituting (x) proceeds of the issuance of (or contributions in respect of) Equity Interests, (y) proceeds of Dispositions pursuant to Section 7.05(d), 7.05(j), 7.05(k), 7.05(m), 7.05(o) or 7.05(p) and Casualty Events or (z) proceeds of the incurrence of Indebtedness; *provided* that the proceeds of an incurrence of Revolving Loans or extensions of credit under any other revolving credit or similar facility shall be deemed to be **“Internally Generated Cash”**.

“Investment” shall mean, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests or debt or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of Indebtedness of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of all or substantially all of the property and assets or business of another Person or assets constituting a business unit, line of business or division of such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Borrower or a Restricted Subsidiary in respect of such Investment.

“Investors” shall mean the Sponsor and the Management Stockholders.

“IP Rights” has the meaning set forth in Section 5.16.

“ISP” shall mean, with respect to any Letter of Credit, the ‘International Standby Practices 1998’ (or ‘ISP 98’) published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

“Issuing Bank” shall mean, as the context may require, (a) each of Jefferies Finance LLC (directly or through its affiliates, indirectly through Natixis, New York Branch, or its affiliates or through any other financial institution acceptable to Jefferies Finance LLC) and any Lender reasonably acceptable to the Administrative Agent and the Borrower which agrees to issue Letters of Credit hereunder, with respect to Letters of Credit issued by it; (b) any other Lender that may become an Issuing Bank pursuant to Sections 2.17(j) and (k) with respect to Letters of Credit issued by such Lender; and/or (c) collectively, all of the foregoing. Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by one or more Affiliates of such Issuing Bank (and such Affiliate shall be deemed to be an “Issuing Bank” for all purposes of the Loan Documents). In the event that there is more than one Issuing Bank at any time, references herein and in the other Loan Documents to the Issuing Bank shall be deemed to refer to the Issuing Bank in respect of the applicable Letter of Credit or to all Issuing Banks, as the context requires.

“**Junior Financing**” shall mean any Permitted Junior Debt having an outstanding aggregate principal amount of not less than the Threshold Amount, any Subordinated Indebtedness and any other Indebtedness that is required to be subordinated to the Obligations.

“**Junior Financing Documentation**” shall mean any documentation governing any Junior Financing.

“**Latest Maturity Date**” shall mean, at any date of determination, the latest maturity or expiration date applicable to any Loan or Commitment hereunder at such time, including the latest maturity or expiration date of any Initial Term Loan, Incremental Term Loan, Other Term Loan, Extended Term Loan, Revolving Loan, Revolving Commitment, Extended Revolving Loan, Extended Revolving Commitment, Other Revolving Loan or Other Revolving Commitment, in each case as extended in accordance with this Agreement from time to time.

“**Laws**” shall mean, collectively, all international, foreign, federal, state and local laws (including common law), statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, requirements, and agreements with, any Governmental Authority.

“**LC Commitment**” shall mean the commitment of an Issuing Bank to issue Letters of Credit pursuant to Section 2.17; *provided* that at no time shall the LC Commitment exceed the Revolving Commitment. The amount of the LC Commitment shall be \$20,000,000 on the Closing Date.

“**LC Disbursement**” shall mean a payment or disbursement made by an Issuing Bank pursuant to a Letter of Credit.

“**LC Exposure**” shall mean, as at any date of determination, the sum of (a) the aggregate amount available to be drawn under all outstanding Letters of Credit at such time plus (b) the aggregate principal amount of all Reimbursement Obligations outstanding at such time. The LC Exposure of any Revolving Lender at any time shall mean its Pro Rata Share of the aggregate LC Exposure at such time. For all purposes of this Agreement and the other Loan Documents, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP (or any other equivalent applicable rule with respect to force majeure events), such Letter of Credit shall be deemed to be “outstanding” in the amount so remaining available to be drawn.

“**LC Participation Fee**” shall have the meaning assigned to such term in Section 2.05(c).

“**LC Request**” shall mean a request by the Borrower in accordance with the terms of Section 2.17(b) and substantially in the form of Exhibit K, or such other form as shall be approved by the Issuing Bank.

“**Lead Arrangers**” shall mean Jefferies Finance LLC, KKR Capital Markets LLC and MCS Capital Markets LLC, in their capacities as joint lead arrangers and joint bookrunners in respect of this Agreement.

“**Lender**” shall mean each lender from time to time party hereto. For avoidance of doubt, each Additional Lender and each Incremental Lender is a Lender to the extent any such Person has executed and delivered a Refinancing Amendment or an Incremental Amendment, as the case may be, and to the extent such Refinancing Amendment or Incremental Amendment shall have become effective in accordance with the terms hereof and thereof. As of the Closing Date, Schedule 2.01 sets forth the name of each Lender.

“**Letter of Credit**” shall mean any standby letter of credit issued or to be issued by an Issuing Bank for the account of the Borrower or any of its Subsidiaries pursuant to Section 2.17.

“**Letter of Credit Expiration Date**” shall mean the date which is five Business Days prior to the Revolving Maturity Date.

“**LIBO Rate**” shall mean, with respect to any Eurodollar Borrowing for any Interest Period therefor, the rate *per annum* equal to the arithmetic mean (rounded to the nearest 1/100th of 1.00%) of the offered rates for deposits in Dollars with a term comparable to such Interest Period that appears on Reuters Screen LIBOR01 Page (or such other page as may replace such page on such service for the purpose of displaying the rates at which Dollar deposits are offered by leading banks in the London interbank deposit market as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London, England time, on the second full Business Day preceding the first day of such Interest Period; *provided, however*, that (i) if no comparable term for an Interest Period is available, the LIBO Rate shall be determined using the weighted average of the offered rates for the two terms most nearly corresponding to such Interest Period and (ii) if Reuters Screen LIBOR01 Page shall at any time no longer exist, “**LIBO Rate**” shall mean, with respect to each day during each Interest Period pertaining to Eurodollar Borrowings comprising part of the same Borrowing, the rate *per annum* equal to the rate at which the Administrative Agent is offered deposits in Dollars at approximately 11:00 a.m., London, England time, two Business Days prior to the first day of such Interest Period in the London interbank market for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to its portion of the amount of such Eurodollar Borrowing to be outstanding during such Interest Period. “**Reuters Screen LIBOR01 Page**” shall mean the display designated on the Reuters 3000 Xtra Page (or such other page as may replace such page on such service for the purpose of displaying the rates at which Dollar deposits are offered by leading banks in the London interbank deposit market).

“**Lien**” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to Real Property, and any Capitalized Lease or financing lease having substantially the same economic effect as any of the foregoing).

“**Limited Condition Transaction**” shall mean (i) any Permitted Acquisition whose consummation is not conditioned on the availability of, or on obtaining, third party financing and (ii) any redemption or repayment of Indebtedness requiring irrevocable notice in advance of such redemption or repayment.

“**Loan**” shall mean, as the context may require, any Term Loan or any Revolving Loan.

“**Loan Documents**” shall mean this Agreement (including, without limitation, any amendments to this Agreement), the Letters of Credit, the Collateral Documents, each Incremental Amendment, each Refinancing Amendment, each Extension Offer and each amendment of any Loan Document in connection therewith, the Notes, if any, executed and delivered pursuant to Section 2.04(e), and the Fee Letter.

“**Loan Parties**” shall mean, collectively, the Borrower and each Guarantor.

“**Management Stockholders**” shall mean the members of management of Holdings, the Borrower or any of its Subsidiaries who are investors in Holdings or any direct or indirect parent thereof.

“**Margin Stock**” shall have the meaning assigned to such term in Regulation U.

“**Master Agreement**” shall have the meaning assigned to such term in the definition of “**Swap Contract**”.

“**Material Adverse Effect**” shall mean a (a) material adverse effect on the business, operations, assets, liabilities (actual or contingent), operating results or financial condition of the Borrower and its Restricted Subsidiaries, taken as a whole; (b) material adverse effect on the ability of the Loan Parties (taken as a whole) to fully and timely perform any of their payment obligations under any Loan Document to which the Borrower or any of the other Loan Parties is a party; or (c) material adverse effect on the rights and remedies available to the Lenders, each Issuing Bank, the Administrative Agent or the Collateral Agent under any Loan Document.

“**Material Real Property**” shall mean each Real Property that (i) is owned in fee by a Loan Party, (ii) is located in the United States and (iii) has a fair market value in excess of \$5,000,000 (at the Closing Date or, with respect to any such Real Property acquired after (or held by a Person that becomes a Loan Party after) the Closing Date as described in Section 6.11 or 6.13, as applicable, at the time of acquisition (or at the time such Person becomes a Loan Party)), in each case, as reasonably estimated by the Borrower in good faith.

“**Maximum Rate**” shall have the meaning assigned to such term in Section 10.09.

“**Merger**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Merger Agreement**” shall mean that certain Agreement and Plan of Merger, dated as of June 13, 2014, among the Borrower, SCH Acquisition Corp. Crestview Symbion Holdings, L.L.C., and the Company.

“**Merger Consideration**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Minimum Extension Condition**” shall have the meaning assigned to such term in Section 2.21(c).

“**Moody’s**” shall mean Moody’s Investors Service, Inc., or any successor thereto.

“**Mortgage Policies**” shall have the meaning assigned to such term in the definition of “Collateral and Guarantee Requirement”.

“**Mortgaged Property**” shall have the meaning assigned to such term in the definition of “Collateral and Guarantee Requirement”.

“**Mortgages**” shall mean, collectively, the deeds of trust, trust deeds, hypothecs and mortgages made by the Loan Parties in favor or for the benefit of the Collateral Agent on behalf of the Secured Parties creating and evidencing a Lien on a Mortgaged Property in form and substance reasonably satisfactory to the Collateral Agent, and any other mortgages executed and delivered pursuant to Section 4.02, 6.11 or 6.13.

“**Multiemployer Plan**” shall mean any multiemployer plan as defined in Section 4001(a)(3) of ERISA subject to the provisions of Title IV of ERISA to which a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates is an “employer” as defined in Section 3(5) of ERISA.

“**Net Proceeds**” shall mean:

(a) 100% of the cash proceeds actually received by the Restricted Group (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise and including casualty insurance settlements and condemnation and similar awards, but in each case only as and when received) from any Disposition or Casualty Event, net of (i) attorneys’ fees, accountants’ fees, investment banking fees, survey costs, title insurance premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, required debt payments and required payments of other obligations that are secured by the applicable asset or property (including without limitation principal amount, premium or penalty, if any, interest and other amounts) (other than pursuant to the Loan Documents, any Permitted First Priority Refinancing Debt or any Permitted Second Priority Refinancing Debt), other expenses and brokerage, consultant and other fees actually incurred in connection therewith, (ii) in the case of any Disposition or Casualty Event by a non-wholly owned Restricted Subsidiary, the pro rata portion of the Net Proceeds thereof (calculated without regard to this clause (ii)) attributable to minority interests and not available for distribution to or for the account of the Borrower or any wholly owned Restricted Subsidiary as a result thereof, (iii) taxes paid or reasonably estimated to be payable as a result thereof (*provided* that, if the amount of any such estimated taxes exceeds the amount of taxes actually required to be paid in cash in respect of such Disposition or Casualty Event, the aggregate amount of such excess shall constitute Net Proceeds at the time such taxes are actually paid), and (iv) the amount of any reasonable reserve established in accordance with GAAP against any adjustment to the sale price or any liabilities (other than any taxes deducted pursuant to clause (i) above) (x) related to any of the applicable assets and (y) retained by any member of the Restricted Group including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations (however, the amount of any subsequent reduction of such reserve (other than in connection with a payment in respect of any such liability) shall be deemed to be

Net Proceeds of such Disposition or Casualty Event occurring on the date of such reduction); *provided* that, if no Default exists and the Borrower shall deliver a certificate of a Responsible Officer of the Borrower to the Administrative Agent promptly following receipt of any such proceeds setting forth the Borrower's good faith intention to use any portion of such proceeds to acquire, maintain, develop, construct, improve, upgrade or repair assets useful in the business of the Borrower or its Restricted Subsidiaries or to make Permitted Acquisitions or any acquisition permitted hereunder of all or substantially all the assets of, or all the Equity Interests (other than directors' qualifying shares) in, a Person or division or line of business of a Person (or any subsequent investment made in a Person, division or line of business previously acquired), in each case within 12 months of such receipt, such portion of such proceeds shall not constitute Net Proceeds except to the extent not, within 12 months of such receipt, so used or contractually committed with a third party that is not an Affiliate to be so used (it being understood that if any portion of such proceeds are not so used within such 12-month period but within such 12-month period are contractually committed with a third party that is not an Affiliate to be used, then upon the termination of such contract or if such Net Proceeds are not so used within the later of such 12-month period and 180 days from the entry into such contractual commitment, such remaining portion shall constitute Net Proceeds as of the date of such termination or expiry without giving effect to this proviso; it being understood that such proceeds shall constitute Net Proceeds notwithstanding any investment notice if there is a Default or Event of Default under Section 8.01(a), 8.01(f) or 8.01(g) at the time of a proposed reinvestment unless such proposed reinvestment is made pursuant to a binding commitment with a third party that is not an Affiliate entered into at a time when no Default or Event of Default under Section 8.01(a), 8.01(f) or 8.01(g) was continuing); *provided* that no proceeds realized in a single transaction or series of related transactions shall constitute Net Proceeds unless (x) such proceeds shall exceed \$3,000,000 and (y) the aggregate net proceeds exceed \$10,000,000 in any fiscal year (and thereafter only net cash proceeds in excess of such amount shall constitute Net Proceeds under this clause (a)), and

(b) 100% of the cash proceeds from the incurrence, issuance or sale by any member of the Restricted Group of any Indebtedness, net of all taxes paid or reasonably estimated to be payable as a result thereof and fees (including investment banking fees and discounts), commissions, costs and other expenses, in each case incurred in connection with such issuance or sale; *provided* that, if the amount of any estimated taxes exceeds the amount of taxes actually required to be paid in cash, the aggregate amount of such excess shall constitute Net Proceeds at the time such taxes are actually paid.

For purposes of calculating the amount of Net Proceeds, fees, commissions and other costs and expenses payable to any member of the Restricted Group shall be disregarded.

"Non-Consenting Lender" has the meaning set forth in Section 3.07(b).

"Not Otherwise Applied" shall mean, with reference to any amount of net proceeds of any transaction or event, that such amount (a) was not required to be applied to prepay the Loans pursuant to Section 2.13(a), (b) was not previously applied in determining the permissibility of a transaction under the Loan Documents where such permissibility was (or may have been) contingent on receipt of such amount or utilization of such amount for a specified purpose, including, without limitation, pursuant to Section 7.02(n)(ii), 7.06(h) or 7.13(a)(iv), (c) was not

previously applied to effect a transaction, to make a payment under Section 7.06(k) or to make a payment under any Loan Document, and (d) did not constitute the proceeds of any Specified Equity Contribution.

“**Note**” shall mean, as the context may require, a Term Note or a Revolving Note.

“**Notes Redemption**” shall mean the occurrence of either (1) all of the outstanding 8.00% Senior Secured Notes due 2016, 11.00%/11.75% Senior PIK Toggle Notes due 2015 and 8.00% Senior PIK Exchangeable Notes (the “**Exchangeable Notes**”) due 2017 of Symbion, Inc. (collectively, the “**Existing Symbion Notes**”) will be redeemed in full on the Closing Date in accordance with the terms thereof or (2) irrevocable notice for the redemption or repayment of the Existing Symbion Notes will be given and all Existing Symbion Notes shall be satisfied and discharged on the Closing Date in accordance with the terms thereof.

“**Obligations**” shall mean all (x) advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party and its Restricted Subsidiaries arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest, fees and expenses that accrue after the commencement by or against any Loan Party or Restricted Subsidiary of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding (or would accrue but for the operation of applicable Debtor Relief Laws), regardless of whether such interest, fees or expenses are allowed or allowable claims in such proceeding, (y) obligations of any Loan Party (other than Holdings) arising under any Secured Hedge Agreement and (z) obligations of any Loan Party (other than Holdings) arising in respect of any Secured Cash Management Services Obligation. Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents (and of their Restricted Subsidiaries to the extent they have obligations under the Loan Documents) (i) include (a) the obligation (including guarantee obligations) to pay principal, premium, interest, Letter of Credit commissions, reimbursement obligations, charges, expenses, fees, Attorney Costs, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation of any Loan Party to reimburse any amount in respect of any of the foregoing that any Agent, Lender or Issuing Bank, in its sole discretion, may elect to pay or advance on behalf of such Loan Party, and (ii) shall not include any Excluded Swap Obligations.

“**OFAC**” shall have the meaning assigned to such term in the definition of “Blocked Person”.

“**OID**” shall have the meaning assigned to such term in Section 2.19(b).

“**Organization Documents**” shall mean (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation

or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“**Original Term Loan Maturity Date**” shall have the meaning assigned to such term in the definition of “Term Loan Maturity Date”.

“**Other Commitments**” shall mean, as the context may require, Other Term Loan Commitments or Other Revolving Loan Commitments.

“**Other Loans**” shall mean, as the context may require, Other Term Loans or Other Revolving Loans.

“**Other Taxes**” shall have the meaning assigned to such term in Section 3.01(b).

“**Other Revolving Loan Commitments**” shall mean one or more Classes of revolving loan commitments hereunder that result from a Refinancing Amendment entered into after the Closing Date.

“**Other Revolving Loans**” shall mean one or more Classes of Revolving Loans that result from a Refinancing Amendment entered into after the Closing Date.

“**Other Term Loan Commitments**” shall mean one or more Classes of term loan commitments hereunder that result from a Refinancing Amendment entered into after the Closing Date.

“**Other Term Loans**” shall mean one or more Classes of Term Loans that result from a Refinancing Amendment entered into after the Closing Date.

“**Participant Register**” shall have the meaning assigned to such term in Section 10.04(f).

“**PBGC**” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“**Perfection Certificate**” shall mean a certificate in the form of Exhibit II to the Security Agreement or any other form reasonably approved by the Collateral Agent, as the same shall be supplemented from time to time.

“**Permitted Acquisition**” shall have the meaning assigned to such term in Section 7.02(i).

“**Permitted Business**” shall mean (i) any business engaged in by the Borrower or any of its Restricted Subsidiaries on the Closing Date, and (ii) any business or other activities that are reasonably similar, ancillary, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which the Borrower and its Restricted Subsidiaries are engaged on the Closing Date.

“**Permitted First Priority Refinancing Debt**” shall mean any secured Indebtedness incurred by the Borrower in the form of one or more series of senior secured note securities;

provided that (i) such Indebtedness may only be secured by assets consisting of Collateral on a pari passu basis (but without regard to the control of remedies) with the Obligations and may not be secured by any assets other than the Collateral, (ii) such Indebtedness constitutes Credit Agreement Refinancing Indebtedness, (iii) such Indebtedness has a maturity date no earlier than the maturity date of the Refinanced Debt and a Weighted Average Life to Maturity equal to or greater than the Refinanced Debt, (iv) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor, (v) the other terms and conditions of such Indebtedness (excluding pricing, fees and optional prepayment or redemption terms) are customary market terms for securities of such type and, in any event, are substantially identical to, or when taken as a whole, are not more favorable to the investors providing such securities than the terms and conditions of the applicable Refinanced Debt (except with respect to any terms (including covenants) and conditions contained in such Indebtedness that are applicable only after the then Latest Maturity Date) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Loans that are secured by first-priority Liens on the Collateral and remain outstanding after the incurrence or issuance of such Indebtedness), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the requirement of this clause (v) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees), (vi) the security agreements relating to such Indebtedness are substantially the same as or more favorable to the Loan Parties than the applicable Collateral Documents (with such differences as are reasonably satisfactory to the Administrative Agent) and (vii) a Senior Representative acting on behalf of the holders of such Indebtedness shall have become party to or otherwise subject to the provisions of the Intercreditor Agreement and the First Lien Intercreditor Agreement; *provided* that, if such Indebtedness is the initial Permitted First Priority Refinancing Debt incurred by the Borrower, then the Borrower, Holdings, the Subsidiary Guarantors, the Collateral Agent and the Senior Representative for such Indebtedness shall have executed and delivered the First Lien Intercreditor Agreement. Permitted First Priority Refinancing Debt will include any Registered Equivalent Notes issued in exchange therefor.

“Permitted Holders” shall mean any of the Investors; *provided* that if the Management Stockholders own beneficially or of record more than 10% of the outstanding voting stock of Holdings in the aggregate at any time, for purposes of any determination of Permitted Holders (including pursuant to the definition of “Change of Control”) at such time, the Management Stockholders shall be deemed to hold 10% of the outstanding voting stock of Holdings at such time.

“Permitted Holdings Debt” means unsecured Indebtedness of Holdings (A) that is not subject to any Guarantee by any Subsidiary of Holdings, (B) that will not mature until after the date that is 91 days after the then Latest Maturity Date in effect on the date of issuance or incurrence thereof and (C) that is not subject to mandatory redemption, repurchase, prepayment

or sinking fund obligation (other than customary AHYDO Catch-Up Payments and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and a customary acceleration right after an event of default) prior to the date that is 91 days after the then Latest Maturity Date.

“Permitted Junior Debt” shall mean unsecured Indebtedness incurred by the Borrower in the form of one or more series of unsecured notes or loans; *provided* that (i) if constituting Subordinated Indebtedness, (A) such Indebtedness (including any Guarantee thereof) is subordinated to the Obligations on terms customary for high yield subordinated debt securities or otherwise reasonably satisfactory to the Administrative Agent and (B) the Obligations at all times constitute “designated senior debt” (or comparable term) under the documents governing such Indebtedness, (ii) such Indebtedness does not mature or have scheduled amortization or payments of principal and is not subject to mandatory redemption, repurchase, prepayment or sinking fund obligation (except customary AHYDO Catch-Up Payments and customary asset sale or change of control provisions and customary acceleration rights after an event of default), in each case prior to the date that is 91 days after the then Latest Maturity Date (*provided* that such Indebtedness may be incurred in the form of a customary “bridge” or other interim credit facility intended to be refinanced or replaced with long-term indebtedness so long as, subject only to customary conditions the failure of which to be satisfied would otherwise result in an Event of Default, it would either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of this clause (ii)), (iii) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor and (iv) the other terms and conditions of such Indebtedness (excluding pricing, fees, rate floors and optional prepayment or redemption terms) are customary market terms for Indebtedness of such type and, in any event are substantially identical to, or, when taken as a whole, are no more restrictive on the Borrower and the Restricted Subsidiaries than the terms and conditions applicable to the Facilities (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Facilities), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the requirement of this clause (iv) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees).

“Permitted Payment Restriction” means any encumbrance or restriction (each, a “restriction”) on the ability of any Restricted Subsidiary to pay dividends or make any other distributions on its Equity Interests to the Borrower or a Restricted Subsidiary, which restriction would not materially impair the Borrower’s ability to make scheduled payments of cash interest and to make required principal payments on the Loans as determined in good faith by a Responsible Officer of the Borrower, whose determination shall be conclusive.

“Permitted Refinancing” shall mean, with respect to any Person, any modification, refinancing, refunding, renewal, replacement or extension of any Indebtedness of such Person;

provided that (a) the original aggregate principal amount (or accreted value, if applicable) does not exceed the aggregate principal amount (or accreted value, if applicable) of the Indebtedness so modified, refinanced, refunded, renewed, replaced or extended except (i) by an amount equal to accrued but unpaid interest, premiums and fees payable by the terms of such Indebtedness and reasonable fees, expenses, original issue discount and upfront fees incurred in connection with such modification, refinancing, refunding, renewal, replacement or extension and (ii) by an amount equal to any existing available commitments unutilized thereunder, (b) other than with respect to a Permitted Refinancing in respect of Indebtedness permitted pursuant to Section 7.03(e), the Indebtedness resulting from such modification, refinancing, refunding, renewal, replacement or extension has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended and (c) if such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is Indebtedness permitted pursuant to Section 7.03(b), 7.03(t) or 7.03(u), or is otherwise a Junior Financing, (i) to the extent such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is subordinated in right of payment or in lien priority to the Obligations, the Indebtedness resulting from such modification, refinancing, refunding, renewal, replacement or extension is subordinated in right of payment or in lien priority, as applicable, to the Obligations on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, (ii) the other terms and conditions (including, if applicable, as to collateral and as to intercreditor agreements but excluding as to subordination, pricing, fees, rate floors and optional prepayment or redemption terms) of any such modified, refinanced, refunded, renewed, replaced or extended Indebtedness, taken as a whole, are not materially less favorable to the Loan Parties than the terms and conditions of the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, taken as a whole (*provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower have determined in good faith that such terms and conditions satisfy the foregoing requirement shall be conclusive evidence that such terms and conditions satisfy the foregoing requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees)), (iii) the obligors (including any guarantors) in respect of the Indebtedness resulting from such modification, refinancing, refunding, renewal, replacement or extension shall not include any Person other than the obligors (including any guarantors) of the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, (iv) in the case of any Credit Agreement Refinancing Indebtedness, the Permitted Refinancing shall constitute Credit Agreement Refinancing Indebtedness and (v) in the case of any intercompany Indebtedness, each obligee in respect of the Permitted Refinancing shall be the Borrower or a Restricted Subsidiary. When used with respect to any specified Indebtedness, “**Permitted Refinancing**” shall mean the Indebtedness incurred to effectuate a Permitted Refinancing of such specified Indebtedness.

“**Permitted Repricing Amendment**” shall have the meaning set forth in Section 10.08(b).

“Permitted Second Priority Refinancing Debt” shall mean secured Indebtedness incurred by the Borrower in the form of one or more series of second lien secured notes or second lien secured loans; *provided* that (i) such Indebtedness may only be secured by assets consisting of Collateral on a junior lien basis to the Obligations and the obligations in respect of any Permitted First Priority Refinancing Debt, and may not be secured by any assets other than the Collateral, (ii) such Indebtedness constitutes Credit Agreement Refinancing Indebtedness, (iii) such Indebtedness has a maturity date no earlier than the maturity date of the Refinanced Debt and a Weighted Average Life to Maturity equal to or greater than the Refinanced Debt and, in the case of any notes, does not have any scheduled amortization or payments of principal (other than customary AHYDO Catch-Up Payments and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) prior to the then Latest Maturity Date, (iv) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor, (v) the other terms and conditions of such Indebtedness (excluding pricing, fees, rate floors and optional prepayment or redemption terms) are customary market terms for Indebtedness of such type and, in any event, are substantially identical to, or when taken as a whole, are not more favorable to the investors or lenders providing such Indebtedness than the terms and conditions of the applicable Refinanced Debt (except with respect to any terms (including covenants) and conditions contained in such Indebtedness that are applicable only after the then Latest Maturity Date) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Loans that are secured by a first-priority or second-priority Lien on the Collateral and remain outstanding after the incurrence or issuance of such Indebtedness), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower have determined in good faith that such terms and conditions satisfy the requirement of this clause (v) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees), (vi) the security agreements relating to such Indebtedness reflect the second lien nature of the security interests and are otherwise substantially the same as or more favorable to the Loan Parties than the applicable Collateral Documents (with such differences as are reasonably satisfactory to the Administrative Agent) and (vii) a Senior Representative acting on behalf of the holders of such Indebtedness shall have become party to or otherwise subject to the provisions of the Intercreditor Agreement and the Second Lien Intercreditor Agreement; *provided* that, if such Indebtedness is the initial Permitted Second Priority Refinancing Debt incurred by the Borrower, then the Borrower, Holdings, the Subsidiary Guarantors, the Collateral Agent and the Senior Representative for such Indebtedness shall have executed and delivered the Second Lien Intercreditor Agreement; *provided* that, any Permitted Second Priority Refinancing Debt shall be *pari passu* or junior to the Second Lien Term Loans. Permitted Second Priority Refinancing Debt will include any Registered Equivalent Notes issued in exchange therefor.

“Permitted Unsecured Refinancing Debt” shall mean unsecured Indebtedness incurred by one or both Borrower in the form of one or more series of unsecured notes or unsecured loans;

provided that (i) such Indebtedness constitutes Credit Agreement Refinancing Indebtedness, (ii) such Indebtedness has a maturity date no earlier than the maturity date of the Refinanced Debt and a Weighted Average Life to Maturity equal to or greater than the Refinanced Debt and, in the case of any notes, does not have any scheduled amortization or payments of principal (other than customary AHYDO Catch-Up Payments and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) prior to the then Latest Maturity Date, (iii) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor, (iv) such Indebtedness (including any guarantee thereof) is not secured by any Lien on any property or assets and (v) the other terms and conditions of such Indebtedness (excluding pricing, fees, rate floors and optional prepayment or redemption terms) are customary market terms for Indebtedness of such type and, in any event, are substantially identical to, or when taken as a whole, are not more favorable to the investors or lenders providing such Indebtedness than the terms and conditions of the applicable Refinanced Debt (except with respect to any terms (including covenants) and conditions contained in such Indebtedness that are applicable only after the then Latest Maturity Date) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Loans that remain outstanding after the incurrence or issuance of such Indebtedness), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower have determined in good faith that such terms and conditions satisfy the requirement of this clause (v) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees). Permitted Unsecured Refinancing Debt will include any Registered Equivalent Notes issued in exchange therefor.

“Person” shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” shall mean any employee pension benefit plan within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA and in respect of which a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates is, or if such plan were terminated would under Section 4069 of ERISA be deemed to be, or within the six year period immediately preceding the date hereof was, a “contributing sponsor” as defined in Section 4001(a)(13) of ERISA or an “employer” as defined in Section 3(5) of ERISA.

“Platform” shall have the meaning assigned to such term in Section 10.01(d).

“Pledged Notes” means any promissory note issued to the Borrower or a Subsidiary Guarantor that is pledged to the Collateral Agent under the Collateral Documents and is a “Pledged Security” under the Security Agreement.

“Prime Rate” shall mean, for any day, the prime rate published in The Wall Street Journal for such day; *provided that, if The Wall Street Journal ceases to publish for any reason such rate of interest, “Prime Rate” shall mean the prime lending rate as set forth on the Bloomberg page PRIMBB Index (or successor page) for such day (or such other service as determined by the Administrative Agent from time to time for purposes of providing quotations of prime lending interest rates);* each change in the Prime Rate shall be effective on the date such change is effective. The prime rate is not necessarily the lowest rate charged by any financial institution to its customers.

“Pro Forma Balance Sheet” shall have the meaning set forth in Section 5.05(a)(i).

“Pro Forma Basis” shall mean, with respect to compliance with any test or covenant or calculation of any ratio hereunder, the determination or calculation of such test, covenant or ratio (including in connection with Specified Transactions) in accordance with Section 1.09.

“Pro Forma Financial Statements” shall have the meaning set forth in Section 5.05(a)(i).

“Pro Rata Share” shall mean, with respect to each Lender at any time a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitments (or, if Commitments have been terminated, the principal amount of the Loans) under the applicable Facility or Facilities of such Lender at such time and the denominator of which is the amount of the aggregate Commitments (or, if the Commitments have been terminated, the principal amount of the Loans) under the applicable Facility or Facilities at such time.

“Projections” shall have the meaning set forth in Section 6.01(c).

“Promissory Note” shall mean a promissory note substantially in the form of Exhibit E-2, or such other form as shall be approved by the Administrative Agent.

“Public Lender” shall have the meaning assigned to such term in Section 10.01.

“Qualified Equity Interests” shall mean any Equity Interests that are not Disqualified Equity Interests.

“Qualified IPO” shall mean the issuance by Holdings or any direct or indirect parent thereof of its common Equity Interests in an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8) pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission in accordance with the Securities Act (whether alone or in connection with a secondary public offering).

“Qualified Restricted Subsidiary” means any Restricted Subsidiary that satisfies each of the following requirements: (1) except for Permitted Payment Restrictions, there are no consensual restrictions, directly or indirectly, on the ability of such Restricted Subsidiary to pay dividends or make distributions to the holders of its Equity Interests; (2) the Equity Interests of such Restricted Subsidiary consist solely of (A) Equity Interests owned by the Borrower, its Qualified Restricted Subsidiaries and Subsidiary Guarantors, (B) Equity Interests owned by Strategic Investors and (C) directors’ qualifying shares; and (3) the primary business of such Restricted Subsidiary is a Permitted Business.

“Real Property” shall mean, collectively, all right, title and interest (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned or leased by any Person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

“Refinanced Debt” shall have the meaning assigned to such term in the definition of “Credit Agreement Refinancing Indebtedness”.

“Refinancing Amendment” shall mean an amendment to this Agreement executed by each of (a) the Borrower and the Guarantors, (b) the Administrative Agent, (c) each Additional Lender that will make an Other Loan pursuant to such Refinancing Amendment and (d) each existing Lender that agrees to provide any portion of the Credit Agreement Refinancing Indebtedness being incurred pursuant thereto, in accordance with Section 2.20.

“Refinancing Facilities” shall have the meaning assigned to such term in Section 2.20.

“Refinancing Revolving Facility” shall have the meaning assigned to such term in Section 2.20.

“Refinancing Term Facility” shall have the meaning assigned to such term in Section 2.20.

“Register” shall have the meaning assigned to such term in Section 10.04(d).

“Registered Equivalent Notes” shall mean, with respect to any notes originally issued in a Rule 144A or other private placement transaction under the Securities Act of 1933, substantially identical notes (having the same Guarantees) issued in a dollar-for-dollar exchange therefor pursuant to an exchange offer registered with the SEC.

“Regulation T” shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Regulation U” shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Reimbursement Obligations” shall mean the Borrower’s obligations under Section 2.17(e) to reimburse LC Disbursements.

“Rejection Notice” shall have the meaning assigned to such term in Section 2.13(d).

“Related Fund” shall mean, with respect to any Lender that is a fund or commingled investment vehicle that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“Related Parties” shall mean, with respect to any specified Person, such Person’s Affiliates and the respective directors, trustees, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Release” shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or from, within or upon any building, structure, facility or fixture.

“Reportable Event” shall mean any of the events set forth in Section 4043(c) of ERISA or the regulations issued thereunder, other than events for which the 30-day notice period has been waived with respect to a Plan.

“Repricing Event” shall mean (a) any prepayment or repayment of Term Loans with the proceeds of, or any conversion of the Term Loans into, any new or replacement tranche of term loans with the primary purpose of obtaining an all-in yield that is lower than the all-in yield applicable to the Term Loans (in each case, the all-in yield shall exclude any structuring, commitment and arranger fees or other similar fees not paid generally to all lenders) or (b) any amendment to the Term Loans with the primary purpose to reduce the all-in yield applicable to the Term Loans, in each case, other than in connection with any Change of Control, Qualified IPO or Transformative Acquisition.

“Request for Credit Extension” shall mean a request by the Borrower in accordance with the terms of Section 2.03 and substantially in the form of Exhibit C, or such other form as shall be approved by the Administrative Agent.

“Required Class Lenders” shall mean, at any time, subject to the provisions of Section 10.04(l), with respect to one or more Facilities, Lenders having outstanding Loans, LC Exposure (if applicable) and unused Commitments under such Facility representing more than 50% of the sum of all outstanding Loans, LC Exposure (if applicable) and unused Commitments of such Facility; *provided* that the Loans, LC Exposure and unused Commitments held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Class Lenders.

“Required Lenders” shall mean, at any time, subject to the provisions of Section 10.04(l), Lenders having Loans, LC Exposure and unused Commitments representing more than 50% of the sum of all outstanding Loans, LC Exposure and unused Commitments at such time; *provided* that, the Loans, LC Exposure and unused Commitments held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“Required Revolving Lenders” shall mean, at any time, subject to the provisions of Section 10.04(l), Lenders having Revolving Exposure representing more than 50% of all Revolving Exposure at such time; *provided* that, the Loans, LC Exposure and unused Commitments held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Revolving Lenders.

“Required Term Lenders” shall mean, at any time, Lenders having Term Loans and unused Term Loan Commitments representing more than 50% of the sum of all outstanding Term Loans and unused Term Loan Commitments at such time; *provided* that, the Loans, LC Exposure and unused Commitments held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Term Lenders.

“Responsible Officer” shall mean the chief executive officer, president, vice president, chief financial officer, treasurer, assistant treasurer, director of treasury or other similar officer of a Loan Party and, as to any document delivered on the Closing Date, any secretary or assistant secretary of such Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed by the recipient of such document to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed by the recipient of such document to have acted on behalf of such Loan Party.

“Restricted Cash” shall mean, without duplication, cash and Cash Equivalents (a) held by the Borrower and its Restricted Subsidiaries to the extent use thereof for application to the payment of Indebtedness is prohibited by law or contract, (b) listed as “restricted” on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries, (c) that is contractually restricted from being distributed to the Borrower or (d) that is required to be contributed to the Indemnity Escrow Account.

“Restricted Group” shall mean, collectively, the Borrower and the Borrower’s Restricted Subsidiaries.

“Restricted Payment” shall mean any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interest of Holdings, the Borrower or any Restricted Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such Equity Interest of Holdings, the Borrower or any Restricted Subsidiary, or on account of any return of capital to Holdings’, the Borrower’s or a Restricted Subsidiary’s stockholders, partners or members (or the equivalent Persons thereof).

“Restricted Subsidiary” shall mean any Subsidiary of the Borrower other than an Unrestricted Subsidiary.

“Retained Percentage” shall mean, with respect to any Excess Cash Flow Period (a) 100% minus (b) the Applicable ECF Percentage with respect to such Excess Cash Flow Period.

“Revolving Borrowing” shall mean a Borrowing comprised of Revolving Loans.

“Revolving Commitment” shall mean, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans hereunder up to the amount set forth on Schedule 2.01 under the caption “Revolving Commitment” or in the Assignment and Acceptance or Refinancing Amendment pursuant to which such Lender assumed its Revolving Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to (i) assignments by or to such Lender pursuant

to an Assignment and Acceptance, (ii) a Refinancing Amendment or (iii) an Extension Amendment. The aggregate principal amount of the Lenders' Revolving Commitments on the Closing Date is \$80,000,000.

"Revolving Exposure" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender, plus the aggregate amount at such time of such Lender's LC Exposure.

"Revolving Extension" shall have the meaning assigned to such term in Section 2.21(b).

"Revolving Extension Offer" shall have the meaning assigned to such term in Section 2.21(b).

"Revolving Facility" shall mean the Revolving Commitments, each Class of Extended Revolving Commitments and each Class of Other Revolving Commitments and the Credit Extensions made thereunder.

"Revolving Lender" shall mean a Lender with a Revolving Commitment or an outstanding Revolving Loan.

"Revolving Loan" shall mean a Loan made by a Lender to the Borrower pursuant to Section 2.01(b). Each Revolving Loan shall either be an ABR Loan or a Eurodollar Loan.

"Revolving Maturity Date" shall mean (i) with respect to the Revolving Facility, November 3, 2019, (ii) with respect to any tranche of Extended Revolving Loans or Extended Revolving Commitments, the final maturity date as specified in the applicable Extension Amendment and (iii) with respect to any tranche of Other Revolving Loans or Other Revolving Commitments, the final maturity date as specified in the applicable Refinancing Amendment; *provided* that, if any such day is not a Business Day, the applicable Revolving Maturity Date shall be the Business Day immediately succeeding such day.

"Revolving Note" shall mean a promissory note of the Borrower payable to any Revolving Lender or its registered assigns, in substantially the form of Exhibit I-1 hereto, evidencing the aggregate Indebtedness of the Borrower to such Revolving Lender resulting from the Revolving Loans made by such Revolving Lender.

"S&P" shall mean Standard & Poor's Ratings Service, or any successor thereto.

"SEC" shall mean the Securities and Exchange Commission or any Governmental Authority that is the successor thereto.

"Second Lien Credit Agreement" shall mean that certain Second Lien Credit Agreement dated as of the date hereof among Holdings, Borrower, the Guarantors, the lenders thereunder and the administrative agent and collateral agent thereunder (as amended, restated, amended and restated, supplemented, replaced, refinanced or otherwise modified from time to time in accordance therewith, herewith and with the Intercreditor Agreement).

“Second Lien Incremental Equivalent Debt” shall mean the “Incremental Equivalent Debt” as defined in the Second Lien Credit Agreement.

“Second Lien Incremental Term Loans” shall mean the incremental term loans from time to time outstanding under the Second Lien Credit Agreement.

“Second Lien Indebtedness” shall mean the Second Lien Term Loans, any Second Lien Incremental Equivalent Debt, any Incremental Equivalent Debt that is secured on a junior basis to the Obligations on the Collateral, and any Permitted Refinancing of any of the foregoing, in each case so long as such Indebtedness is subject to the Intercreditor Agreement and the Second Lien Intercreditor Agreement.

“Second Lien Intercreditor Agreement” shall mean a “junior lien” intercreditor agreement among the Collateral Agent and one or more Senior Representatives for holders of Permitted Second Priority Refinancing Debt or Incremental Equivalent Debt that is secured on a junior basis to the Obligations, in each case in form and substance reasonably satisfactory to the Collateral Agent.

“Second Lien Loan Documents” shall mean the Second Lien Credit Agreement, the Intercreditor Agreement and the other “Loan Documents” as defined in the Second Lien Credit Agreement (as in effect on the date hereof and as amended, restated, amended and restated, supplemented, replaced, refinanced or otherwise modified from time to time in accordance therewith, herewith and with the Intercreditor Agreement).

“Second Lien Term Loans” shall mean the term loans (including any incremental term loans) from time to time outstanding under the Second Lien Credit Agreement or any Permitted Refinancing thereof, in each case subject to the Intercreditor Agreement.

“Secured Cash Management Services Obligations” of the Loan Parties means any and all obligations of the Loan Parties owed to any Cash Management Services Bank, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Cash Management Services.

“Secured Hedge Agreement” shall mean any Swap Contract permitted under Article 7 that is entered into by and between the Borrower or any Subsidiary Guarantor and any Hedge Bank.

“Secured Parties” shall have the meaning assigned to such term in the Security Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Security Agreement” shall mean a Security Agreement substantially in the form of Exhibit D.

“Security Agreement Supplement” shall have the meaning assigned to such term in the Security Agreement.

“**Senior Representative**” shall mean, with respect to any series of Permitted First Priority Refinancing Debt or Permitted Second Priority Refinancing Debt, the trustee, administrative agent, collateral agent, security agent or similar agent under the indenture or agreement pursuant to which such Indebtedness is issued, incurred or otherwise obtained, as the case may be, and each of their successors in such capacities.

“**Senior Secured Leverage Ratio**” shall mean, as of any date, the ratio of (a) Consolidated Total Net Debt as of such date that is secured by a Lien on any Collateral to (b) Consolidated EBITDA for the Test Period applicable as of such date.

“**Specified Debt Fund**” shall mean any bona fide debt fund or an investment vehicle that is engaged in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course of business and with respect to which H.I.G. Capital, LLC and investment vehicles managed or advised by H.I.G. Capital, LLC that are not engaged primarily in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course do not make investment decisions for such Person.

“**Specified Equity Contribution**” shall mean any sale or issuance of Qualified Equity Interests by Holdings after the end of the relevant fiscal quarter and prior to the day that is 10 Business Days after the day on which financial statements are required to be delivered for such fiscal quarter (the “**Cure Expiration Date**”).

“**Specified Merger Agreement Representations**” shall mean such of the representations and warranties made by or with respect to the Company and its Subsidiaries in the Merger Agreement as are material to the interests of the Lenders or the Lead Arrangers, but only to the extent that the Borrower (or its affiliate) has the right to terminate its obligations under the Merger Agreement (or the right not to consummate the Acquisition pursuant to the Merger Agreement) as a result of a breach of such representations and warranties.

“**Specified Representations**” shall mean those representations and warranties made by the Loan Parties in Sections 5.01(a) (with respect to organizational existence only), 5.01(b)(ii), 5.02(a) (with respect to the execution, delivery, and performance of the Loan Documents), 5.02(b)(i) (with respect to the execution, delivery, and performance of the Loan Documents, the incurrence of Indebtedness hereunder and thereunder and the granting of the guarantees and the security interests in respect hereof and thereof), 5.02(b)(iii) (except with respect to any violation to the extent that such violation would not reasonably be expected to result in a Company Material Adverse Effect), 5.04, 5.13, 5.17, 5.18, 5.19(a) and 5.20; *provided*, that to the extent any of the foregoing representations and warranties as they apply to the Company and its subsidiaries is qualified by or subject to “Material Adverse Effect”, the definition thereof with respect to the Company and its subsidiaries shall be “Company Material Adverse Effect”.

“**Specified Subsidiary**” shall mean (i) each wholly owned Domestic Subsidiary of the Borrower listed on Schedule 1.01(b) and (ii) any Qualified Restricted Subsidiary that is a wholly owned Domestic Subsidiary of the Borrower formed or acquired after the Closing Date if a Responsible Officer of the Borrower represents in writing to the Administrative Agent that the Borrower intends in good faith to syndicate the Equity Interests of such Qualified Restricted Subsidiary to Strategic Investors; provided that any Specified Subsidiary shall cease to be a

Specified Subsidiary if the Borrower at any time no longer intends to syndicate the Equity Interests of such Qualified Restricted Subsidiary to Strategic Investors or the Borrower has opted for it to satisfy the Collateral and Guarantee Requirement.

“**Specified Transaction**” shall mean any Investment that results in a Person becoming a Restricted Subsidiary or an Unrestricted Subsidiary, any Permitted Acquisition, any Disposition that results in a Restricted Subsidiary ceasing to be a Subsidiary of the Borrower, any Investment constituting an acquisition of assets constituting a business unit, line of business or division of another Person or any Disposition of a business unit, line of business or division of the Borrower or a Restricted Subsidiary, in each case consummated after the Closing Date and whether by merger, consolidation, amalgamation or otherwise, and any incurrence or repayment of Indebtedness, Restricted Payment, or Incremental Term Loan, in each case, that by the terms of this Agreement requires a financial ratio or test to be calculated on a “Pro Forma Basis”.

“**Sponsor**” shall mean H.I.G. Capital, LLC and any of its Affiliates and funds or partnerships managed or advised by H.I.G. Capital, LLC or any of its Affiliates but not including, however, any portfolio company of any of the foregoing.

“**Sponsor Management Agreement**” shall mean that certain Management and Investment Advisory Services Agreement, dated as of December 24, 2009, by and among the Borrower, each of Borrower’s direct or indirect subsidiaries listed on the signature pages thereto and Bayside Capital, Inc., a Florida corporation, as amended through the Closing Date and as may be further amended, supplemented or otherwise modified in accordance with its respective terms, but only to the extent that any such further amendment, supplement or modification does not, directly or indirectly, increase the obligation of Holdings or any of its Affiliates to make any payments thereunder.

“**SPV**” shall have the meaning assigned to such term in Section 10.04(i).

“**Statutory Reserves**” shall mean, for any day during any Interest Period for any Eurodollar Borrowing, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained, during such Interest Period under regulations issued from time to time (including “Regulation D,” issued by the Board of Governors of the Federal Reserve Bank of the United States (the “**Reserve Regulations**”) by member banks of the United States Federal Reserve System in New York City with deposits exceeding one billion Dollars against Eurocurrency funding liabilities (currently referred to as “Eurocurrency liabilities” (as such term is used in Regulation D))). Eurodollar Borrowings shall be deemed to constitute Eurodollar liabilities and to be subject to such reserve requirements without benefit of or credit for proration, exceptions or offsets which may be available from time to time to any Lender under the Reserve Regulations.

“**Strategic Investors**” shall mean physicians, hospitals, health systems, other healthcare providers, other healthcare companies and other similar strategic joint venture partners which joint venture partners are actively involved in the day-to-day operations of providing surgical care, anesthesia or related services, or, in the case of physicians, that have retired therefrom, individuals who are former owners or employees of surgical care facilities purchased by the Borrower or any of its Restricted Subsidiaries or Persons owned, controlled or managed by individual physicians, and consulting firms that receive common Equity Interests as consideration for consulting services performed or for cash invested.

“**Subordinated Indebtedness**” shall mean any Indebtedness that is, or is required to be, subordinated in right of payment to the Obligations.

“**Subsidiary**” of a Person shall mean a corporation, partnership, joint venture, limited liability company or other business entity of which (i) a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned or (ii) the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “**Subsidiary**” or to “**Subsidiaries**” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“**Subsidiary Guarantor**” shall mean any Guarantor other than Holdings. The Subsidiary Guarantors as of the Closing Date are set forth on Schedule 1.01(a).

“**Successor Borrower**” shall have the meaning assigned to such term in Section 7.04(d).

“**Swap Contract**” shall mean (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “**Master Agreement**”), including any such obligations or liabilities under any Master Agreement.

“**Swap Termination Value**” shall mean, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender)

“**Syndication Date**” shall have the meaning assigned to such term in the Commitment Letter.

“**Tax Group**” shall have the meaning assigned to such term in Section 7.06(i)(iii).

“**Taxes**” shall have the meaning assigned to such term in Section 3.01(a).

“**Term Borrowing**” shall mean a Borrowing comprised of Term Loans.

“**Term Facility**” shall mean the Initial Term Loans, the Extended Term Loans, the Incremental Term Loans or the Other Term Loans, as the context may require.

“**Term Lender**” shall mean a Lender with a Term Loan Commitment or an outstanding Term Loan.

“**Term Loan Commitment**” shall mean, with respect to each Lender, the commitment, if any, of such Lender to make a Term Loan hereunder, expressed as an amount representing the maximum principal amount of the Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to (i) assignments by or to such Lender pursuant to an Assignment and Acceptance, (ii) an Incremental Amendment, (iii) a Refinancing Amendment or (iv) an Extension Amendment. The initial amount of each Lender’s Term Loan Commitment is set forth on Schedule 2.01 under the caption “Term Loan Commitment” or, otherwise, in the Assignment and Acceptance, Incremental Amendment or Refinancing Amendment pursuant to which such Lender shall have assumed its Term Loan Commitment, as the case may be. The initial aggregate amount of the Term Loan Commitments as of the Closing Date is \$870,000,000.

“**Term Loan Extension**” shall have the meaning assigned to such term in Section 2.21(a).

“**Term Loan Extension Offer**” shall have the meaning assigned to such term in Section 2.21(a).

“**Term Loan Maturity Date**” shall mean (i) with respect to the Initial Term Loans borrowed on the Closing Date that have not been extended pursuant to Section 2.21, November 3, 2020 (the “**Original Term Loan Maturity Date**”), (ii) with respect to any tranche of Extended Term Loans, the final maturity date as specified in the applicable Extension Amendment, (iii) with respect to any Other Term Loans, the final maturity date as specified in the applicable Refinancing Amendment and (iv) with respect to any Incremental Term Loans, the final maturity date as specified in the applicable Incremental Amendment; *provided that*, if any such day is not a Business Day, the applicable Term Loan Maturity Date shall be the Business Day immediately succeeding such day.

“**Term Loans**” shall mean the Initial Term Loans, Extended Term Loans, Incremental Term Loans and Other Term Loans.

“**Term Note**” shall mean a promissory note of the Borrower payable to any Term Lender or its registered assigns, in substantially the form of Exhibit I-2 hereto, evidencing the aggregate Indebtedness of the Borrower to such Term Lender resulting from the Term Loans made by such Term Lender.

“**Test Period**” shall mean, for any date of determination under this Agreement, the most recent period as of such date of four consecutive fiscal quarters of the Restricted Group for which financial statements have been delivered (or were required to have been delivered) pursuant to Section 6.01(a) or 6.01(b), as applicable.

“**Threshold Amount**” shall mean \$40,000,000.

“**Total Assets**” shall mean the total assets of the Borrower and its Restricted Subsidiaries on a consolidated basis as shown on the most recent consolidated balance sheet of the Borrower required to be delivered pursuant to Section 6.01(a) or (b) (or if prior to the first time such a consolidated balance sheet is so required to be delivered, on the most recent consolidated balance sheet of the Borrower and its Restricted Subsidiaries that is then internally available).

“**Total Leverage Ratio**” shall mean, as of any date, the ratio of (a) Consolidated Total Net Debt as of such date to (b) Consolidated EBITDA for the Test Period applicable as of such date.

“**tranche**” shall have the meaning assigned to such term in Section 2.21(a).

“**Transaction Expenses**” shall mean any fees or expenses incurred or paid by Sponsor, any direct or indirect parent of Holdings, Holdings, the Borrower or any of their respective Subsidiaries in connection with the Transactions (including expenses in connection with close-out fees in connection with the termination of hedging transactions, if any, and payments to officers, employees and directors as change of control payments, severance payments, special or retention bonuses and charges for repurchase or rollover of, or modifications to, stock options and/or restricted stock), this Agreement, the other Loan Documents and the Second Lien Loan Documents, including any upfront fees or ticking fees incurred pursuant to the terms of the Fee Letter.

“**Transactions**” shall mean, collectively, (a) the consummation of the Acquisition and the Merger and the other transactions contemplated thereby on the Closing Date, (b) the execution and delivery by the Loan Parties of the Loan Documents to which they are a party and the making of the Borrowings hereunder and the issuance of Letters of Credit hereunder on the Closing Date, (c) the execution and delivery by the Loan Parties of the Second Lien Loan Documents to which they are a party and the making of the Second Lien Term Loans thereunder on the Closing Date, (d) the repayment of all amounts due or outstanding under or in respect of, and the termination of, certain existing third party Indebtedness, including the Existing Credit Agreements, on the Closing Date, (e) the Notes Redemption and (f) the payment of the Transaction Expenses.

“**Transferred Guarantor**” shall have the meaning assigned to such term in Section 11.10.

“**Transformative Acquisition**” shall mean any acquisition by Holdings, the Borrower or any Restricted Subsidiary that is either (a) not permitted hereunder immediately prior to the consummation of such acquisition or (b) if permitted hereunder immediately prior to the consummation of such acquisition, would not provide Holdings, the Borrower and the Restricted Subsidiaries with adequate flexibility hereunder for the continuation and/or expansion of their consolidated operations following such consummation, as determined by the Borrower acting in good faith.

“**Type**”, when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term “**Rate**” shall mean the Adjusted LIBO Rate and the Alternate Base Rate.

“**Unaudited Financial Statements**” shall mean each of the (i) unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries for the fiscal quarter ended June 30, 2014 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Borrower and its consolidated subsidiaries and (ii) unaudited consolidated balance sheet of Symbion, Inc. and its consolidated subsidiaries for the fiscal quarter ended June 30, 2014 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Symbion, Inc. and its consolidated subsidiaries.

“**Uniform Commercial Code**” or “**UCC**” shall mean the Uniform Commercial Code as the same may from time to time be in effect in the State of New York or the Uniform Commercial Code (or similar code or statute) of another jurisdiction, to the extent it may be required to apply to any item or items of Collateral.

“**United States**” and “**U.S.**” shall mean the United States of America.

“**United States Tax Compliance Certificate**” shall have the meaning assigned to such term in Section 3.01(d).

“**Unrestricted Subsidiary**” shall mean any Subsidiary of the Borrower designated by the board of directors of the Borrower as an Unrestricted Subsidiary pursuant to Section 6.14 subsequent to the Closing Date.

“**USA PATRIOT Act**” shall mean The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“**Weighted Average Life to Maturity**” shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing: (i) the sum of the products obtained by multiplying (a) the amount of each then remaining scheduled installment, sinking fund, serial maturity or other required scheduled payments of principal, including payment at final scheduled maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (ii) the then outstanding principal amount of such Indebtedness; *provided* that, for purposes of determining the Weighted Average Life to Maturity of any Refinanced Debt or any Indebtedness that is being modified, refinanced, refunded, renewed, replaced or extended (the “**Applicable Indebtedness**”), the effects of any prepayments made on such Applicable Indebtedness prior to the date of the applicable modification, refinancing, refunding, renewal, replacement or extension shall be disregarded.

“**wholly owned**” shall mean, with respect to a Subsidiary of a Person, a Subsidiary of such Person all of the outstanding Equity Interests of which (other than (x) director’s qualifying shares and (y) shares issued to foreign nationals to the extent required by applicable Law) are owned by such Person and/or by one or more wholly owned Subsidiaries of such Person.

“**Withdrawal Liability**” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. *Other Interpretive Provisions.* With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words “herein,” “hereto,” “hereof” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term “including” is by way of example and not limitation.

(iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”; and the word “through” means “to and including.”

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(e) The word “or” is not exclusive.

(f) For purposes of determining compliance with any one of Sections 7.01, 7.02, 7.03, 7.05, 7.06, 7.08, 7.09 and 7.13, in the event that any Lien, Investment, Indebtedness, Disposition, Restricted Payment, affiliate transaction, Contractual Obligation or prepayment of Indebtedness meets the criteria of more than one of the categories of transactions permitted pursuant to any clause of such Section, such transaction (or portion thereof) at any time shall be permitted under one or more of such clauses as determined by the Borrower in its sole discretion at such time.

Section 1.03. *Accounting Terms.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein.

Section 1.04. *Rounding*. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement (or required to be satisfied in order for a specific action to be permitted under this Agreement) shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05. *References to Agreements, Laws, Etc.* Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

Section 1.06. *Times of Day*. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.07. *Timing of Payment of Performance*. Except as otherwise expressly provided herein, when the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment (other than as described in the definition of Interest Period) or performance shall extend to the immediately succeeding Business Day.

Section 1.08. *Cumulative Credit Transactions*. If more than one action occurs on any given date the permissibility of the taking of which is determined hereunder by reference to the amount of the Cumulative Credit immediately prior to the taking of such action, the permissibility of the taking of each such action shall be determined independently and in no event may any two or more such actions be treated as occurring simultaneously.

Section 1.09. *Pro Forma Calculations*.

(a) Notwithstanding anything to the contrary herein, financial ratios and tests, including the Total Leverage Ratio, the Senior Secured Leverage Ratio and the First Lien Leverage Ratio, and compliance with covenants determined by reference to Consolidated EBITDA and Total Assets shall be calculated in the manner prescribed by this Section 1.09; *provided* that, notwithstanding anything to the contrary in Section 1.09(b), (c) or (d), when calculating (i) the First Lien Leverage Ratio for purposes of the Applicable ECF Percentage of Excess Cash Flow and (ii) the Total Leverage Ratio for the purposes of actual compliance with Section 7.11 (as opposed to a pro forma calculation in accordance with Section 7.11 for purposes of another provision), the events described in this Section 1.09 that occurred subsequent to the end of the applicable Test Period shall not be given pro forma effect.

(b) For purposes of calculating the Total Leverage Ratio, the Senior Secured Leverage Ratio, the First Lien Leverage Ratio or Consolidated EBITDA, Specified Transactions (and the

incurrence or repayment of any Indebtedness in connection therewith) that have been made (i) during the applicable Test Period or (ii) subsequent to such Test Period and prior to or simultaneously with the event for which the calculation of any such ratio is made shall be calculated on a Pro Forma Basis assuming that all such Specified Transactions (and any increase or decrease in Consolidated EBITDA and the component financial definitions used therein attributable to any Specified Transaction) had occurred on the first day of the applicable Test Period. If since the beginning of any applicable Test Period any Person that subsequently became a Restricted Subsidiary or was merged, amalgamated or consolidated with or into the Borrower or any of its Restricted Subsidiaries since the beginning of such Test Period shall have made any Specified Transaction that would have required adjustment pursuant to this Section 1.09, then the Total Leverage Ratio, the Senior Secured Leverage Ratio, the First Lien Leverage Ratio and Consolidated EBITDA shall be calculated to give *Pro Forma* effect thereto in accordance with this Section 1.09.

(c) Whenever pro forma effect is to be given to a Specified Transaction, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Borrower and may include, for the avoidance of doubt, the amount of cost savings, operating expense reductions, operating improvements and synergies related to such Specified Transaction projected by the Borrower in good faith to be realized as a result of specified actions taken, committed to be taken or expected to be taken (calculated on a pro forma basis as though such cost savings, operating expense reductions, operating improvements and synergies had been realized on the first day of the applicable EBITDA Determination Period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of such EBITDA Determination Period) relating to such Specified Transaction, net of the amount of actual benefits realized during such EBITDA Determination Period from such actions; *provided* that (A) such amounts are reasonably identifiable and factually supportable in the good faith determination of the Borrower, (B) such actions are taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken no later than 24 months after the date of such Specified Transaction, and (C) no amounts shall be added back in computing Consolidated EBITDA pursuant to this Section 1.09(c) to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such EBITDA Determination Period. Notwithstanding the foregoing, (A) all pro forma adjustments under this Section 1.09(c) shall not, taken together with those added pursuant to clause (a)(viii) of the definition of "Consolidated EBITDA", increase Consolidated EBITDA by more than 35% for any Test Period (calculated prior to giving effect to any addback pursuant to this Section 1.09(c) or clause (a)(viii) of the definition of "Consolidated EBITDA"), (B) any cost savings, operating expense reductions, operating improvements or synergies to be realized in such Test Period shall not be added back in computing the Applicable ECF Percentage and (C) no pro forma adjustments under this Section 1.09(c) shall be made in respect of the Transactions (the foregoing not being intended to limit the operation of clause (a)(viii) of the definition of "Consolidated EBITDA").

(d) In the event that the Borrower or any Restricted Subsidiary incurs (including by assumption or guarantees) or repays (including by redemption, repayment, retirement or extinguishment) any Indebtedness included in the calculations of the Total Leverage Ratio, the First Lien Leverage Ratio and the Senior Secured Leverage Ratio, as the case may be (in each case, other than Indebtedness incurred or repaid under any revolving credit facility in the

ordinary course of business for working capital purposes and not incurred in reliance on Section 7.03(v)), (i) during the applicable Test Period or (ii) subsequent to the end of the applicable Test Period and prior to or simultaneously with the event for which the calculation of any such ratio is made, then the Total Leverage Ratio, the First Lien Leverage Ratio and the Senior Secured Leverage Ratio shall be calculated giving pro forma effect to such incurrence or repayment of Indebtedness, to the extent required, as if the same had occurred on the last day of the applicable Test Period in the case of each of the Total Leverage Ratio, the First Lien Leverage Ratio and the Senior Secured Leverage Ratio. Interest on a Capitalized Lease shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Borrower to be the rate of interest implicit in such Capitalized Lease in accordance with GAAP. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a London interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Borrower or Restricted Subsidiary may designate. For the avoidance of doubt, in giving pro forma effect to the incurrence of any Indebtedness the cash remaining on the balance sheet for purposes of calculating Consolidated Total Net Debt after giving effect to such incurrence and the application of the proceeds thereof shall be determined without regard to the proceeds of such Indebtedness.

(e) In connection with any action being taken solely in connection with a Limited Condition Transaction, for purposes of:

(i) determining compliance with any provision of this Agreement (other than the financial covenant set forth in Section 7.11) which requires the calculation of any financial ratio or test, including of the Senior Secured Leverage Ratio, the First Lien Leverage Ratio or the Total Leverage Ratio (and, for the avoidance of doubt, any financial ratio set forth in Section 2.19(a)); or

(ii) testing availability under baskets set forth in this Agreement (including baskets measured as a percentage of Consolidated EBITDA or Total Assets);

in each case, at the option of the Borrower (the Borrower's election to exercise such option in connection with any Limited Condition Transaction, an "**LCT Election**"), the date of determination of whether any such action is permitted hereunder shall be deemed to be the date the definitive agreements for such Limited Condition Transaction are entered into or the date the irrevocable notices for such Limited Condition Transaction are delivered, as applicable (the "**LCT Test Date**"), and if, after giving pro forma effect to the Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent Test Period ending prior to the LCT Test Date, the Borrower would have been permitted to take such action on the relevant LCT Test Date in compliance with such ratio, test or basket, such ratio, test or basket shall be deemed to have been complied with. For the avoidance of doubt, if the Borrower has made an LCT Election and any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date are exceeded as a result of fluctuations in any such ratio, test or basket, including due to fluctuations in Consolidated EBITDA or Total Assets of the Borrower or the Person subject to such Limited Condition Transaction, at or prior to the consummation of the relevant transaction or action, such

baskets, tests or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Borrower has made an LCT Election for any Limited Condition Transaction, then in connection with any calculation of any ratio, test or basket availability with respect to the incurrence of Indebtedness or Liens, the making of Restricted Payments, the making of any permitted investment, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Borrower, the prepayment, redemption, purchase, defeasance or other satisfaction of Indebtedness (a “**Subsequent Transaction**”) following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the date that the definitive agreement or irrevocable notice for such Limited Condition Transaction is terminated or expires without consummation of such Limited Condition Transaction, for purposes of determining whether such Subsequent Transaction is permitted under this Agreement, any such ratio, test or basket shall be required to be satisfied on a Pro Forma Basis (i) assuming such Limited Condition Transaction and other transactions in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) have been consummated and (ii) assuming such Limited Condition Transaction and other transactions in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) have not been consummated.

(f) Whenever any provision of this Agreement requires a specified Senior Secured Leverage Ratio, First Lien Leverage Ratio or Total Leverage Ratio on a Pro Forma Basis in connection with any action to be taken hereunder, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance or such Senior Secured Leverage Ratio, First Lien Leverage Ratio or Total Leverage Ratio.

Section 1.10. *Certain Accounting Matters.* Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, (a) without giving effect to any election under Statement of Financial Accounting Standards 159 or Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any of its Restricted Subsidiaries at “fair value”, as defined therein; (b) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof; and (c) treating Unrestricted Subsidiaries as if they were not consolidated with any other member of the Restricted Group and otherwise eliminating all accounts of Unrestricted Subsidiaries. For the avoidance of doubt, the principal amount of any non-interest bearing Indebtedness or other discount security constituting Indebtedness at any date shall be the principal amount thereof that would be shown on a consolidated balance sheet of the Restricted Group dated such date prepared in accordance with GAAP, except as expressly set forth in clauses (a) and (b) of the immediately preceding sentence.

Section 1.11. *Classification of Loans and Borrowings.* For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., an “Initial Term Loan”) or by Type (e.g.,

a “Eurodollar Loan”) or by Class and Type (e.g., a “Eurodollar Term Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Term Borrowing”) or by Type (e.g., a “Eurodollar Borrowing”) or by Class and Type (e.g., a “Eurodollar Term Borrowing”).

Section 1.12. *Currency Equivalents Generally.*

(a) For purposes of determining compliance with Sections 7.01, 7.02 and 7.03 with respect to any amount of Indebtedness or Investment in a currency other than Dollars, no Default shall be deemed to have occurred solely as a result of changes in rates of currency exchange occurring after the time such Indebtedness or Investment is incurred (so long as such Indebtedness or Investment, at the time incurred, made or acquired, was permitted hereunder).

(b) For purposes of determining the Senior Secured Leverage Ratio, the First Lien Leverage Ratio and the Total Leverage Ratio, amounts denominated in a currency other than Dollars will be converted to Dollars at the currency exchange rates used in preparing the Borrower’s financial statements corresponding to the Test Period with respect to the applicable date of determination and will, in the case of Indebtedness, reflect the currency translation effects, determined in accordance with GAAP, of Swap Contracts permitted hereunder for currency exchange risks with respect to the applicable currency in effect on the date of determination of the Dollar equivalent of such Indebtedness.

Section 1.13. *Excluded Swap Obligations.*

(a) Notwithstanding any provision of this Agreement or any other Loan Document, no Guarantee by any Loan Party under any Loan Document shall include a Guarantee of any Excluded Swap Obligation and no Collateral provided by any Loan Party shall secure any Excluded Swap Obligation. In the event that any payment is made by, or any collection is realized from, any Loan Party for which there are Excluded Swap Obligations, or from any Collateral provided by such Loan Party, the proceeds thereof shall be applied to pay the Obligations of such Loan Party on a ratable basis determined without giving effect to such Excluded Swap Obligations and each reference in this Agreement or any other Loan Document to the ratable application of such amounts as among the Obligations or any specified portion of the Obligations that would otherwise include such Excluded Swap Obligations shall be deemed so to provide.

(b) Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under Article 11 and the Loan Documents in respect of Swap Obligations (*provided, however*, that each Qualified ECP Guarantor shall only be liable under this Section 1.13 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 1.13, or otherwise under the Guaranty, as it relates to such Loan Party, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until its Guaranty under Article 11 is released. Each Qualified ECP Guarantor intends that this Section 1.13 constitute, and this Section 1.13 shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

(c) The following terms shall for purposes of this Section 1.13 have the meanings set forth below:

“**Commodity Exchange Act**” shall mean the Commodity Exchange Act (7 U.S. C. § et seq.), as amended from time to time, and any successor statute.

“**Excluded Swap Obligation**” shall mean, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason not to constitute an “eligible contract participant” as defined in the Commodity Exchange Act at the time the Guarantee of such Guarantor becomes effective with respect to such related Swap Obligation.

“**Swap Obligation**” shall mean, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“**Qualified ECP Guarantor**” shall mean, in respect of any Swap Obligation, each Loan Party that has total assets exceeding \$10,000,000 at the time such Swap Obligation is incurred or such other person as constitutes an ECP under the Commodity Exchange Act or any regulations promulgated thereunder.

ARTICLE 2

THE CREDITS

Section 2.01. *Commitments.* Subject to the terms and conditions and relying upon the representations and warranties set forth herein:

(a) each Term Lender agrees, severally and not jointly, to make a Term Loan to the Borrower on the Closing Date in a principal amount not to exceed its Term Loan Commitment; and

(b) each Revolving Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower, at any time and from time to time on and after the Closing Date until the earlier of the Revolving Maturity Date and the termination of the Revolving Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender’s Revolving Exposure exceeding such Lender’s Revolving Commitment; *provided* that Revolving Loans shall only be made to the Borrower on the Closing Date (a) in an amount not to exceed \$10,000,000 to pay the consideration for the Acquisition (including any working capital payments under the Merger Agreement), (b) to refinance Indebtedness of the Borrower and its Subsidiaries or the Company and its subsidiaries (including accrued and unpaid interest) existing immediately prior to consummation of the Acquisition and (c) to provide working capital and to pay Transaction Expenses.

Amounts repaid or prepaid in respect of Term Loans may not be reborrowed. Within the limits set forth in clause (b) above and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, repay or prepay and reborrow Revolving Loans.

Section 2.02. *Loans.*

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; *provided* that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$500,000 and not less than \$1,000,000 (except, with respect to any Incremental Term Loans or Other Term Loans, to the extent otherwise provided in the applicable Incremental Amendment or Refinancing Amendment) or (ii) equal to the remaining available balance of the applicable Commitments.

(b) Subject to Sections 2.08, 3.02 and 3.04, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of the Lender to make such Loan and the Borrower to repay such Loan to such Lender in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; *provided* that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than seven Eurodollar Borrowings in the aggregate outstanding hereunder at any one time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate from time to time not later than 12:00 noon, New York City time, and the Administrative Agent shall promptly credit the amounts so received to an account as directed by the Borrower in the applicable Request for Credit Extension maintained with the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders within two Business Days.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.02(c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that

such Lender shall not have made such portion available to the Administrative Agent, each of such Lender and the Borrower severally agrees to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower to but excluding the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, a rate *per annum* equal to the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

Section 2.03. *Borrowing Procedure.* To request a Revolving Borrowing or Term Borrowing, the Borrower shall deliver, by hand delivery or facsimile (or transmit by other electronic transmission, if arrangements for doing so have been approved in writing by the Administrative Agent), a duly completed and executed Request for Credit Extension to the Administrative Agent (i) in the case of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing (or, in the case of the initial extension of credit on the Closing Date, one Business Day before) or (ii) in the case of an ABR Borrowing, not later than 1:00 p.m., New York City time, on the date of the proposed Borrowing. Each Request for Credit Extension for a Revolving Loan or a Term Loan shall be irrevocable and shall specify the following information in compliance with Section 2.02: (a) whether the requested Borrowing is to be a Borrowing of Revolving Loans or Term Loans; (b) the aggregate amount of such Borrowing; (c) the date of such Borrowing, which shall be a Business Day; (d) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; (e) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of "Interest Period"; (f) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.02(c) and (g) if and to the extent required under Section 4.01, that the conditions set forth in clauses (a) and (b) of Section 4.01 are satisfied as of the date of the notice.

If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any requested Eurodollar Revolving Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Request for Credit Extension in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.04. *Evidence of Debt; Repayment of Loans.*

(a) The Borrower hereby unconditionally promises to pay to (i) the Administrative Agent for the account of each Term Lender, the principal amount of each Term Loan of such Term Lender as provided in Section 2.11 (or, in the case of Extended Term Loans, Incremental Term Loans or Other Term Loans, as provided for in the applicable Extension Offer, Incremental Amendment or Refinancing Amendment) and (ii) the Administrative Agent for the account of each Revolving Lender, the unpaid principal amount of each Revolving Loan of such Revolving

Lender on the Revolving Maturity Date (or, in the case of Extended Revolving Loans or Other Revolving Loans, as provided for in the applicable Extension Amendment or Refinancing Amendment).

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type and Class thereof and, if applicable, the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to Sections 2.04(b) and 2.04(c) shall be *prima facie* evidence of the existence and amounts of the obligations therein recorded; *provided* that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower and the other Loan Parties to pay, and perform, the Obligations in accordance with the Loan Documents. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such entries, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(e) Any Lender by written notice to the Borrower (with a copy to the Administrative Agent) may request that Loans of any Class made by it hereunder be evidenced by a Note. In such event, the Borrower shall promptly (and, in all events, within five Business Days of receipt of such written notice) prepare, execute and deliver to such Lender a Note payable to the order of such Lender (or, if requested by such Lender, to such Lender's registered assigns in accordance with Section 10.04). Thereafter, the Loans evidenced by such Note and the interest thereon shall at all times (including after any assignment of all or part of such interests pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.05. *Fees.*

(a) **Commitment Fee.** The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee (a "**Commitment Fee**") equal to 0.50% *per annum* of the average daily unused amount of each Revolving Commitment of such Revolving Lender during the period from and including the date hereof to but excluding the date on which such Revolving Commitment terminates. Accrued Commitment Fees shall be payable in arrears (A) on the last Business Day of March, June, September and December of each year, commencing on the first such date to occur after the date hereof, and (B) on the date on which such Revolving Commitment terminates. Commitment Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first

day but excluding the last day). For purposes of computing Commitment Fees, a Revolving Commitment of a Revolving Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Revolving Lender.

(b) Administrative Agent Fees. The Borrower agrees to pay to the Administrative Agent, for its own account, the administrative fees set forth in the Fee Letter and such other fees payable in the amounts and at the times specified therein (the “**Administrative Agent Fees**”).

(c) LC and Fronting Fees. The Borrower agrees to pay to (i) the Administrative Agent for the account of each Revolving Lender a participation fee (“**LC Participation Fee**”) with respect to its participations in Letters of Credit, which shall accrue at a rate *per annum* equal to the Applicable Margin from time to time used to determine the interest rate on Eurodollar Revolving Loans pursuant to Section 2.06 on the average daily amount of such Revolving Lender’s LC Exposure (excluding any portion thereof attributable to Reimbursement Obligations) during the period from and including the Closing Date to but excluding the later of the date on which such Lender’s Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) each Issuing Bank a fronting fee (“**Fronting Fee**”), which shall accrue at the rate of 0.25% *per annum* (or such lesser rate *per annum* as such Issuing Bank may from time to time agree) on the average daily amount of the LC Exposure (excluding any portion thereof attributable to Reimbursement Obligations) during the period from and including the Closing Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Bank’s customary charges with respect to the administration, issuance, amendment, negotiation, renewal, payment or extension of any Letter of Credit or processing of drawings thereunder. Accrued LC Participation Fees and Fronting Fees shall be payable in arrears (i) on the last Business Day of March, June, September and December of each year, commencing on the first such date to occur after the Closing Date, and (ii) on the date on which the Revolving Commitments terminate and no Letters of Credit remain outstanding. Any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to each Issuing Bank pursuant to this Section 2.05(c) shall be payable within five Business Days after demand therefor. All LC Participation Fees and Fronting Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) Payment of Fees. All Fees shall be paid on the dates due, in immediately available funds in Dollars, to the Administrative Agent for distribution, if and as appropriate, among the Lenders, except that the Borrower shall pay the Fronting Fees directly to each Issuing Bank. Once paid, none of the Fees shall be refundable under any circumstances.

Section 2.06. *Interest on Loans.*

(a) Subject to the provisions of Section 2.07, the Loans comprising each ABR Borrowing shall bear interest at a rate *per annum* equal to the Alternate Base Rate plus the Applicable Margin in effect from time to time.

(b) Subject to the provisions of Section 2.07, the Loans comprising each Eurodollar Borrowing shall bear interest at a rate *per annum* equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin in effect from time to time.

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to Section 2.07 (including interest on past due interest) and all interest accrued but unpaid on or after the Revolving Maturity Date or the Term Loan Maturity Date, as applicable, shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to clause (a) of the definition of the Alternate Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day); *provided* that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.16, bear interest for one day. The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent in accordance with the provisions of this Agreement and such determination shall be conclusive absent manifest error. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any Bankruptcy Proceeding.

Section 2.07. *Default Interest.* After the occurrence and during the continuance of a Default under Section 8.01(a) or an Event of Default under Section 8.01(f) or 8.01(g), the Borrower shall pay interest on past due amounts owing by it hereunder at a fluctuating interest rate *per annum* at all times, after as well as before judgment, equal to (a) in the case of principal, at the rate otherwise applicable to such Loan pursuant to Section 2.06 plus 2.00% *per annum* and (b) in all other cases, at a rate *per annum* (computed on the basis of the actual number of days elapsed over a year of 360 days at all times) equal to the rate that would be applicable to an ABR Loan plus 2.00% *per annum*, and such interest shall be payable on demand.

Section 2.08. *Alternate Rate of Interest.* If prior to the commencement of any Interest Period for a Eurodollar Borrowing, (a) the Administrative Agent determines (which determination shall be final and conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period or (b) the Administrative Agent is advised in writing by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period, then the Administrative Agent shall give written notice thereof to the Borrower and the Lenders as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Request for Credit Extension requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 2.09. *Termination and Reduction of Commitments.*

(a) The Term Loan Commitments for the Initial Term Loans in effect on the Closing Date shall automatically terminate upon the making of the Initial Term Loans on the Closing Date. The Revolving Commitments and the LC Commitment shall automatically terminate on the Revolving Maturity Date.

(b) The Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce any Class of Commitments; *provided* that (i) each partial reduction of any Class of Commitments shall be in an amount that is an integral multiple of \$1,000,000 and in a minimum amount of \$2,000,000 and (ii) the Revolving Commitments shall not be terminated or reduced if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.12, the aggregate amount of Revolving Exposures would exceed the aggregate amount of Revolving Commitments.

(c) The Borrower shall notify the Administrative Agent in writing of any election to terminate or reduce the Commitments under Section 2.09(b) at least three Business Days prior to the effective date of such termination or reduction (which effective date shall be a Business Day), specifying such election and the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.09 shall be irrevocable; *provided* that the Borrower may rescind or postpone any notice of termination or reduction of the Commitments if such termination or reduction would have resulted from a refinancing, which refinancing shall not be consummated or otherwise shall be delayed. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

Section 2.10. *Conversion and Continuation of Borrowings.*

(a) Each Revolving Borrowing and Term Borrowing initially shall be of the Type specified in the applicable Request for Credit Extension and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Request for Credit Extension. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.10. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding anything to the contrary, no Borrower shall be entitled to request any conversion or continuation that, if made, would result in more than seven Eurodollar Borrowings outstanding hereunder at any one time.

(b) To make an election pursuant to this Section 2.10, the Borrower shall deliver, by hand delivery or facsimile (or transmit by other electronic transmission if arrangements for doing so have been approved in writing by the Administrative Agent), a duly completed and executed Interest Election Request to the Administrative Agent not later than the time that a Request for

Credit Extension would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing or Term Borrowing of the Type resulting from such election to be made on the effective date of such election. Each Interest Election Request shall be irrevocable.

(c) Each Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, or if outstanding Borrowings are being combined, allocation to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period";

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If an Interest Election Request with respect to a Eurodollar Borrowing is not timely delivered prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, the Administrative Agent or the Required Lenders may require, by notice to the Borrower, that (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.11. *Repayment of Term Borrowings.*

(a) The Borrower shall repay to the Administrative Agent for the ratable account of the applicable Term Lenders (i) on the last Business Day of each March, June, September and December, commencing with March 31, 2015, an amount equal to 0.25% of the aggregate principal amount of the Initial Term Loans outstanding on the Closing Date (which payments shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Sections 2.12 and 2.13 or, if applicable, Section 10.04(m)(vi) and as a result

of the conversion of Initial Term Loans to Extended Term Loans or the refinancing of Initial Term Loans with Credit Agreement Refinancing Indebtedness) and (ii) on the Term Loan Maturity Date for the Initial Term Loans, the aggregate principal amount of all Initial Term Loans outstanding on such date, together with, in the case of each of clauses (i) and (ii), accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment. Upon the conversion of Initial Term Loans to Extended Term Loans or the refinancing of Initial Term Loans with Credit Agreement Refinancing Indebtedness, all amortization payments shall be reduced ratably by the aggregate principal amount of the Initial Term Loans so converted or refinanced. The Borrower shall repay Incremental Term Loans, Extended Term Loans and Other Term Loans in such amounts and on such date or dates as shall be specified therefor in the applicable Incremental Amendment, Term Loan Extension Offer or Refinancing Amendment.

(b) To the extent not previously paid in full in cash, all Term Loans (including, for avoidance of doubt, Term Loans that are not Initial Term Loans) shall be due and payable on the applicable Term Loan Maturity Date, together with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment.

(c) The Borrower shall repay to the Administrative Agent for the ratable account of the applicable Revolving Lenders on the Revolving Maturity Date for the applicable Revolving Facility the aggregate principal amount of all Revolving Loans under such Revolving Facility outstanding on such date.

(d) All repayments pursuant to this Section 2.11 shall be subject to Section 3.05, but shall otherwise be without premium or penalty.

Section 2.12. *Voluntary Prepayments.*

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' prior written or fax notice (or telephone notice promptly confirmed by written or fax notice) in the case of Eurodollar Loans, or written or fax notice (or telephone notice promptly confirmed by written or fax notice) at least one Business Day prior to the date of prepayment in the case of ABR Loans, to the Administrative Agent before 12:00 noon, New York City time; *provided, however*, that each partial prepayment shall be in an amount that is an integral multiple of \$500,000 and not less than \$1,000,000.

(b) Except as may otherwise be set forth in any Term Loan Extension Offer, any Refinancing Amendment or any Incremental Amendment, voluntary prepayments of Term Loans pursuant to this Section 2.12 (i) shall be applied ratably to each Class of Term Loans then outstanding and (ii) with respect to each Class of Term Loans, shall be applied against the remaining scheduled installments of principal due in respect thereof (in the case of the Initial Term Loans, as set forth in Section 2.11) as directed by the Borrower (or, absent such direction, in direct order of maturity).

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated

therein; *provided, however*, that if such prepayment is in connection with a refinancing, then the Borrower may condition such notice on the effectiveness of such refinancing (*provided* that the provisions of Section 3.05 shall apply to any prepayment that is not made as a result of the failure of such condition). All prepayments under this Section 2.12 shall be subject to Section 2.12(d) (to the extent applicable) and Section 3.05 but otherwise shall be without premium or penalty. All prepayments under this Section 2.12 shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment.

(d) In the event that a Repricing Event becomes effective on or prior to the one-year anniversary of the Closing Date, the Borrower shall pay to the Administrative Agent, for the ratable account of each Lender holding all or any portion of Term Loans that are subject to such Repricing Event a prepayment premium of 1.00% of the aggregate principal amount of all such Term Loans. Such amounts shall be due and payable on the date of such Repricing Event. For the avoidance of doubt, any Lender that is forced to assign any Term Loan following the failure of such Lender to consent to any Repricing Event that becomes effective on or prior to the one-year anniversary of the Closing Date shall be entitled to receive the prepayment premium on the principal amount of the Term Loans so assigned upon the occurrence of the Repricing Event.

Section 2.13. *Mandatory Prepayments.*

(a) (i) Within five Business Days after the earlier of (x) 90 days after the end of each Excess Cash Flow Period and (y) the date on which financial statements have been delivered pursuant to Section 6.01(a) (commencing with the Excess Cash Flow Period ending December 31, 2014) and the related Compliance Certificate has been delivered pursuant to Section 6.02(a), the Borrower shall cause to be prepaid an aggregate principal amount of Term Loans in an amount equal to (A) the Applicable ECF Percentage of Excess Cash Flow, if any, for the Excess Cash Flow Period covered or required to have been covered by such financial statements minus (B) without duplication of any amount deducted from Consolidated Net Income in calculating Excess Cash Flow for such period, all voluntary prepayments of principal of Term Loans, Incremental Equivalent Debt (to the extent secured by the Collateral on a first lien basis), Permitted First Priority Refinancing Debt and Revolving Loans (to the extent the Revolving Commitments are permanently reduced by the amount of such prepayments) during such Excess Cash Flow Period (including any voluntary prepayments or buybacks of Term Loans made pursuant to Section 10.04(m) in an amount equal to (x) the discounted amount actually paid in respect of the principal amount of such Term Loans or (y) if the amount actually paid in respect of the principal amount of such Term Loans is greater than par, the par amount) to the extent such prepayments are funded with Internally Generated Cash.

(ii) If (1) any member of the Restricted Group Disposes of any property or assets (other than any Disposition of any property or assets permitted by Section 7.05(a), 7.05(b), 7.05(c), 7.05(d), 7.05(e), 7.05(g), 7.05(h), 7.05(l), 7.05(m) (except to the extent such property is subject to a Mortgage), 7.05(n) or 7.05(o)), or (2) any Casualty Event occurs, which results in the realization or receipt by any member of the Restricted Group of Net Proceeds, the Borrower shall cause to be prepaid on or prior to the date which is 10 Business Days after the date of the realization or receipt by any member of the Restricted Group of such Net Proceeds an aggregate principal amount of Term Loans in an amount equal to 100% of all Net Proceeds realized or received; *provided* that, if at the

time that any such prepayment would be required, the Borrower is required to offer to repurchase Incremental Equivalent Debt that is secured on a pari passu basis with the Obligations or Permitted First Priority Refinancing Debt (or any Permitted Refinancing thereof that is secured on a pari passu basis with the Obligations) pursuant to the terms of the documentation governing such Indebtedness with the net proceeds of such Disposition or Casualty Event (such Incremental Equivalent Debt, Permitted First Priority Refinancing Debt (or Permitted Refinancing thereof) required to be offered to be so repurchased, "**Other Applicable Indebtedness**"), then the Borrower may apply such Net Proceeds on a pro rata basis (determined on the basis of the aggregate outstanding principal amount of the Term Loans and Other Applicable Indebtedness at such time; *provided* that the portion of such Net Proceeds allocated to the Other Applicable Indebtedness shall not exceed the amount of such Net Proceeds required to be allocated to the Other Applicable Indebtedness pursuant to the terms thereof, and the remaining amount, if any, of such Net Proceeds shall be allocated to the Term Loans in accordance with the terms hereof) to the prepayment of the Term Loans and to the repurchase of Other Applicable Indebtedness, and the amount of prepayment of the Term Loans that would have otherwise been required pursuant to this Section 2.13(a)(ii) shall be reduced accordingly; *provided, further*, that to the extent the holders of Other Applicable Indebtedness decline to have such indebtedness repurchased (after giving effect to any requirement under the documentation for such Other Applicable Indebtedness to offer such declined payments to other holders of such Other Applicable Indebtedness prior to making such proceeds available to the Borrower), the declined amount shall promptly (and in any event within 10 Business Days after the date of such rejection) be applied to prepay the Term Loans in accordance with the terms hereof.

(iii) If any member of the Restricted Group incurs or issues any Indebtedness after the Closing Date (other than Indebtedness permitted under Section 7.03 (other than clause (i) of Section 7.03(t) or clause (i) of Section 7.03(u))), the Borrower shall cause to be prepaid an aggregate principal amount of Term Loans in an amount equal to 100% of all Net Proceeds received therefrom on or prior to the date which is five Business Days after (or, in the case of Credit Agreement Refinancing Indebtedness, on the date of) the receipt by any member of the Restricted Group of such Net Proceeds.

(iv) Within 30 days after the Closing Date, the Borrower shall cause to be prepaid an aggregate principal amount of Term Loans in an amount equal to the excess of \$10,000,000 over the aggregate amount of Term Loans used to finance Approved Acquisitions prior to such date.

(b) Except as may otherwise be set forth in any Term Loan Extension Offer, any Refinancing Amendment or any Incremental Amendment, each prepayment of Term Loans pursuant to Section 2.13(a) shall be applied ratably to each Class of Term Loans then outstanding; *provided* that any prepayment of Term Loans pursuant to the parenthetical in Section 2.13(a)(iii) shall be applied solely to each applicable Class of Refinanced Debt.

(c) With respect to each Class of Term Loans, each prepayment pursuant to Section 2.13(a) shall be applied (i) in direct order of maturity to the next eight scheduled repayments of such Term Loans (in the case of the Initial Term Loans, required pursuant to Section 2.11(a)) and

(ii) to the extent of any excess, ratably to the remaining scheduled repayments of such Term Loans (in the case of the Initial Term Loans, required pursuant to Section 2.11(a)); and each such prepayment shall be paid to the Lenders in accordance with their respective Pro Rata Shares, subject to Section 2.13(d). For the avoidance of doubt, this Section 2.13(c) is applicable to any prepayment made with the Net Proceeds of Indebtedness permitted under clause (i) of Section 7.03(t) or clause (i) of Section 7.03(u).

(d) The Borrower shall notify the Administrative Agent in writing of any mandatory prepayment of Term Loans required to be made pursuant to Section 2.13(a) at least three Business Days prior to the date of such prepayment. Each such notice shall specify the date of such prepayment and provide a reasonably detailed calculation of the amount of such prepayment. The Administrative Agent will promptly notify each applicable Lender of the contents of the Borrower's prepayment notice and of such Lender's Pro Rata Share or other applicable share of the prepayment. Each Term Lender may reject all of its Pro Rata Share or other applicable share of any mandatory prepayment (such declined amounts, the "**Declined Proceeds**") of Term Loans required to be made pursuant to Section 2.13(a) by providing written notice (each, a "**Rejection Notice**") to the Administrative Agent and the Borrower no later than 5:00 p.m., New York City time, one Business Day after the date of such Lender's receipt of notice from the Administrative Agent regarding such prepayment; *provided* that, for the avoidance of doubt, no Lender may reject any prepayment made (x) with proceeds of Indebtedness permitted under clause (i) of Section 7.03(t) or clause (i) of Section 7.03(u) or (y) pursuant to Section 2.13(a)(iii). If a Term Lender fails to deliver a Rejection Notice to the Administrative Agent within the time frame specified above, any such failure will be deemed an acceptance of the total amount of such mandatory prepayment of Term Loans unless the Borrower and the Administrative Agent agree to an extension of time for such failure to be corrected. Subject to the terms of the documentation evidencing the Second Lien Indebtedness, any Declined Proceeds shall be retained by the Borrower.

(e) *Funding Losses, Etc.* All prepayments under this Section 2.13 shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment and shall be made together with, in the case of any such prepayment of a Eurodollar Loan on a day prior to the last day of an Interest Period therefor, any amounts owing in respect of such Eurodollar Loan pursuant to Section 3.05. All prepayments under Section 2.13(a)(iii) shall be subject to Section 2.12(d) (to the extent applicable). Notwithstanding any of the other provisions of Section 2.13(a), so long as no Event of Default shall have occurred and be continuing, if any prepayment of Eurodollar Loans is required to be made under Section 2.13(a) prior to the last day of the Interest Period therefor, the Borrower may, in its sole discretion, deposit the amount of any such prepayment otherwise required to be made thereunder (including accrued interest to the last day of such Interest Period) into a Cash Collateral Account until the last day of such Interest Period, at which time the Administrative Agent shall be authorized (without any further action by or notice to or from the Borrower or any other Loan Party) to apply such amount to the prepayment of such Loans in accordance with this Section 2.13. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall also be authorized (without any further action by or notice to or from the Borrower or any other Loan Party) to apply such amount to the prepayment of the outstanding Loans in accordance with Section 2.13(a).

(f) *Foreign Dispositions; Foreign Excess Cash Flow.* Notwithstanding any other provisions of this Section 2.13, (A) to the extent that any of or all the Net Proceeds of any Disposition by a Foreign Subsidiary (“**Foreign Disposition**”) or Excess Cash Flow attributable to Foreign Subsidiaries are prohibited or delayed by applicable local law from being repatriated to the United States, the portion of such Net Proceeds or Excess Cash Flow so affected will not be required to be applied to repay Term Loans at the times provided in this Section 2.13 but may be retained by the applicable Foreign Subsidiary so long, but only so long, as the applicable local law will not permit repatriation to the United States (the Borrower hereby agrees to cause the applicable Foreign Subsidiary to promptly take all actions required by the applicable local law to permit such repatriation), and once such repatriation of any of such affected Net Proceeds or Excess Cash Flow is permitted under the applicable local law, such repatriation will be immediately effected and such repatriated Net Proceeds or Excess Cash Flow will be promptly (and in any event not later than two Business Days after such repatriation) applied (net of additional taxes payable or reserved against as a result thereof) to the repayment of the Term Loans pursuant to this Section 2.13 and (B) to the extent that the Borrower has determined in good faith that repatriation of any of or all the Net Proceeds of any Foreign Disposition or Foreign Subsidiary Excess Cash Flow would cause material adverse tax consequences to the Borrower, such Net Proceeds or Excess Cash Flow so affected may be retained by the applicable Foreign Subsidiary; *provided* that, in the case of this clause (B), on or before the date on which any such Net Proceeds so retained would otherwise have been required to be applied to reinvestments or prepayments pursuant to Section 2.13(a) or any such Excess Cash Flow would have been required to be applied to prepayments pursuant to Section 2.13(a), the Borrower applies an amount equal to such Net Proceeds or Excess Cash Flow to such reinvestments or prepayments, as applicable, as if such Net Proceeds or Excess Cash Flow had been received by or was attributable to the Borrower rather than such Foreign Subsidiary, less the amount of additional taxes that would have been payable or reserved against if such Net Proceeds or Excess Cash Flow had been repatriated (or, if less, the Net Proceeds or Excess Cash Flow that would be calculated if received by such Foreign Subsidiary).

(g) In the event and on such occasion that the aggregate amount of Revolving Exposure exceeds the aggregate amount of the Revolving Commitments then in effect, then the Borrower shall immediately prepay the outstanding Revolving Loans and Cash Collateralize the aggregate amount of the LC Exposure in an aggregate amount equal to such excess.

Section 2.14. *Pro Rata Treatment.*

(a) Subject to the express provisions of this Agreement which require, or permit, differing payment to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders and except as required under Section 3.02, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Commitment Fees, each payment of the LC Participation Fees, each reduction of the Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders of the applicable Class in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans); *provided* that the provisions of this Section 2.14 shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement,

including (without limitation) in respect of any payment, assignment, sale or participation to Holdings or any of their respective Affiliates expressly permitted under Section 10.04. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, Reimbursement Obligations, interest and fees then due hereunder, such funds shall be applied (i) *first*, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) *second*, towards payment of principal and Reimbursement Obligations then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and Reimbursement Obligations then due to such parties.

Section 2.15. *Sharing of Setoffs*. If any Lender shall, by exercising any right of setoff or counterclaim (including pursuant to Section 10.06) or otherwise (including by exercise of its rights under the Collateral Documents), obtain payment in respect of any principal of or interest on any of its Revolving Loans, Term Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans, Term Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans, Term Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans, Term Loans and participations in LC Disbursements; *provided* that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this Section 2.15 shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Loans, Term Loans or participations in LC Disbursements to any Eligible Assignee or participant, other than to Holdings or any of their respective Subsidiaries or any Affiliates thereof (as to which the provisions of this Section 2.15 shall apply). Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Legal Requirements, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation. If under applicable Insolvency Law any Secured Party receives a secured claim in lieu of a setoff or counterclaim to which this Section 2.15 applies, such Secured Party shall to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights to which the Secured Party is entitled under this Section 2.15 to share in the benefits of the recovery of such secured claim.

Section 2.16. *Payments.*

(a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or Reimbursement Obligations, or of amounts payable under Section 3.01, 3.04 or 3.05, or otherwise) on or before the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 1:00 p.m., New York City time), on the date when due, in immediately available funds, without setoff, deduction or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 520 Madison Avenue, New York, New York 10022 Attention: Surgery Partners Account Manager. The Administrative Agent shall distribute any such payments received by it for the account of any other person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, unless specified otherwise, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in Dollars.

(b) Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or each Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or each Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules or practices on interbank compensation.

(c) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.02(c), 2.16(b), 2.17(d), 2.17(e) or 10.05(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.17. *Letters of Credit.*

(a) *General.* Subject to the terms and conditions set forth herein, the Borrower may request an Issuing Bank, and such Issuing Bank agrees, to issue Letters of Credit for its own account or the account of a Restricted Subsidiary, in each case to support payment and performance obligations incurred in the ordinary course of business by the Borrower and its Subsidiaries, in a form reasonably acceptable to the Administrative Agent and such Issuing Bank, at any time and from time to time on any Business Day during the period from the Closing Date

until the Letter of Credit Expiration Date (*provided* that the Borrower shall be a co-applicant, and be jointly and severally liable, with respect to each Letter of Credit issued for the account of its Restricted Subsidiary); *provided* that Letters of Credit may be issued on the Closing Date solely to backstop or replace Existing Letters of Credit and other guarantees and performance and similar bonds outstanding on the Closing Date and described in Schedule 2.17. An Issuing Bank shall have no obligation to issue, and no Borrower shall request the issuance of, any Letter of Credit at any time if after giving effect to such issuance, the LC Exposure would exceed the LC Commitment or the total Revolving Exposure would exceed the total Revolving Commitments. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, an Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) *Request for Issuance, Amendment, Renewal, Extension; Certain Conditions.* To request the issuance of a Letter of Credit or the amendment, renewal or extension of an outstanding Letter of Credit, the Borrower shall hand deliver or facsimile (or transmit by electronic communication, if arrangements for doing so have been approved in writing by the applicable Issuing Bank) an LC Request to the applicable Issuing Bank and the Administrative Agent not later than 11:00 a.m., New York City time, on the third Business Day preceding the requested date of issuance, amendment, renewal or extension (or such later date and time as is acceptable to such Issuing Bank).

A request for an initial issuance of a Letter of Credit shall specify in form and detail reasonably satisfactory to the applicable Issuing Bank:

- (i) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day);
- (ii) the face amount thereof;
- (iii) the expiry date thereof (which shall not be later than the close of business on the Letter of Credit Expiration Date);
- (iv) the name and address of the beneficiary thereof;
- (v) whether the Letter of Credit is to be issued for its own account or for the account of one of its Restricted Subsidiaries (*provided* that the Borrower shall be a co-applicant, and be jointly and severally liable, with respect to each Letter of Credit issued for the account of its Restricted Subsidiary);
- (vi) the documents to be presented by such beneficiary in connection with any drawing thereunder;
- (vii) the full text of any certificate to be presented by such beneficiary in connection with any drawing thereunder; and
- (viii) such other matters as such Issuing Bank may require.

A request for an amendment, renewal or extension of any outstanding Letter of Credit shall specify in form and detail reasonably satisfactory to the applicable Issuing Bank:

- (i) the Letter of Credit to be amended, renewed or extended;
- (ii) the proposed date of amendment, renewal or extension thereof (which shall be a Business Day);
- (iii) the nature of the proposed amendment, renewal or extension; and
- (iv) such other matters as such Issuing Bank may require.

If requested by the applicable Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit; *provided* that the provisions of this Section 2.17 shall apply in respect of all such applications. A Letter of Credit shall be issued, amended, renewed or extended only if (and, upon issuance, amendment, renewal or extension of each Letter of Credit, the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) the LC Exposure shall not exceed the LC Commitment, (ii) the total Revolving Exposures shall not exceed the total Revolving Commitments and (iii) the conditions set forth in Article 4 in respect of such issuance, amendment, renewal or extension shall have been satisfied. Unless the applicable Issuing Bank shall agree otherwise, no Letter of Credit shall be in an initial amount less than \$100,000.

(c) *Expiration Date.* Each Letter of Credit shall expire at or prior to the close of business on the earlier of (x) the date which is one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (y) the Letter of Credit Expiration Date; *provided* that this Section 2.17(c) shall not prevent any Issuing Bank from agreeing that a Letter of Credit will automatically be extended for one or more successive periods not to exceed one year each (and, in any case, not to extend beyond the Letter of Credit Expiration Date) unless each such Issuing Bank elects not to extend for any such additional period.

(d) *Participations.* By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, any Issuing Bank hereby irrevocably grants to each Revolving Lender, and each Revolving Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Revolving Lender's Pro Rata Share of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank, such Revolving Lender's Pro Rata Share of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.17(e), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.17(d) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of

any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever (so long as such payment shall not cause such Lender's Revolving Exposure to exceed such Lender's Revolving Commitment).

(e) *Reimbursement.*

(i) If any Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall pay to the Administrative Agent an amount equal to such LC Disbursement not later than 1:00 p.m., New York City time, on the next Business Day following the Business Day on which the Borrower shall have received notice from such Issuing Bank that payment of such draft will be made. If the Borrower fails to make such payment when due, the applicable Issuing Bank shall notify the Administrative Agent and the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Revolving Lender's Pro Rata Share thereof. Each Revolving Lender shall pay by wire transfer of immediately available funds to the Administrative Agent not later than 12:00 p.m., New York City time, on such date (or, if such Revolving Lender shall have received such notice later than 12:00 p.m., New York City time, on any day, not later than 11:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Revolving Lender's Pro Rata Share of the unreimbursed LC Disbursement in the same manner as provided in Section 2.02(c) with respect to Revolving Loans made by such Revolving Lender, and the Administrative Agent will promptly pay to such Issuing Bank the amounts so received by it from the Revolving Lenders. The Administrative Agent will promptly pay to the applicable Issuing Bank any amounts received by it from the Borrower pursuant to the above paragraph prior to the time that any Revolving Lender makes any payment pursuant to the preceding sentence and any such amounts received by the Administrative Agent from the Borrower thereafter will be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made such payments and to such Issuing Bank, as appropriate.

(ii) If the Borrower fails to make such payment when due, or if the amount is not financed pursuant to the proviso to Section 2.17(e)(i), the applicable Issuing Bank shall notify the Administrative Agent and the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Revolving Lender's Pro Rata Share thereof. Each Revolving Lender shall pay by wire transfer of immediately available funds to the Administrative Agent not later than 12:00 p.m., New York City time, on such date (or, if such Revolving Lender shall have received such notice later than 12:00 p.m., New York City time, on any day, not later than 11:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Revolving Lender's Pro Rata Share of the unreimbursed LC Disbursement in the same manner as provided in Section 2.02(c) with respect to Revolving Loans made by such Revolving Lender, and the Administrative Agent will promptly pay to the applicable Issuing Bank the amounts so received by it from the Revolving Lenders. The Administrative Agent will promptly pay to the applicable Issuing Bank any amounts received by it from the Borrower pursuant to the above paragraph prior to the time that any Revolving Lender makes any payment

pursuant to the preceding sentence and any such amounts received by the Administrative Agent from the Borrower thereafter will be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made such payments and to such Issuing Bank, as appropriate.

(iii) If any Revolving Lender shall not have made its Pro Rata Share of such LC Disbursement available to the Administrative Agent as provided above, the Borrower and such Revolving Lender severally agree to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with the foregoing to but excluding the date such amount is paid, to the Administrative Agent for the account of the applicable Issuing Bank at (i) in the case of the Borrower, the interest rate applicable to ABR Loans; *provided* that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (i) of this Section 2.17(e), then the Default Rate shall apply and (ii) in the case of such Lender, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules or practices on interbank compensation.

(f) *Obligations Absolute*. The Reimbursement Obligations of the Borrower as provided in Section 2.17(e) shall be absolute, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of

(i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein;

(ii) any draft or other document presented under a Letter of Credit being proved to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iii) prepayment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that fails to comply with the terms of such Letter of Credit;

(iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.17, constitute a legal or equitable discharge of, or provide a right of setoff against, the obligations of the Borrower hereunder;

(v) the fact that a Default shall have occurred and be continuing; (vi) any material adverse change in the condition (financial or otherwise), results of operations, assets, liabilities (contingent or otherwise), material agreements, properties, solvency, business, management, prospects or value of any Company; or (vii) any other fact, circumstance or event whatsoever. None of the Agents, the Lenders, any Issuing Bank or any of their Affiliates shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission

or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; *provided* that the foregoing shall not be construed to excuse any Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential, exemplary, special, punitive or other indirect damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable Legal Requirements) suffered by the Borrower that are caused by any Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of such Issuing Bank (as determined by a court of competent jurisdiction in a final non-appealable decision) with respect to such a determination, such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) *Disbursement Procedures.* Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Each Issuing Bank shall promptly give written notice to the Administrative Agent and the Borrower of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; *provided* that any failure to give or delay in giving such notice shall not relieve the Borrower of its Reimbursement Obligation to such Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement (other than with respect to the timing of such Reimbursement Obligation set forth in Section 2.17(e)).

(h) *Interim Interest.* If an Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is due, the unpaid amount thereof shall bear interest payable on demand, for each day from and including the date such LC Disbursement is due to but excluding the date that the Borrower reimburses such LC Disbursement, at the Default Rate. Interest accrued pursuant to this Section 2.17(h) shall be for the account of such Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to Section 2.17(e) to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) *Cash Collateralization.* If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this Section 2.17(i), the Borrower shall deposit in the LC Sub-Account, in the name of the Collateral Agent and for the benefit of the Revolving Lenders, an amount in cash equal to 103% of the LC Exposure as of such date plus any accrued and unpaid

interest thereon; *provided* that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to Holdings or the Borrower described in Section 8.01(f) or 8.01(g). Funds in the LC Sub-Account shall be applied by the Collateral Agent to reimburse each Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of outstanding Reimbursement Obligations or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other Obligations of the Borrower in accordance with Article 9. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount plus any accrued interest with respect to such amounts (to the extent not applied as aforesaid) shall, in accordance with Article 9, be returned to the Borrower within 10 Business Days after all Events of Default have been cured or waived.

(j) *Additional Issuing Banks.* The Borrower may, at any time and from time to time, designate one or more additional Revolving Lenders or Affiliates of Revolving Lenders to act as an issuing bank under the terms of this Agreement, with the consent of each of the Administrative Agent (which consent shall not be unreasonably withheld) and such Revolving Lender(s). Any Revolving Lender designated as an issuing bank pursuant to this Section 2.17(j) shall be deemed (in addition to being a Revolving Lender) to be the Issuing Bank with respect to Letters of Credit issued or to be issued by such Revolving Lender, and all references herein and in the other Loan Documents to the term "Issuing Bank" shall, with respect to such Letters of Credit, be deemed to refer to such Revolving Lender in its capacity as Issuing Bank, as the context shall require.

(k) *Resignation or Removal of the Issuing Bank.* Any Issuing Bank may resign as Issuing Bank hereunder at any time upon at least 30 days' prior written notice to the Lenders, the Administrative Agent and the Borrower. Following such resignation, such Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of such Issuing Bank or any such additional Issuing Bank. At the time any such resignation or replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.05(c). From and after the effective date of any such resignation or replacement or addition, as applicable, (i) the successor or additional Issuing Bank shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued by it thereafter and (ii) references herein and in the other Loan Documents to the term "Issuing Bank" shall be deemed to refer to such successor or such addition or to any previous Issuing Bank, or to such successor or such addition and all previous Issuing Banks, as the context shall require. After the resignation or replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such resignation or replacement, but shall not be required to issue additional Letters of Credit. If at any time there is more than one Issuing Bank hereunder, the Borrower may, in its discretion, select which Issuing Bank is to issue any particular Letter of Credit.

(l) *Other*. No Issuing Bank shall be under any obligation to issue any Letter of Credit if:

(ix) any Order of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from issuing such Letter of Credit, or any Legal Requirement applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which such Issuing Bank deems material to it; or

(x) the issuance of such Letter of Credit would violate one or more policies of general application of such Issuing Bank.

(m) No Issuing Bank shall be under any obligation to amend any Letter of Credit if (A) such Issuing Bank would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(n) The parties hereto agree that all Existing Letters of Credit issued by any Issuing Bank shall be deemed to be issued hereunder and shall constitute Letters of Credit subject to the terms hereof without any further action by the Borrower or such Issuing Bank.

Section 2.18 *Defaulting Lenders*. Anything contained herein to the contrary notwithstanding, in the event that any Lender becomes a Defaulting Lender, then (i) during any Default Period (as defined below) with respect to such Defaulting Lender, such Defaulting Lender shall be deemed not to be a "Lender", and the amount of such Defaulting Lender's Revolving Commitment and Revolving Loans and/or Term Loan Commitments and Term Loans shall be excluded for purposes of voting, and the calculation of voting, on any matters (including the granting of any consents or waivers) with respect to any of the Loan Documents, except that the amount of such Defaulting Lender's Revolving Commitment and Revolving Loans and/or Term Loan Commitments and Term Loans shall be included for purposes of voting, and the calculation of voting, on the matters set forth in Section 10.02(b)(i) through 10.02(b)(ix) (including the granting of any consents or waivers) only to the extent that any such matter disproportionately affects such Defaulting Lender; (ii) to the extent permitted by applicable Legal Requirements, until such time as the Default Excess (as defined below) with respect to such Defaulting Lender shall have been reduced to zero, (A) any voluntary prepayment of the Loans pursuant to Section 2.10(a) shall, if the Borrower so directs at the time of making such voluntary prepayment, be applied to the Loans and the Revolving Exposure of other Lenders in accordance with Section 2.10(a) as if such Defaulting Lender had no Loans outstanding and the Revolving Exposure of such Defaulting Lender were zero, and (B) any mandatory prepayment of the Loans pursuant to Section 2.10 shall, if the Borrower so directs at the time of making such mandatory prepayment, be applied to the Loans and Revolving Exposure of other Lenders (but

not to the Loans and Revolving Exposure of such Defaulting Lender) in accordance with Section 2.10 as if such Defaulting Lender had funded all Defaulted Revolving Loans of such Defaulting Lender, it being understood and agreed that the Borrower shall be entitled to retain any portion of any mandatory prepayment of the Loans that is not paid to such Defaulting Lender solely as a result of the operation of the provisions of this clause (B); (iii) the amount of such Defaulting Lender's Revolving Commitment, Revolving Loans and LC Exposure shall be excluded for purposes of calculating the Commitment Fee payable to Revolving Lenders pursuant to Section 2.05(a) in respect of any day during any Default Period with respect to such Defaulting Lender, and such Defaulting Lender shall not be entitled to receive any Commitment Fee pursuant to Section 2.05(a) with respect to such Defaulting Lender's Revolving Commitment in respect of any Default Period with respect to such Defaulting Lender; (iv) if any LC Exposure exists at the time a Lender becomes a Defaulting Lender then: (A) all or any part of such LC Exposure shall be reallocated among the Revolving Lenders that are not Defaulting Lenders in accordance with their respective Revolving Commitments but, in any case, only to the extent the sum of the Revolving Exposures of all Revolving Lenders that are not Defaulting Lenders does not exceed the total of the Revolving Commitments of all Revolving Lenders that are not Defaulting Lenders; (B) if the reallocation described in clause (A) above cannot, or can only partially, be effected (as reasonably determined by the Administrative Agent), the Borrower shall within three Business Days following notice by the Administrative Agent, cash collateralize such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (A) above) in accordance with the procedures set forth in Section 2.18(i) for so long as such LC Exposure is outstanding; (C) if the Borrower Cash Collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to this clause (iv), the Borrower shall not be required to pay any LC Participation Fee to such Defaulting Lender pursuant to Section 2.05(c) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized; (D) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to this clause (iv), then the fees payable to the Lenders pursuant to Section 2.05 shall be adjusted in accordance with such non-Defaulting Lenders' reallocated LC Exposure; and (E) if any Defaulting Lender's LC Exposure is neither cash collateralized nor reallocated pursuant to this clause (iv), then, without prejudice to any rights or remedies of the Issuing Banks or any Lender hereunder, all Commitment Fees that otherwise would have been payable to such Defaulting Lender (solely with respect to the portion of such Defaulting Lender's Commitment that was utilized by such LC Exposure) and LC Participation Fee payable under Section 2.05 with respect to such Defaulting Lender's LC Exposure shall be payable to the applicable Issuing Banks until such LC Exposure is cash collateralized and/or reallocated; (v) except for purposes of calculating the aggregate Revolving Exposure pursuant to Section 2.09(b), the Revolving Exposure of all Lenders as at any date of determination shall be calculated as if such Defaulting Lender had funded all Defaulted Revolving Loans of such Defaulting Lender; and (vi) so long as any Lender is a Defaulting Lender, no Issuing Bank shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with clause (iv) of this Section 2.16(c), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with clause (iv)(A) of this Section 2.16(c) (and Defaulting Lenders shall not participate therein). In the event that each of the Administrative Agent, the Borrower, and the Issuing Banks agree that a Defaulting Lender has adequately remedied all matters that caused

such Lender to be a Defaulting Lender, then the LC Exposure and Revolving Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Revolving Commitment.

No amount of the Commitment of any Lender shall be increased or otherwise affected, and, except as otherwise expressly provided in Section 2.16(c), performance by the Borrower of its obligations under this Agreement and the other Loan Documents shall not be excused or otherwise modified, as a result of any Funding Default or the operation of Section 2.16(c). The rights and remedies against a Defaulting Lender under Section 2.16(c) are in addition to other rights and remedies that the Borrower may have against such Defaulting Lender with respect to any Funding Default and that the Administrative Agent or any Lender may have against such Defaulting Lender with respect to any Funding Default.

The Borrower may terminate the unused amount of the Commitment of a Defaulting Lender upon not less than 10 Business Days' prior notice to the Administrative Agent (which will promptly notify the Lenders thereof), and in such event the provisions of Section 2.14 will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); *provided*, that such termination will not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent or any non-Defaulting Lender may have against such Defaulting Lender.

Section 2.19. *Incremental Credit Extensions.*

(a) The Borrower may at any time or from time to time after the Syndication Date, by notice to the Administrative Agent (whereupon the Administrative Agent shall promptly make a copy of such notice available to each of the Lenders), request one or more additional tranches or, in consultation with the Administrative Agent, additions to an existing tranche of term loans (the "**Incremental Term Loans**") or one or more increases in the amount of the Revolving Commitment (any such increase, a "**Revolving Commitment Increase**"; the commitments thereunder, the "**Incremental Revolving Commitments**"); *provided* that (i) after giving effect to the making of such Incremental Term Loans or the incurrence of any Revolving Commitment Increase, the aggregate principal amount of all Incremental Term Loans and Incremental Revolving Commitments incurred pursuant to this Section 2.19 (together with any Incremental Equivalent Debt incurred pursuant to Section 7.03(s) after the Closing Date, any Second Lien Incremental Term Loans and any Second Lien Incremental Equivalent Debt) shall not exceed (x) \$100,000,000 plus (y) an unlimited additional amount, so long as on a Pro Forma Basis after the incurrence of such Incremental Term Loans and such Incremental Revolving Commitments (A) if such Incremental Loan ranks pari passu in right of security on the Collateral with the Obligations (other than any Obligations in respect of other Incremental Loans or Refinancing Facilities secured on a junior lien basis to other Obligations), the First Lien Leverage Ratio as of the last day of the most recently ended Test Period does not exceed 3.90:1.00 and (B) if such Incremental Loan ranks junior in right of security on the Collateral to the Obligations (other than any Obligations in respect of other Incremental Loans or Refinancing Facilities secured on a junior lien basis to other Obligations), the Senior Secured Leverage Ratio as of the last day of the

most recently ended Test Period does not exceed 6.40:1.00 (it being understood that any Incremental Loan may be incurred under clause (y) regardless of whether there is capacity under clause (x)); *provided, further*, that the Borrower shall have delivered a certificate of a Responsible Officer to the effect set forth in clause (A) or clause (B) above, as applicable, together with reasonably detailed calculations demonstrating compliance with clause (A) or clause (B) above, as applicable (which calculations shall, if made as of the last day of any fiscal quarter of the Borrower for which the Borrower has not delivered to the Administrative Agent the financial statements and Compliance Certificate required to be delivered by Section 6.01(a) or 6.01(b) and Section 6.02(a), respectively, be accompanied by a reasonably detailed calculation of Consolidated EBITDA for the relevant period); *provided, further*, that for purposes of the calculation of the First Lien Leverage Ratio and the Senior Secured Leverage Ratio used in determining the availability of Incremental Term Loans or Incremental Revolving Commitments under this Section 2.19(a), (i) any cash proceeds of any Incremental Term Loans or the Incremental Revolving Commitments, as applicable, will not be netted for purposes of determining compliance with the First Lien Leverage Ratio or Senior Secured Leverage Ratio, as applicable, and (ii) the full amount of any Incremental Revolving Commitments shall be deemed to be Indebtedness then outstanding (whether or not then incurred). Each tranche of Incremental Term Loans shall be in an aggregate principal amount that is not less than \$5,000,000 and shall be in an increment of \$1,000,000 (*provided* that such amount may be less than \$5,000,000 if such amount represents all remaining availability under the limit set forth in the preceding sentence).

(b) The terms, provisions and documentation of the Incremental Revolving Commitments shall be identical (other than with respect to upfront fees, original issue discount or similar fees) to the Revolving Commitments existing hereunder on the closing date of such Incremental Revolving Commitments. The following terms shall apply to any Incremental Term Loans established pursuant to an Incremental Amendment: (i) such Incremental Term Loans (A) shall rank *pari passu* in right of payment with all other Term Loans, (B) shall be secured by the Collateral on a *pari passu* or junior basis with all other Term Loans, provided that any junior secured Incremental Term Loans shall be *pari passu* or junior to the Second Lien Term Loans, (C) shall not be guaranteed by any person other than a Guarantor and (D) shall not be secured by any assets other than the Collateral, (ii) the maturity date of such Incremental Term Loans shall not be earlier than the Original Term Loan Maturity Date, (iii) the Weighted Average Life to Maturity of such Incremental Term Loans shall not be less than the remaining Weighted Average Life to Maturity of the then outstanding Initial Term Loans, (iv) any Incremental Term Loans may participate on a *pro rata* basis or on a less than *pro rata* basis (but not on a greater than *pro rata* basis) in any voluntary or mandatory prepayments hereunder, as specified in the applicable Incremental Amendment, (v) subject to clauses (ii) and (iii) above, the amortization schedule applicable to any Incremental Term Loan shall be determined by the Borrower and the lenders thereunder, (vi) the applicable all-in yield relating to any Incremental Term Loans incurred pursuant to such Incremental Amendment (each facility thereunder, an “**Incremental Facility**”), if such Incremental Term Loans are secured on a *pari passu* basis with all other Term Loans, shall not exceed the all-in yield applicable to the Initial Term Loans by more than 0.50% *per annum* unless the all-in yield applicable to the Initial Term Loans is increased so that the all-in yield applicable to the applicable Incremental Facility does not exceed the all-in yield applicable to the Initial Term Loans by more than 0.50% *per annum*; *provided* that, in determining the all-in yield applicable to the Initial Term Loans and the applicable Incremental Facility, (A) original

issue discount (“**OID**”) or upfront fees (which shall be deemed to constitute like amounts of **OID**) payable by the Borrower to the Lenders of the Initial Term Loans or the applicable Incremental Facility in the primary syndication thereof shall be included (with **OID** being equated to interest based on an assumed four-year life to maturity or, if less, the remaining life to maturity of the applicable Incremental Facility), (B) structuring, arrangement, commitment or other similar fees, in each case not shared with all lenders providing the Initial Term Loans or the applicable Incremental Facility, shall be excluded and (C) if the Adjusted LIBO Rate in respect of such Incremental Facility includes a floor in excess of 1.00%, or the Alternate Base Rate in respect of such Incremental Facility includes a floor in excess of 2.00%, such excess shall be equated to interest margin for purposes of determining any increase to the applicable all-in yield under the Initial Term Loans and any increase in the all-in yield applicable to the Initial Term Loans required due to the application of such floor on any Incremental Facility shall be effected solely through an increase in (or implementation of, as applicable) such floor in respect of the Initial Term Loans, (vii) subject to clause (vi) above, any fees payable in connection with any such Incremental Term Loan shall be determined by the Borrower and the arrangers providing for such Incremental Term Loan and (viii) except as otherwise required or permitted above, all other terms of such Incremental Term Loans, if not consistent with the terms of the existing Term Loan, as the case may be, shall be reasonably satisfactory to the Administrative Agent (it being understood that, to the extent any financial maintenance covenant is added for the benefit of any Incremental Term Loan, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of each Term Loan); *provided* that any Incremental Term Loan Facility secured on a junior basis to all other Term Loans shall be subject to the Intercreditor Agreement and the Second Lien Intercreditor Agreement.

(c) Each notice from the Borrower pursuant to this Section 2.19 shall set forth (i) the requested amount and proposed terms of the relevant Incremental Term Loans or Revolving Commitment Increase (each, an “**Incremental Loan**”), as applicable, and (ii) the date on which the relevant increase is requested to become effective. Incremental Term Loans and Revolving Commitment Increases may be made by any existing Lender (but no existing Lender shall have any obligation to make any Incremental Term Loan or Revolving Commitment Increase, as applicable, except to the extent that it has agreed to do so pursuant to an Incremental Amendment) or by any other Additional Lender (the Term Lenders, Revolving Lenders or Additional Lenders making such Incremental Term Loans or Revolving Commitment Increase, as applicable, collectively, the “**Incremental Lenders**”), *provided*, that each Issuing Bank shall have consented (such consent not to be unreasonably withheld, conditioned or delayed) to such Incremental Lender to the extent any such consent would be required under Section 10.04(b) for an assignment of Revolving Loans to such Incremental Lender. Commitments in respect of Incremental Term Loans or Revolving Commitment Increases, as applicable, shall become Commitments under this Agreement pursuant to an amendment (an “**Incremental Amendment**”) to this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Incremental Lender and the Administrative Agent. Subject to this Section 2.19, the Incremental Amendment shall be on the terms and pursuant to documentation to be determined by the Borrower and the Incremental Lenders providing the relevant Incremental Terms Loans or Revolving Commitment Increases, as applicable. The effectiveness of any Incremental Amendment shall be subject to the satisfaction on the date thereof of each of the conditions set forth in Section 4.01 (and for purposes thereof, the making of the Incremental Term Loans or

Revolving Commitment Increases, as applicable, shall be deemed to be a Request for Credit Extension) and, to the extent reasonably requested by the Administrative Agent, receipt by the Administrative Agent of customary legal opinions, board resolutions and officers' certificates, in each case consistent with those delivered on the Closing Date under Section 4.02 (other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel's form of opinion reasonably satisfactory to the Administrative Agent), and customary reaffirmation agreements; *provided* that, with respect to any incurrence of an Incremental Facility to finance a Permitted Acquisition or other Investment permitted by this Agreement, the conditions to the availability or borrowing of such Incremental Facility set forth in clauses (a) and (b) of Section 4.01 may be waived by the Lenders holding a majority in principal amount under such Incremental Facility without the consent of any other Lender; *provided, further*, that the accuracy of the Specified Representations may not be waived without the consent of the Required Lenders. The Borrower will use the proceeds of the Incremental Term Loans for any purpose not prohibited by this Agreement. No Lender shall be obligated to provide any Incremental Term Loans or Revolving Commitment Increases unless it so agrees.

(d) Any Incremental Amendment may, without the consent of any Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the terms thereof, to the extent such terms are permitted under this Section 2.19. Notwithstanding the foregoing, each of the Administrative Agent and the Collateral Agent shall have the right (but not the obligation) to seek the advice or concurrence of the Required Lenders with respect to any matter contemplated by this Section 2.19 and, if either the Administrative Agent or the Collateral Agent seeks such advice or concurrence, it shall be permitted to enter into such amendments with the Borrower in accordance with any instructions actually received by such Required Lenders and shall also be entitled to refrain from entering into such amendments with the Borrower unless and until it shall have received such advice or concurrence; *provided, however*, that whether or not there has been a request by the Administrative Agent or the Collateral Agent for any such advice or concurrence, all such amendments entered into with the Borrower by the Administrative Agent or the Collateral Agent hereunder shall be binding and conclusive on the Lenders.

(e) This Section 2.19 shall supersede any provisions in Section 2.14, 2.15 or 10.08 to the contrary.

(f) Upon any Revolving Commitment Increase pursuant to this Section 2.19, (a) each of the Revolving Lenders holding Revolving Commitments immediately prior to such Revolving Commitment Increase shall assign to each of the Revolving Lenders having an Incremental Revolving Commitment, and each of the Revolving Lenders having an Incremental Revolving Commitment shall purchase from each of the Revolving Lenders holding Revolving Commitments immediately prior to such Revolving Commitment Increase, at the principal amount thereof, such interests in the Incremental Revolving Loans outstanding on the closing date of such Revolving Commitment Increase as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans will be held by existing Revolving Lenders and Revolving Lenders having an Incremental Revolving Commitment ratably in accordance with their Revolving Commitments after giving effect to the addition of such Incremental Revolving Commitments to the Revolving Commitments, (b) each Incremental

Revolving Commitment shall be deemed for all purposes a Revolving Commitment and each Loan made thereunder shall be deemed, for all purposes, a Revolving Loan and (c) each Revolving Lender having an Incremental Revolving Commitment shall become a Lender with respect to the Incremental Revolving Commitments and all matters relating thereto. The Administrative Agent and the Lenders hereby agree that the minimum borrowing and prepayment requirements in Section 2.02 and 2.12 of this Agreement shall not apply to the transactions effected pursuant to the immediately preceding sentence.

Section 2.20. *Refinancing Amendments.*

(a) At any time after the Closing Date, the Borrower may obtain, from any Lender or any Additional Lender (*provided*, that each Issuing Bank shall have consented (such consent not to be unreasonably withheld, conditioned or delayed) to such Additional Lender to the extent any such consent would be required under Section 10.04(b) for an assignment of Revolving Loans to such Additional Lender), Credit Agreement Refinancing Indebtedness in respect of all or any portion of the Term Loans (each new term facility, a “**Refinancing Term Facility**”) or Revolving Loans and Revolving Commitments (each new revolving credit facility, a “**Refinancing Revolving Facility**”, and collectively with any Refinancing Term Facility, “**Refinancing Facilities**”) then outstanding under this Agreement (which for purposes of this Section 2.20(a) will be deemed to include any then outstanding Other Loans, Incremental Term Loans, Extended Term Loans or Extended Revolving Commitments), in the form of Other Loans or Other Commitments pursuant to a Refinancing Amendment; *provided* that (A) such Credit Agreement Refinancing Indebtedness will rank *pari passu* in right of payment and of security with the other Loans and Commitments hereunder, (B) such Credit Agreement Refinancing Indebtedness will have such pricing and optional prepayment terms as may be agreed by the Borrower and the Lenders thereof (*provided* that any Refinancing Term Facility may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments hereunder, as specified in the applicable Refinancing Amendment), (C) such Credit Agreement Refinancing Indebtedness will have a maturity date later than the maturity date of, and will have a Weighted Average Life to Maturity that is not shorter than, the Loans or Commitments being refinanced, (D) subject to clauses (B) and (C) above, such Credit Agreement Refinancing Indebtedness will have terms and conditions (other than pricing, fees, rate floors and optional prepayment or redemption terms) that are substantially identical to, or less favorable to the lenders or investors providing such Credit Agreement Refinancing Indebtedness than, the Loans or Commitments being refinanced, (E) the proceeds of such Credit Agreement Refinancing Indebtedness shall be applied, substantially concurrently with the incurrence thereof, to the prepayment of outstanding Loans or Commitments being so refinanced, (F) if any such Refinancing Facility is secured, it shall not be secured by any assets other than the Collateral and (G) if any such Refinancing Facility is guaranteed, it shall not be guaranteed by any person other than the Guarantors; *provided, further*, that the terms and conditions applicable to such Credit Agreement Refinancing Indebtedness may provide for any additional or different financial or other covenants or other provisions that are agreed between the Borrower and the lenders thereof and applicable only during periods after the then Latest Maturity Date; *provided, further*, that to the extent any financial maintenance covenant is added for the benefit of a (a) Refinancing Term Facility, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of Term Loans remaining outstanding after the incurrence or issuance

of such Refinancing Term Facility or (b) Refinancing Revolving Facility, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Revolving Loans and Revolving Commitments remaining outstanding after the incurrence or issuance of such Refinancing Revolving Facility); *provided, further*, that (1) the borrowing and repayment of Revolving Loans under any Refinancing Revolving Facility shall be made on a pro rata basis with all other Revolving Commitments, (2) all Letters of Credit shall be participated on a pro rata basis by all Lenders with Revolving Commitments in accordance with their percentage of the Revolving Commitments, (3) the permanent repayment of Revolving Loans and termination of Revolving Commitments under any Refinancing Revolving Facility shall be made on a pro rata basis with the permanent repayment of all other Revolving Loans and termination of all other Revolving Commitments and (4) assignments and participations of Revolving Loans and Revolving Commitments under any Refinancing Revolving Facility shall be governed by the same assignment and participation provisions applicable to all other Revolving Loans and Revolving Commitments. The effectiveness of any Refinancing Amendment shall be subject to (i) the consent of the Issuing Bank to the extent required under Section 10.4(b)(i)(C) and (ii) the satisfaction on the date thereof of each of the conditions set forth in Section 4.01 (and for purposes thereof the incurrence of the Credit Agreement Refinancing Indebtedness shall be deemed to be a Request for Credit Extension) and, to the extent reasonably requested by the Administrative Agent, receipt by the Administrative Agent of customary legal opinions, board resolutions and officers' certificates, in each case consistent with those delivered on the Closing Date under Section 4.02 (other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel's form of opinion reasonably satisfactory to the Administrative Agent), and customary reaffirmation agreements. Each Class of Credit Agreement Refinancing Indebtedness incurred under this Section 2.20(a) shall be in an aggregate principal amount that is (x) not less than \$20,000,000 and (y) an integral multiple of \$1,000,000 in excess thereof. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Refinancing Amendment.

(b) Each of the parties hereto hereby agrees that this Agreement and the other Loan Documents may be amended pursuant to a Refinancing Amendment, without the consent of any other Lenders, to the extent (but only to the extent) necessary to (i) reflect the existence and terms of the Credit Agreement Refinancing Indebtedness incurred pursuant thereto and (ii) effect such other amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.20, and the Required Lenders hereby expressly authorize the Administrative Agent to enter into any such Refinancing Amendment. Without limiting the foregoing, in connection with any Refinancing Amendment, the respective Loan Parties shall (at their expense) amend (and the Collateral Agent is hereby directed to amend) any Mortgage that has a maturity date prior to the Latest Maturity Date after giving effect to such Refinancing Amendment so that such maturity date is extended to the then Latest Maturity Date (or such later date as may be advised by local counsel to the Collateral Agent).

(c) This Section 2.20 shall supersede any provisions in Section 2.14, 2.15 or 10.08 to the contrary.

Section 2.21. *Extension of Loans.*

(a) Notwithstanding anything to the contrary in this Agreement, pursuant to one or more offers (each, a “**Term Loan Extension Offer**”) made from time to time by the Borrower to all Lenders of a Class of Term Loans with a like Term Loan Maturity Date on a pro rata basis (based on the aggregate outstanding principal amount of the respective Term Loans of such Class with the same Term Loan Maturity Date) and on the same terms to each such Term Lender, the Borrower may from time to time with the consent of any Term Lender that shall have accepted such offer extend the maturity date of any Term Loans and otherwise modify the terms of such Term Loans of such Term Lender pursuant to the terms of the relevant Extension Offer (including, without limitation, by increasing the interest rate or fees payable in respect of such Term Loans and/or modifying the amortization schedule in respect of such Term Loans) (each, a “**Term Loan Extension**”, and each group of Term Loans as so extended, as well as the group of original Term Loans not so extended, being a “**tranche**”; any Extended Term Loans shall constitute a separate tranche of Term Loans from the tranche of Term Loans from which they were converted and a separate Class of Term Loans), so long as the following terms are satisfied: (i) no Default shall exist at the time the notice in respect of an Extension Offer is delivered to the Term Lenders, and no Default shall exist immediately prior to or after giving effect to the effectiveness of any Extended Term Loans, (ii) except as to interest rates, fees, amortization, final maturity date, premium, required prepayment dates and participation in prepayments (which shall, subject to immediately succeeding clauses (iii), (iv) and (v), be determined by the Borrower and set forth in the relevant Extension Offer), the Term Loans of any Term Lender extended pursuant to any Extension (“**Extended Term Loans**”) shall have the same terms as the tranche of Term Loans subject to such Extension Offer, (iii) the final maturity date of any Extended Term Loans shall be no earlier than the then Latest Maturity Date and the amortization schedule applicable to Term Loans pursuant to Section 2.11(a) for periods prior to the Original Term Loan Maturity Date may not be increased, (iv) the Weighted Average Life to Maturity of any Extended Term Loans shall be no shorter than the remaining Weighted Average Life to Maturity of the Term Loans intended to be extended thereby, (v) any Extended Term Loans may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments hereunder, as specified in the applicable Extension Offer, (vi) if the aggregate principal amount of Term Loans (calculated on the face amount thereof) in respect of which Term Lenders shall have accepted the relevant Extension Offer shall exceed the maximum aggregate principal amount of Term Loans offered to be extended by the Borrower pursuant to such Extension Offer, then the Term Loans of such Term Lenders shall be extended ratably up to such maximum amount based on the respective principal amounts (but not to exceed actual holdings of record) with respect to which such Term Lenders have accepted such Extension Offer, (vii) all documentation in respect of such Extension shall be consistent with the foregoing, and (viii) any applicable Minimum Extension Condition shall be satisfied unless waived by the Borrower.

(b) Notwithstanding anything to the contrary in this Agreement, pursuant to one or more offers (each, a “**Revolving Extension Offer**”) made from time to time by the Borrower to all Lenders of a Class of Revolving Commitments with a like Revolving Maturity Date on a pro rata basis (based on the aggregate outstanding principal amount of the respective Revolving Commitments of such Class with the same Revolving Maturity Date) and on the same terms to each such Revolving Lender, the Borrower may from time to time with the consent of any

Revolving Lender that shall have accepted such offer extend the maturity date of any Revolving Commitments and otherwise modify the terms of such Revolving Commitments of such Revolving Lender pursuant to the terms of the relevant Revolving Extension Offer (including, without limitation, by increasing the interest rate or fees payable in respect of such Revolving Commitments) (each, a “**Revolving Extension**”, and each group of Revolving Commitments as so extended, as well as the group of original Revolving Commitments not so extended, being a “**tranche**”; any Extended Revolving Commitments shall constitute a separate tranche of Revolving Commitments from the tranche of Revolving Commitments from which they were converted and a separate Class of Revolving Commitments), so long as the following terms are satisfied: (i) no Default shall exist at the time the notice in respect of an Extension Offer is delivered to the Revolving Lenders, and no Default shall exist immediately prior to or after giving effect to the effectiveness of any Extended Revolving Commitments, (ii) except as to interest rates, fees, final maturity date, premium, required prepayment dates and participation in prepayments (which shall, subject to immediately succeeding clauses (iii), (iv) and (v), be determined by the Borrower and set forth in the relevant Revolving Extension Offer), the Revolving Commitments of any Revolving Lender extended pursuant to any Extension (“**Extended Revolving Commitments**”) shall have the same terms as the tranche of Revolving Commitments subject to such Extension Offer, (iii) the final maturity date of any Extended Revolving Commitments shall be no earlier than the then Latest Maturity Date, (iv) any Extended Revolving Commitments may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments hereunder, as specified in the applicable Extension Offer, (v) if the aggregate principal amount of Revolving Commitments (calculated on the face amount thereof) in respect of which Revolving Lenders shall have accepted the relevant Extension Offer shall exceed the maximum aggregate principal amount of Revolving Commitments offered to be extended by the Borrower pursuant to such Extension Offer, then the Revolving Commitments of such Revolving Lenders shall be extended ratably up to such maximum amount based on the respective principal amounts (but not to exceed actual holdings of record) with respect to which such Revolving Lenders have accepted such Extension Offer, (vi) all documentation in respect of such Extension shall be consistent with the foregoing, and (vii) any applicable Minimum Extension Condition shall be satisfied unless waived by the Borrower.

(c) With respect to all Extensions consummated by the Borrower pursuant to this Section 2.21, (i) such Extensions shall not constitute voluntary or mandatory payments or prepayments for purposes of Section 2.12 , 2.13 or 2.15 and (ii) no Extension Offer is required to be in any minimum amount or any minimum increment; *provided* that the Borrower may at its election specify as a condition (a “**Minimum Extension Condition**”) to consummating any such Extension that a minimum amount (to be determined and specified in the relevant Extension Offer in the Borrower’s sole discretion and may be waived by the Borrower) of Loans or Commitments of any or all applicable Classes be tendered. The Administrative Agent and the Lenders hereby consent to the Extensions and the other transactions contemplated by this Section 2.21 (including, for the avoidance of doubt, payment of any interest, fees or premium in respect of any Extended Term Loans or Extended Revolving Commitments on such terms as may be set forth in the relevant Extension Offer) and hereby waive the requirements of any provision of this Agreement (including, without limitation, Sections 2.12, 2.13, 2.14 and 2.15) or any other Loan Document that may otherwise prohibit any such Extension or any other transaction contemplated by this Section 2.21.

(d) Each of the parties hereto hereby (A) agrees that this Agreement and the other Loan Documents may be amended to give effect to each Extension (an “**Extension Amendment**”), without the consent of any other Lenders, to the extent (but only to the extent) necessary to (i) reflect the existence and terms of the Extended Term Loans or Extended Revolving Commitments, as applicable, incurred pursuant thereto, (ii) modify the scheduled repayments set forth in Section 2.11 with respect to any Class of Term Loans subject to an Extension to reflect a reduction in the principal amount of the Term Loans thereunder in an amount equal to the aggregate principal amount of the Extended Term Loans amended pursuant to the applicable Extension (with such amount to be applied ratably to reduce scheduled repayments of such Term Loans required pursuant to Section 2.11), (iii) modify the prepayments set forth in Sections 2.12 and 2.13 to reflect the existence of the Extended Term Loans and the application of prepayments with respect thereto and (iv) effect such other amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.21, and the Required Lenders hereby expressly and irrevocably, for the benefit of all parties hereto, authorize the Administrative Agent to enter into any such Extension Amendment and (B) consent to the transactions contemplated by this Section 2.21 (including, for the avoidance of doubt, payment of interest, fees or premiums in respect of any Extended Term Loans or Extended Revolving Commitments, as applicable, on such terms as may be set forth in the relevant Extension Amendment). Without limiting the foregoing, in connection with any Extension, the respective Loan Parties shall (at their expense) amend (and the Collateral Agent is hereby directed to amend) any Mortgage that has a maturity date prior to the then Latest Maturity Date so that such maturity date is extended to the Latest Maturity Date after giving effect to such Extension (or such later date as may be advised by local counsel to the Collateral Agent).

(e) In connection with any Extension, the Borrower shall provide the Administrative Agent at least five Business Days’ (or such shorter period as may be agreed by the Administrative Agent) prior written notice thereof, and shall agree to such procedures, if any, as may be established by, or acceptable to, the Administrative Agent, in each case acting reasonably to accomplish the purposes of this Section 2.21.

(f) This Section 2.21 shall supersede any provisions in Section 2.14, 2.15 or 10.08 to the contrary.

ARTICLE 3

TAXES, INCREASED COSTS PROTECTION AND ILLEGALITY

Section 3.01. *Taxes.*

(a) Except as provided in this Section 3.01, any and all payments made by or on account of the Borrower or any Guarantor under any Loan Document to any Lender (which term shall for purposes of this Section 3.01 be deemed to include a reference to each “Issuing Bank”) or any Agent shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, assessments, withholdings (including backup withholding), fees or similar charges imposed by any Governmental Authority including interest, penalties and additions to tax (collectively “**Taxes**”), excluding (i) Taxes imposed on or measured by net income, however denominated, and franchise (and similar) Taxes imposed on it in lieu of net

income Taxes, in each case, imposed as a result of a Lender or Agent being organized under the laws of, having its principal office in, or relevant office for receiving payments from or on account of the Borrower or making funds available to or for the benefit of the Borrower located in, the jurisdiction imposing such Tax (or any political subdivision thereof), (ii) Taxes attributable to the failure by the relevant Lender or Agent to deliver the documentation required to be delivered pursuant to clause (d) of this Section 3.01, (iii) Taxes imposed by a jurisdiction as a result of any connection between such Lender or Agent and such jurisdiction other than any connection arising from executing, delivering, being a party to, engaging in any transactions pursuant to, performing its obligations under, or enforcing any Loan Document, (iv) any branch profits Taxes imposed by the United States or any similar Tax imposed by any other jurisdiction in which the Borrower or any Guarantor (as appropriate) is located, or in which the Agent's or Lender's principal office is located or in which its relevant office for receiving payments from or on account of the Borrower or making funds available to or for the benefit of the Borrower is located, (v) any U.S. federal withholding tax that is (or would be) required to be withheld on amounts payable hereunder pursuant to a law in effect at such time the Lender or Agent becomes a party to this Agreement (other than pursuant to an assignment request by the Borrower under Section 3.07), or designates a new office for receiving payments by or on account of the Borrower or making funds available to or for the benefit of the Borrower, except in each case to the extent such Lender (or its assignor, if any) was entitled at the time of designation of a new lending office (or assignment) to receive additional amounts with respect to such withholding tax pursuant to this Section 3.01 and (vi) any tax to the extent imposed as a result of a Lender or Agent's (A) failure to comply with the applicable requirements of FATCA in such a way to reduce such tax to zero or (B) election under Section 1471(b)(3) of the Code (all such non-excluded Taxes imposed on such payments, being hereinafter referred to as "**Indemnified Taxes**"). If the Borrower, any Guarantor or other applicable withholding agent shall be required by any Laws to deduct any Indemnified Taxes or Other Taxes (as defined below) from or in respect of any sum payable under any Loan Document to any Agent or any Lender, (i) the applicable withholding agent shall deduct, and the sum payable by the Borrower or Guarantor shall be increased, as necessary, so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.01), such Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable withholding agent shall make such deductions, (iii) the applicable withholding agent shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment (or, if receipts or evidence are not available within 30 days, as soon as possible thereafter), if the Borrower or any Guarantor is the applicable withholding agent, the applicable withholding agent shall furnish to such Agent or Lender (as the case may be) the original or a copy of a receipt evidencing payment thereof or other evidence acceptable to such Agent or Lender.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise, property, intangible or mortgage recording taxes, or charges or levies of the same character, imposed by any Governmental Authority, which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (including additions to tax, penalties and interest related thereto) excluding in each case, such amounts that result from an Agent or Lender's Assignment and Acceptance, grant of a Participation, transfer

or assignment to or designation of a new applicable lending office or other office for receiving prepayments under any Loan Document (collectively, “**Assignment Taxes**”) except for Assignment Taxes resulting from assignments or participations that are requested or required in writing by the Borrower (all such non-excluded taxes described in this Section 3.01(b) being hereinafter referred to as “**Other Taxes**”).

(c) The Borrower and each Guarantor agree to indemnify each Agent and each Lender for (i) the full amount of Indemnified Taxes and Other Taxes paid by such Agent or Lender and (ii) any expenses arising therefrom or with respect thereto, provided such Agent or Lender, as the case may be, provides the Borrower with a written statement thereof setting forth in reasonable detail the basis and calculation of such amounts. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent) or by an Agent (on its own behalf or on behalf of a Lender) shall be conclusive absent manifest error.

(d) Each Lender and Agent shall, at such times as are reasonably requested by the Borrower or the Administrative Agent, provide the Borrower and the Administrative Agent with any documentation prescribed by Law certifying as to any entitlement of such Lender or Agent to an exemption from, or reduction in, withholding tax with respect to any payments to be made to such Lender under the Loan Documents. Each such Lender and Agent shall, whenever a lapse in time, a change in law, or change in circumstances renders any previously delivered documentation obsolete or inaccurate in any material respect, deliver promptly to the Borrower and the Administrative Agent updated or other appropriate documentation (including any new documentation reasonably requested by the applicable withholding agent) or promptly notify the Borrower and the Administrative Agent of its inability to do so. Unless the applicable withholding agent has received forms or other documents satisfactory to it indicating that payments under any Loan Document to or for a Lender are not subject to withholding tax or are subject to such Tax at a rate reduced by an applicable tax treaty, the Borrower, the Administrative Agent or other applicable withholding agent shall withhold amounts required to be withheld by applicable Law from such payments at the applicable statutory rate. Notwithstanding the foregoing, a Lender shall not be required to deliver any form pursuant to this clause (d) that such Lender is not legally able to deliver (other than the forms under Section 3.01(d)(i) below). Without limiting the foregoing:

(i) Each Lender and Agent that is a United States person (as defined in Section 7701(a)(30) of the Code) shall deliver to the Borrower and the Administrative Agent on or before the date on which it becomes a party to this Agreement two properly completed and duly signed original copies of Internal Revenue Service Form W-9 certifying that such Lender or Agent (as the case may be) is exempt from federal backup withholding; *provided, however*, that if such Lender or Agent is a disregarded entity for U.S. federal income tax purposes, it shall provide the appropriate withholding form of its owner (together with appropriate supporting documentation).

(ii) Each Lender and Agent that is not a United States person (as defined in Section 7701(a)(30) of the Code) shall deliver to the Borrower and the Administrative Agent on or before the date on which it becomes a party to this Agreement whichever of the following is applicable:

(A) two properly completed and duly signed original copies of Internal Revenue Service Form W-8BEN (or any successor forms) claiming eligibility for the benefits of an income tax treaty to which the United States is a party, and such other documentation as required under the Code,

(B) two properly completed and duly signed original copies of Internal Revenue Service Form W-8ECI (or any successor forms) and, in the case of an Agent that is not a United States person, a withholding certificate that satisfies the requirements of Treasury Regulation Sections 1.1441-1(b)(2)(iv) and 1.1441-1(e)(3)(v) as applicable to a U.S. branch that has agreed to be treated as a U.S. person for withholding tax purposes,

(C) in the case of a Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (A) a certificate substantially in the form of Exhibit G-1, G-2, G-3 or G-4, as applicable (any such certificate a “**United States Tax Compliance Certificate**”) and (B) two properly completed and duly signed original copies of Internal Revenue Service Form W-8BEN, or

(D) to the extent a Lender is not the beneficial owner (for example, where the Lender is a partnership, or is a participant holding a participation granted by a participating Lender), Internal Revenue Service Form W-8IMY (or any successor forms) of the Lender, accompanied by a Form W-8ECI, W-8BEN, United States Tax Compliance Certificate, Form W-9, Form W-8IMY or any other required information from each beneficial owner, as applicable (*provided* that, if one or more beneficial owners are claiming the portfolio interest exemption, the United States Tax Compliance Certificate may be provided by such Lender on behalf of such beneficial owner).

(E) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (E), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender and Agent shall deliver to the Borrower and the Administrative Agent two further original copies of any previously delivered form or certification (or any applicable successor form) on or before the date that any such form or certification expires or

becomes obsolete or inaccurate and promptly after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower or the Administrative Agent, or promptly notify the Borrower and the Administrative Agent that it is unable to do so. Each Lender and Agent shall promptly notify the Administrative Agent at any time it determines that it is no longer in a position to provide any previously delivered form or certification to the Borrower or the Administrative Agent.

(e) Any Lender or Agent claiming any additional amounts payable pursuant to this Section 3.01 shall use its reasonable efforts to change the jurisdiction of its lending office (or take any other measures reasonably requested by the Borrower) if such a change or other measures would reduce any such additional amounts (or any similar amount that may thereafter accrue) and would not, in the sole determination of such Lender, result in any unreimbursed cost or expense or be otherwise materially disadvantageous to such Lender; provided that all costs relating to such change or other measures shall be borne by the Borrower.

(f) If any Lender or Agent determines, in its sole discretion, that it has received a refund in respect of any Indemnified Taxes or Other Taxes as to which indemnification or additional amounts have been paid to it by the Borrower or Guarantor pursuant to this Section 3.01, it shall promptly remit such refund to the Borrower or Guarantor, net of all out-of-pocket expenses of the Lender or Agent, as the case may be and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund net of any Taxes payable by any Agent or Lender on such interest); *provided* that the Borrower and Guarantors, upon the request of the Lender or Agent, as the case may be, agree promptly to return such refund (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such party in the event such party is required to repay such refund to the relevant Governmental Authority. Notwithstanding anything to the contrary in this paragraph (f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of such amount would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to Taxes that it deems confidential) to the Borrower or any other person.

(g) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes and Other Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes or Other Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.04(f) relating to the maintenance of a Participant Register and (iii) any Taxes excluded from the definition of Indemnified Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby

authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (g).

(h) Each party's obligations under this Section 3.01 shall survive any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 3.02. *Illegality.* If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain or fund Eurodollar Loans, or to determine or charge interest rates based upon the LIBO Rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Loans or to convert ABR Loans to Eurodollar Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all applicable Eurodollar Loans of such Lender to ABR Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Loans to such day, or promptly, if such Lender may not lawfully continue to maintain such Eurodollar Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted and all amounts due, if any, in connection with such prepayment or conversion under Section 3.05. Each Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

Section 3.03. *[Reserved]*.

Section 3.04. *Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Loans.*

(a) If any Lender or Issuing Bank reasonably determines that as a result of the introduction of or any change in or in the interpretation of any Law, in each case after the Closing Date, or such Lender's or Issuing Bank's compliance therewith, there shall be any increase in the cost to such Lender or Issuing Bank of agreeing to make or making, funding or maintaining any Eurodollar Loans or maintaining any Letter of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this Section 3.04(a) any such increased costs or reduction in amount resulting from (i) Indemnified Taxes or Other Taxes covered by Section 3.01, or any Taxes excluded from the definition of Indemnified Taxes under exception (iii) thereof to the extent such Taxes are imposed on or measured by net income or profits or are franchise taxes (imposed in lieu of the foregoing taxes) or any Taxes excluded from the definition of Indemnified Taxes under exceptions (i), (ii), (iv), (v) or (vi) thereof or (ii) reserve requirements contemplated by Section 3.04(c) or reflected in the Adjusted LIBO Rate) and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligations to make any Loan), or the cost to such Issuing Bank of maintaining

any Letter of Credit, or to reduce the amount of any sum received or receivable by such Lender or Issuing Bank, then from time to time within 15 days after demand by such Lender or Issuing Bank setting forth in reasonable detail such increased costs (with a copy of such demand to the Administrative Agent given in accordance with Section 3.06), the Borrower shall pay to such Lender or Issuing Bank such additional amounts as will compensate such Lender or Issuing Bank for such increased cost or reduction.

(b) If any Lender or Issuing Bank determines that the introduction of any Law regarding capital adequacy or liquidity or any change therein or in the interpretation thereof, in each case after the Closing Date, or compliance by such Lender (or its lending office) or Issuing Bank therewith, has the effect of reducing the rate of return on the capital of such Lender or Issuing Bank or any entity controlling such Lender or Issuing Bank as a consequence of its obligations hereunder (taking into consideration its policies with respect to capital adequacy and liquidity and its desired return on capital), then from time to time upon demand of such Lender or Issuing Bank setting forth in reasonable detail the charge and the calculation of such reduced rate of return (with a copy of such demand to the Administrative Agent given in accordance with Section 3.06), the Borrower shall pay to such Lender or Issuing Bank such additional amounts as will compensate such Lender or Issuing Bank or controlling entity for such reduction within 15 days after receipt of such demand.

(c) Except to the extent already reflected in the Adjusted LIBO Rate, the Borrower shall pay to each Lender, (i) as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurodollar funds or deposits, additional interest on the unpaid principal amount of each applicable Eurodollar Loan of the Borrower equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive in the absence of manifest error), and (ii) as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of any Eurodollar Loans of the Borrower, such additional costs (expressed as a percentage *per annum* and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent manifest error) which in each case shall be due and payable on each date on which interest is payable on such Loan; *provided* that the Borrower shall have received at least 15 days' prior notice (with a copy to the Administrative Agent) of such additional interest or cost from such Lender. If a Lender fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest or cost shall be due and payable 15 days from receipt of such notice.

(d) Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section 3.04 shall not constitute a waiver of its right to demand such compensation.

(e) If any Lender or Issuing Bank requests compensation under this Section 3.04, then such Lender or Issuing Bank will, if requested by the Borrower, use commercially reasonable efforts to designate another lending office for any Loan or Letter of Credit affected by such event; *provided* that such efforts are made on terms that, in the reasonable judgment of such Lender or

Issuing Bank, cause such Lender or Issuing Bank and its lending office(s) to suffer no material economic, legal or regulatory disadvantage; *provided, further*, that nothing in this Section 3.04(e) shall affect or postpone any of the Obligations of the Borrower or the rights of such Lender or Issuing Bank pursuant to Section 3.04(a), 3.04(b), 3.04(c) or 3.04(d).

Section 3.05. *Funding Losses*. Upon written demand of any Lender (with a copy to the Administrative Agent) from time to time, which demand shall set forth in reasonable detail the basis for requesting such amount, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense actually incurred by it as a result of:

(i) any continuation or conversion of any Eurodollar Loan of the Borrower on a day prior to the last day of the Interest Period for such Loan, or any payment or prepayment of any Eurodollar Loan of the Borrower on a day prior to the last day of the Interest Period for such Loan; or

(ii) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Eurodollar Loan of the Borrower on the date or in the amount notified by the Borrower;

including, to the extent applicable, an amount equal to the excess, as reasonably determined by such Lender, of (1) its cost of obtaining funds for the Eurodollar Loan that is the subject of such event for the period from the date of such event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (2) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such event for such period, but excluding loss of anticipated profits or margin.

Section 3.06. *Matters Applicable to all Requests for Compensation*.

(a) Any Agent or any Lender or Issuing Bank claiming compensation under this Article 3 shall deliver a certificate to the Borrower setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Agent or such Lender or Issuing Bank may use any reasonable averaging and attribution methods.

(b) With respect to any Lender's or Issuing Bank's claim for compensation under Section 3.01, 3.02 or 3.04, the Borrower shall not be required to compensate it for any amount incurred more than 180 days prior to the date that it notifies the Borrower of the event that gives rise to such claim; *provided* that, if the circumstance giving rise to such claim is retroactive, then such 180-day period referred to above shall be extended to include the period of retroactive effect thereof. If any Lender or Issuing Bank requests compensation by the Borrower under Section 3.04, the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue from one Interest Period to another any applicable Eurodollar Loan, or, if applicable, to convert ABR Loans into Eurodollar Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.06(c) shall be applicable); *provided* that such suspension shall not affect the right of such Lender to receive the compensation so requested.

(c) If the obligation of any Lender to make or continue any Eurodollar Loan, or to convert ABR Loans into Eurodollar Loans shall be suspended pursuant to Section 3.06(b) hereof, such Lender's applicable Eurodollar Loans shall be automatically converted into ABR Loans (or, if such conversion is not possible, repaid) on the last day(s) of the then current Interest Period(s) for such Eurodollar Loans (or, in the case of an immediate conversion required by Section 3.02, on such earlier date as required by Law) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.02 or 3.04 hereof that gave rise to such conversion no longer exist:

(i) to the extent that such Lender's Eurodollar Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's applicable Eurodollar Loans shall be applied instead to its ABR Loans; and

(ii) all Loans that would otherwise be made or continued from one Interest Period to another by such Lender as Eurodollar Loans shall be made or continued instead as ABR Loans (if possible), and all ABR Loans of such Lender that would otherwise be converted into Eurodollar Loans shall remain as ABR Loans.

(d) If any Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.02 or 3.04 hereof that gave rise to the conversion of any of such Lender's Eurodollar Loans pursuant to this Section 3.06 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans made by other Lenders under the applicable Facility are outstanding, if applicable, such Lender's ABR Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Loans under such Facility and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Commitments for the applicable Facility.

(e) Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to have been adopted or made after the Closing Date, regardless of the date enacted or adopted.

Section 3.07. Replacement of Lenders under Certain Circumstances.

(a) If at any time (i) the Borrower becomes obligated to pay additional amounts or indemnity payments described in Section 3.01 or 3.04 as a result of any condition described in such Sections or any Lender ceases to make any Eurodollar Loans as a result of any condition described in Section 3.02 or Section 3.04 or (ii) any Lender becomes a Non-Consenting Lender or a Defaulting Lender, then the Borrower may, on 10 Business Days' prior written notice to the Administrative Agent and such Lender, (x) replace such Lender by causing such Lender to (and such Lender shall be obligated to) assign pursuant to Section 10.04(b) (with the assignment fee

to be paid by the Borrower in such instance) (it being understood that any such assignment shall become effective only in accordance with Section 10.04(e)), all of its rights and obligations under this Agreement (in respect of any applicable Facility only in the case of clause (i) or, with respect to a Class vote, clause (ii)) to one or more Eligible Assignees; *provided* that neither the Administrative Agent nor any Lender shall have any obligation to the Borrower to find a replacement Lender or other such Person; *provided, further*, that (A) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments and (B) in the case of any such assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable Eligible Assignees shall have agreed to, and shall be sufficient (together with all other consenting Lenders) to cause the adoption of, the applicable departure, waiver or amendment of the Loan Documents; or (y) terminate the Commitment of such Lender and repay all Obligations of the Borrower owing to such Lender relating to the Loans and participations held by such Lender as of such termination date; *provided* that, in the case of any such termination of a Non-Consenting Lender such termination shall be sufficient (together with all other consenting Lenders) to cause the adoption of the applicable departure, waiver or amendment of the Loan Documents and such termination shall be in respect of any applicable Facility only in the case of clause (i) or, with respect to a Class vote, clause (ii);

(b) In the event that (i) the Borrower or the Administrative Agent has requested that the Lenders consent to a departure or waiver of any provisions of the Loan Documents or agree to any amendment thereto, (ii) the consent, waiver or amendment in question requires the agreement of each Lender, each affected Lender, each Lender with respect to a certain Class of Loans or each affected Lender with respect to a certain Class of Loans, in each case in accordance with Section 10.08, and (iii) the Required Lenders (in the case of a consent, waiver or amendment involving all Lenders or all affected Lenders of a certain Class, the Required Class Lenders) and, if applicable, the Required Revolving Lenders and the Required Term Lenders have agreed to such consent, waiver or amendment, then any Lender who does not agree to such consent, waiver or amendment shall be deemed a “**Non-Consenting Lender**”.

(c) Any Lender being replaced pursuant to Section 3.07(a) above shall (i) execute and deliver an Assignment and Acceptance with respect to such Lender’s applicable Commitment and outstanding Loans, and (ii) deliver any Notes evidencing such Loans to the Borrower or Administrative Agent. Pursuant to such Assignment and Acceptance, (A) the assignee Lender shall acquire all or a portion, as the case may be, of the assigning Lender’s outstanding Loans, (B) all obligations of the Borrower owing to the assigning Lender relating to the Loans and participations so assigned shall be paid in full by the assignee Lender to such assigning Lender concurrently with such Assignment and Acceptance and (C) upon such payment and, the assignment being recorded in the Register as provided in Section 10.04(e), the assignee Lender shall become a Lender hereunder and the assigning Lender shall cease to constitute a Lender hereunder with respect to such assigned Loans, Commitments and participations, except with respect to indemnification provisions under this Agreement, which shall survive as to such assigning Lender. In connection with any such replacement, if any such Non-Consenting Lender does not execute and deliver to the Administrative Agent a duly executed Assignment and Acceptance reflecting such replacement within five Business Days of the date on which the assignee Lender executes and delivers such Assignment and Acceptance to such Non-Consenting Lender, then such Non-Consenting Lender shall be deemed to have executed and delivered such Assignment and Acceptance without any action on the part of the Non-Consenting Lender.

(d) Notwithstanding anything to the contrary contained above, the Lender that acts as the Administrative Agent may not be replaced hereunder except in accordance with Article 9.

Section 3.08. *Survival.* All of the Borrower’s obligations under this Article 3 shall survive termination of the Commitments and repayment of all other Obligations hereunder.

ARTICLE 4
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

Section 4.01. *All Credit Extensions After The Closing Date.* The obligation of each Lender and Issuing Bank to honor any request for a Credit Extension (other than (i) a Request for Credit Extension requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Loans and (ii) any Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c)) after the Closing Date is subject to the satisfaction (or waiver in accordance with Section 10.08) of the following conditions precedent:

(a) The representations and warranties set forth in Article 5 and in each other Loan Document shall be true and correct in all material respects on and as of the date of such Credit Extension with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; *provided* that any such representation and warranty that is qualified by “materiality”, “material adverse effect” or similar language shall be true and correct in all respects (after giving effect to such qualification therein) on and as of the date of such Credit Extension with the same effect as though made on and as of such date or such earlier date, as applicable.

(b) No Default shall exist or would result from such proposed Credit Extension or from the application of the proceeds therefrom.

(c) The Administrative Agent, and, if applicable, each Issuing Bank, shall have received a request for a Credit Extension in accordance with the requirements hereof.

Each request for a Credit Extension (other than (i) a Request for Credit Extension requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Loans and (ii) any Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c)) submitted by the Borrower after the Closing Date shall be deemed to be a representation and warranty by Holdings and the Borrower that the conditions specified in clauses (a) and (b) of Section 4.01 have been satisfied on and as of the date of the applicable Credit Extension.

Section 4.02. *First Credit Extension.* Each Lender and, if applicable, each Issuing Bank to make the Credit Extensions to be made by it on the Closing Date subject only to the satisfaction (or waiver by the Lead Arrangers) of the following conditions precedent:

(a) The Administrative Agent shall have received the following, each properly executed by a Responsible Officer of the signing Loan Party, each dated as of the Closing Date:

(i) executed counterparts of this Agreement duly executed by the Borrower and each Guarantor; and

(ii) a Note executed by the Borrower in favor of each Lender that has requested a Note at least two Business Days in advance of the Closing Date.

(b) The Administrative Agent shall have received the properly executed Intercreditor Agreement by all parties party thereto.

(c) The Administrative Agent and, if applicable, each Issuing Bank, shall have received a request for a Credit Extension in accordance with the requirements hereof.

(d) The Administrative Agent shall have received, on behalf of itself, the Collateral Agent, the Lenders and each Issuing Bank, an opinion of (i) Ropes & Gray LLP, counsel for the Loan Parties, and (ii) each local counsel for the Loan Parties listed on Schedule 4.02(d), in each case, dated the Closing Date and addressed to the Administrative Agent, the Collateral Agent, the Lenders and each Issuing Bank and in customary form and substance, and Holdings and the Borrower hereby request such counsel to deliver such opinions.

(e) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation or organization or certificate of formation, including all amendments thereto, of each Loan Party, certified, if applicable, as of a recent date by the Secretary of State of the state of its organization, and a certificate as to the good standing of each Loan Party as of a recent date, from such Secretary of State or similar Governmental Authority; (ii) a certificate of the Secretary or Assistant Secretary of each Loan Party dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws or operating (or limited liability company) agreement of such Loan Party as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors (or equivalent governing body) of such Loan Party authorizing the execution, delivery and performance of the Loan Documents to which such Loan Party is a party and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation or organization or certificate of formation of such Loan Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party; and (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above.

(f) (i) The Administrative Agent shall have received the results of (x) searches of the Uniform Commercial Code filings (or equivalent filings) and (y) judgment and tax lien searches, made with respect to each Loan Party in the states or other jurisdictions of formation of such Loan Party and with respect to such other locations and names listed on the Perfection Certificate,

together with (in the case of clause (y)) copies of the financing statements (or similar documents) disclosed by such search and (ii) the Security Agreement and the Intellectual Property Security Agreement shall have been duly executed and delivered by each Loan Party that is to be a party thereto, together with (x) certificates, if any, representing the Equity Interests pledged by Holdings, the Borrower and the Subsidiary Guarantors accompanied by undated stock powers executed in blank and (y) documents and instruments to be recorded or filed that the Administrative Agent may deem reasonably necessary to satisfy the Collateral and Guarantee Requirement; *provided, however*, that, to the extent any Collateral (other than to the extent a Lien on such Collateral may be perfected by (1) the filing of a financing statement under the UCC in the office of the Secretary of State (or equivalent office in the relevant States) of the applicable jurisdiction of organization or (2) the delivery of stock certificates representing the Equity Interests of the Borrower and its wholly-owned Domestic Subsidiaries (other than any Subsidiary that conducts no business and has assets with a fair market value of less than \$1,000,000)) is not or cannot be perfected on the Closing Date after the Borrower's use of commercially reasonable efforts to do so, the perfection of security interests in such Collateral shall not constitute a condition precedent to the Credit Extensions on the Closing Date; *provided, further, however*, that the Borrower shall be required to deliver, or cause to be delivered, such documents and instruments or to take or cause to be taken such other actions as may be required to perfect such security interests within 90 days after the Closing Date (subject to extensions approved by the Administrative Agent in its reasonable discretion).

(g) The Administrative Agent shall have received a copy of the Merger Agreement (together with all exhibits, schedules, amendments, supplements and modifications thereto) and all certificates, opinions and other documents delivered thereunder, certified by a Responsible Officer of the Borrower as being complete. Prior to or substantially concurrently with the initial Credit Extension, the Acquisition (including the Merger) shall have been consummated in accordance with the Merger Agreement, but without giving effect to any amendments, waivers or consents that are materially adverse to the Lenders (in their capacity as such) without the prior written consent of the Lead Arrangers (such consent not to be unreasonably withheld or delayed); *provided* that any amendment or waiver that (i) reduces the aggregate purchase price for the Acquisition shall not be deemed to be materially adverse to the Lenders to the extent that any such reduction is applied ratably to reduce the Loans and/or the Second Lien Term Loans or (ii) permits the Company and/or its subsidiaries to incur additional Indebtedness under the Merger Agreement shall be deemed to be materially adverse to the Lenders.

(h) (i) The Specified Merger Agreement Representations shall be true and correct in all material respects; (ii) the Specified Representations shall be true and correct in all material respects; *provided* that any Specified Representation that is qualified as to "materiality", "material adverse effect" or similar language shall be true and correct in all respects; and (iii) the Administrative Agent shall have received a certificate from the chief executive officer, president or chief financial officer of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent, certifying as to the matters set forth in this Section 4.02(g).

(i) The Administrative Agent shall have received a solvency certificate, substantially in the form set forth in Exhibit H, from the chief financial officer or other officer with equivalent duties of Holdings, or in lieu thereof at the option of the Borrower, an opinion of a nationally recognized valuation firm as to the solvency (on a consolidated basis) of Holdings and its respective Subsidiaries as of the Closing Date.

(j) Prior to or substantially concurrently with the initial Credit Extension, (i) all principal, premium, if any, interest, fees and other amounts due or outstanding under the Existing Credit Agreements shall have been repaid, redeemed, discharged and terminated in full, and all commitments, security interests and guarantees (if any) in connection therewith shall have been terminated and released, in each case with evidence thereof reasonably satisfactory to the Administrative Agent, (ii) Second Lien Term Loans having an aggregate principal amount of \$490,000,000 shall have been funded under the Second Lien Credit Agreement and (iii) the Notes Redemption shall have occurred. Immediately after giving effect to the Transactions and the other transactions contemplated hereby, Holdings and its Subsidiaries (not including the Company and its Subsidiaries) shall not have any Indebtedness outstanding other than (a) Indebtedness outstanding under this Agreement, (b) Second Lien Term Loans outstanding under the Second Lien Credit Agreement in an aggregate principal amount not to exceed \$490,000,000 and (c) Indebtedness of the Borrower and its Subsidiaries (not including the Company and its Subsidiaries) set forth on Schedule 7.03(b); provided that the aggregate principal amount of the share of such Indebtedness attributable to the Borrower and the Guarantors shall not exceed \$15,000,000.

(k) The Administrative Agent shall have received, at least five days prior to the Closing Date, all documentation and other information about the Borrower and the Guarantors required under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act, that has been reasonably requested in writing at least 10 days prior to the Closing Date.

(l) The Lead Arrangers shall have received the Audited Financial Statements, the Unaudited Financial Statements and the Pro Forma Financial Statements.

(m) Except as set forth in the definitive disclosure schedules to the Merger Agreement, and only if the relevance of the disclosure as an exception to (or a disclosure for purposes of) this condition would be reasonably apparent to a reasonable person who has read that disclosure and this condition or as disclosed in the most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q of Symbion, Inc. filed before June 13, 2014 (other than any forward-looking disclosure contained in the “Forward Looking Statements” and “Risk Factors” sections of such documents and only if the relevance of the disclosure in such documents as an exception to (or a disclosure for purposes of) this condition would be reasonably apparent on its face to a reasonable person who has read that disclosure and this condition), since December 31, 2013, there shall not have been any event, occurrence, development, state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect (as defined below) and (2) since June 13, 2014, there shall not have occurred a Company Material Adverse Effect.

For purposes hereof, “**Company Material Adverse Effect**” shall mean a material adverse effect on the business, assets, liabilities, financial condition or results of operations of the Company and the Company Subsidiaries, taken as a whole, except any such effect resulting from or arising in connection with (i) the Merger Agreement or the performance of the

transactions contemplated thereby or any announcement thereof, or any facts or circumstances relating to Buyer, including the impact of any of the foregoing on the relationships, contractual or otherwise, of the Company with third parties, (ii) changes or conditions generally affecting any industry in which the Company or any Company Subsidiary operates, including changes in Federal Health Care Programs or other Third-Party Payor programs or plans or rates of reimbursement thereunder, (iii) changes in market or economic conditions generally (including changes in financial, banking and/or securities markets), (iv) changes in political or social conditions generally, including acts of war, sabotage or terrorism, or military actions, or any escalation or worsening thereof, (v) changes in Applicable Law or the interpretation thereof, (vi) changes in accounting requirements or principles under GAAP, (vii) any failure by the Company or any Company Subsidiary to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or any other financial or operating metrics for any period, provided that the underlying causes of such failure shall not be excluded by this clause (vii), (viii) actions taken or not taken by Buyer or any of its Affiliates (other than actions taken or not taken in the Ordinary Course of Business of Buyer and its Affiliates) or actions taken by the Company at the written request or with the written permission of Buyer, in each case, with the prior written consent of the Lead Arrangers or (ix) earthquakes, floods, hurricanes, tornadoes, natural disasters or other “acts of God” or (x) actions taken by the Company in connection with distributing, or causing to be distributed, any or all of the Cash of any Company Subsidiary to the Company, any wholly owned Company Subsidiary or the equityholders of the applicable Company Subsidiary; provided, further, that any event, circumstance, development, occurrence, change or effect referred to in clauses (ii) – (vi) and (ix) above may be taken into account in determining whether or not there has been or will be a “Company Material Adverse Effect” to the extent, but only to the extent, that the Company and the Company Subsidiaries, taken as a whole, are disproportionately affected thereby as compared to other participants in the industries or markets in which the Company and the Company Subsidiaries operate. All capitalized terms used in this definition of “Company Material Adverse Effect” have the meanings given to them in the Merger Agreement.

(n) Prior to or substantially concurrently with the Initial Credit Extension, the Administrative Agent and the Lead Arrangers shall have received all applicable fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced at least two Business Days prior to the Closing Date (except as otherwise reasonably agreed by the Borrower), reimbursement or payment of all costs and expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document on or prior to the Closing Date.

(o) The Administrative Agent shall have received evidence that the insurance required by Section 6.07 is in effect, together with endorsements naming the Collateral Agent, for the benefit of the Secured Parties, as additional insured and loss payee thereunder to the extent required under Section 6.07.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

Each of Holdings, the Borrower (it being understood that each reference in this Article 5 to the Borrower, to the Loan Parties or to any Loan Party shall be deemed to include a reference

to the Company when made with reference to any time prior to the consummation of the Merger) and each of the Subsidiary Guarantors party hereto represents and warrants to the Administrative Agent, the Collateral Agent and each of the Lenders and each Issuing Bank that:

Section 5.01. *Existence, Qualification and Power; Compliance with Laws.* Each Loan Party and each Restricted Subsidiary (a) is a Person duly organized or formed, validly existing and in good standing (where relevant) under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority to (i) own or lease its assets and carry on its business as currently conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party and, in the case of the Borrower, to borrow and to obtain Letters of Credit hereunder, (c) is duly qualified and in good standing (where relevant) under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, (d) is in compliance with all Laws, orders, writs and injunctions and (e) has all requisite governmental licenses, authorizations, consents and approvals to operate its business as currently conducted; except in each case, referred to in clause (a) (other than with respect to any Loan Party), (b)(i) (other than with respect to any Loan Party), (c), (d) or (e), to the extent that failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.02. *Authorization; No Contravention.* The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is a party, and the consummation of the Transactions, are within such Loan Party's corporate or other powers, (a) have been duly authorized by all necessary corporate or other organizational action, and (b) do not (i) contravene the terms of any of such Person's Organization Documents, (ii) conflict with or result in any breach or contravention of, or the creation of (or the requirement to create) any Lien under (other than as permitted by Section 7.01), or require any payment to be made under (x) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (y) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject, or (iii) violate any material Law; except with respect to any conflict, breach or contravention or payment (but not creation of Liens) referred to in clause (ii)(x), to the extent that such conflict, breach, contravention or payment, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.03. *Governmental Authorization; Other Consents.* No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, or for the consummation of the Transactions, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or maintenance of the Liens created under the Collateral Documents (including the priority thereof) or (d) the exercise by the Administrative Agent, the Collateral Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except for (i) filings and registrations necessary to perfect the Liens on the Collateral granted by the Loan Parties in favor of the Collateral Agent, for the benefit of the Secured Parties, (ii) the approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect

(except to the extent not required to be obtained, taken, given or made or to be in full force and effect pursuant to the Collateral and Guarantee Requirement) and (iii) those approvals, consents, exemptions, authorizations or other actions, notices or filings, the failure of which to obtain or make, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.04. *Binding Effect.* This Agreement and each other Loan Document has been duly executed and delivered by each Loan Party that is a party thereto. This Agreement and each other Loan Document constitutes a legal, valid and binding obligation of each such Loan Party, enforceable against each Loan Party that is a party thereto in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

Section 5.05. *Financial Statements; No Material Adverse Effect.*

(a) (i) The unaudited pro forma consolidated balance sheet of the Borrower and its Subsidiaries (including the Company and its Subsidiaries) as at the last day of the most recent fiscal quarter for which Unaudited Financial Statements have been delivered (including the notes thereto describing the pro forma adjustments) (the “**Pro Forma Balance Sheet**”) and the unaudited pro forma consolidated statement of operations of the Borrower and its Subsidiaries (including the Company and its Subsidiaries) for the twelve months ended on the last day of the most recent fiscal quarter for which Unaudited Financial Statements have been delivered (together with the Pro Forma Balance Sheet, the “**Pro Forma Financial Statements**”), copies of which will be furnished to each Lender prior to the Closing Date, have been prepared giving effect (as if such events had occurred on such date or at the beginning of such periods, as the case may be) to the Transactions. The Pro Forma Financial Statements have been prepared in good faith, based on assumptions believed by Holdings to be reasonable as of the date of delivery thereof, and present fairly in all material respects on a Pro Forma Basis the estimated financial position of the Borrower and its Subsidiaries (including the Company and its consolidated Subsidiaries) as at the last day of the most recent fiscal quarter for which Unaudited Financial Statements have been delivered and their estimated results of operations for the periods covered thereby, assuming that the events specified in the preceding sentence had actually occurred at such date or at the beginning of the periods covered thereby.

(ii) The Audited Financial Statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries or, if applicable, the Company and its consolidated Subsidiaries as of the dates thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein.

(iii) The Unaudited Financial Statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries or, if applicable, the Company and its consolidated Subsidiaries as of the dates thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein.

(b) The forecasts of the consolidated statements of operations of the Restricted Group which have been furnished to the Administrative Agent prior to the Closing Date have been

prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed to be reasonable at the time of preparation of such forecasts, it being understood that actual results may vary from such forecasts and that such variations may be material.

(c) Since the Closing Date, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) As of the Closing Date, no member of the Restricted Group has any Indebtedness or other obligations or liabilities, direct or contingent (other than (i) the liabilities reflected on Schedule 5.05, (ii) obligations arising under the Loan Documents, (iii) liabilities incurred in the ordinary course of business, and (iv) liabilities disclosed in the Pro Forma Financial Statements) that, either individually or in the aggregate, have had or could reasonably be expected to have a Material Adverse Effect.

Section 5.06. *Litigation.* There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of Holdings or the Borrower, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against any member of the Restricted Group or against any of their properties or revenues that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.07. *Compliance With Laws; No Default.*

(a) No member of the Restricted Group is in default under or with respect to, or a party to, any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) No member of the Restricted Group or any of their respective properties or assets is in violation of, nor will the continued operation of their properties and assets as currently conducted violate, any law, rule or regulation (including any zoning, building, Environmental Law, ordinance, code or approval or any building permits) or any restrictions of record or agreements affecting the Mortgaged Property, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

Section 5.08. *Ownership of Property; Liens; Casualty Events.*

(a) Each member the Restricted Group has good record title to, or valid leasehold interests in, or easements or other limited property interests in, all its properties and assets (including all Mortgaged Property), free and clear of all Liens except for minor defects in title that do not materially interfere with its ability to conduct its business or to utilize such assets for their intended purposes and Liens permitted by Section 7.01 and except where the failure to have such title could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) As of the Closing Date, Section II.D of the Perfection Certificate dated the Closing Date contains a true and complete list of each Material Real Property owned by Holdings, the Borrower and its Subsidiaries.

(c) As of the Closing Date, except as otherwise disclosed in writing to the Collateral Agent, (i) no Loan Party has received any notice of, nor has any knowledge of, the occurrence (and still pending as of the Closing Date) or pendency or contemplation of any Casualty Event affecting all or any portion of a Mortgaged Property, and (ii) no Mortgage encumbers improved Mortgaged Property that is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards within the meaning of the Flood Laws unless Evidence of Flood Insurance has been delivered to the Collateral Agent.

Section 5.09. *Environmental Matters.* Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect:

(a) each Loan Party and each Restricted Subsidiary is and has been in compliance with all Environmental Laws, which includes timely obtaining and maintaining all applicable Environmental Permits required under such Environmental Laws to carry on the business and operations of the Loan Parties and the Restricted Subsidiaries;

(b) the Loan Parties and the Restricted Subsidiaries have not received notice alleging any Environmental Liability or proposing or seeking to revoke, modify or deny the renewal of any Environmental Permit required to be held by the Loan Parties or the Restricted Subsidiaries, and neither the Loan Parties nor the Restricted Subsidiaries have become subject to any Environmental Liability;

(c) there has been no Release, threatened Release, discharge or disposal of Hazardous Materials on, to, at, under or from any Real Property or facilities owned, operated or leased by any of the Loan Parties or the Restricted Subsidiaries, or, to the knowledge of the Borrower, Real Property formerly owned, operated or leased by any Loan Party or any Restricted Subsidiary or arising out of the conduct of the Loan Parties or the Restricted Subsidiaries that could, now or in the future, reasonably be expected to require investigation, remedial activity or corrective action or cleanup by or on behalf of any Loan Party or any Restricted Subsidiary or for which any Loan Party or Restricted Subsidiary reasonably could be expected to otherwise incur any Environmental Liability; and

(d) there are no facts, circumstances or conditions arising out of or relating to, and there are no pending or reasonably anticipated requirements under Environmental Law associated with, the operations of the Loan Parties or the Restricted Subsidiaries or any Real Property or facilities currently or previously owned, operated or leased by the Loan Parties or any Restricted Subsidiary that are known to or would reasonably be likely to require investigation, remedial activity or corrective action or cleanup by or on behalf of any Loan Party or any Restricted Subsidiary or that are known to or would reasonably be likely to result in the Borrower or any other Loan Party or Restricted Subsidiary incurring any Environmental Liability.

Section 5.10. *Taxes.* Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, each of the Loan Parties and their

Subsidiaries have timely filed all tax returns required to be filed, and have paid all Taxes levied or imposed upon them or their properties, that are due and payable (including in their capacity as a withholding agent), except those which are being contested in good faith by appropriate proceedings diligently conducted if such contest shall have the effect of suspending enforcement or collection of such Taxes and for which adequate reserves have been provided in accordance with GAAP. There is no proposed Tax deficiency or assessment known to any Loan Party against any Loan Party or any Restricted Subsidiary that would, if made, individually or in the aggregate, have a Material Adverse Effect.

Section 5.11. *ERISA Compliance, Etc.*

(a) Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, each Plan is in compliance with the applicable provisions of ERISA, the Code and other Federal or state Laws (and the regulations and published interpretations thereunder).

(b) As of the Closing Date, (i) other than those specifically disclosed on Schedule 5.11, there are no Plans or Multiemployer Plans, (ii) no Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates nor any predecessor thereof (A) has in the past six years sponsored, maintained or contributed to any Plan subject to Title IV of ERISA or (B) has in the past six years contributed or had any direct or indirect liability with respect to any Multiemployer Plan and (iii) no Loan Party or Subsidiary thereof sponsors, maintains or contributes to, or has or could have any direct or indirect liability with respect to, any Foreign Pension Plan.

(c) (i) No Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (ii) no Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (iii) no Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA, except, with respect to each of the foregoing clauses of this Section 5.11(c), as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(d) The Plans of the Loan Parties and the Subsidiaries are funded to the extent required by Law or otherwise to comply with the requirements of any material Law applicable in the jurisdiction in which the relevant pension scheme is maintained, in each case, except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(e) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in Material Adverse Effect.

Section 5.12. *Subsidiaries.* As of the Closing Date (after giving effect to the Transactions), no Loan Party has any direct or indirect Subsidiaries other than those specifically disclosed in Schedule 5.12, and all of the outstanding Equity Interests owned by the Loan Parties (or a Subsidiary of any Loan Party) in such Subsidiaries have been validly issued and are fully paid and (if applicable) non-assessable and all Equity Interests owned by a Loan Party (or a Subsidiary of any Loan Party) in such Subsidiaries are owned free and clear of all Liens except (a) those created under the Collateral Documents and the Second Lien Loan Documents and (b) any non-consensual Lien that is permitted under Section 7.01. As of the Closing Date, (i) Section I.A of the Perfection Certificate sets forth the name and jurisdiction of each Loan Party and (ii) Section II.A to the Perfection Certificate sets forth the ownership interest of Holdings, the Borrower and any other Subsidiary thereof in each Subsidiary, including the percentage of such ownership.

Section 5.13. *Margin Regulations; Investment Company Act.*

(a) No Loan Party or Restricted Subsidiary is engaged nor will it engage, principally, or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Borrowings will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation T, U or X.

(b) No member of the Restricted Group is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

Section 5.14. *Disclosure.* No confidential information memorandum, report, financial statement, certificate or other written information furnished by or on behalf of any Loan Party (other than projected financial information, pro forma financial information and information of a general economic or industry nature) to any Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) when taken as a whole contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein (when taken as a whole), in the light of the circumstances under which they were or will be made, not materially misleading. With respect to projected financial information and pro forma financial information, each of Holdings and the Borrower represents that such information was prepared in good faith based upon assumptions believed to be reasonable at the time of preparation; it being understood that such projections may vary from actual results and that such variances may be material.

Section 5.15. *Labor Matters.* Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against the Borrower or any of its Restricted Subsidiaries pending or, to the knowledge of the Borrower, threatened in writing; and (b) hours worked by and payment made to employees of the Borrower or any of its Restricted Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Law dealing with such matters since January 1, 2010. Except as disclosed on Schedule 5.15, as of the Closing Date no Loan Party is a party to or

bound by any collective bargaining agreement or any similar agreement. Except as disclosed on Schedule 5.15, to the knowledge of any Responsible Officer of any Loan Party, there is no union organizing effort underway relating to the employees of any Loan Party, and there is no petition seeking representation of the employees of the Company or any of its Subsidiaries pending. To the knowledge of any Responsible Officer of any Loan Party, the consummation of the transactions contemplated by the Loan Documents will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Loan Party is bound to the extent that such would be reasonably expected to result in a Material Adverse Effect.

Section 5.16. *Intellectual Property; Licenses, Etc..*

(a) Members of the Restricted Group own, license or possess the right to use all of the trademarks, service marks, trade names, domain names, copyrights, patents, patent rights, licenses, technology, software, know-how, trade secrets, database rights, design rights and other intellectual property rights (and all registrations and applications for registration of any of the foregoing) (collectively, “**IP Rights**”), in each case reasonably necessary for the conduct of their respective businesses as currently conducted, except to the extent that the failure to own, license or possess the right to use such IP Rights, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and, such IP Rights do not conflict with the rights of any Person, except to the extent such conflicts, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All such IP Rights are valid and in full force and effect, except to the extent the failure of such IP Rights to be valid and in full force and effect could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(b) The conduct of the business of the Restricted Group does not infringe, misappropriate, dilute or otherwise violate any IP Rights held by any Person, except for such infringements, misappropriations, dilutions or violations, which, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no claim, investigation, suit or proceeding pending or, to the knowledge of the Borrower, threatened in writing, against members of the Restricted Group (i) challenging the validity of any IP Rights held by any of them or (ii) alleging that their respective use of any IP Rights or the conduct of their respective businesses infringes, misappropriates, dilutes or otherwise violates the IP Rights of any other Person, in each case which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(c) As of the Closing Date, Section II.B of the Perfection Certificate contains a true and complete list of all patents, patent applications, registered trademarks, trademark applications, registered copyrights and copyright applications that are owned by members of the Restricted Group.

Section 5.17. *Solvency.* As of the date hereof, after giving effect to the consummation of the Transactions, including the making of the Loans under this Agreement and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis, exceeds, on a consolidated basis, their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the assets

of Holdings and its Subsidiaries, on a consolidated basis, is greater than the amount that will be required to pay the probable liabilities, on a consolidated basis, of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) Holdings and its Subsidiaries, on a consolidated basis, are able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature; and (d) Holdings and its Subsidiaries, on a consolidated basis, are not engaged in, and are not about to engage in, business for which they have unreasonably small capital. For purposes of this Section 5.17, the amount of any contingent liability at any time shall be computed as the amount that would reasonably be expected to become an actual and matured liability.

Section 5.18. *Subordination of Junior Financing.* (a) The Obligations are “Senior Debt,” “Senior Indebtedness,” “Guarantor Senior Debt” or “Senior Secured Financing” (or any comparable term) under, and as defined in, any Junior Financing Documentation in respect of any Junior Financing that is, or is required by this Agreement to be, Subordinated Indebtedness and (b) the Obligations are “First Lien Debt,” or “First Lien Indebtedness” (or any comparable term) under, and as defined in, of the documentation evidencing any Second Lien Indebtedness or Permitted Second Priority Refinancing Debt (except to the extent pari passu or junior in priority to the Second Lien Indebtedness or Permitted Second Priority Refinancing Debt pursuant to the terms hereof).

Section 5.19. *Collateral Documents.*

(a) *Valid Liens.* Each Collateral Document (other than the Mortgages) is, or on execution and delivery thereof by the parties thereto will be, effective to create in favor of the Collateral Agent for the benefit of the Secured Parties, legal, valid and enforceable Liens on, and security interests in, the Collateral described therein to the extent intended to be created thereby and (i) when financing statements and other filings in appropriate form are filed in the offices of their jurisdiction of organization listed in Section I.A of the Perfection Certificate and (ii) upon the taking of possession or control by the Collateral Agent of such Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Collateral Agent to the extent possession or control by the Collateral Agent is required by the Security Agreement), the Liens created by the Collateral Documents (other than the Mortgages) shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors in such Collateral, in each case prior and superior in right to any other person, other than Liens expressly permitted by Section 7.01 (other than Liens securing Second Lien Indebtedness, Permitted Second Priority Refinancing Debt or any Permitted Refinancing thereof that are intended to be junior to the Liens of the Collateral Documents).

(b) *PTO Filing; Copyright Office Filing.* When the Security Agreement or a short form thereof is properly filed in the United States Patent and Trademark Office and the United States Copyright Office, to the extent such filings may perfect such interests, the Liens created by such Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in Patents and Trademarks (each as defined in

the Security Agreement) registered or applied for with the United States Patent and Trademark Office or Copyrights (as defined in such Security Agreement) registered or applied for with the United States Copyright Office, as the case may be, in each case prior and superior in right to any other person, other than Liens expressly permitted by Section 7.01 (other than Liens securing Second Lien Indebtedness, Permitted Second Priority Refinancing Debt or any Permitted Refinancing thereof that are intended to be junior to the Liens of the Collateral Documents) (it being understood that subsequent recordings in the United States Patent and Trademark Office and the United States Copyright Office may be necessary to establish a Lien on registered Patents, Trademarks and Copyrights acquired by the grantors thereof after the Closing Date).

(c) *Mortgages*. Upon recording thereof in the appropriate recording office, each Mortgage is effective to create, in favor of the Collateral Agent, for its benefit and the benefit of the other Secured Parties, legal, valid and enforceable perfected Liens on, and a security interest in, all of the Loan Parties' right, title and interest in and to the Mortgaged Property thereunder and the proceeds thereof, subject only to Liens permitted hereunder, and when such Mortgage is filed in the offices specified in the local counsel opinion delivered with respect thereto in accordance with the provisions of Sections 6.11 and 6.13, such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Party to such Mortgage in the Mortgaged Property described therein and the proceeds thereof, in each case prior and superior in right to any other person, other than Liens expressly permitted by Section 7.01 (other than Liens securing Second Lien Indebtedness, Permitted Second Priority Refinancing Debt or any Permitted Refinancing thereof that are intended to be junior to the Liens of the Collateral Documents).

Notwithstanding anything herein (including this Section 5.19) or in any other Loan Document to the contrary, the Borrower nor any other Loan Party makes any representation or warranty as to (A) the effects of perfection or non-perfection, the priority or the enforceability of any pledge of or security interest in (other than with respect to those pledges and security interests made under the Laws of the jurisdiction of formation of the applicable Foreign Subsidiary) any Equity Interests of any Foreign Subsidiary, or as to the rights and remedies of the Agents or any Lender with respect thereto, under foreign Law, (B) the pledge or creation of any security interest, or the effects of perfection or non-perfection, the priority or the enforceability of any pledge of or security interest to the extent such pledge, security interest, perfection or priority is not required pursuant to the Collateral and Guarantee Requirement or (C) on the Closing Date and until required pursuant to Section 6.13 or 4.02(f), the effects of perfection or non-perfection, the priority or enforceability of any pledge or security interest to the extent not required on the Closing Date pursuant to Section 4.02(f).

Section 5.20. *Compliance with Anti-Terrorism and Corruption Laws.*

(a) To the extent applicable, the members of the Restricted Group are in compliance, in all material respects, with (i) the Trading with the Enemy Act and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V) and any other enabling legislation or executive order relating thereto, and (ii) the USA PATRIOT Act.

(b) No member of the Restricted Group nor, to the knowledge of Holdings or the Borrower, any director, officer, agent, employee or Affiliate of any member of the Restricted Group, (i) is a Blocked Person or (ii) is currently subject in any material respect to any U.S. sanctions administered by OFAC; and no member of the Restricted Group will use the proceeds of the Loans for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(c) No part of the proceeds of the Loans will be used by any member of the Restricted Group, directly or, to the knowledge of Holdings or the Borrower, indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 5.21. *Use of Proceeds.* The Borrower will use the proceeds of the Term Loans on the Closing Date, together with the proceeds of Revolving Loans on the Closing Date and the Second Lien Term Loans, to (a) pay a portion of the Aggregate Consideration and the Transaction Expenses, (b) refinance existing Indebtedness of the Borrower and its Subsidiaries and the Company and its subsidiaries (including accrued and unpaid interest and applicable premiums) and (c) provide working capital. The Borrower may use up to \$10,000,000 in aggregate principal amount of the Term Loans to fund certain add-on acquisitions consummated on or prior to the Closing Date in accordance with the terms set forth in the Merger Agreement (such acquisitions, the “**Approved Acquisitions**”). The Borrower will use the proceeds of Revolving Loans on the Closing Date (a) in an amount not to exceed \$10,000,000 to pay the consideration for the Acquisition (including any working capital payments under the Merger Agreement), (b) to refinance Indebtedness of the Company and its subsidiaries (including accrued and unpaid interest) and (c) to provide working capital and to pay Transaction Expenses. The Borrower will use the proceeds of Revolving Loans after the Closing Date for any purposes not otherwise prohibited under this Agreement, including, working capital and general corporate purposes (including Permitted Acquisitions). Proceeds of the Term Loans and the Revolving Loans shall not be used directly or indirectly to make contributions to the Indemnity Escrow Account.

Section 5.22. *Insurance.* Holdings and each of its Subsidiaries is insured by financially sound and reputable insurance companies against such losses and risks and in such amounts as are customary for similarly situated Persons in the businesses in which they are engaged.

ARTICLE 6
AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan, LC Disbursement or other Obligation (other than obligations under Secured Hedge Agreements or in respect of Secured Cash Management Services Obligations or contingent indemnification obligations as to which no claim has been asserted) hereunder which is accrued or payable shall remain unpaid or unsatisfied, or any Letter of Credit shall be outstanding (unless the obligations thereunder have been Cash Collateralized or as to which other arrangements reasonably satisfactory to the applicable Issuing Bank have been made) then from and after the Closing Date, Holdings and the Borrower shall and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, 6.03 and 6.15) cause each of their Restricted Subsidiaries to:

Section 6.01. *Financial Statements, Reports, Etc.* Deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Restricted Group (beginning with the fiscal year ending December 31, 2014), (i) a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of BDO USA, LLP or any other independent registered public accounting firm of nationally recognized standing, which report and opinion shall (x) be prepared in accordance with generally accepted auditing standards, (y) not be subject to qualifications or exceptions as to the scope of such audit and (z) be without a "going concern" disclosure or like qualification or exception (other than a disclosure, an exception or a qualification solely resulting from (1) the impending maturity of any Indebtedness, (2) any prospective default under the financial covenant set forth in Section 7.11 or (3) solely with respect to the Term Loans, an actual Default under the financial covenant set forth in Section 7.11) and (ii) a management's discussion and analysis of the financial condition and results of operations for such fiscal year, as compared to the previous fiscal year (including commentary on (x) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (y) the reasons for any significant variations from the figures for the corresponding period in the previous fiscal year);

(b) as soon as available, but in any event within (A) 75 days after the end of the fiscal quarter ended March 31, 2015 and (B) 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Restricted Group (commencing with the fiscal quarter ended June 30, 2015), a consolidated balance sheet of the Borrower, and its Subsidiaries as at the end of such fiscal quarter, and the related (x) consolidated statements of operations for such fiscal quarter and for the portion of the fiscal year then ended and (y) consolidated statements of cash flows for such fiscal quarter and the portion of the fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes and (ii) a management's discussion and analysis of the financial condition and results of operations for such fiscal quarter and the then elapsed portion of the fiscal year, as compared to the comparable periods in the previous fiscal year (including commentary on (x) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (y) the reasons for any significant variations from the figures for the corresponding period in the previous quarter year);

(c) as soon as available, but in any event within 90 days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2014) of the Restricted Group, a

reasonably detailed consolidated budget for the following fiscal year on a quarterly basis (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, the related consolidated statements of projected cash flows and projected income and a summary of the material underlying assumptions applicable thereto) (collectively, the “**Projections**”), which Projections shall in each case be accompanied by a certificate of a Responsible Officer of each of the Borrower stating that such Projections have been prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed to be reasonable at the time of preparation of such Projections, it being understood that actual results may vary from such Projections and that such variations may be material; and

(d) simultaneously with the delivery of each set of consolidated financial statements referred to in Sections 6.01(a) and 6.01(b) above, the related consolidated financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) (which may be in footnote form only) from such consolidated financial statements.

Notwithstanding the foregoing, the obligations in Sections 6.01(a) and (b) above may be satisfied with respect to financial information of the Borrower and its Restricted Subsidiaries by furnishing within the time period specified in the applicable paragraph (A) the consolidated financial statements of any direct or indirect parents of the Borrower or (B) the Borrower’s or such entity’s Form 10-K or 10-Q, as applicable, filed with the SEC; *provided* that (i) to the extent such information relates to a direct or indirect parent of the Borrower, such information is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such direct or indirect parent(s), on the one hand, and the information relating to the Borrower and its Restricted Subsidiaries, on the other hand and (ii) to the extent such information is in lieu of information required to be provided under Section 6.01(a), such materials are, to the extent applicable, accompanied by a report and opinion of BDO USA, LLP or any other independent registered public accounting firm of nationally recognized standing, which report and opinion shall (x) be prepared in accordance with generally accepted auditing standards, (y) not be subject to qualifications or exceptions as to the scope of such audit and (z) be without a “going concern” disclosure or like qualification or exception (other than a disclosure, an exception or a qualification solely resulting from (1) the impending maturity of any Indebtedness, (2) any prospective default under the financial covenant set forth in Section 7.11 or (3) solely with respect to the Term Loans, an actual Default under the financial covenant set forth in Section 7.11).

Documents required to be delivered pursuant to Section 6.01(a), (b), (c) and (d) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower (or any direct or indirect parent of the Borrower) posts such documents, or provides a link thereto, on the website of the Borrower at <http://www.surgerypartners.com/>; or (ii) on which such documents are posted on the Borrower’s behalf on IntraLinks/IntraAgency or another relevant website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); *provided* that: (i) upon written request by the Administrative Agent, the Borrower shall deliver paper copies of such documents to the Administrative Agent for further distribution to each Lender until a written request to cease delivering paper copies is given by the Administrative Agent and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent of the posting of any such documents and provide to the Administrative

Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Each Lender shall be solely responsible for timely accessing posted documents or requesting delivery of paper copies of such documents from the Administrative Agent and maintaining its copies of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(a) to the Administrative Agent; *provided, however*, that if such Compliance Certificate is first delivered by electronic means, the date of such delivery by electronic means shall constitute the date of delivery for purposes of compliance with Section 6.02(a).

Without limiting the obligation to deliver an audit opinion pursuant to Section 6.01(a), solely with respect to the requirement in Sections 6.01(a) and (b) that comparisons in reasonable detail and in accordance with GAAP be delivered, financial statements for periods prior to the Closing Date (that are included as comparisons to financial statements for periods after the Closing Date) shall not be required to contain all recapitalization or purchase accounting adjustments relating to the Transactions to the extent it is not reasonably practicable to include any such adjustments in such financial statements.

Section 6.02. *Certificates; Other Information.* Deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) no later than five days after the delivery of the financial statements referred to in Sections 6.01(a) and 6.01(b) (or the date on which such delivery is required), commencing with the first full fiscal quarter completed after the Closing Date, a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;

(b) promptly after the same are publicly available, copies of all annual, regular, periodic and special reports and registration statements which Holdings, the Borrower or any member of the Restricted Group files with the SEC or with any Governmental Authority that may be substituted therefor (other than amendments to any registration statement (to the extent such registration statement, in the form it became effective, is delivered), exhibits to any registration statement and, if applicable, any registration statement on Form S-8) and in any case not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(c) promptly after the furnishing thereof, copies of any material requests or material notices received by any Loan Party or Restricted Subsidiary (other than in the ordinary course of business) or material statements or material reports furnished to any holder of Indebtedness or debt securities (other than in connection with any board observer rights) of any Loan Party or of any of its Restricted Subsidiaries pursuant to any Second Lien Indebtedness, any Junior Financing, any Permitted Unsecured Refinancing Debt, any Permitted First Priority Refinancing Debt, any Permitted Second Priority Refinancing Debt, any Incremental Equivalent Debt or any Permitted Refinancing of any of the foregoing in each case in a principal amount in excess of the Threshold Amount and not otherwise required to be furnished to the Lenders pursuant to any clause of this Section 6.02;

(d) together with the delivery of each Compliance Certificate pursuant to Section 6.02(a), (i) in the case of annual Compliance Certificates only, a report setting forth the information required by sections of the Perfection Certificate describing the legal name and the

jurisdiction of organization or formation of each Loan Party and the location of the chief executive office of each Loan Party or confirming that there has been no change in such information since the Closing Date or the date of the last such report, (ii) a description of each event, condition or circumstance during the last fiscal quarter covered by such Compliance Certificate requiring a mandatory prepayment under Section 2.13(a) and (iii) a list of each Subsidiary of the Borrower that identifies each Subsidiary as a Restricted or an Unrestricted Subsidiary and as a Loan Party or a non-Loan Party as of the date of delivery of such Compliance Certificate;

(e) promptly, such additional information regarding the business, legal, financial or corporate affairs of the Loan Parties or any of their respective Restricted Subsidiaries, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender through the Administrative Agent may from time to time reasonably request;

(f) promptly after the request by any Lender, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act;

(g) promptly after the receipt thereof by any member of the Restricted Group, a copy of any “management letter” received by any such Person from its certified public accountants and the management’s response thereto; and

(h) promptly following any request therefor by the Administrative Agent or any Lender, copies of (i) any documents described in Section 101(k) of ERISA that any Loan Party or respective ERISA Affiliates may request with respect to any Multiemployer Plan and (ii) any notices described in Section 101(l) of ERISA that any Loan Party or respective ERISA Affiliates may request with respect to any Plan or Multiemployer Plan; *provided* that, if any Loan Party or respective ERISA Affiliates have not requested such documents or notices from the administrator or sponsor of the applicable Plan or Multiemployer Plan, such Loan Party or respective ERISA Affiliates shall make a request for such documents or notices from such administrator or sponsor at the earliest date on which such Loan Party or ERISA Affiliate determines that it is commercially reasonable to so request, and shall provide copies of such documents and notices promptly after receipt thereof.

Each of Holdings, the Borrower and each Lender acknowledge that certain of the Lenders may be Public Lenders and, if documents or notices required to be delivered pursuant to this Section 6.02 or otherwise are being distributed through a Platform, any document or notice that Holdings or the Borrower, as applicable, has indicated contains material non-public information shall not be posted on that portion of the Platform designated for such Public Lenders. Each of Holdings and the Borrower agrees to clearly designate all information provided to the Administrative Agent by or on its behalf which is suitable to make available to Public Lenders. If Holdings or the Borrower has not indicated whether a document or notice delivered pursuant to this Section 6.02 contains material non-public information, the Administrative Agent reserves the right to post such document or notice solely on that portion of the Platform designated for Lenders who wish to receive material non-public information with respect to Holdings, its Subsidiaries and their securities.

Section 6.03. *Notices.* Promptly after a Responsible Officer of the Borrower or any Subsidiary Guarantor has obtained knowledge thereof, notify the Administrative Agent:

(a) of the occurrence of any Default or Event of Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect;

(c) of the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit, litigation or proceeding, whether at law or in equity by or before any Governmental Authority, (i) against any member of the Restricted Group that could reasonably be expected to result in a Material Adverse Effect or (ii) with respect to any Loan Document, and any material development with respect thereto;

(d) of the occurrence of any ERISA Event following the Closing Date that, alone or together with any other ERISA Events that have occurred following the Closing Date, could reasonably be expected to result in a Material Adverse Effect to a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates; and

(e) of the occurrence of any of the events described in Section 5.09 following the Closing Date that, alone or together with any other such events following the Closing Date, has resulted or could reasonably be expected to result in a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a written statement of a Responsible Officer of the Borrower (x) that such notice is being delivered pursuant to Section 6.03(a), (b), (c), (d) or (e) (as applicable) and (y) setting forth details of the occurrence referred to in Section 6.03(a), (b), (c), (d) or (e), as applicable, and stating what action the Borrower has taken and proposes to take with respect thereto.

Section 6.04. *Payment of Obligations.* Promptly pay, discharge or otherwise satisfy as the same shall become due and payable in the normal conduct of its business, (a) all of its Indebtedness and other obligations in accordance with their terms and (b) all its obligations and liabilities in respect of Taxes imposed upon it or upon its income or profits or in respect of its property, except, in the case of this clause (b), to the extent any such Tax is being contested in good faith and by appropriate proceedings for which appropriate reserves have been established in accordance with GAAP if such contest shall have the effect of suspending enforcement or collection of such Taxes and except, in the case of clauses (a) and (b), where the failure to pay, discharge or otherwise satisfy the same could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.05. *Preservation of Existence, Etc..*

(a) Preserve, renew and maintain in full force and effect its legal existence under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.04 or Section 7.05 and (b) obtain, maintain, renew, extend and keep in full force and effect all rights (including IP Rights), privileges (including its good standing where applicable in the relevant jurisdiction), permits, licenses and franchises necessary or desirable in the normal conduct of its business, except, in the case of clause (a) (other than with respect to any Loan Party) or (b), to the extent that failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.06. *Maintenance of Properties.* Except if the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (a) maintain, preserve and protect all of its properties and equipment necessary in the operation of its business in good working order, repair and condition, ordinary wear and tear excepted and fire, casualty or condemnation excepted, and (b) make all necessary renewals, replacements, modifications, improvements, upgrades, extensions and additions thereof or thereto in accordance with prudent industry practice and in the normal conduct of its business.

Section 6.07. *Maintenance of Insurance.*

(a) *Generally.* Maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance reasonable and customary for similarly situated Persons engaged in the same or similar businesses as the Borrower and the Restricted Subsidiaries) as are customarily carried under similar circumstances by such other Persons.

(b) *Requirements of Insurance.* (A) Use commercially reasonable efforts to cause, not later than 30 days after the Closing Date (or such longer period as the Administrative Agent may agree in writing in its discretion), all insurance required pursuant to Section 6.07(a) (x) to provide (and to continue to provide at all times thereafter) that it shall not be canceled, modified or not renewed (i) by reason of nonpayment of premium upon not less than 10 days' prior written notice thereof to the Administrative Agent and the Collateral Agent (giving the Administrative Agent and the Collateral Agent the right to cure defaults in the payment of premiums) or (ii) for any other reason upon not less than 30 days' prior written notice thereof to the Administrative Agent and the Collateral Agent (the Borrower shall deliver a copy of the policy (and to the extent any such policy is cancelled or renewed, a renewal or replacement policy) or other evidence thereof to the Administrative Agent and the Collateral Agent, or insurance certificate with respect thereto) and (y) to name the Collateral Agent as additional insured on behalf of the Secured Parties (in the case of liability insurance) or loss payee (in the case of property insurance), as applicable (and to continue to so name the Collateral Agent at all times thereafter) and (B) in the case of all such property, casualty and business interruption insurance policies located in the United States, not later than 30 days after the Closing Date (or such longer period as the Administrative Agent may agree in writing in its discretion) cause such policies to be endorsed or otherwise amended to include a "standard" or "New York" lender's loss payable endorsement, in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent, which endorsement shall provide that, from and after the Closing Date, if the insurance carrier shall have received written notice from the Administrative Agent or the Collateral Agent of the occurrence of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to the Borrower or the Loan Parties under such policies directly to the Collateral Agent; cause all such policies to provide that neither the Borrower, the Collateral Agent, the Administrative Agent nor any other party shall be a coinsurer thereunder and to contain a "Replacement Cost Endorsement," without any deduction for depreciation, and such

other provisions as the Administrative Agent or the Collateral Agent may reasonably (in light of a Default or a material development in respect of the insured Mortgaged Property) require from time to time to protect their interests.

(c) *Flood Insurance.* With respect to each Mortgaged Property, if at any time the area in which any building or other improvement is located is designated a “flood hazard area” in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), obtain flood insurance in such amount and with such deductible as is required to ensure compliance with the Flood Laws. Following the Closing Date, the Borrower shall deliver to the Collateral Agent annual renewals of the flood insurance policy or annual renewals of a force-placed flood insurance policy. In connection with any amendment to this Agreement pursuant to which any increase, extension, or renewal of Loans is contemplated, the Borrower shall cause to be delivered to the Collateral Agent for any Mortgaged Property, a Flood Determination Form, Borrower Notice and Evidence of Flood Insurance, as applicable.

(d) Carry and maintain commercial general liability insurance including the “broad form CGL endorsement” (or equivalent coverage) and coverage on an occurrence basis against claims made for personal injury (including bodily injury, death and property damage) and umbrella liability insurance against any and all claims, in each case in amounts and against such risks as are customarily maintained by companies engaged in the same or similar industry operating in the same or similar locations naming the Collateral Agent as an additional insured, on forms reasonably satisfactory to the Collateral Agent.

(e) Notify the Administrative Agent and the Collateral Agent promptly whenever any separate insurance concurrent in form or contributing in the event of material loss with that required to be maintained under this Section 6.07 is taken out by the Borrower or another Loan Party; and promptly deliver to the Administrative Agent and the Collateral Agent a duplicate original copy of such policy or policies, or an insurance certificate with respect thereto.

Section 6.08. *Compliance with Laws.* Comply with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except if the failure to comply therewith could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.09. *Books and Records.* Maintain proper books of record and account, in which entries are made that are full, true and correct in all material respects and are in conformity with GAAP and which reflect all material financial transactions and matters involving the assets and business of any member of the Restricted Group.

Section 6.10. *Inspection Rights.* Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants (subject to such accountants’ customary policies and procedures), all at the reasonable expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; *provided* that, excluding any such visits and inspections during the continuation of an Event of

Default, (x) only the Administrative Agent on behalf of the Lenders may exercise rights of the Administrative Agent and the Lenders under this Section 6.10 and (y) the Administrative Agent shall not exercise such rights more often than two times during any calendar year and only one such time shall be at the Borrower's expense; *provided, further*, that when an Event of Default exists, the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and upon reasonable advance notice. The Administrative Agent and the Lenders shall give the Borrower the opportunity to participate in any discussions with the Borrower's independent public accountants.

Section 6.11. *Additional Collateral; Additional Guarantors.* At the Borrower's expense, take all action necessary or reasonably requested by the Administrative Agent or the Collateral Agent to ensure that the Collateral and Guarantee Requirement continues to be satisfied, including:

(a) Upon (x) the formation or acquisition of any new direct or indirect wholly-owned Domestic Subsidiary (in each case, other than an Excluded Subsidiary) by the Borrower, (y) the designation in accordance with Section 6.14 of any existing direct or indirect wholly-owned Domestic Subsidiary as a Restricted Subsidiary or (z) any wholly-owned Domestic Subsidiary that is an Excluded Subsidiary ceasing to be an Excluded Subsidiary:

(i) as soon as practicable, but in any event within 60 days after such formation, acquisition, designation or other event, or such longer period as the Administrative Agent may agree in writing in its discretion:

(A) causing each such Domestic Subsidiary to duly execute and deliver to the Administrative Agent or the Collateral Agent (as appropriate) (I) joinders to this Agreement as Guarantors, Security Agreement Supplements, Intellectual Property Security Agreements, a counterpart of the Global Intercompany Note and other security agreements and documents (including, with respect to such Mortgages, the documents listed in Section 6.13(d)), as reasonably requested by and in form and substance reasonably satisfactory to the Administrative Agent (consistent with the Mortgages, Security Agreement, Intellectual Property Security Agreements and other security agreements in effect on the Closing Date), in each case granting Liens required by the Collateral and Guarantee Requirement and (II) joinders to the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement and any other applicable subordination or intercreditor agreement, in each case in form and substance reasonably satisfactory to the Administrative Agent;

(B) causing each such Domestic Subsidiary (and the parent of each such Domestic Subsidiary that is a Loan Party) to deliver to the Collateral Agent any and all certificates representing Equity Interests (to the extent certificated) and intercompany notes (to the extent certificated) that are required to be pledged pursuant to the Collateral and Guarantee Requirement, accompanied by undated stock powers or other appropriate instruments of transfer executed in blank;

(C) taking and causing each such Restricted Subsidiary and each direct or indirect parent of such Restricted Subsidiary to take whatever action (including the recording of Mortgages, the filing of UCC financing statements and the delivery of stock and membership interest certificates) as may be necessary in the reasonable opinion of the Collateral Agent to vest in the Collateral Agent (or in any representative of the Collateral Agent designated by it) valid and perfected Liens to the extent required by the Collateral and Guarantee Requirement, and to otherwise comply with the requirements of the Collateral and Guarantee Requirement;

(ii) if reasonably requested by the Administrative Agent or the Collateral Agent, as soon as available but in any event within 45 days after such request (or such longer period as the Administrative Agent may agree in writing in its discretion), delivering to the Administrative Agent a signed copy of an opinion, addressed to the Administrative Agent, the Collateral Agent and the Lenders, of counsel for the Loan Parties reasonably acceptable to the Administrative Agent as to such matters set forth in this Section 6.11(a) as the Administrative Agent may reasonably request;

(iii) as promptly as practicable after the request therefor by the Administrative Agent or Collateral Agent, delivering to the Collateral Agent with respect to each Mortgaged Property, any existing surveys, title reports, abstracts or environmental assessment reports, to the extent available and in the possession or control of the Borrower; *provided, however*, that there shall be no obligation to deliver to the Collateral Agent any existing environmental assessment report whose disclosure to the Collateral Agent would require the consent of a Person other than the Borrower or its Subsidiaries, where, despite the commercially reasonable efforts of the Borrower to obtain such consent, such consent cannot be obtained; and

(iv) if reasonably requested by the Administrative Agent or the Collateral Agent, as soon as available but in any event within 60 days after such request (or such longer period as the Administrative Agent may agree in writing in its discretion), delivering to the Collateral Agent any other items necessary from time to time to satisfy the Collateral and Guarantee Requirement with respect to the validity, perfection, existence and priority of security interests with respect to property of any Guarantor acquired after the Closing Date and subject to the Collateral and Guarantee Requirement, but not specifically covered by the preceding clauses (i), (ii) or (iii) or clause (b) below.

(b) As soon as is practicable, but in any event not later than 120 days after the acquisition by any Loan Party of Material Real Property that is required to be provided as Collateral pursuant to the Collateral and Guarantee Requirement (or such longer period as the Administrative Agent may agree in writing in its discretion), which Material Real Property would not be automatically subject to another Lien pursuant to pre-existing Collateral Documents, causing such property to be subject to a Lien and Mortgage in favor of the Collateral Agent for the benefit of the Secured Parties and taking, or causing the relevant Loan Party to take, such actions as shall be necessary or reasonably requested by the Administrative Agent or the Collateral Agent to grant and perfect or record such Lien, in each case to the extent required by, and subject to the limitations and exceptions of, the Collateral and Guarantee Requirement and to otherwise comply with the requirements of the Collateral and Guarantee Requirement.

(c) Always ensuring (x) that the Obligations and the Guaranty are secured by a first-priority security interest in all of the Equity Interests of the Borrower and all Equity Interests directly held by the Borrower or any Subsidiary Guarantor in any Restricted Subsidiary, subject to the limitations and exceptions of the Collateral and Guarantee Requirement and (y) that no Foreign Subsidiary or Domestic Subsidiary that is a disregarded entity for U.S. Federal income tax purposes and substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries issues any non-voting Equity Interests after the Closing Date.

Section 6.12. *Compliance with Environmental Laws.* Except, in each case, to the extent that the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, comply, and take all reasonable actions to cause all lessees and other Persons operating or occupying its properties to comply, with all applicable Environmental Laws and Environmental Permits; obtain and renew all Environmental Permits necessary for its operations and properties; and, in each case to the extent the Loan Parties or the Restricted Subsidiaries are required by Environmental Laws, conduct any investigation, remedial or other corrective action necessary to address Hazardous Materials at any property or facility in accordance with applicable Environmental Laws.

Section 6.13. *Further Assurances and Post-Closing Conditions.*

(a) Deliver each document set forth on Schedule 6.13(a) within the time limit specified therein (subject to extensions approved by the Administrative Agent in its reasonable discretion).

(b) Take each action set forth on Schedule 6.13(b) during the time period specified therein.

(c) Within 90 days after the Closing Date (subject to extensions approved by the Administrative Agent in its reasonable discretion), deliver all documents and instruments required to perfect the security interest of the Collateral Agent in the Collateral free of any other pledges, security interests or mortgages, except Liens expressly permitted hereunder, to the extent required pursuant to the Collateral and Guarantee Requirement.

(d) Promptly upon reasonable request by the Administrative Agent or the Collateral Agent (i) correct any material defect or error that may be discovered in the execution, acknowledgment, filing or recordation of any Collateral Document or other document or instrument relating to any Collateral, and (ii) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Administrative Agent or the Collateral Agent may reasonably request from time to time in order to carry out more effectively the purposes of the Loan Documents and to cause the Collateral and Guarantee Requirement to be and remain satisfied. If the Administrative Agent or the Collateral Agent reasonably determines that it is required by applicable Law to have appraisals prepared in respect of each Mortgaged Property of any Loan Party subject to a Mortgage, the Borrower shall cooperate with the Administrative Agent and/or Collateral Agent, as applicable, in obtaining such appraisals and shall pay all costs and expenses relating thereto.

Section 6.14. *Designation of Subsidiaries.* (a) Any Borrower may at any time after the Closing Date designate any Restricted Subsidiary of the Borrower as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary; *provided* that (i) immediately before and after such designation, no Default shall have occurred and be continuing, (ii) no Subsidiary may be designated as an Unrestricted Subsidiary or continue as an Unrestricted Subsidiary if it is a “Restricted Subsidiary” for the purpose of any Junior Financing, any Second Lien Indebtedness, any Incremental Equivalent Debt, any Credit Agreement Refinancing Indebtedness or any Permitted Refinancing of any of the foregoing, or any other Indebtedness then outstanding in excess of the Threshold Amount, (iii) no Restricted Subsidiary may be designated an Unrestricted Subsidiary if it was previously designated an Unrestricted Subsidiary and (iv) no Subsidiary may be designated as an Unrestricted Subsidiary if, after giving pro forma effect to such designation, the Total Leverage Ratio would exceed 6.70:1.00. The designation of any Subsidiary as an Unrestricted Subsidiary after the Closing Date shall constitute an Investment by the Borrower therein at the date of designation in an amount equal to the fair market value of the aggregate investment therein of the Borrower and its Subsidiaries (as applicable) investment therein. The designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute (i) the incurrence at the time of designation of any Investment, Indebtedness or Liens of such Subsidiary existing at such time and (ii) a return on any Investment by the Borrower in Unrestricted Subsidiaries pursuant to the preceding sentence in an amount equal to the lesser of (x) the fair market value at the date of such designation of the Borrower’s or its Subsidiary’s (as applicable) Investment in such Subsidiary and (y) the amount of the Investment originally made in respect of the designation of such Subsidiary as an Unrestricted Subsidiary.

(b) If, at any time, a Restricted Subsidiary would fail to meet the requirements set forth in the definition of “Qualified Restricted Subsidiary”, it will thereafter cease to be a Qualified Restricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary that is not a Qualified Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 7.03, an Event of Default shall be deemed to have occurred and be continuing. A Responsible Officer of the Borrower may at any time designate any Restricted Subsidiary to not be a Qualified Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by such Qualified Restricted Subsidiary of any outstanding Indebtedness of such Restricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 7.03 and (2) no Default or Event of Default would be in existence upon or following such designation. In the event (x) a Restricted Subsidiary fails to meet the requirements to be a Qualified Restricted Subsidiary or (y) a Responsible Officer designates a Qualified Restricted Subsidiary not to be a Restricted Subsidiary, then all Investments in such Subsidiary since the Effective Date shall consequently reduce applicable basket amounts hereunder. The Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth any such designation as a condition precedent to such designation.

(c) Except to the extent restricted pursuant to any Permitted Payment Restrictions, cause each Qualified Restricted Subsidiary to declare and pay regular monthly, quarterly,

semiannual or annual dividends or distributions to the holders of its Equity Interests in an amount equal to substantially all of the available cash flow of such Qualified Restricted Subsidiary for such period as determined in good faith by the board of directors of such Qualified Restricted Subsidiary, subject to fiduciary duties applicable to such board of directors and such ordinary and customary reserves and other amounts as, in the good faith judgment of such individuals, may be necessary so that the business of such Qualified Restricted Subsidiary may be properly and advantageously conducted at all times, including amounts for operations, Capital Expenditures and debt service of such Qualified Restricted Subsidiary.

Section 6.15. *Maintenance of Ratings.* Use commercially reasonable efforts to maintain (i) a private corporate rating from S&P and a private corporate family rating from Moody's, in each case in respect of the Company and (ii) a private rating from S&P and Moody's with respect to the "Initial Term Loans".

Section 6.16. *Use of Proceeds.* Use the proceeds of the Loans only (i) for the purposes set forth in Section 5.21 and request the issuance of Letters of Credit only to support payment and performance obligations incurred in the ordinary course of business by the Borrower and its Subsidiaries and (ii) in the case of Existing Letters of Credit, for the purposes set forth in the documentation governing such Existing Letters of Credit.

Section 6.17. *Lender Conference Call.* Host a conference call with representatives of the Administrative Agent and the Lenders once during each fiscal year of the Borrower upon reasonable prior notice to be held at such time as reasonably designated by the Borrower (in consultation with the Administrative Agent), at which conference call shall be discussed the financial results of the previous fiscal quarter and the year-to-date financial condition of the Restricted Group.

ARTICLE 7 NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan, LC Disbursement or other Obligation (other than obligations under Secured Hedge Agreements or in respect of Secured Cash Management Services Obligations or contingent indemnification obligations as to which no claim has been asserted) hereunder which is accrued or payable shall remain unpaid or unsatisfied, or any Letter of Credit shall be outstanding (unless the obligations thereunder have been Cash Collateralized or as to which other arrangement reasonably satisfactory to the applicable Issuing Bank have been made) then from and after the Closing Date:

Section 7.01. *Liens.* The Borrower shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens created pursuant to any Loan Document;

(b) Liens existing on the Closing Date and listed on Schedule 7.01(b); *provided* that (i) the Lien does not extend to any additional property other than (A) after-acquired property that is

affixed or incorporated into the property covered by such Lien and (B) proceeds and products thereof, and (ii) such Lien does not secure any obligation other than those it secured on the Closing Date or, to the extent constituting Indebtedness, any Permitted Refinancing of the Indebtedness secured thereby on the Closing Date;

(c) Liens for taxes, assessments or governmental charges that are not overdue for a period of more than 30 days and are not otherwise delinquent or that are being contested in good faith and by appropriate actions, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) statutory or common law Liens of landlords, sublandlords, carriers, warehousemen, mechanics, materialmen, repairmen, construction contractors or other like Liens, or other customary Liens (other than in respect of Indebtedness) in favor of landlords, in each case arising in the ordinary course of business that secure amounts not overdue for a period of more than 30 days or if more than 30 days overdue, that are being contested in good faith and by appropriate actions, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(e) (i) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation (other than any Lien imposed pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or a violation of Section 436 of the Code) and (ii) pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to the Borrower or any of its Restricted Subsidiaries;

(f) deposits to secure the performance of bids, trade contracts, governmental contracts and leases (in the case of each of the foregoing, other than for Indebtedness for borrowed money), statutory obligations, surety, stay, customs and appeal bonds, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations), in each case incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions (including zoning restrictions), encroachments, protrusions and other similar encumbrances and minor title defects affecting Real Property that do not in the aggregate materially interfere with the ordinary conduct of the business of the Restricted Group, taken as a whole, and any exceptions on the Mortgage Policies issued on the Closing Date in connection with the Mortgaged Properties;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h);

(i) leases, licenses, subleases or sublicenses granted to others in the ordinary course of business which do not (i) interfere in any material respect with the business of the Restricted Group, taken as a whole or (ii) secure any Indebtedness;

(j) Liens (i) in favor of customs and revenue authorities arising as a matter of Law to secure payment of customs duties in connection with the importation of goods in the ordinary

course of business or (ii) on specific items of inventory or other goods and proceeds thereof of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or such other goods in the ordinary course of business;

(k) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection and (ii) arising in the ordinary course of business in favor of a banking or other financial institution arising as a matter of Law or under customary general terms and conditions encumbering deposits or other funds maintained with a financial institution (including the right of set-off) and that are within the general parameters customary in the banking industry or arising pursuant to such banking institutions general terms and conditions;

(l) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Sections 7.02(i) and 7.02(n) or, to the extent related to any of the foregoing, Section 7.02(r), in each case to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to Dispose of any property in a Disposition permitted under Section 7.05, in each case, solely to the extent such Investment or Disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(m) Liens (i) in favor of the Borrower or a Restricted Subsidiary on assets of a Restricted Subsidiary that is not a Loan Party securing Indebtedness permitted under Section 7.03(b) and (ii) in favor of the Borrower or any Subsidiary Guarantor;

(n) any interest or title (and all encumbrances and other matters affecting such interest or title) of a lessor, sublessor, licensor or sublicensor under leases, subleases, non-exclusive licenses or non-exclusive sublicenses entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business; *provided* that no such lease or sublease shall constitute a Capitalized Lease;

(o) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business permitted by this Agreement;

(p) Liens deemed to exist in connection with Investments in repurchase agreements permitted under Section 7.02(a);

(q) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(r) Liens that are customary contractual rights of set-off (i) relating to the establishment of depository relations with banks in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of the Borrower or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Borrower or any of its Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Borrower or any of its Restricted Subsidiaries in the ordinary course of business;

- (s) Liens solely on any cash earnest money deposits made by the Borrower or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;
- (t) ground leases in respect of Real Property on which facilities owned or leased by the Borrower or any of its Restricted Subsidiaries are located;
- (u) Liens (including any interest or title (and all encumbrances and other matters affecting such interest or title) of a lessor or sublessor under Capitalized Leases) securing Indebtedness permitted under Section 7.03(e); *provided* that (i) such Liens are created within 270 days of the acquisition, construction, repair, lease or improvement, as applicable, of the property subject to such Liens, (ii) such Liens do not at any time encumber property (except for replacements, additions and accessions to such property) other than the property financed by such Indebtedness and the proceeds and products thereof and customary security deposits and (iii) with respect to Capitalized Leases, such Liens do not at any time extend to or cover any assets (except for replacements, additions and accessions to such assets) other than the assets subject to such Capitalized Leases and the proceeds and products thereof and customary security deposits; *provided* that individual financings of equipment provided by one lender may be cross collateralized to other financings of equipment provided by such lender;
- (v) Liens on property (i) of any Foreign Subsidiary that is not a Loan Party and (ii) that does not constitute Collateral, which Liens secure Indebtedness of the applicable Foreign Subsidiary permitted under Section 7.03;
- (w) Liens existing on property at the time of its acquisition or existing on the property of any Person at the time such Person becomes a Restricted Subsidiary (other than by designation as a Restricted Subsidiary pursuant to Section 6.14), in each case after the Closing Date (other than Liens on the Equity Interests of any Person that becomes a Restricted Subsidiary); *provided* that (i) such Lien was not created in contemplation of such acquisition or such Person becoming a Restricted Subsidiary, (ii) such Lien does not extend to or cover any other assets or property (other than the proceeds or products thereof and other than after-acquired property subjected to a Lien securing Indebtedness and other obligations incurred prior to such time and which Indebtedness and other obligations are permitted hereunder that require, pursuant to their terms at such time, a pledge of after-acquired property, it being understood that such requirement shall not be permitted to apply to any property to which such requirement would not have applied but for such acquisition), and (iii) the Indebtedness secured thereby is permitted under Section 7.03(g);
- (x) (i) zoning, building, entitlement and other land use regulations by Governmental Authorities with which the normal operation of the business complies, and (ii) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of the Restricted Group, taken as a whole;
- (y) Liens arising from precautionary Uniform Commercial Code financing statements or similar filings;

(z) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(aa) any Lien created or assumed in reliance on Section 7.01(u) or 7.01(w) notwithstanding that the obligation secured thereby shall have been modified, replaced, renewed or extended; *provided* that (i) the Lien does not extend to any additional property other than (A) after-acquired property that is affixed or incorporated into the property covered by such Lien when it was initially created or assumed and (B) proceeds and products thereof, and (ii) such Lien does not secure any obligation other than those it secured on the date such Lien was initially created or assumed or, to the extent constituting Indebtedness, any Permitted Refinancing of the Indebtedness secured thereby on the date such Lien was initially created or assumed;

(bb) other Liens with respect to property or assets of the Borrower or any of its Restricted Subsidiaries securing obligations in an aggregate principal amount outstanding at any time not to exceed \$50,000,000;

(cc) Liens on the Collateral securing Incremental Equivalent Debt incurred pursuant to Section 7.03(s); *provided* that such Liens shall be subject to the Intercreditor Agreement and the First Lien Intercreditor Agreement or the Second Lien Intercreditor Agreement, as applicable;

(dd) Liens on the Collateral securing Permitted First Priority Refinancing Debt or Permitted Second Priority Refinancing Debt and any Permitted Refinancing of the foregoing; *provided* that (x) any such Liens securing any Permitted Refinancing in respect of Permitted First Priority Refinancing Debt are subject to the Intercreditor Agreement and the First Lien Intercreditor Agreement and (y) any such Liens securing any Permitted Refinancing in respect of Permitted Second Priority Refinancing Debt are subject to the Intercreditor Agreement and the Second Lien Intercreditor Agreement;

(ee) Liens on the Equity Interests of any joint venture entity consisting of a transfer restriction, purchase option, call or similar right of a third party joint venture partner;

(ff) Liens arising by operation of law in the United States under Article 2 of the UCC in favor of a reclaiming seller of goods or buyer of goods;

(gg) Liens on specific items of inventory or other goods and the proceeds thereof securing such Person's obligations in respect of documentary letters of credit or banker's acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or goods, in each case in the ordinary course of business;

(hh) deposits of cash with the owner or lessor of premises leased and operated by the Borrower or any of its Subsidiaries to secure the performance of the Borrower's or such Subsidiary's obligations under the terms of the lease for such premises, in each case in the ordinary course of business; and

(ii) Liens securing Indebtedness incurred pursuant to Section 7.03(aa); *provided* that, in each case, such Liens are subordinated to the Liens securing the Obligations in accordance with, or otherwise subject to, the terms of the Intercreditor Agreement.

Section 7.02. *Investments.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, make or hold any Investments, except:

(a) Investments by the Restricted Group in assets that were Cash Equivalents when such Investment was made;

(b) loans or advances to officers, directors and employees of any Loan Party or any of its Restricted Subsidiaries (i) for reasonable and customary business-related travel, entertainment, relocation and analogous ordinary business purposes, (ii) in connection with such Person's purchase of Equity Interests of Holdings or any direct or indirect parent thereof directly from such issuing entity (*provided* that the amount of such loans and advances shall be contributed to the Borrower in cash as common equity) and (iii) for any other purposes not described in the foregoing clauses (i) and (ii); *provided* that the aggregate principal amount of loans and advances outstanding at any time under this Section 7.02(b) shall not exceed \$12,000,000;

(c) Investments (i) by the Borrower or any Restricted Subsidiary in any Loan Party (other than Holdings), (ii) by any Restricted Subsidiary that is neither a Loan Party nor a Qualified Restricted Subsidiary in any other Restricted Subsidiary that is neither a Loan Party nor a Qualified Restricted Subsidiary and (iii) by any Loan Party or any Qualified Restricted Subsidiary in a Restricted Subsidiary that is neither a Loan Party nor a Qualified Restricted Subsidiary or in any joint venture; *provided* that the aggregate amount of Investments at any time outstanding under this clause (iii), together with the aggregate consideration for Permitted Acquisitions made by Loan Parties or Qualified Restricted Subsidiaries pursuant to Section 7.02(i) of assets that are not (or do not become) owned by a Loan Party or a Qualified Restricted Subsidiary or of Equity Interests in Persons that do not become Loan Parties or Qualified Restricted Subsidiaries upon consummation of such Permitted Acquisition, shall not exceed the greater of (x) \$100,000,000 and (y) 7.5% of Total Assets;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(e) Investments consisting of (i) the creation or assumption of Liens in accordance with Section 7.01, (ii) the incurrence or assumption of Indebtedness in accordance with Section 7.03 (other than 7.03(d)), (iii) the acquisition of assets resulting from the consummation of a merger, dissolution, liquidation or consolidation in accordance with Section 7.04 (other than Section 7.04(c), 7.04(d), 7.04(e) or 7.04(g)), (iv) the acquisition of assets resulting from the consummation of a Disposition in accordance with Section 7.05(h), 7.05(m) or 7.05(n), (v) the acquisition of assets received as Restricted Payments made in accordance with Section 7.06 (other than Section 7.06(e) or 7.06(i)(iv)), (vi) the acquisition of assets received as payments in respect of Indebtedness made in accordance with Section 7.13 and (vii) contributions to the Indemnity Escrow Account satisfying the requirements under Section 7.06(c);

(f) Investments (i) existing or contemplated on the Closing Date and set forth on Schedule 7.02(f) and any modification, replacement, renewal or extension thereof and (ii) existing on the Closing Date by the Borrower or any Restricted Subsidiary in any Restricted

Subsidiary and any modification, replacement, renewal or extension thereof; *provided* that, in the case of clauses (i) and (ii), the amount of the original Investment is not increased except by the terms of such original Investment as set forth on Schedule 7.02(f) or as otherwise permitted by this Section 7.02 (and in such case made in reliance on another paragraph of this Section 7.02 so permitting such modification, replacement, renewal or extension thereof);

(g) Investments in Swap Contracts permitted under Section 7.03;

(h) promissory notes and other non-cash consideration received in connection with Dispositions permitted by Section 7.05;

(i) any acquisition by the Borrower, any other Loan Party or any Qualified Restricted Subsidiary of all or substantially all the assets of or of Equity Interests in, a Person or division, business unit or line of business of a Person (or any subsequent investment made in a Person, division, business unit or line of business previously acquired in a Permitted Acquisition), in each case in a single transaction or series of related transactions, if (i) no Event of Default shall have occurred and be continuing or would result therefrom; (ii) immediately after giving effect to such acquisition or investment and any related transactions, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than the Total Leverage Ratio then permitted under Section 7.11 (regardless of whether then in effect) as of the last day of the most recently ended Test Period; (iii) to the extent required by the Collateral and Guarantee Requirement, (A) the property, assets and businesses acquired in such purchase or other acquisition shall constitute Collateral and (B) any such newly created or acquired Subsidiary (other than an Excluded Subsidiary) shall become a Guarantor, in each case, to the extent required by and in accordance with Section 6.11; (iv) the businesses acquired in such purchase or other acquisition shall be in compliance with Section 7.07; and (v) in the case of a purchase or other acquisition in an aggregate principal amount in excess of \$10,000,000, the Borrower shall have delivered to the Administrative Agent a certificate of a Responsible Officer of the Borrower certifying that the conditions set forth in the preceding clauses (i) through (iv) have been satisfied (any such acquisition consummated under this Section 7.02(i), a "**Permitted Acquisition**"); *provided* that the aggregate consideration (other than consideration consisting of Equity Interests (other than Disqualified Equity Interests) in Holdings or any direct or indirect parent thereof) for Permitted Acquisitions made by Loan Parties or Qualified Restricted Subsidiaries pursuant to this Section 7.02(i) of assets that are not (or do not become) owned by a Loan Party or a Qualified Restricted Subsidiary or of Equity Interests in Persons that do not become Loan Parties or Qualified Restricted Subsidiaries upon consummation of such Permitted Acquisition, together with any Investments under Section 7.02(c)(iii) then outstanding, shall not exceed the greater of (x) \$100,000,000 at any time outstanding and (y) 7.5% of Total Assets;

(j) Investments made to effect the Transactions;

(k) Investments in the ordinary course of business consisting of UCC Article 3 endorsements for collection or deposit and UCC Article 4 customary trade arrangements with customers consistent with past practices;

(l) Investments (including debt obligations and Equity Interests) received in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of

delinquent obligations of, or other disputes with, customers and suppliers arising in the ordinary course of business or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(m) loans and advances to Holdings in lieu of and not in excess of the amount of (after giving effect to any other loans, advances or Restricted Payments in respect thereof) Restricted Payments permitted to be made to Holdings in accordance with Section 7.06(g), 7.06(h) or 7.06(i);

(n) other Investments (including for Permitted Acquisitions) in an aggregate amount at any time outstanding under this clause (n) not to exceed the sum of (i) \$25,000,000 and (ii) the Cumulative Credit immediately prior to the time of the making of such Investment, provided that the aggregate amount of such Investment shall be specified in a written notice of a Responsible Officer of the Borrower delivered to the Administrative Agent on the date of such Investment and calculating in reasonable detail the amount of Cumulative Credit immediately prior thereto and the amount thereof elected to be so applied; *provided* that no Event of Default shall have occurred and be continuing or would result from the making of any such Investment;

(o) advances of payroll payments to employees in the ordinary course of business;

(p) Investments to the extent that payment for such Investments is made solely with Equity Interests (other than Disqualified Equity Interests) of Holdings (or any direct or indirect parent of Holdings);

(q) Investments of a Restricted Subsidiary acquired after the Closing Date pursuant to a Permitted Acquisition or of a corporation merged or amalgamated or consolidated into the Borrower or merged, amalgamated or consolidated with a Restricted Subsidiary, in each case in accordance with this Section 7.03 and Section 7.04 after the Closing Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(r) Investments made by any Restricted Subsidiary that is not a Loan Party to the extent such Investments are financed with the proceeds received by such Restricted Subsidiary from an Investment in such Restricted Subsidiary made pursuant to Section 7.02(c)(iii), 7.02(i), 7.02(n) or 7.02(t);

(s) Guarantees by the Borrower or any Subsidiary Guarantor of operating leases (other than Capitalized Leases) or of other obligations that do not constitute Indebtedness, in each case, which leases or other obligations are entered into in the ordinary course of business; and

(t) Investments in Qualified Restricted Subsidiaries or a Person that is not a Qualified Restricted Subsidiary but will in each case be a Qualified Restricted Subsidiary upon such Investment; *provided*, that the aggregate amount of all such Investments at any time outstanding shall not exceed the greater of (x) \$100,000,000 and (y) 7.5% of Total Assets; *provided, further*, that to the extent any such Investment is a loan or advance made by a Loan Party, it shall be evidenced by pledged notes pledged in accordance with the Collateral and Guarantee Requirement.

If any Person in which an Investment is made pursuant to clause 7.02(c)(iii) or 7.02(n)(i) thereafter becomes a Qualified Restricted Subsidiary or is merged or consolidated into or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Borrower, a Subsidiary Guarantor or a Qualified Restricted Subsidiary, then such Investment may, at the option of the Borrower, thereafter be deemed to have been made pursuant to clause (c)(ii) or clause (t) above (as applicable) to the extent permitted thereunder at such time and not be accounted for under clause 7.02(c)(iii) or 7.02(n)(i).

Section 7.03. *Indebtedness*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party under the Loan Documents;

(b) (i) Indebtedness outstanding on the Closing Date and listed on Schedule 7.03(b) and any Permitted Refinancing thereof and (ii) intercompany Indebtedness outstanding on the Closing Date and any Permitted Refinancing thereof; *provided* that (x) any intercompany Indebtedness shall be evidenced by an Intercompany Note and (y) any intercompany Indebtedness of any Loan Party owed to any Person that is not a Loan Party shall be unsecured and subordinated to the Obligations pursuant to the subordination provisions contained in an Intercompany Note;

(c) Guarantees by any member of the Restricted Group in respect of Indebtedness of the Borrower or any Restricted Subsidiary of the Borrower otherwise permitted hereunder; *provided* that (i) no Guarantee by Holdings or any Restricted Subsidiary of any Indebtedness of a Loan Party (including any Second Lien Indebtedness, any Junior Financing, any Incremental Equivalent Debt, any Permitted First Priority Refinancing Debt, any Permitted Second Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt or any Permitted Refinancing of any of the foregoing) shall be permitted unless such guaranteeing party shall have also provided a Guarantee of the Obligations on the terms set forth herein and (ii) if the Indebtedness being Guaranteed is Junior Financing that is, or is required by this Agreement to be, Subordinated Indebtedness, such Guarantee shall be subordinated to the Guarantee of the Obligations on terms at least as favorable to the Lenders as those contained in the subordination of such Junior Financing;

(d) Indebtedness (other than Indebtedness permitted under Section 7.03(b)) of the Borrower or any Restricted Subsidiary owing to any Loan Party or any other Restricted Subsidiary to the extent constituting an Investment permitted by Section 7.02; *provided* that (x) all such Indebtedness shall be evidenced by an Intercompany Note and (y) all such Indebtedness of any Loan Party owed to any Person that is not a Loan Party shall be unsecured and subordinated to the Obligations pursuant to the subordination provisions contained in an Intercompany Note;

(e) (i) Attributable Indebtedness and other Indebtedness of the Borrower or any Restricted Subsidiary (including Capitalized Leases) financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred prior to or within 270 days after the acquisition, lease or improvement of the applicable asset in an aggregate

amount (together with any Permitted Refinancings thereof) not to exceed \$75,000,000 at any time outstanding, and (ii) Attributable Indebtedness of the Borrower or any Restricted Subsidiary arising out of sale-leaseback transactions permitted by Section 7.05(m) and any Permitted Refinancing thereof;

(f) Indebtedness in respect of Swap Contracts designed to hedge against the Borrower's or any Restricted Subsidiary's exposure to interest rates (including Swap Contracts entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise)), foreign exchange rates or commodities pricing risks incurred in the ordinary course of business and not for speculative purposes;

(g) (A) Indebtedness (i) of any Restricted Subsidiary assumed in connection with any Permitted Acquisition, provided that such Indebtedness is not incurred in contemplation of such Permitted Acquisition, or (ii) of the Borrower or any Restricted Subsidiary incurred to finance a Permitted Acquisition; provided that (w) in the case of clauses (i) and (ii), all such Indebtedness is unsecured (except for (A) Liens permitted by Section 7.01(w) and (B) Liens permitted by Section 7.01(bb)), (x) in the case of clauses (i) and (ii), both immediately prior and after giving effect thereto, (1) no Event of Default shall exist or result therefrom (other than a Permitted Acquisition made pursuant to a legally binding commitment entered into at a time when no Event of Default exists or would result therefrom), and (2) immediately after giving effect to the assumption or incurrence of such Indebtedness, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than the Total Leverage Ratio then permitted under Section 7.11 (regardless of whether then in effect) as of the last day of the most recently ended Test Period, it being understood that, as a condition precedent to the assumption or incurrence of such Indebtedness, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance), and (y) in the case of any Indebtedness incurred under clause (ii), such Indebtedness matures after, and does not require any scheduled amortization or other scheduled payments of principal (other than customary AHYDO Catch-Up Payments, and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) prior to, the then Latest Maturity Date; *provided* that such Indebtedness may be incurred in the form of a customary "bridge" or other interim credit facility intended to be refinanced or replaced with long-term indebtedness so long as, subject only to customary conditions the failure of which to be satisfied would otherwise result in an Event of Default, it would either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of this clause (y) and (B) any Permitted Refinancing thereof;

(h) Indebtedness representing deferred compensation to employees of any member of the Restricted Group incurred in the ordinary course of business and other obligations and liabilities arising under employee benefit plans in the ordinary course of business;

(i) Indebtedness consisting of unsecured promissory notes issued by any member of the Restricted Group to current or former officers, managers, consultants, directors and employees, their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of Holdings or any direct or indirect parent of Holdings permitted by Section 7.06;

(j) Indebtedness incurred by the Borrower or any of its Restricted Subsidiaries in a Permitted Acquisition, any other Investment expressly permitted hereunder or any Disposition expressly permitted hereunder, in each case, constituting indemnification obligations or obligations in respect of purchase price (including earnouts) or other similar adjustments;

(k) Indebtedness consisting of obligations of the Borrower or any of its Restricted Subsidiaries under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions, and Permitted Acquisitions or any other Investment expressly permitted hereunder;

(l) Indebtedness in respect of treasury, depository, credit card, debit card and cash management services or automated clearinghouse transfer of funds, overdraft or any similar services incurred in the ordinary course of business;

(m) Indebtedness of the Borrower or any Subsidiary Guarantors, in an aggregate principal amount at any time outstanding not to exceed \$50,000,000;

(n) Indebtedness consisting of the financing of insurance premiums or take-or-pay obligations contained in supply arrangements that do not constitute Guarantees, in each case, in the ordinary course of business;

(o) Indebtedness incurred by the Borrower or any of its Restricted Subsidiaries in respect of letters of credit, bank guarantees, bankers' acceptances or similar instruments issued or created in the ordinary course of business and not in connection with the borrowing of money, including in respect of workers compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness incurred in the ordinary course of business with respect to reimbursement-type obligations regarding workers compensation claims; *provided* that any reimbursement obligations in respect thereof are reimbursed within 30 days following the incurrence thereof (or within such longer period as is permitted without interest or other charges under the benefit plan which reimbursement is to be made under);

(p) obligations in respect of performance, bid, appeal and surety bonds and performance and completion guarantees and similar obligations provided by the Borrower or any of its Restricted Subsidiaries or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case in the ordinary course of business or consistent with past practice and not in connection with the borrowing of money or Swap Contracts;

(q) Indebtedness (including in the form of Capital Leases and/or letters of credit) in an aggregate principal amount at any time outstanding not to exceed \$15,000,000 to finance the construction of a hospital in Great Falls, Montana;

(r) Indebtedness assumed in connection with Approved Acquisitions in an aggregate principal amount at any time outstanding not to exceed \$3,000,000;

(s) (A) Indebtedness issued by the Borrower and in the form of one or more series of senior or subordinated notes or loans (which may be unsecured or secured on a junior lien basis or, in the case of notes only, a pari passu basis, provided that any junior secured Incremental Equivalent Debt shall be pari passu or junior to the Second Lien Term Loans, in each case issued in a public offering, Rule 144A or other private placement or bridge facility in lieu of the foregoing, or senior or subordinated “mezzanine” debt (which may be in the form of loans or notes and limited to being secured solely on a junior lien basis) (the “**Incremental Equivalent Debt**”); *provided* that (i) such Incremental Equivalent Debt shall not be subject to the requirement set forth in clause (vi) of Section 2.19(b), (ii) such Incremental Equivalent Debt (A) shall not be guaranteed by any person other than a Guarantor, (B) shall not be secured by any assets other than the Collateral, (C) shall not have a Weighted Average Life to Maturity less than the remaining Weighted Average Life to Maturity of the then outstanding Initial Term Loans, (D) shall have a final maturity no earlier than the Original Term Loan Maturity Date (*provided* that such Incremental Equivalent Debt may be incurred in the form of a customary “bridge” or other interim credit facility intended to be refinanced or replaced with long-term indebtedness so long as, subject only to customary conditions the failure of which to be satisfied would otherwise result in an Event of Default, it would either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of this clause (D)), (E) may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments hereunder, (F) shall be subject to the Intercreditor Agreement and the First Lien Intercreditor Agreement or the Second Lien Intercreditor Agreement, as applicable and (G) shall not be secured by any Liens except those Liens permitted under Section 7.01(cc), (iii) the other terms and conditions of such Incremental Equivalent Debt (excluding pricing, fees, rate floors and optional prepayment or redemption terms) shall be substantially identical to, or (taken as a whole) no more favorable to the lenders or holders providing such Incremental Equivalent Debt than, those applicable to the Term Loans (except for covenants or other provisions applicable only to periods after the latest final maturity date of the Term Loans then existing) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Incremental Equivalent Debt, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Term Loans then outstanding) (*provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Incremental Equivalent Debt, together with a reasonably detailed description of the material terms and conditions of such Incremental Equivalent Debt or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the requirement of this clause (iii) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees)); (iv) after giving effect to the incurrence of such Incremental Equivalent Debt, the aggregate principal amount of all Incremental Equivalent Debt (together with all Incremental Term Loans and all Revolving Commitment Increases under Section 2.19(a), all Second Lien Incremental Term Loans and all Second Lien Incremental Equivalent Debt) shall not exceed (x) \$100,000,000 plus (y) an unlimited additional amount, so long as on a Pro Forma Basis after the incurrence of such Incremental Equivalent Debt (A) if such Incremental Equivalent Debt ranks pari passu in right of security with the Obligations on the Collateral, the First Lien Leverage

Ratio as of the last day of the most recently ended Test Period does not exceed 3.90:1.00; (B) if such Incremental Equivalent Debt ranks junior in right of security with the Obligations on the Collateral, the Senior Secured Leverage Ratio as of the last day of the most recently ended Test Period does not exceed 6.40:1.00, and (C) if such Incremental Equivalent Debt is unsecured, the Total Leverage Ratio as of the last day of the most recently ended Test Period does not exceed 6.70:1.00 (it being understood that any Incremental Equivalent Debt may be incurred under clause (y) regardless of whether there is capacity under clause (x)) and (v) the Borrower shall have delivered a certificate of a Responsible Officer to the effect set forth in clause (C) above together with reasonably detailed calculations demonstrating compliance with clause (C) above (which calculations shall, if made as of the last day of any fiscal quarter of the Borrower for which the Borrower has not delivered to the Administrative Agent the financial statements and Compliance Certificate required to be delivered by Section 6.01(a) or 6.01(b) and Section 6.02(a), respectively, be accompanied by a reasonably detailed calculation of Consolidated EBITDA for the relevant period); *provided, further*, that for purposes of the calculation of the Total Leverage Ratio, the Senior Secured Leverage Ratio and the First Lien Leverage Ratio, as applicable, used in determining the availability of Incremental Equivalent Debt under this Section 7.03(s), any cash proceeds of Incremental Equivalent Debt will not be netted for purposes of determining compliance with the Total Leverage Ratio, the Senior Secured Leverage Ratio or the First Lien Leverage Ratio, as applicable and (B) any Permitted Refinancing of Incremental Equivalent Debt;

(t) (i) Permitted Unsecured Refinancing Debt of a Loan Party and (ii) any Permitted Refinancing thereof;

(u) (i) Permitted First Priority Refinancing Debt and Permitted Second Priority Refinancing Debt, in each case of a Loan Party and (ii) any Permitted Refinancing thereof;

(v) (i) Permitted Junior Debt of a Loan Party; *provided* that (x) no Event of Default shall have occurred and be continuing at the time of the incurrence of such Indebtedness or would result therefrom and (y) immediately after giving effect to the incurrence of such Permitted Junior Debt, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than 6.70 to 1.00 (as of the last day of the most-recently ended Test Period, it being understood that, as a condition precedent to any such incurrence, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance, and that, solely for purposes of calculating the Total Leverage Ratio calculated on a Pro Forma Basis for this Section 7.03(v), the Test Period shall (if such period is later than the period that would otherwise apply pursuant to the definition of "Test Period") be the most recent period as of the date of determination of four consecutive fiscal quarters of the Borrower for which the Borrower has internal financial statements available and (ii) any Permitted Refinancing thereof;

(w) Indebtedness of Restricted Subsidiaries that are not Subsidiary Guarantors, in an aggregate principal amount at any time outstanding not to exceed \$35,000,000; *provided* that, notwithstanding the provisions of Section 7.03(c) or any other provision hereof, no Restricted Subsidiary that is not a Loan Party may Guarantee any Indebtedness of a Loan Party (including any Second Lien Indebtedness, any Junior Financing, any Incremental Equivalent Debt, any Permitted First Priority Refinancing Debt, any Permitted Second Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt or any Permitted Refinancing of any of the foregoing);

(x) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in Sections 7.03(a) through 7.03(w) above or Sections 7.03(y) through (bb) below;

(y) Guarantees by the Borrower of Indebtedness of any Qualified Restricted Subsidiary and by any Qualified Restricted Subsidiary of Indebtedness of the Borrower or any other Qualified Restricted Subsidiary, provided that the Indebtedness so Guaranteed would have otherwise been permitted to be incurred by Borrower or the guaranteeing Qualified Restricted Subsidiary under another clause of this Section 7.03; and

(z) Indebtedness in respect of unsecured promissory notes issued to a Strategic Investor in connection with repurchases, redemptions or other acquisitions of Equity Interests permitted by Section 7.06(n) in an amount not to exceed \$50,000,000;

(aa) (i)(A) Indebtedness incurred under the Second Lien Credit Agreement and (B) Second Lien Incremental Equivalent Debt, in the case of this clause (i), in an aggregate outstanding principal amount not to exceed at any time (x) \$490,000,000 plus (y) the aggregate outstanding principal amount of Second Lien Incremental Term Loans and Second Lien Incremental Equivalent Debt permitted to be incurred under the Second Lien Credit Agreement as in effect on the Closing Date, and (ii) any Permitted Refinancing in respect of any of the foregoing.

(bb) Indebtedness under the Gari Note in an aggregate outstanding principal amount not to exceed at any time \$15,000,000, to the extent subordinated to the Obligations pursuant to the Gari Subordination Agreement.

For purposes of determining compliance with Section 7.03, in the event that an item of Indebtedness (or any portion thereof) at any time, whether at the time of incurrence or upon the application of all or a portion of the proceeds thereof or subsequently, meets the criteria of more than one of the categories of permitted Indebtedness described in Sections 7.03(a) through 7.03(bb) above, the Borrower, in its sole discretion, will classify and may subsequently reclassify such item of Indebtedness (or any portion thereof) in any one or more of the types of Indebtedness described in Sections 7.03(a) through 7.03(bb) and will only be required to include the amount and type of such Indebtedness in such of the above clauses as determined by the Borrower at such time. The Borrower will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in Sections 7.03(a) through 7.03(bb). Notwithstanding the foregoing or anything to the contrary contained in this Agreement, (a) Indebtedness incurred under the Loan Documents, any Incremental Commitments and any Incremental Loans shall only be classified as incurred under Section 7.03(a) and (b) any Permitted Refinancing of any Indebtedness incurred under Section 7.03(a), 7.03(t) or 7.03(u) may only be incurred, and shall only be classified as incurred, under Section 7.03(a), 7.03(t) or 7.03(u), respectively.

For purposes of determining compliance with any Dollar-denominated restriction on the creation, incurrence, assumption or existence of Indebtedness, the Dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided* that, if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) incurred in connection with such refinancing.

The accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, and the payment of interest or dividends in the form of additional Indebtedness, as the case may be, of the same class, accretion or amortization of original issue discount and increases in the amount of Indebtedness solely as a result of fluctuations in the exchange rate of currencies, will, in each case, not be deemed to be an incurrence of Indebtedness for purposes of this Section 7.03.

Section 7.04. *Fundamental Changes*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that:

(a) any Restricted Subsidiary may merge, amalgamate or consolidate with (i) the Borrower (including a merger, the purpose of which is to reorganize the Borrower into a new jurisdiction); *provided* that (w) no Event of Default exists or would result therefrom, (x) the Borrower shall be the continuing or surviving Person, (y) such transaction does not result in the Borrower ceasing to be organized under the laws of the United States, any State thereof or the District of Columbia and (z) such transaction does not have an adverse effect on the perfection or priority of the Liens granted under the Collateral Documents or (ii) one or more other Restricted Subsidiaries; *provided* that, in the case of this clause (ii), when such transaction involves a Loan Party, such Loan Party shall be the continuing or surviving Person except to the extent otherwise constituting an Investment permitted by Section 7.02 (other than Section 7.02(e));

(b) (i) any Restricted Subsidiary that is not a Loan Party may merge, amalgamate or consolidate with or into any other Restricted Subsidiary that is not a Loan Party and (ii) any Restricted Subsidiary may liquidate or dissolve or change its legal form if the Borrower determines in good faith that such action is in the best interest of the Borrower and its Restricted Subsidiaries and is not materially disadvantageous to the Lenders (it being understood that, in the case of any liquidation or dissolution of a Guarantor, such Guarantor shall transfer its assets to a Loan Party, and in the case of any change in legal form, a Restricted Subsidiary that is a Guarantor will remain a Guarantor (unless such Guarantor is otherwise permitted to cease being a Guarantor hereunder) and such transaction shall not have an adverse effect on the perfection or priority of the Liens granted under the Collateral Documents);

(c) the Borrower and any Restricted Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Restricted Subsidiary; *provided* that, if the transferor in such a transaction is the Borrower or a Guarantor, then (i) the transferee must be a Loan Party or (ii) to the extent constituting an Investment, such Investment must be a permitted Investment in or Indebtedness of a Restricted Subsidiary which is not a Loan Party in accordance with Sections 7.02 (other than Section 7.02(e)) and 7.03, respectively;

(d) so long as no Event of Default exists or would result therefrom, the Borrower may merge with any other Person; *provided* that (i) the Borrower shall be the continuing or surviving corporation or (ii) if the Person formed by or surviving any such merger or consolidation is not the Borrower (any such Person, the “**Successor Borrower**”), (A) the Successor Borrower shall be an entity organized or existing under the Laws of the United States, any state thereof or the District of Columbia and such transaction shall not have an adverse effect on the perfection or priority of the Liens granted under the Collateral Documents, (B) the Successor Borrower shall expressly assume all the obligations of the Borrower under this Agreement and the other Loan Documents to which the Borrower is a party pursuant to a supplement hereto or thereto in form reasonably satisfactory to the Administrative Agent, (C) each Guarantor, unless it is the other party to such merger or consolidation, shall have confirmed that its Guarantee shall apply to the Successor Borrower’s obligations under the Loan Documents, (D) each Guarantor, unless it is the other party to such merger or consolidation, shall have, by a supplement to the Security Agreement and other applicable Collateral Documents, confirmed that its obligations thereunder shall apply to the Successor Borrower’s obligations under the Loan Documents, (E) if requested by the Collateral Agent, each mortgagor of a Mortgaged Property, unless it is the other party to such merger or consolidation, shall have, by an amendment to or restatement of the applicable Mortgage (or other instrument reasonably satisfactory to the Collateral Agent), confirmed that its obligations thereunder shall apply to the Successor Borrower’s obligations under the Loan Documents, and (F) the Borrower shall have delivered to the Administrative Agent an officer’s certificate and an opinion of counsel, each stating that such merger or consolidation and such supplement to this Agreement or any Collateral Document comply with this Agreement; *provided, further*, that, if the foregoing conditions are satisfied, the Successor Borrower will succeed to, and be substituted for, the Borrower under this Agreement; *provided, further*, that the Borrower agrees to provide any documentation and other information about such Successor Borrower as shall have been reasonably requested in writing by any Lender through the Administrative Agent that is required by regulatory authorities or under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA Patriot Act;

(e) so long as no Event of Default exists or would result therefrom, any Restricted Subsidiary may merge with any other Person (other than Holdings or the Borrower) in order to effect an Investment permitted pursuant to Section 7.02 (other than Section 7.02(e)); *provided* that the continuing or surviving Person shall be a Restricted Subsidiary, which together with each of its Restricted Subsidiaries, shall have complied with the requirements of Section 6.11 to the extent required pursuant to the Collateral and Guarantee Requirement;

(f) the Borrower and its Restricted Subsidiaries may consummate the Merger, related transactions contemplated by the Merger Agreement (and documents related thereto) and the Transactions; and

(g) so long as no Event of Default exists or would result therefrom, any Restricted Subsidiary may effect a merger, dissolution, liquidation or consolidation, the purpose of which is to effect a Disposition permitted pursuant to Section 7.05 (other than Section 7.05(e)).

Section 7.05. *Dispositions*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, make any Disposition, except:

(a) (x) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business, (y) Dispositions in the ordinary course of business of property no longer used or useful in the conduct of the business of any member of the Restricted Group and (z) Dispositions to landlords of improvements made to leased real property pursuant to customary terms of leases entered into in the ordinary course of business;

(b) Dispositions of inventory and goods held for sale in the ordinary course of business and immaterial assets (considered in the aggregate) (including allowing any registrations or any applications for registration of any immaterial IP Rights to lapse or go abandoned in the ordinary course of business) in the ordinary course of business;

(c) Dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are promptly applied to the purchase price of such replacement property;

(d) Dispositions of property to the Borrower or any Restricted Subsidiary; *provided* that, if the transferor of such property is a Loan Party (i) the transferee thereof must be a Loan Party and if such property constitutes Collateral, it shall continue to constitute Collateral after such Disposition or (ii) if such transaction constitutes an Investment, such transaction is permitted under Section 7.02 (other than Section 7.02(e));

(e) to the extent constituting Dispositions, (i) the creation or assumption of Liens in accordance with Section 7.01 (other than Section 7.01(l)(ii)), (ii) the disposition of assets resulting from the consummation of a merger, dissolution, liquidation or consolidation in accordance with Section 7.04 (other than Section 7.04(g)) and (iii) the making of any Restricted Payment in accordance with Section 7.06 (other than Section 7.06(e));

(f) [Reserved];

(g) Dispositions of Cash Equivalents;

(h) leases, subleases, licenses or sublicenses (including the provision of software under an open source license), in each case in the ordinary course of business and which do not materially interfere with the business of any member of the Restricted Group;

(i) transfers of property subject to Casualty Events upon the receipt (where practical) of the Net Proceeds of such Casualty Event;

(j) Dispositions of property not otherwise permitted under this Section 7.05; *provided* that (i) at the time of such Disposition (other than any such Disposition made pursuant to a legally binding commitment entered into at a time when no Event of Default exists), no Event of Default shall exist or would result from such Disposition, (ii) any prepayment required to be made in connection with the receipt of Net Proceeds in respect of such Disposition pursuant to Section 2.13 shall be made in accordance therewith and (iii) with respect to any Disposition or series of related Dispositions pursuant to this Section 7.05(j) for a purchase price in excess of \$5,000,000, the Borrower or any of its Restricted Subsidiaries shall receive not less than 75% of such consideration in the form of cash or Cash Equivalents (in each case, free and clear of all Liens at the time received, other than nonconsensual Liens permitted by Section 7.01 and Liens permitted by Sections 7.01(a), 7.01(f), 7.01(k), 7.01(p), 7.01(q), 7.01(cc) and 7.01(dd), clauses (i) and (ii) of Section 7.01(r), and Section 7.01(ii)); *provided, however*, that for the purposes of this clause (iii), the following shall be deemed to be cash: (A) any liabilities (as shown on the Restricted Group's most recent balance sheet provided hereunder or in the footnotes thereto) of the Borrower or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the payment in cash of the Obligations, that are assumed by the transferee with respect to the applicable Disposition and for which the members of the Restricted Group shall have been validly released by all applicable creditors in writing, (B) any securities received by the Borrower or the applicable Restricted Subsidiary from such transferee that are converted by the Borrower or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days following the closing of the applicable Disposition, and (C) aggregate non-cash consideration received by the Borrower or the applicable Restricted Subsidiary having an aggregate fair market value (determined as of the closing of the applicable Disposition for which such non-cash consideration is received) not to exceed \$10,000,000 in the aggregate (net of any non-cash consideration converted into cash and Cash Equivalents);

(k) Dispositions listed on Schedule 7.05(k);

(l) Dispositions or discounts without recourse of accounts receivable in connection with the compromise or collection thereof in the ordinary course of business;

(m) Dispositions of property pursuant to sale-leaseback transactions; *provided* that (i) the fair market value of all property so Disposed of after the Closing Date shall not exceed \$50,000,000, (ii) the Borrower or its Restricted Subsidiaries, as applicable, shall receive not less than 75% of the consideration thereof in the form of cash or Cash Equivalents and (iii) if such sale-leaseback transaction results in a Capitalized Lease, such Capitalized Lease is permitted by Section 7.03 and any Lien made the subject of such Capitalized Lease is permitted by Section 7.01;

(n) any swap of assets in exchange for services or other assets in the ordinary course of business of comparable or greater value or usefulness to the business of the Borrower and the Subsidiaries as a whole, as determined in good faith by the management of the Borrower;

(o) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(p) Dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(q) the unwinding of any Swap Contract; and

(r) the sale of Equity Interests in a Qualified Restricted Subsidiary to a Strategic Investor in connection with the syndication or re-syndication of such Equity Interests in the ordinary course of business;

provided that any Disposition of any property pursuant to this Section 7.05 (except pursuant to Sections 7.05(a), 7.05(d), 7.05(e), 7.05(i), 7.05(p) and 7.05(q) and except for Dispositions from a Loan Party to any other Loan Party) shall be for no less than the fair market value of such property at the time of such Disposition. To the extent any Collateral is Disposed of as expressly permitted by this Section 7.05 to any Person other than a Loan Party, such Collateral shall be sold free and clear of the Liens created by the Loan Documents, and, if requested by the Borrower, upon the certification delivered to the Administrative Agent by the Borrower that such Disposition is permitted by this Agreement, the Administrative Agent or the Collateral Agent, as applicable, shall be authorized to take any actions deemed appropriate in order to effect the foregoing.

Section 7.06. *Restricted Payments.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, declare or make, directly or indirectly, any Restricted Payment, except:

(a) each Restricted Subsidiary may make Restricted Payments to the Borrower or any other Restricted Subsidiary (and, in the case of a Restricted Payment by a non-wholly owned Restricted Subsidiary, to the Borrower and any other Restricted Subsidiary and to each other owner of Equity Interests of such Restricted Subsidiary based on their relative ownership interests of the relevant class of Equity Interests);

(b) any member of the Restricted Group may declare and make dividend payments or other Restricted Payments payable solely in the Equity Interests (other than Disqualified Equity Interests) of such Person;

(c) any member of the Restricted Group may contribute, and may make Restricted Payments to Holdings or any direct or indirect parent thereof to contribute, on or prior to the 18- month anniversary of the Closing Date, to the Indemnity Escrow Account in an amount not to exceed \$20,000,000 in the aggregate in accordance with the terms of the Merger Agreement (and subject to the cap provided under the definition of "Closing Cash Amount" in the Merger Agreement), provided that (i) any contribution to the Indemnity Escrow Account shall not be funded with proceeds from Loans and (ii) at the time of each such contribution, a Responsible Officer of the Borrower shall provide a certificate stating that such Responsible Officer has no knowledge that the applicable contribution to the Indemnity Escrow Account is not being funded by cash constituting "Closing Cash" as defined in the Merger Agreement;

(d) Restricted Payments made on the Closing Date to consummate the Transactions;

(e) to the extent constituting Restricted Payments, the members of the Restricted Group may (i) make any Investment expressly permitted by any provision of Section 7.02 (other than Sections 7.02(e) and 7.02(m)), (ii) transfer assets in respect of the elimination of Equity Interests resulting from the consummation of a merger, dissolution, liquidation or consolidation in accordance with Section 7.04 or (iii) make transactions permitted by Section 7.08(e) or 7.08(j);

(f) repurchases of Equity Interests in any member of the Restricted Group deemed to occur upon exercise of stock options or warrants or the settlement or vesting of other equity awards if such Equity Interests represent a portion of the exercise price of, or tax withholdings with respect to, such options or warrants;

(g) any member of the Restricted Group may (i) pay (or make Restricted Payments to allow Holdings or any direct or indirect parent thereof to pay) for the repurchase, retirement or other acquisition or retirement for value of Equity Interests of Holdings or any direct or indirect parent thereof held by any present or former employee, officer, director or consultant thereof or any direct or indirect parent thereof or of the Borrower or any Restricted Subsidiary or (ii) make Restricted Payments in the form of distributions to allow Holdings or any direct or indirect parent thereof to pay principal or interest on promissory notes that were issued to any future, present or former employee, officer, director or consultant in lieu of cash payments for the repurchase, retirement or other acquisition or retirement for value of such Equity Interests or equity-based awards held by such Persons, in each case, upon the death, disability, retirement or termination of employment of any such Person or pursuant to any employee or director equity plan, employee or director stock option plan or any other employee or director benefit plan or any agreement (including any stock subscription or shareholder agreement) with any employee, director, officer or consultant of Holdings or any direct or indirect parent thereof or of the Borrower or any Restricted Subsidiary; *provided* that the aggregate amount of Restricted Payments made pursuant to this Section 7.06(g) and all loans and advances made pursuant to Section 7.02(m) made in lieu of any such permitted Restricted Payment shall not exceed \$10,000,000 in any fiscal year;

(h) the Borrower may make Restricted Payments to Holdings (the proceeds of which may be utilized by Holdings to make Restricted Payments) in an aggregate amount not to exceed the Cumulative Credit immediately prior to the time of the making of such Restricted Payment, provided that the aggregate amount of such Restricted Payment shall be specified in a written notice of a Responsible Officer of the Borrower delivered to the Administrative Agent on the date of such Restricted Payment and calculating in reasonable detail the amount of Cumulative Credit immediately prior thereto and the amount thereof elected to be so applied; *provided* that, with respect to any Restricted Payment made pursuant to this Section 7.06(h), no Event of Default has occurred and is continuing or would result therefrom.

(i) the Borrower may make Restricted Payments to Holdings or any direct or indirect parent thereof (without duplication):

(i) to pay (A) its operating expenses incurred in the ordinary course of business and other corporate overhead costs and expenses (including administrative, legal, accounting and similar expenses provided by third parties), which are reasonable and customary and incurred in the ordinary course of business and attributable to the

ownership or operations of the Borrower and its Restricted Subsidiaries and (B) Transaction Expenses and any reasonable and customary indemnification claims made by directors or officers of such parent attributable to the ownership or operations of the Borrower and its Restricted Subsidiaries;

(ii) the proceeds of which shall be used by Holdings or any direct or indirect parent thereof to pay franchise taxes and other fees, taxes and expenses required to maintain its (or any of its direct or indirect parents') corporate or other organizational existence;

(iii) for any taxable period in which the Borrower and/or any of its Subsidiaries are a member of a consolidated or similar income tax group of which a direct or indirect parent of the Borrower is the common parent (a "**Tax Group**"), to pay federal, foreign, state and local income taxes of such Tax Group that are attributable to the taxable income of the Borrower and/or its Subsidiaries; *provided* that, for each taxable period, the amount of such payments made in respect of such taxable period in the aggregate shall not exceed the amount that the Borrower and its Subsidiaries would have been required to pay in respect of federal, foreign, state and local income taxes in the aggregate if such entities were the only members of a consolidated or similar income tax group of which the Borrower is the common parent (it being understood and agreed that if the Borrower or any Subsidiary pays any such federal, foreign, state or local income taxes directly to such taxing authority, that a Restricted Payment in duplication of such amount shall not be permitted to be made pursuant to this clause (iii)); *provided, further*, that the permitted payment pursuant to this clause (iii) with respect to any taxes of any Unrestricted Subsidiary for any taxable period shall be limited to the amount actually paid with respect to such period by such Unrestricted Subsidiary to the Borrower or its Restricted Subsidiaries for the purposes of paying such consolidated or similar taxes;

(iv) to finance any Investment that would be permitted to be made pursuant to Section 7.02 (if the recipient thereof is not Holdings, assuming that such recipient were subject to Section 7.02); *provided* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment and (B) Holdings or such parent shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Equity Interests) to be contributed to the Borrower or its Restricted Subsidiaries or (2) the merger (to the extent permitted in Section 7.04) of the Person formed or acquired into the Borrower or its Restricted Subsidiaries in order to consummate such Permitted Acquisition or Investment, in each case, in accordance with the requirements of Section 6.11;

(v) the proceeds of which shall be used to pay customary salary, bonus and other benefits payable to officers and employees of Holdings or any direct or indirect parent company of Holdings to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Borrower and its Restricted Subsidiaries;

(vi) the proceeds of which shall be used by Holdings to pay (or to make Restricted Payments to allow any direct or indirect parent thereof to pay) reasonable and customary fees and expenses (other than to Affiliates) related to any unsuccessful equity

or debt offering by Holdings (or any direct or indirect parent thereof) not prohibited by this Agreement that is directly attributable to the operations of the Borrower and its Restricted Subsidiaries; and

(vii) the proceeds of which shall be used to make payments permitted under Sections 7.08(e), 7.08(h), 7.08(j) and 7.08(o) (but only to the extent such payments have not been and are not expected to be made by the Borrower or a Restricted Subsidiary);

(j) payments made or expected to be made by any member of the Restricted Group in respect of withholding or other payroll and other similar Taxes payable by any present or former employee, director, manager or consultant and any repurchases of Equity Interests in consideration of such payments including deemed repurchases in connection with the exercise of stock options or the vesting or settlement of other equity-based awards;

(k) after a Qualified IPO, (i) any Restricted Payment by the Borrower or any other direct or indirect parent of the Borrower to pay listing fees and other costs and expenses directly attributable to being a publicly traded company which are reasonable and customary and (ii) Restricted Payments of up to 6% *per annum* of the aggregate net proceeds received by (or contributed to the common equity of) the Borrower and its Restricted Subsidiaries from such Qualified IPO;

(l) Holdings and the Borrower may make cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Equity Interests of any member of the Restricted Group; *provided, however*, that any such cash payment shall not be for the purpose of evading the limitations of this Agreement;

(m) other Restricted Payments *provided* that (x) no Event of Default has occurred and is continuing or would result therefrom and (y) immediately after giving effect to the making of such Restricted Payment, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than 5.00 to 1.00 as of the last day of the most-recently ended Test Period (it being understood that, as a condition precedent to the making of such Restricted Payment, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance);

(n) the purchase, redemption or other acquisition or retirement for value of Equity Interests of a Qualified Restricted Subsidiary owned by a Strategic Investor if such purchase, redemption or other acquisition or retirement for value is made for consideration not in excess of the fair market value of such Equity Interests; and

(o) the Borrower may make payments with respect to the Gari Note in accordance with the Gari Subordination Agreement.

Section 7.07. *Change in Nature of Business; Organization Documents.*

(a) The Borrower shall not, nor shall the Borrower permit any of its Restricted Subsidiaries to, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Restricted Subsidiaries on the Closing Date or any business reasonably related, complementary, synergistic or ancillary thereto or reasonable extensions thereof.

(b) The Borrower shall not, nor shall the Borrower permit any of its Restricted Subsidiaries to, agree to any amendment, restatement, supplement or other modification to, or waiver of any of its rights under, its Organization Documents to the extent any of the foregoing could reasonably be expected to be adverse in any material respect to the Lenders.

Section 7.08. *Transactions with Affiliates.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction of any kind with any of its Affiliates, whether or not in the ordinary course of business, other than (a) transactions among the Borrower and its Restricted Subsidiaries or any entity that becomes a Restricted Subsidiary as a result of such transaction, (b) on terms substantially no less favorable to the Restricted Group as would be obtainable by the Restricted Group at the time in a comparable arm's-length transaction with a Person other than an Affiliate, (c) the Transactions and the payment of fees and expenses (including Transaction Expenses) as part of or in connection with the Transactions, (d) the issuance of Equity Interests or equity based awards to any officer, director, employee or consultant of any member of the Restricted Group in connection with the Transactions, (e) the payment of management, monitoring, consulting, transaction and advisory fees (including termination fees) and related indemnities and expenses pursuant to the Sponsor Management Agreement, (f) Restricted Payments permitted under Section 7.06, (g) customary employment, consulting, retention and severance arrangements between the Restricted Group and their respective officers and employees in the ordinary course of business and transactions pursuant to stock option plans and employee benefit plans and similar arrangements in the ordinary course of business, (h) the payment of customary fees and reasonable out of pocket costs to, and customary indemnities provided on behalf of, directors, officers, employees and consultants of the Restricted Group (or any direct or indirect parent of Holdings) in the ordinary course of business to the extent attributable to the ownership or operation of the Restricted Group, (i) transactions pursuant to agreements in existence on the Closing Date and set forth on Schedule 7.08 (other than the Sponsor Management Agreement) or any amendment thereto to the extent such an amendment is not adverse to the Lenders in any material respect, (j) customary payments by the Borrower and any of its Restricted Subsidiaries to the Sponsor made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including in connection with acquisitions or divestitures), which payments are approved by the majority of the members of the board of directors or a majority of the disinterested members of the board of directors of the Borrower, in good faith, (k) payments by any member of the Restricted Group pursuant to any tax sharing agreements with any direct or indirect parent of Holdings to the extent attributable to the ownership or operation of the Restricted Group, but in an amount not exceeding the amount that the Borrower would be permitted to distribute under Section 7.06(i)(iii), (l) the issuance or transfer of Equity Interests (other than Disqualified Equity Interests) of Holdings to any Permitted Holder or to any former, current or future director, manager, officer, employee or consultant (or any Affiliate of any of the foregoing) of the Borrower, any of its Subsidiaries or any direct or indirect parent thereof to the extent not otherwise prohibited under this Agreement or resulting in an Event of Default, (m) any payments required to be made pursuant to the Merger Agreement, (n) any transactions with Affiliated Lenders contemplated hereunder and in accordance with the terms of, and in the manner provided by, this Agreement, (o) [Reserved] or (p) transactions between or among the Borrower and Qualified Restricted Subsidiaries to the extent consistent with past practices and made in the ordinary course of business.

Section 7.09. *Burdensome Agreements*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, enter into or permit to exist any Contractual Obligation (other than this Agreement or any other Loan Document) that limits the ability of (a) any Restricted Subsidiary that is not a Guarantor to make Restricted Payments to the Borrower or any Guarantor or to make or repay loans or advances to or otherwise transfer assets to or make Investments in the Borrower or any Restricted Subsidiary that is a Guarantor or (b) any Loan Party to create, incur, assume or suffer to exist Liens on property of such Person to secure the Obligations; *provided* that the foregoing clauses (a) and (b) shall not apply to Contractual Obligations which (i) (x) exist on the Closing Date and (to the extent not otherwise permitted by this Section 7.09) are listed on Schedule 7.09 hereto and (y) to the extent Contractual Obligations permitted by clause (x) are set forth in an agreement evidencing Indebtedness, are set forth in any agreement evidencing any permitted modification, replacement, renewal, extension or refinancing of such Indebtedness so long as such modification, replacement, renewal, extension or refinancing does not expand the scope of such Contractual Obligation, (ii) are binding on a Restricted Subsidiary at the time such Restricted Subsidiary first becomes a Restricted Subsidiary, so long as such Contractual Obligations were not entered into solely in contemplation of such Person becoming a Restricted Subsidiary; *provided, further*, that this clause (ii) shall not apply to Contractual Obligations that are binding on a Person that becomes a Restricted Subsidiary pursuant to Section 6.14, (iii) represent Indebtedness of a Restricted Subsidiary which is not a Loan Party which is permitted by Section 7.03, (iv) arise in connection with any Disposition permitted by Section 7.04 or 7.05 and relate solely to the assets or Person subject to such Disposition, (v) are customary provisions in joint venture agreements and other similar agreements applicable to joint ventures permitted under Section 7.02 and applicable solely to such joint venture and are entered into in the ordinary course of business, (vi) are negative pledges and restrictions on Liens in favor of any holder of Indebtedness (other than any Junior Financing) permitted under Section 7.03 but solely to the extent any negative pledge relates to the property financed by such Indebtedness, (vii) are customary restrictions on leases, subleases, licenses or asset sale agreements otherwise permitted hereby so long as such restrictions relate only to the assets subject thereto, (viii) comprise restrictions imposed by any agreement governing secured Indebtedness permitted pursuant to Section 7.03(e) or 7.03(g) to the extent that such restrictions apply only to the property or assets securing such Indebtedness, (ix) are customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or any Restricted Subsidiary entered into in the ordinary course of business, (x) are customary provisions restricting assignment of any agreement entered into in the ordinary course of business, (xi) are restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business, (xii) arise in connection with cash or other deposits permitted under Sections 7.01 and 7.02 and limited to such cash or deposit, (xiii) arise under applicable law or any applicable rule, regulation or order, (xiv) comprise restrictions imposed by any agreement governing Indebtedness entered into after the Closing Date and permitted under Section 7.03 that are, taken as a whole, in the good faith judgment of the Borrower, no more restrictive with respect to the Borrower or any Restricted Subsidiary than customary market terms for Indebtedness of such type (and, in any event, are no more restrictive than the restrictions contained in this Agreement), so long as the Borrower shall have determined in good faith that such restrictions will not affect its obligation or ability to make any payments required hereunder and (xv) consist of Permitted Payment Restrictions in the Organization Documents of Qualified Restricted Subsidiaries.

Section 7.10. [Reserved].

Section 7.11. *Maximum Total Leverage Ratio*. As of the last day of each fiscal quarter of the Borrower (commencing no earlier than March 31, 2015) so long as on such day the aggregate principal amount of outstanding Revolving Loans and Letters of Credit (other than (i) Letters of Credit that have been Cash Collateralized in accordance with this Agreement and (ii) other undrawn Letters of Credit in a face amount not exceeding \$12,500,000 in the aggregate) exceeds 30% of the aggregate Revolving Commitments as of such day, permit the Total Leverage Ratio to be greater than the Total Leverage Ratio set forth below with respect to such Fiscal Quarter:

| <u>Fiscal Quarter</u> | <u>Total Leverage Ratio</u> |
|-----------------------|-----------------------------|
| March 31, 2015 | 9.75 to 1.00 |
| June 30, 2015 | 9.50 to 1.00 |
| September 30, 2015 | 9.50 to 1.00 |
| December 31, 2015 | 9.25 to 1.00 |
| March 31, 2016 | 9.25 to 1.00 |
| June 30, 2016 | 9.00 to 1.00 |
| September 30, 2016 | 8.75 to 1.00 |
| December 31, 2016 | 8.50 to 1.00 |
| March 31, 2017 | 8.25 to 1.00 |
| June 30, 2017 | 8.00 to 1.00 |
| September 30, 2017 | 8.00 to 1.00 |
| December 31, 2017 | 8.00 to 1.00 |
| March 31, 2018 | 8.00 to 1.00 |
| June 30, 2018 | 8.00 to 1.00 |
| September 30, 2018 | 8.00 to 1.00 |
| December 31, 2018 | 8.00 to 1.00 |
| March 31, 2019 | 8.00 to 1.00 |
| June 30, 2019 | 8.00 to 1.00 |

The Required Revolving Lenders may amend, waive or otherwise modify this Section 7.11 or the defined terms used for purposes of this Section 7.11 or waive any Default or Event of Default resulting from a breach of this Section 7.11 without the consent of any Lenders other than the Required Revolving Lenders in accordance with the provisions of Section 10.08(b)(ix).

Section 7.12. *Fiscal Year.* The Borrower shall not make any change in its fiscal year or fiscal quarters (it being understood that the Borrower's fiscal year ends on December 31 of each year, and that each of the first three fiscal quarters of each fiscal year of the Borrower ends on the March 31, June 30 and September 30, respectively); *provided, however*, that the Borrower may, upon written notice to the Administrative Agent, change its fiscal year and fiscal quarters to any other fiscal year (and any other fiscal quarters) reasonably acceptable to the Administrative Agent, in which case, the Borrower and the Administrative Agent will, and are hereby authorized by the Lenders to, make any adjustments to this Agreement that are necessary to reflect such changes.

Section 7.13. *Prepayments, Etc. of Indebtedness.*

(a) The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner (it being understood that payments of regularly scheduled principal and interest and prepayment events upon a change of control, asset sale or event of loss or customary AHYDO Catch-Up Payments shall be permitted unless such payments violate any subordination terms of any Junior Financing Documentation) any Second Lien Indebtedness, any Junior Financing, any Permitted Second Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing, or make any payment in violation of the Intercreditor Agreement, any Second Lien Intercreditor Agreement or any subordination terms of any Junior Financing Documentation, except (i) any Permitted Refinancing permitted in respect thereof, (ii) the conversion of any Second Lien Indebtedness, Junior Financing or any Permitted Second Priority Refinancing Debt (or any Permitted Refinancing thereof) to Equity Interests (other than Disqualified Equity Interests) of Holdings or any of their direct or indirect parents, (iii) the prepayment of Indebtedness of the Borrower or any Restricted Subsidiary to the Borrower or any Restricted Subsidiary, to the extent not prohibited by the subordination provisions contained in the Intercompany Note evidencing such Indebtedness, and (iv) prepayments, redemptions, purchases, defeasances and other payments in respect of Second Lien Indebtedness, Permitted Second Priority Refinancing Debt (or any Permitted Refinancing thereof) and Junior Financings prior to their scheduled maturity in an aggregate amount not to exceed the Cumulative Credit immediately prior to the time of the making of such payment, provided that the aggregate amount of such payment shall be specified in a written notice of a Responsible Officer of the Borrower delivered to the Administrative Agent on the date of such payment and calculating in reasonable detail the amount of Cumulative Credit immediately prior thereto and the amount thereof elected to be so applied; *provided* that no prepayment, redemption, purchase, defeasance or other payment shall be made pursuant to this clause (iv) if an Event of Default has occurred and is continuing or would result therefrom.

(b) The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, amend, modify, change, terminate or release in any manner materially adverse to the interests of the Lenders any term or condition of any Junior Financing Documentation or the documentation governing any Second Lien Indebtedness or any Permitted Second Priority Refinancing Debt (or any Permitted Refinancing of any of the foregoing) (other than as a result of a Permitted Refinancing thereof) without the consent of the Administrative

Agent (which consent shall not be unreasonably withheld or delayed), unless otherwise permitted under the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement, or any other applicable subordination agreement, as applicable.

Section 7.14. *Permitted Activities.* Holdings shall not engage in any operating or business activities (other than to a *de minimis* extent) or have any material assets or liabilities; *provided* that, to the extent not otherwise prohibited under Article 7, the following shall be permitted: (i) its ownership of the Equity Interests of Borrower and activities incidental thereto, (ii) the maintenance of its legal existence (including the ability to incur fees, costs and expenses relating to such maintenance), (iii) the performance of its obligations with respect to the Loan Documents, the Second Lien Loan Documents, any Incremental Equivalent Debt, any Second Lien Incremental Equivalent Debt, any Permitted First Priority Refinancing Debt, any Permitted Second Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt, any Permitted Junior Debt, any Indebtedness permitted under Section 7.03(g)(A)(ii) to the extent such Indebtedness, with respect to Holdings, satisfies clauses (B) and (C) of the definition of “Permitted Holdings Debt” and, in each case, any Permitted Refinancing thereof, (iv) any public offering of its common stock or any other issuance or sale of its Equity Interests (other than Disqualified Equity Interests), (v) the incurrence of Permitted Holdings Debt, payment of dividends and making of contributions to the capital of the Borrower, (vi) participating in tax, accounting and other administrative matters as a member of their respective consolidated group, (vii) holding any cash or property (but not operating any property), (viii) providing indemnification to officers and directors and (ix) any activities incidental to the foregoing. Holdings shall not incur any Liens on Equity Interests of the Borrower other than Liens securing the Obligations and Liens permitted under Section 7.01(cc), 7.01(dd) and 7.01(ii) and Holdings shall not own any Equity Interests other than those of the Borrower.

ARTICLE 8

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. *Events of Default.* Any of the following from and after the Closing Date shall constitute an event of default (an “**Event of Default**”):

(a) *Non-Payment.* Any Loan Party fails to pay (i) when and as required to be paid herein or in any other Loan Document, any amount of principal of any Loan or the reimbursement of any LC Disbursement, or (ii) within five Business Days after the same becomes due, any interest on any Loan or LC Disbursement or any other amount payable hereunder or with respect to any other Loan Document; or

(b) *Specific Covenants.* The Borrower or Holdings, fails to perform or observe any term, covenant or agreement contained in any of Sections 6.03(a), 6.05(a) (solely with respect to Holdings or the Borrower) or 6.13(a) or Article 7; *provided* that any Event of Default under Section 7.11 shall be subject to cure pursuant to Section 8.05; *provided, further,* that the Borrower’s failure to comply with Section 7.11 shall not constitute an Event of Default with respect to any Term Loans or Term Commitments unless and until the Required Revolving Lenders shall have terminated their Revolving Commitments or declared all amounts outstanding under the Revolving Facility to be due and payable pursuant to Section 8.02; or

(c) *Other Defaults.* Any Loan Party fails to perform or observe any other term, covenant or agreement (not specified in Section 8.01(a) or 8.01(b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after receipt by the Borrower of written notice thereof from the Administrative Agent; or

(d) *Representations and Warranties.* Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document required to be delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) *Cross-Default.* Any Loan Party or any Restricted Subsidiary (i) fails to make any payment after the applicable grace period with respect thereto, if any, (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness having an outstanding aggregate principal amount of not less than the Threshold Amount or (ii) fails to observe or perform any other agreement or condition relating to any such Indebtedness, or any other event occurs (other than, with respect to Indebtedness consisting of Swap Contracts, termination events or equivalent events pursuant to the terms of such Swap Contracts and not as a result of any other default thereunder by any Loan Party), the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity; provided that this clause (ii) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness; or

(f) *Insolvency Proceedings, Etc.* Any Loan Party or any Restricted Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) *Inability to Pay Debts; Attachment.* Any Loan Party or any Restricted Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of the Borrower and its Restricted Subsidiaries, taken as a whole, and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) *Judgments*. There is entered against any Loan Party or any Restricted Subsidiary a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer has been notified of such judgment or order and has not denied coverage) and such judgment or order shall not have been satisfied, vacated, discharged or stayed or bonded pending an appeal for a period of 60 consecutive days; or

(i) *Invalidity of Loan Documents*. Any material provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder (including as a result of a transaction permitted under Section 7.04 or 7.05) or as a result of acts or omissions by the Administrative Agent or Collateral Agent or any Lender or the satisfaction in full of all the Obligations, ceases to be in full force and effect or legally valid, binding and enforceable against any party thereto (or against any Person on whose behalf any such party makes any covenants or agreements therein) (other than the Secured Parties); or any Loan Party contests in writing the validity or enforceability of any provision of any Loan Document or the validity or priority of a Lien as required by the Collateral Documents on a material portion of the Collateral; or any Loan Party denies in writing that it has any or further liability or obligation under any Loan Document (other than as a result of repayment in full of the Obligations), or purports in writing to revoke or rescind any Loan Document; or

(j) *Change of Control*. There occurs any Change of Control; or

(k) *Collateral Documents*. Any Collateral Document after delivery thereof pursuant to Section 4.02, 6.11 or 6.13 shall for any reason (other than pursuant to the terms hereof or thereof including as a result of a transaction permitted under Section 7.04 or 7.05) cease to create a valid and perfected Lien, with the priority required by the Collateral Documents on and security interest in any material portion of the Collateral purported to be covered thereby, subject to Liens permitted under Section 7.01, (i) except to the extent that any such perfection or priority is not required pursuant to the Collateral and Guarantee Requirement or results from the failure of the Administrative Agent or the Collateral Agent to maintain possession of certificates actually delivered to it representing securities pledged under the Collateral Documents or to file Uniform Commercial Code continuation statements and (ii) except as to Collateral consisting of Real Property to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage;

(l) *ERISA*. (i) An ERISA Event that occurs after the Closing Date and that, alone or together with any other ERISA Events that have occurred after the Closing Date, has resulted or could reasonably be expected to result in liability of a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates in an aggregate amount at any particular time that could reasonably be expected to have a Material Adverse Effect, or (ii) a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its Withdrawal Liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount, that, alone or together with any other such failures to pay, has resulted or could reasonably be expected to result in a Material Adverse Effect; or

(m) *Junior Financing Documentation*. The subordination provisions set forth in any Junior Financing Documentation in respect of Junior Financing having an aggregate principal amount no less than the Threshold Amount shall, in whole or in part, cease to be effective or cease to be legally valid, binding and enforceable against any party thereto (or against any Person on whose behalf any such party makes any covenants or agreements therein), or otherwise not be effective to create the rights and obligations purported to be created thereunder.

Section 8.02. *Remedies Upon Event of Default*. If any Event of Default occurs and is continuing, the Administrative Agent may, and at the request of the Required Lenders shall, take any or all of the following actions:

- (i) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments shall be terminated;
- (ii) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable or accrued hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower and each other Loan Party;
- (iii) require the deposit of cash collateral in respect of the LC Exposure as provided in Section 2.17(i); and
- (iv) exercise, or direct the Collateral Agent to exercise, on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable Law;

provided that, upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid, and the deposit of such cash collateral in respect of the LC Exposure, shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender, and without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower and each other Loan Party, *provided, further*, that any Event of Default under Section 7.11 shall be solely for the benefit of the Revolving Lenders and the Administrative Agent shall only take the actions set forth in this Section 8.02 as a result of an Event of Default under Section 7.11 at the request of the Required Revolving Lenders (as opposed to Required Lenders).

Section 8.03. *Exclusion of Immaterial Subsidiaries*. Solely for the purpose of determining whether a Default or an Event of Default has occurred under Section 8.01(f) or 8.01(g), any reference in any such clause to any Restricted Subsidiary or Loan Party shall be deemed not to include any Restricted Subsidiary (an “**Immaterial Subsidiary**”) affected by any event or circumstances referred to in any such clause that did not, as of the last day of the most recent completed fiscal quarter of the Borrower, have assets (other than intercompany accounts) with a fair market value in excess of 1% of the consolidated total assets of the Restricted Group as of such date and did not, as of the four quarter period ending on the last day of such fiscal

quarter, have revenues exceeding 1% of the consolidated annual revenues of the Restricted Group for such period (it being agreed that all Restricted Subsidiaries affected by any event or circumstance referred to in any such clause shall be considered together, as a single consolidated Restricted Subsidiary, for purposes of determining whether the condition specified above is satisfied).

Section 8.04. *Application of Funds.* After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order (to the fullest extent permitted by mandatory provisions of applicable Law):

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (other than principal and interest, but including Attorney Costs payable under Section 10.05 and amounts payable under Article 3) payable to the Administrative Agent or the Collateral Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including Attorney Costs payable under Section 10.05 and amounts payable under Article 3), ratably among them in proportion to the amounts described in this clause *Second* payable to them;

Third, to payment of that portion of the Obligations constituting (i) unpaid principal of, and accrued and unpaid interest on, the Term Loan, (ii) unpaid principal of, and accrued and unpaid interest on, the Revolving Loans and LC Disbursements or in respect of any Secured Cash Management Services Obligations and any breakage, termination or other payments under Secured Hedge Agreements, and any fees, premiums and scheduled periodic payments due under Secured Hedge Agreements or in respect of Secured Cash Management Services Obligations, ratably among the Secured Parties in proportion to the respective amounts described in this clause *Third* payable to them;

Fourth to the payment of all other Obligations of the Borrower that are due and payable to the Administrative Agent and the other Secured Parties on such date, ratably based upon the respective aggregate amounts of all such Obligations owing to the Administrative Agent and the other Secured Parties on such date; and

Last, the balance, if any, after all of the Obligations have been paid in full, to the Borrower or as otherwise required by Law.

Notwithstanding the foregoing, no amount received from any Guarantor shall be applied to any Excluded Swap Obligation of such Guarantor.

Section 8.05. *Holdings' Right to Cure.*

(a) Notwithstanding anything to the contrary contained in Section 8.01 or 8.02, for the purpose of determining whether an Event of Default under the covenant set forth in Section 7.11 has occurred, the Borrower may on one or more occasions designate any Specified Equity Contribution made to Holdings (all of the cash proceeds of which shall, on or prior to the tenth

Business Day after the date on which financial statements are required to be delivered with respect to the applicable Test Period hereunder, be advanced to the Borrower as a cash contribution to the common equity of the Borrower) as an increase to Consolidated EBITDA with respect to such applicable Test Period and each subsequent Test Period that includes the last fiscal quarter of the Test Period immediately prior to the net cash proceeds from such Specified Equity Contribution being received by the Borrower; *provided* that such net cash proceeds (i) are actually received by the Borrower as cash common equity (including through capital contribution of such net cash proceeds to the Borrower) no later than 10 Business Days after the date on which financial statements are required to be delivered with respect to such Test Period hereunder and (ii) are identified as a Specified Equity Contribution in a certificate of a Responsible Officer of the Borrower delivered to the Administrative Agent. The parties hereby acknowledge that this Section 8.05 may not be relied on for purposes of calculating any financial ratios (or for any other purpose hereunder) other than solely for purposes of determining compliance with Section 7.11 and shall not result in any adjustment to any amounts other than the amount of the Consolidated EBITDA referred to in the immediately preceding sentence such purpose.

(b) (i) In each period of four consecutive fiscal quarters, there shall be at least two fiscal quarters in which no Specified Equity Contribution is made, (ii) no more than five Specified Equity Contributions may be made in the aggregate during the term of this Agreement, (iii) the amount of any Specified Equity Contribution shall be no more than the amount required to cause the Borrower to be in compliance with Section 7.11 for the relevant fiscal quarter, (iv) all Specified Equity Contributions shall be disregarded for the purposes of determining any pricing, financial ratio-based conditions or availability or any baskets with respect to the covenants contained in this Agreement, (v) the net cash proceeds of any such Specified Equity Contribution shall have been contributed to the Borrower as cash equity and (vi) there shall be no pro forma reduction in Indebtedness or Consolidated Total Net Debt with the proceeds of any Specified Equity Contribution for determining compliance with Section 7.11 for any fiscal quarter in which such Specified Equity Contribution is included in Consolidated EBITDA.

(c) If, after giving effect to the recalculations set forth in Section 8.05(a) above, the Borrower shall be in compliance with Section 7.11, the Borrower shall be deemed to have satisfied the requirements of Section 7.11 as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable existing breach of Section 7.11 shall be deemed cured for the purposes of this Agreement. Notwithstanding anything to the contrary contained in Section 8.01 or 8.02, neither the Administrative Agent nor any Lender may exercise any rights or remedies under Section 8.02 (or any other Loan Document) on the basis of any actual or purported Event of Default under Section 7.11 (or any other Default as a result thereof) until and unless the Cure Expiration Date has occurred without the Specified Equity Contribution having been designated and the cash proceeds thereof having been advanced to the Borrower as a cash contribution to the common equity of the Borrower.

(d) Notwithstanding the foregoing, if an Event of Default under Section 7.11 would have occurred and been continuing had Holdings not had the option to exercise the cure right as set forth in this Section 8.05 and not exercised such cure right pursuant to this Section 8.05, the Borrower shall not be permitted, at any time while such Event of Default under Section 7.11 has

occurred and is continuing and prior to the earlier of (x) the receipt of the cash proceeds by the Borrower as provided in Section 8.05(a) or (y) the Cure Expiration Date, to request any Credit Extension (other than a conversion of Loans to the other Type or a continuation of Eurodollar Loans) under this Agreement.

ARTICLE 9

THE ADMINISTRATIVE AGENT AND THE COLLATERAL AGENT

Section 9.01. *Appointment.*

(a) Each Lender and each Issuing Bank hereby irrevocably designates and appoints each of the Administrative Agent and the Collateral Agent (for purposes of this Article 9, the Administrative Agent and the Collateral Agent are referred to collectively as the “**Agents**”) as an agent of such Lender under this Agreement and the other Loan Documents. Each Lender and each Issuing Bank irrevocably authorizes each Agent, in such capacity, through its agents or employees, to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are delegated to such Agent by the terms of this Agreement and the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. Other than with respect to Section 9.05, the provisions of this Article 9 are solely for the benefit of the Agents, the Lenders and the Issuing Banks, and no Loan Party shall have rights as a third party beneficiary of any such provisions. Without limiting the generality of the foregoing, the Agents are hereby expressly authorized to (i) execute any and all documents (including releases) with respect to the Collateral and any rights of the Secured Parties with respect thereto as contemplated by and in accordance with the provisions of this Agreement and the other Loan Documents and (ii) negotiate, enforce or settle any claim, action or proceeding affecting the Lenders in their capacity as such, at the direction of the Required Lenders, which negotiation, enforcement or settlement will be binding upon each Lender. In performing its functions and duties hereunder, each Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Holdings, the Borrower or any of its respective Subsidiaries. Without limiting the generality of the foregoing, the use of the term “agent” in this Agreement with reference to the Administrative Agent or the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each Lender irrevocably appoints each other Lender as its agent and bailee for the purpose of perfecting Liens (whether pursuant to Section 8-301(a)(2) of the UCC or otherwise), for the benefit of the Secured Parties, in assets in which, in accordance with the UCC or any other applicable Laws or regulations a security interest can be perfected by possession or control. Should any Lender (other than the Collateral Agent) obtain possession or control of any such Collateral, such Lender shall notify the Collateral Agent thereof, and, promptly following the Collateral Agent’s request therefor, shall deliver such Collateral to the Collateral Agent or otherwise deal with such Collateral in accordance with the Collateral Agent’s instructions. The Lenders hereby acknowledge and agree that the Collateral Agent may act, subject to and in accordance with the terms of the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement, and any other applicable intercreditor or subordination agreement as the collateral agent for the Lenders.

Section 9.02. *Agent in Its Individual Capacity.* Each Person serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the person serving as an Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, Holdings, the Borrower or any Subsidiary or Affiliate thereof as if it were not an Agent hereunder and without duty to account therefor to the Lenders or the Issuing Banks.

Section 9.03. *Exculpatory Provisions.* No Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.08); *provided* that no Agent shall be required to take any action that, in its opinion or the opinion of its counsel, may expose such Agent to liability, if the Agent is not indemnified to its satisfaction, or that is contrary to any Loan Document or applicable Laws or regulations including, for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may effect a foreclosure, modification or termination of property of a Defaulting Lender under any Debtor Relief Law, and (c) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose nor shall any Agent be liable for the failure to disclose, any information relating to Holdings, the Borrower or any Subsidiary or any Affiliate thereof that is communicated to or obtained by the person serving as such Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as any Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 10.08) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by a final and nonappealable judgment. No Agent shall be deemed to have knowledge of any Default unless and until written notice thereof describing such Default is given to such Agent by Holdings, the Borrower, the Issuing Banks or a Lender, and no Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article 4 or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent. Each party to this Agreement acknowledges and agrees that the Administrative Agent may from time to time

use one or more outside service providers for the tracking of all UCC financing statements (and/or other collateral related filings and registrations from time to time) required to be filed or recorded pursuant to the Loan Documents and the notification to the Administrative Agent, of, among other things, the upcoming lapse or expiration thereof, and that each of such service providers will be deemed to be acting at the request and on behalf of the Borrower and the other Loan Parties. No Agent shall be liable for any action taken or not taken by any such service provider. Neither any Agent nor any of its officers, partners, directors, employees or agents shall be liable to the Lenders for any action taken or omitted by any Agent under or in connection with any of the Loan Documents.

Section 9.04. *Reliance by Agent.* Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent, or otherwise authenticated by a proper Person. Each Agent may also rely upon any statement made to it orally or by telephone and believed by it to have been made by a proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the applicable Issuing Bank, each Agent may presume that such condition is satisfactory to such Lender or such Issuing Bank unless each Agent shall have received written notice to the contrary from such Lender or such Issuing Bank prior to the making of such Loan or the issuance of such Letter of Credit. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other advisors selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or advisors.

Section 9.05. *Delegation of Duties.* Each Agent may perform any and all of its duties and exercise its rights and powers under this Agreement or under any other Loan Document by or through, or delegate any and all such rights and powers to, any one or more sub-agents appointed by such Agent; *provided, however,* that any such sub-agent receiving payments from the Loan Parties shall be a “U.S. person” and a “financial institution” within the meaning of Treasury Regulations Section 1.1441-1. Each Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties; *provided, however,* that any such sub-agent receiving payments from the Loan Parties shall be a “U.S. person” and a “financial institution” within the meaning of Treasury Regulations Section 1.1441-1. The exculpatory, indemnification and other provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply, without limiting the foregoing, to their respective activities in connection with the syndication of the Facilities provided for herein as well as activities as Agent. The Agents shall not be responsible for the negligence or misconduct of any sub-agent except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that such Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

Section 9.06. *Successor Agent.*

(a) Each Agent may resign as such at any time by notifying the Lenders, the Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with, unless an Event of Default under Section 8.01(a), 8.01(f) or 8.01(g) has occurred and is continuing, the approval of the Borrower (not to be unreasonably withheld or delayed), to appoint a successor Agent, which shall be a U.S. bank with an office in the United States to which all payments made by the Loan Parties hereunder shall be made. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Agent, which shall be a U.S. bank with an office in New York, New York or an Affiliate of such bank in the United States to which all payments made by the Loan Parties shall be made. If no successor Agent has been appointed pursuant to the immediately preceding sentence within 30 days after the date such notice of resignation was given by such Agent, such Agent's resignation shall nevertheless thereupon become effective and the retiring (or retired) Agent shall be discharged from its duties and obligations under the Loan Documents, and the Required Lenders shall assume and perform all of the duties of the Agent hereunder and under any other Loan Document until such time, if any, as the Required Lenders appoint a successor Agent.

(b) Upon the acceptance of its appointment as an Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring (or retired) Agent shall be discharged from its duties and obligations under the Loan Documents. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After an Agent's resignation hereunder, the provisions of this Article 9 and Section 10.05 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Section 9.07. *Non-Reliance on Agent and Other Lenders.* Each Lender and Issuing Bank acknowledges that it has, independently and without reliance upon any Agent, Lender, Issuing Bank or any of their respective Affiliates and based on such documents and information as it has deemed appropriate, conducted its own independent investigation of the financial condition and affairs of the Loan Parties and their Subsidiaries and made its own credit analysis and decision to enter into this Agreement. Each Lender further represents and warrants that it has reviewed the Confidential Information Memorandum and each other document made available to it on the Platform in connection with this Agreement and has acknowledged and accepted the terms and conditions applicable to the recipients thereof (including any such terms and conditions set forth, or otherwise maintained, on the Platform with respect thereto). Each Lender and Issuing Bank also acknowledges that it will, independently and without reliance upon any Agent or any other Lender or any of their respective Affiliates and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Section 9.08. *Name Agent.* Notwithstanding any other provision of this Agreement or any provision of any other Loan Document, the parties hereto acknowledge that the Lead Arrangers are named as such for recognition purposes only, and in their capacities as such shall

have no duties, responsibilities or liabilities with respect to this Agreement or any other Loan Document; it being understood and agreed that the Lead Arrangers shall be entitled to all indemnification and reimbursement rights in favor of the Agents provided herein and in the other Loan Documents. Without limitation of the foregoing, the Lead Arrangers in their capacities as such shall not, by reason of this Agreement or any other Loan Document, have any fiduciary relationship in respect of any Lender, Loan Party or any other Person.

Section 9.09. *Indemnification.* The Lenders severally agree to indemnify each Agent in its capacity as such and each of its Related Persons (to the extent not reimbursed by the Borrower or the Guarantors and without limiting the obligation of the Borrower or the Guarantors to do so), ratably according to their respective outstanding Loans and Commitments in effect on the date on which indemnification is sought under this Section 9.09 (or, if indemnification is sought after the date upon which all Commitments shall have terminated and the Loans and Reimbursement Obligations shall have been paid in full, ratably in accordance with such outstanding Loans and Commitments as in effect immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, fines, penalties, actions, claims, suits, judgments, litigations, investigations, inquiries or proceedings, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans and Reimbursement Obligations) be imposed on, incurred by or asserted against such Agent or Related Person in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein, the Transactions or any of the other transactions contemplated hereby or thereby or any action taken or omitted by such Agent or Related Person under or in connection with any of the foregoing (IN ALL CASES, WHETHER OR NOT CAUSED OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF ANY AGENT OR RELATED PERSON); *provided* that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, claims, suits, judgments, litigations, investigations, inquiries or proceedings, costs, expenses or disbursements that are found by a final and nonappealable judgment of a court of competent jurisdiction to have directly resulted solely and directly from such Agent's or Related Party's, as the case may be, gross negligence or willful misconduct. The agreements in this Section 9.09 shall survive the payment of the Loans and all other amounts payable hereunder.

Section 9.10. *Withholding Taxes.* To the extent required by any applicable Law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any applicable withholding Tax. If the Internal Revenue Service or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold Tax from amounts paid to or for the account of any Lender because the appropriate form was not delivered or was not properly executed or because such Lender failed to notify the Administrative Agent of a change in circumstance which rendered the exemption from, or reduction of, withholding Tax ineffective or for any other reason, or if the Administrative Agent reasonably determines that a payment was made to a Lender pursuant to this Agreement without deduction of applicable withholding tax from such payment, such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as Tax or otherwise, including any penalties or interest and together with all expenses (including legal expenses, allocated internal costs and out-of-pocket expenses) incurred.

Section 9.11. *Lenders' Representations, Warranties and Acknowledgements.*

(a) Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of Holdings, the Borrower and its Subsidiaries in connection with the Credit Extensions hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of Holdings, the Borrower and its respective Subsidiaries. No Agent shall have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter, and no Agent shall have any responsibility with respect to the accuracy of or the completeness of any information provided to the Lenders. Each Lender and Issuing Bank acknowledges that no Agent or Related Person of any Agent has made any representation or warranty to it. Except for documents expressly required by any Loan Document to be transmitted by an Agent to the Lenders or Issuing Banks, no Agent shall have any duty or responsibility (either express or implied) to provide any Lender or Issuing Bank with any credit or other information concerning any Loan Party, including the business, prospects, operations, property, financial and other condition or creditworthiness of any Loan Party or any Affiliate of a Loan Party, that may come in to the possession of an Agent or any of its Related Persons.

(b) Each Lender, by delivering its signature page to this Agreement or an Assignment and Acceptance and funding its Loan, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be approved by any Agent, the Required Lenders or the Lenders, as applicable, on the Closing Date.

Section 9.12. *Collateral Documents and Guaranty.*

(a) *Agents under Collateral Documents and Guaranty.* Each Secured Party hereby further authorizes the Administrative Agent or the Collateral Agent, as applicable, on behalf of and for the benefit of the Secured Parties, to be the agent for and representative of the Secured Parties with respect to the Guaranty, the Collateral and the Loan Documents; *provided* that neither the Administrative Agent nor the Collateral Agent shall owe any fiduciary duty, duty of loyalty, duty of care, duty of disclosure or any other obligation whatsoever to any holder of Obligations with respect to any Secured Hedge Agreement. Subject to Section 10.08, without further written consent or authorization from any Secured Party, the Administrative Agent or the Collateral Agent, as applicable, may execute any documents or instruments necessary to (i) in connection with a sale or disposition of assets permitted by this Agreement, release any Lien encumbering any item of Collateral that is the subject of such sale or other disposition of assets or to which the Required Lenders (or such other Lenders as may be required to give such consent under Section 10.08) have otherwise consented or (ii) release any Guarantor from the Guaranty pursuant to Section 11.10 or with respect to which the Required Lenders (or such other Lenders as may be required to give such consent under Section 10.08) have otherwise consented.

(b) *Right to Realize on Collateral and Enforce Guaranty.* Anything contained in any of the Loan Documents to the contrary notwithstanding, Holdings, the Borrower, the Administrative Agent, the Collateral Agent and each Secured Party hereby agree that (i) no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce

the Guaranty, it being understood and agreed that all powers, rights and remedies hereunder and under any of the Loan Documents may be exercised solely by the Administrative Agent or the Collateral Agent, as applicable, for the benefit of the Secured Parties in accordance with the terms hereof and thereof and all powers, rights and remedies under the Collateral Documents may be exercised solely by the Collateral Agent for the benefit of the Secured Parties in accordance with the terms thereof, and (ii) in the event of a foreclosure or similar enforcement action by the Collateral Agent on any of the Collateral pursuant to a public or private sale or other disposition (including, without limitation, pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code), the Collateral Agent (or any Lender, except with respect to a "credit bid" pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code,) may be the purchaser or licensor of any or all of such Collateral at any such sale or other disposition and the Collateral Agent, as agent for and representative of the Secured Parties (but not any Lender or Lenders in its or their respective individual capacities) shall be entitled, upon instructions from the Required Lenders, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale or disposition, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Collateral Agent at such sale or other disposition.

Section 9.13. Release of Collateral and Guarantees, Termination of Loan Documents.

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent and the Collateral Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Secured Hedge Agreement) shall (in the case of clauses (i) and (iii) immediately below) automatically release any Lien on and shall take such actions as shall be required to (i) release its security interest in any Collateral subject to any Disposition permitted hereunder or under any other Loan Document to any Person other than a Person required to grant a Lien to the Administrative Agent or the Collateral Agent under the Loan Documents (or, if such transferee is a Person required to grant a Lien to the Administrative Agent or the Collateral Agent on such asset, at the option of the applicable Loan Party, such Lien on such asset may still be released in connection with the transfer so long as (x) the transferee grants a new Lien to the Administrative Agent or Collateral Agent on such asset substantially concurrently with the transfer of such asset, (y) the transfer is between parties organized under the laws of different jurisdictions and at least one of such parties is a Foreign Subsidiary and (z) the priority of the new Lien is the same as that of the original Lien), and to release any guarantee obligations under any Loan Document of any person subject to such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents, (ii) subject to Section 10.08, release its security interest in any Collateral if the release of the Lien related to such Collateral is approved, authorized or ratified in writing by the Required Lenders, (iii) release its security interest in any Collateral if such Collateral is owned by a Guarantor, upon release of such Guarantor from its obligations under its Guaranty pursuant to Section 11.10, (iv) release or subordinate any Lien on any property granted to or held by the Administrative Agent or the Collateral Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(u) or 7.01(w) (in the case of Section 7.01(w), to the extent required by the terms of the obligations secured by such Liens) or (v) release any Guarantor from its obligations under the Guaranty as provided in Section 11.10.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations (other than (x) obligations under Secured Hedge Agreements not yet due and payable, (y) obligations in respect of Secured Cash Management Services Obligations and (z) contingent obligations not yet accrued or payable) have been paid in full and all Commitments and Letters of Credit (unless the obligations thereunder have been Cash Collateralized or as to which other arrangements reasonably satisfactory to the applicable Issuing Bank have been made) have terminated or expired, upon request of the Borrower, the Administrative Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Secured Hedge Agreement or provides Secured Cash Management Services Obligations) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations provided for in any Loan Document, whether or not on the date of such release there may be outstanding Obligations in respect of Secured Hedge Agreements or Secured Cash Management Services Obligations. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

(c) The Collateral Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Collateral Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Collateral Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

(d) *Administrative Agent May File Bankruptcy Disclosure and Proofs of Claim.* In case of the pendency of any proceeding under any Debtor Relief Laws relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(i) to file a verified statement pursuant to rule 2019 of the Federal Rules of Bankruptcy Procedure that, in its sole opinion, complies with such rule's disclosure requirements for entities representing more than one creditor;

(ii) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its respective agents and counsel and all other amounts due the Administrative Agent under Sections 2.03 and 10.05) allowed in such judicial proceeding; and

(iii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under this Agreement. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Administrative Agent, its agents and counsel, and any other amounts due the Administrative Agent under this Agreement out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Lenders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE 10
MISCELLANEOUS

Section 10.01. *Notices; Electronic Communications.* Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, as follows:

(a) if to Holdings, Borrower or any other Loan Party, to it at:

Surgery Center Holdings, Inc.
Attention of Teresa Sparks
40 Burton Hills Boulevard, Suite 500
Nashville, TN 37215
Office: 615.234.5916
Fax: 615.694.5140
Email: tsparks@symbion.com

With copy to:

H.I.G. Capital, LLC
Attention of Christopher Laitala
Address: H.I.G. Capital
600 Fifth Avenue
New York, NY 10020

Fax No. (212) 506-0559
Email: claitala@higcapital.com

and

Ropes & Gray LLP
Attention of Stefanie Birkmann
Address: 1211 Avenue of the Americas, New York, NY 10036-8704
Fax No. (646) 728-1851
Email: Stefanie.Birkmann@ropesgray.com

(b) if to the Administrative Agent or the Collateral Agent, to it at:

Jefferies Finance LLC
Attention of Account Officer – Surgery Partners
Address: 520 Madison Avenue, New York, NY 10022
Fax No. (212) 284-3444
Email: jfin.admin@jefferies.com

(c) if to a Lender, to it at its address (or fax number) set forth on Schedule 2.01 or in the Assignment and Acceptance, Incremental Amendment or Refinancing Amendment pursuant to which such Lender shall have become a party hereto; and

(d) if to any Issuing Bank, to it at its address (or fax number) as set forth on Schedule 2.01.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by fax or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01. As agreed to among Holdings, the Borrower, the Administrative Agent, the applicable Lenders or Issuing Banks from time to time, notices and other communications may also be delivered by e-mail to the e-mail address of a representative of the applicable Person provided from time to time by such Person. Unless the Administrative Agent otherwise prescribes, (A) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment); *provided* that, if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (B) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (A) of notification that such notice or communication is available and identifying the website address therefor.

Each Loan Party hereby agrees, unless directed otherwise by the Administrative Agent or unless the e-mail address referred to below has not been provided by the Administrative Agent to such Loan Party, that it will, or will cause its Subsidiaries to, provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to the Loan Documents or to the Lenders under Article 6, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) is or relates to a request for a Credit Extension or a notice pursuant to Section 2.10, (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under this Agreement or any other Loan Document or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any Borrowing or other extension of credit hereunder (all such non-excluded communications being referred to herein collectively as “**Communications**”), by transmitting the Communications in an electronic/soft medium that is properly identified in a format reasonably acceptable to the Administrative Agent to an e-mail address as directed by the Administrative Agent. In addition, each Loan Party agrees, and agrees to cause its Subsidiaries, to continue to provide the Communications to the Administrative Agent or the Lenders, as the case may be, in the manner specified in the Loan Documents but only to the extent requested by the Administrative Agent. Nothing in this Section 10.01 shall prejudice the right of any Agent, Lender, Issuing Bank or Loan Party to give any notice or other communication pursuant to this Agreement or any other Loan Document in any other manner specified in this Agreement or any other Loan Document or as any such Agent shall require.

Each Loan Party hereby acknowledges that (a) the Administrative Agent will make available to the Lenders or the Issuing Banks materials and/or information provided by or on behalf of the Loan Parties hereunder (collectively, the “**Borrower Materials**”) by posting the Borrower Materials on IntraLinks or another similar electronic system (the “**Platform**”) and (b) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to Holdings (or any parent thereof) or the Borrower or any of its respective securities) (each, a “**Public Lender**”). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat the Borrower Materials as not containing any material non-public information with respect to Holdings (or any parent thereof) or the Borrower or any of its respective securities for purposes of United States federal and state securities laws (*provided, however*, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 10.16); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated as “Public Investor;” and (z) the Administrative Agent shall be entitled to treat the Borrower Materials that are not marked “PUBLIC” as being suitable only for posting on a portion of the Platform not marked as “Public Investor.” Notwithstanding the foregoing, the following Borrower Materials shall be marked “PUBLIC”, unless the Borrower notifies the Administrative Agent promptly that any such document contains material non-public information: (1) the Loan Documents, (2) financial statements and related documentation provided pursuant to Section 6.01(a) or 6.01(b) and (3) notification of changes in the terms of the Facilities.

Each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the “Private Side Information” or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender’s compliance procedures and applicable Law, including United States Federal and state securities laws, to make reference to Communications that are not made available through the “Public Side Information” portion of the Platform and that may contain material non-public information with respect to Holdings (or any parent thereof) or the Borrower or any of its securities for purposes of United States Federal or state securities laws.

THE PLATFORM AND ANY APPROVED ELECTRONIC COMMUNICATIONS ARE PROVIDED “AS IS” AND “AS AVAILABLE”. NEITHER THE ADMINISTRATIVE AGENT NOR ANY OF ITS RELATED PARTIES WARRANTS THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE ADEQUACY OF THE PLATFORM AND EACH EXPRESSLY DISCLAIMS LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS AND THE APPROVED ELECTRONIC COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS IS MADE BY THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PARTIES HAVE ANY LIABILITY TO ANY LOAN PARTY, ANY LENDER, ISSUING BANK OR ANY OTHER PERSON FOR DAMAGES OF ANY KIND, WHETHER OR NOT BASED ON STRICT LIABILITY AND INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF OR RELATED TO ANY LOAN PARTY’S OR THE ADMINISTRATIVE AGENT’S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET (INCLUDING THE PLATFORM), EXCEPT TO THE EXTENT THE LIABILITY OF ANY SUCH PERSON IS FOUND IN A FINAL NONAPPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH PERSON’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Loan Documents. Each Lender and Issuing Bank agrees that receipt of notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender or Issuing Bank for purposes of the Loan Documents. Each Lender and Issuing Bank agrees to notify the Administrative Agent in writing (including by electronic communication) from time to time of its e-mail address to which the foregoing notice may be sent by electronic transmission and that the foregoing notice may be sent to such e-mail address. Nothing herein shall prejudice the right of the Administrative Agent or any Lender or Issuing Bank to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

Each Loan Party, each Lender and each Agent agrees that the Administrative Agent may, but shall not be obligated to, store any Approved Electronic Communications on the Platform in accordance with the Administrative Agent's customary document retention procedures and policies.

Section 10.02. *Survival of Agreement.* All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the reports, certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Agents, the Lenders and the Issuing Banks and shall survive the execution and delivery of the Loan Documents and the making of any Loans and the issuance of any Letters of Credit, regardless of any investigation made by the Agents, the Lenders or the Issuing Banks or on their behalf or that any Agent, Lender or Issuing Bank may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time of any Credit Extension, and shall continue in full force and effect as long as any Obligation or any Letter of Credit is outstanding (or Cash Collateralized) and so long as the Commitments have not expired or terminated. The provisions of Article 9 and Sections 3.01, 3.04, 3.05 and 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the Transactions and the other transactions contemplated hereby, the repayment of any of the Loans, the payment of the Reimbursement Obligations, the expiration or termination of the Letters of Credit and the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of any Agent, Lender or Issuing Bank.

Section 10.03. *Binding Effect.* This Agreement shall become effective when it shall have been executed by Holdings, the Borrower, each other Loan Party party hereto on the Closing Date, the Lenders, the Issuing Banks, the Administrative Agent and the Collateral Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto.

Section 10.04. *Successors and Assigns.*

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, Holdings, the Administrative Agent, the Collateral Agent, the Lenders or the Issuing Banks that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) (i) Subject to the conditions set forth in Section 10.04(b)(ii) below, any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans (including for purposes of this Section 10.07(b), participations in LC Exposure) at the time owing to it) with the prior written consent (each such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower; *provided* that no consent of the Borrower shall be required for (i) an assignment of all or a portion of the Term Loans to a Lender or to an Affiliate of a Lender or a Related Fund thereof, (ii) an assignment of all or

a portion of any Revolving Commitments or Revolving Exposure to a Revolving Lender, an Affiliate of a Revolving Lender or any Related Fund thereof, (iii) an assignment of all or a portion of the Term Loans, Revolving Commitments or Revolving Credit Loans prior to the completion of primary syndication of the Commitments and (iv) after the occurrence and during the continuance of an Event of Default under Section 8.01(a), 8.01(f) or 8.01(g), to any Eligible Assignee; *provided, further*, that the Borrower shall be deemed to have consented to any such assignment unless they shall have objected thereto by written notice to the Administrative Agent within 10 Business Days after having received written notice thereof;

(B) the Administrative Agent; and

(C) each Issuing Bank at the time of such assignment; *provided* that no consent of such Issuing Bank shall be required for any assignment not related to Revolving Credit Commitments or Revolving Exposure.

(ii) Assignments shall be subject to the following additional conditions:

(A) the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall be in an integral multiple of, and not less than, \$1,000,000 in the case of Term Loan Commitments or \$5,000,000 in the case of the Revolving Commitments (or, in each case, if less, the entire remaining amount of such Lender's Commitment or Loans of the relevant Class); *provided* that simultaneous assignments by two or more Related Funds shall be combined for purposes of determining whether the minimum assignment requirement is met;

(B) the parties to each assignment shall (i) execute and deliver to the Administrative Agent an Assignment and Acceptance via an electronic settlement system acceptable to the Administrative Agent or (ii) if previously agreed with the Administrative Agent, manually execute and deliver to the Administrative Agent an Assignment and Acceptance, and, in each case, shall pay to the Administrative Agent a processing and recordation fee of \$3,500; *provided* that (x) simultaneous assignments by two or more Related Funds shall require the payment of a single processing and recordation fee of \$3,500 and (y) such processing and recordation fee may be waived or reduced in the sole discretion of the Administrative Agent; and

(C) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire (in which the assignee shall designate one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable Laws, including Federal and state securities laws) and all applicable tax forms.

Upon acceptance and recording pursuant to Section 10.04(e), from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05 and 10.05. Notwithstanding the foregoing or anything else to the contrary in this Agreement, each of the parties hereto acknowledges and agrees that the Administrative Agent (x) shall not have any responsibility or obligation to determine whether any Lender or any potential assignee Lender is a Disqualified Lender and (y) shall not have any liability with respect to any assignment or participation made to a Disqualified Lender.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and the outstanding balances of its Loans without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in clause (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of their obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is an Eligible Assignee legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement and the other Loan Documents, together with copies of the most recent financial statements referred to in Section 5.05 or delivered pursuant to Section 6.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, the Collateral Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Administrative Agent and the Collateral Agent, respectively, by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as a non-fiduciary agent of the Borrower in accordance with Treas. Reg. Section 5f.103-1(c), shall maintain at one of its offices in the United States a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of and the stated interest on the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error and the Borrower, the Administrative Agent, the Collateral Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder and the owner of the amounts owing to it under the Loan Documents as reflected in the Register for all purposes of the Loan Documents, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Collateral Agent and any Lender (with respect to its own interest only), at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 10.04(b), if applicable, and the written consent of the Administrative Agent and, if required, the Borrower, to such assignment and any applicable tax forms, the Administrative Agent shall promptly (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register. No assignment shall be effective unless it has been recorded in the Register as provided in this Section 10.04(e).

(f) Each Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other Persons in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided, however*, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other Persons shall be entitled to the benefit of the cost protection provisions contained in Sections 3.01, 3.04 and 3.05 to the same extent as if they were Lenders (but with respect to any particular participant, to no greater extent than the Lender that sold the participation to such participant and only if such participant has complied with the requirements of such provisions as if it were a Lender) and (iv) the Borrower, the Administrative Agent, the Collateral Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (*provided* that the agreement or instrument pursuant to which such Lender has sold a participation may provide that such Lender shall not agree to the following amendments without the consent of such participating bank or Person hereunder: amendments, modifications or waivers decreasing any fees payable to such participating bank or Person hereunder or the amount of principal of or the rate at which interest is payable on the Loans in which such participating bank or Person has an interest, extending any scheduled principal payment date or date fixed for the payment of fees, amortization, or interest on the Loans in which such participating bank or Person has an interest, increasing or extending the Commitments in which such participating bank or Person has an interest, releasing all or substantially all of the Guarantors (other than in connection with the sale of any such Guarantor

in a transaction permitted by Section 7.05) or releasing all or substantially all of the Collateral) or changes in voting thresholds). To the extent permitted by law, each participating bank or other Person also shall be entitled to the benefits of Section 10.06 as though it were a Lender, provided such participating bank or other Person agrees to be subject to Section 2.15 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower in accordance with Treas. Reg. Section 5f.103-1(c), maintain a register on which it enters the name and address of each participant and the principal amounts (and interest thereon) and terms of each participant's interest in the Loans or other Obligations under this Agreement (the "**Participant Register**"). The entries in the Participant Register shall be conclusive absent manifest error, and the Borrower, the Lenders and each Agent shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement, notwithstanding notice to the contrary.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; *provided* that (except during the initial syndication by the Lead Arrangers when customary confidentiality arrangements shall apply), prior to any such disclosure of information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 10.16.

(h) Any Lender may at any time pledge or assign all or any portion of its rights under this Agreement to secure extensions of credit to such Lender or in support of obligations owed by such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "**Granting Lender**") may grant to a special purpose funding vehicle (an "**SPV**"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPV to make any Loan, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and (iii) the Granting Lender shall for all purposes remain the Lender hereunder; *provided, further*, that nothing herein shall make the SPV a "Lender" for the purposes of this Agreement, obligate the Borrower or any other Loan Party or the Administrative Agent to deal with such SPV directly, obligate the Borrower or any other Loan Party in any manner to any greater extent than they were obligated to the Granting Lender, or increase costs or expenses of the Borrower. The making of a Loan by an SPV hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPV shall be liable for any indemnity or similar payment obligation under

this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPV, it will not institute against, or join any other Person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04, any SPV may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPV to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPV.

(j) The Borrower shall not (except as expressly permitted by Section 7.04) assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent, the Collateral Agent, the Issuing Banks and each Lender, and any attempted assignment or transfer by the Borrower without such consent shall be null and void.

(k) Any Lender may, at any time, assign all or a portion of its rights and obligations under this Agreement in respect of its Term Loans to any Affiliated Lender on a non-pro rata basis through (x) Dutch Auctions open to all Lenders on a pro rata basis in accordance with the Auction Procedures or (y) open market purchases, subject to the following limitations:

(i) each Affiliated Lender shall represent and warrant as of the date of any such purchase and assignment and as of any subsequent date on which such Affiliated Lender sells and assigns any portion of such Term Loans to another assignee, that neither the Sponsor nor any of its Affiliates nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its Subsidiaries or securities that has not been disclosed to the assigning or assignee Lender (other than because such assigning or assignee Lender does not wish to receive material non-public information with respect to Holdings, the Borrower and its Subsidiaries or securities) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material, to a Term Lender's decision to assign Term Loans to, or acquire Term Loans from, such Affiliated Lender or shall have delivered a written statement to the assigning Lender that such representation cannot be made;

(ii) each Affiliated Lender will acknowledge and agree that the Term Loans owned by it shall be non-voting under Sections 1126 and 1129 of the U.S. Bankruptcy Code in the event that any proceeding thereunder shall be instituted by or against the Borrower or any other Loan Party or, alternatively, to the extent that the foregoing non-voting designation is deemed unenforceable for any reason, each Affiliated Lender shall vote its interest as a Lender in such proceedings in the same proportion as the allocation of voting with respect to such matter by those Lenders who are not Affiliated Lenders;

(iii) Affiliated Lenders will not be entitled to receive, and will not receive, information provided solely to Lenders by the Administrative Agent or any Lender and will not be permitted to attend or participate in, and will not attend or participate in, meetings attended solely by the Lenders and the Administrative Agent, other than the right to receive notices of Borrowings, notices of prepayments and other administrative notices in respect of its Loans or Commitments required to be delivered to Lenders pursuant to Article 2; and

(iv) the aggregate principal amount of Term Loans held at any one time by Affiliated Lenders may not exceed 25% of the aggregate principal amount of all Term Loans (including any Incremental Term Loans and Other Term Loans) outstanding at such time under this Agreement.

For the avoidance of doubt, the limitations of the preceding clauses (i), (ii), (iii) and (iv) in the immediately preceding sentence shall not apply to assignments to Specified Debt Funds; *provided* that the aggregate principal amount of Term Loans held at any one time by Specified Debt Funds may not exceed 49% of the aggregate principal amount of all Term Loans (including any Incremental Term Loans and Other Term Loans) outstanding at such time under this Agreement. As a condition to the effectiveness of each assignment of Term Loans to an Affiliated Lender or a Specified Debt Fund, such Affiliated Lender or Specified Debt Fund, as the case may be, shall execute and deliver to the Administrative Agent an assignment agreement reasonably satisfactory to the Administrative Agent and shall provide written notice to the Administrative Agent confirming compliance with the requirements of this Section 10.04(k) and specifying the aggregate amount of Term Loans held by Affiliated Lenders and Specified Debt Funds after giving effect to such assignment.

Following the acquisition of any Term Loan by an Affiliated Lender, the Sponsor or any of its Related Parties may contribute such Term Loan to Holdings or any of its Subsidiaries for purposes of cancelling such Term Loan, which may include contribution (with the consent of the Borrower) to the Borrower (whether through any of its direct or indirect parent entities or otherwise) in exchange for debt or equity securities of such parent entity or the Borrower that are otherwise permitted by the Loan Documents to be issued by the Borrower or such parent entity at such time. Any Term Loan contributed to Holdings or any of its Subsidiaries shall be automatically and permanently cancelled immediately upon receipt by Holdings or such Subsidiary.

(l) Notwithstanding anything in Section 10.08 or the definition of “Required Lenders”, “Required Class Lenders” or “Required Term Lenders” to the contrary, for purposes of determining whether the Required Lenders, Required Class Lenders or Required Term Lenders have (i) consented (or not consented) to any amendment, modification, waiver, consent or other action with respect to any of the terms of any Loan Document or any departure by any Loan Party therefrom, or, subject to Section 10.08(e), any plan of reorganization pursuant to the U.S. Bankruptcy Code, (ii) otherwise acted on any matter related to any Loan Document, or (iii) directed or required the Administrative Agent, Collateral Agent or any Lender to undertake any action (or refrain from taking any action) with respect to or under any Loan Document, each Affiliated Lender shall be deemed to have voted its interest as a Lender without discretion in the same proportion as the allocation of voting with respect to such matter by Lenders who are not

Affiliated Lenders; *provided* that no such amendment, modification, waiver, consent or other action shall deprive such Affiliated Lender of its share of any payments to which such Affiliated Lender is entitled under the Loan Documents without such Affiliated Lender providing its consent and the foregoing shall not apply to any plan of reorganization that would treat an Affiliated Lender in a disproportionately adverse manner as compared to other Lenders, and in furtherance of the foregoing, (x) each Affiliated Lender agrees to execute and deliver to the Administrative Agent any instrument reasonably requested by the Administrative Agent to evidence the voting of its interest as a Lender in accordance with the provisions of this Section 10.04(l); *provided* that, if an Affiliated Lender fails to promptly execute such instrument such failure shall in no way prejudice any of the Administrative Agent's rights under this Section 10.04(l) and (y) the Administrative Agent is hereby appointed (such appointment being coupled with an interest) by each Affiliated Lender as such Affiliated Lender's attorney-in-fact, with full authority in the place and stead of such Affiliated Lender and in the name of such Affiliated Lender, from time to time in the Administrative Agent's discretion to take any action and to execute any instrument that the Administrative Agent may deem reasonably necessary to carry out the provisions of this Section 10.04(l); *provided* that the provisions of this Section 10.04(l) shall not apply to any Specified Debt Fund.

(m) So long as no Event of Default has occurred or is continuing or would result therefrom, any Lender may, at any time, assign all or a portion of its rights and obligations under this Agreement in respect of its Term Loans to Holdings or the Borrower on a non-pro rata basis solely through Dutch Auctions open to all Lenders on a pro rata basis in accordance with the Auction Procedures, subject to the following limitations and other provisions:

(i) Holdings and the Borrower shall represent and warrant as of the date of any such purchase and assignment that neither Holdings nor the Borrower nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its Subsidiaries or securities that has not been disclosed to the assigning Lender (other than because such assigning Lender does not wish to receive material non-public information with respect to Holdings, the Borrower and its Subsidiaries or securities) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material, to a Term Lender's decision to assign Term Loans to Holdings or the Borrower as applicable or shall have delivered a written statement to the assigning Lender that such representation cannot be made;

(ii) Holdings and the Borrower will not be entitled to receive, and will not receive, information provided solely to Lenders by the Administrative Agent or any Lender and will not be permitted to attend or participate in, and will not attend or participate in, meetings or conference calls attended solely by the Lenders and the Administrative Agent;

(iii) no proceeds from any Revolving Loan shall be used to fund such assignment;

(iv) any Term Loans purchased by Holdings or the Borrower shall be automatically and permanently cancelled immediately upon acquisition by Holdings or the Borrower;

(v) notwithstanding anything to the contrary contained herein (including in the definitions of “Consolidated Net Income” and “Consolidated EBITDA”) any non-cash gains in respect of “cancellation of indebtedness” resulting from the cancellation of any Term Loans purchased by Holdings or the Borrower shall be excluded from the determination of Consolidated Net Income and Consolidated EBITDA; and

(vi) the cancellation of Term Loans in connection with a Dutch Auction shall not constitute a voluntary or mandatory prepayment for purposes of Section 2.12 or 2.13, but the face amount of Term Loans cancelled as provided for in clause (iv) above shall be applied on a pro rata basis to the remaining scheduled installments of principal due in respect of the applicable Class of Term Loans.

Section 10.05. *Expenses; Indemnity.*

(a) The Borrower and Holdings agree, jointly and severally, within 30 days of written demand therefor (i) if the Closing Date occurs, to pay or reimburse the Administrative Agent, the Collateral Agent and the Lead Arrangers for all reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, syndication and execution of this Agreement and the other Loan Documents, and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby (including all Attorney Costs which shall be limited to Latham & Watkins LLP (and one local counsel and one specialty counsel in each applicable jurisdiction for each group and, in the event of an actual or potential conflict of interest, one additional counsel of each type for each class of similarly situated parties)) and (ii) from and after the Closing Date, to pay or reimburse the Administrative Agent, the Collateral Agent, the Lead Arrangers, the Lenders and the Issuing Banks for all reasonable and documented out-of-pocket costs and expenses incurred in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any legal proceeding, including any proceeding under any Debtor Relief Law, and including all respective Attorney Costs which shall be limited to Attorney Costs of one counsel to the Administrative Agent, the Collateral Agent, the Lead Arrangers, the Lenders and the Issuing Banks (and one local counsel and one specialty counsel in each applicable jurisdiction for each group and, in the event of any conflict of interest, one additional counsel of each type for each class of similarly situated parties)). The foregoing costs and expenses shall include all reasonable search, filing, recording and title insurance charges and fees related thereto, and other reasonable out-of-pocket expenses incurred by any Agent.

(b) Whether or not the transactions contemplated hereby are consummated, the Loan Parties shall, jointly and severally, indemnify and hold harmless the Administrative Agent, the Collateral Agent, each Lender, the Issuing Banks, the Lead Arrangers, and their respective Affiliates and Controlling Persons, and the directors, officers, employees, partners, agents,

trustees and other representatives of each of the foregoing (collectively the “**Indemnitees**”) from and against any and all losses, damages, claims, liabilities and expenses (including Attorney Costs which shall be limited to Attorney Costs of one counsel to the Administrative Agent, the Lead Arrangers and the Lenders and the Issuing Banks (and, if reasonably necessary, one local counsel and one specialty counsel in each applicable jurisdiction and, in the event of any actual or potential conflict of interest, one additional counsel for each class of similarly situated parties)) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnatee in any way relating to or arising out of or in connection with (i) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the Transactions or the other transactions contemplated thereby, (ii) any Commitment or Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials at, on, under or from any property or facility currently or formerly owned, leased or operated by the Loan Parties or any Subsidiary, or any Environmental Liability related in any way to any Loan Parties or any Subsidiary or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnatee is a party thereto in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of an Indemnatee; *provided* that, notwithstanding the foregoing, such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, damages, claims, liabilities and expenses resulted from (x) the gross negligence, bad faith or willful misconduct of such Indemnatee or of any affiliate, director, officer, employee, counsel, agent or attorney-in-fact of such Indemnatee, as determined by the final non-appealable judgment of a court of competent jurisdiction, (y) a material breach of its obligations under the Loan Documents by such Indemnatee or by any Related Indemnified Person (as defined below) of such Indemnatee as determined by the final non-appealable judgment of a court of competent jurisdiction or (z) any dispute solely among the Indemnitees other than (1) any claim against an Indemnatee in its capacity or in fulfilling its role as Administrative Agent, Collateral Agent, Arranger or similar role and (2) any claim arising out of any act or omission of the Borrower or any of its Affiliates. No Indemnatee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement. In the case of a claim, investigation, litigation or other proceeding to which the indemnity in this Section 10.05 applies, such indemnity shall be effective whether or not such claim, investigation, litigation or proceeding is brought by any Loan Party, any Subsidiary of any Loan Party, any Loan Party’s directors, stockholders or creditors or other Affiliates or an Indemnatee or any other Person, whether or not any Indemnatee is otherwise a party thereto and whether or not any of the transactions contemplated hereunder or under any of the other Loan Documents are consummated. For the avoidance of doubt, this paragraph shall not apply with respect to Taxes that are the subject of, or excluded from, Section 3.01. “**Related Indemnified Person**” of an Indemnatee means (1) any Controlling Person or Controlled Affiliate of such Indemnatee, (2) the respective directors, officers, or employees of such Indemnatee or any of its Controlling Persons or Controlled Affiliates and (3) the respective agents or representatives of such Indemnatee or any of its Controlling Persons or Controlled Affiliates, in the case of this clause (3), acting on behalf of or at the instructions of such Indemnatee, Controlling Person or

such Controlled Affiliate; *provided* that each reference to a Controlled Affiliate in this sentence pertains to a Controlled Affiliate involved in the negotiation or syndication of this Agreement and the applicable Class of Loans or Commitments. For the avoidance of doubt, payments under this Section 10.05(b) shall be made to the Administrative Agent for the benefit of the relevant Indemnitee.

(c) To the extent that any Loan Party fails to pay any amount required to be paid by them to the Administrative, the Collateral Agent, the Issuing Banks or any Related Party of the foregoing under Section 10.05(a) or (b), each Lender severally agrees to pay to the Administrative Agent, the Collateral Agent, the Issuing Banks or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Collateral Agent or any Issuing Bank in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent, the Collateral Agent or any Issuing Bank in connection with such capacity. For purposes hereof, a Lender's "*pro rata share*" shall be determined based upon its share of the sum of the outstanding Loans and unused Commitments at the time.

(d) To the extent permitted by applicable Law, (i) no Loan Party shall assert, and each hereby waives, any claim against any Indemnitee and (ii) no Indemnitee shall assert, and each hereby waives, any claim against any Loan Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions or any Loan or the use of the proceeds thereof (whether before or after the Closing Date); *provided* that this sentence shall not limit the indemnification obligations of any Loan Party (including in respect of any such damages incurred or paid by an Indemnitee to a third party and for any out-of-pocket expenses).

(e) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent or any Lender. All amounts due under this Section 10.05 shall be payable within 10 Business Days after written demand therefor.

Section 10.06. *Right of Setoff.* In addition to any rights and remedies of the Lenders provided by Law, upon the occurrence and during the continuance of any Event of Default, each Lender, Issuing Bank and each of their respective Affiliates (and the Collateral Agent, in respect of any unpaid fees, costs and expenses payable hereunder) is authorized at any time and from time to time, without prior notice to any Loan Party, any such notice being waived by each Loan Party (on its own behalf and on behalf of each of its Subsidiaries), to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held by, and other indebtedness at any time owing by, such Lender, Issuing Bank or any such Affiliate or the Collateral Agent to or for the credit or the account of any Loan Party against any and all Obligations (other than, with

respect to any Guarantor, Excluded Swap Obligations of such Guarantor) owing to such Lender, Issuing Bank or Affiliate or the Collateral Agent hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not the Collateral Agent or such Lender, Issuing Bank or Affiliate shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or Indebtedness. The Collateral Agent and each Lender and Issuing Bank agrees promptly to notify the Borrower and the Administrative Agent after any such set off and application made by such Lender; *provided* that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent, the Collateral Agent, each Lender and Issuing Bank under this Section 10.06 are in addition to other rights and remedies (including other rights of setoff) that the Administrative Agent, the Collateral Agent, such Lender and Issuing Banks may have at Law.

Section 10.07. *Governing Law.* THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

Section 10.08. *Waivers; Amendment.*

(a) No failure or delay of the Administrative Agent, the Collateral Agent or any Lender or Issuing Bank in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Collateral Agent and the Lenders and Issuing Banks hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower or any other Loan Party therefrom shall in any event be effective unless the same shall be permitted by Section 10.08(b) or (c) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower or Holdings in any case shall entitle the Borrower or Holdings to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (x) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower, Holdings and the Required Lenders and (y) in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by each party thereto with the consent of the Required Lenders (*provided* that amendments to the Intercreditor Agreement, the First Lien Intercreditor

Agreement or the Second Lien Intercreditor Agreement shall require the agreement of the Loan Parties (or any of them) only to the extent required pursuant to the terms thereof); *provided, however*, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any fee or any interest on any Loan, or waive or excuse any such payment or any part thereof (other than with respect to any default interest), or decrease the amount of any fee or the rate of interest on any Loan (other than with respect to any default interest), without the prior written consent of each Lender directly adversely affected thereby (it being understood that (x) the waiver of (or amendment to the terms of) any mandatory prepayment of the Loans shall not constitute a postponement of any date scheduled for the payment of principal or interest and (y) any change to the definition of “First Lien Leverage Ratio”, “Senior Secured Leverage Ratio” or “Total Leverage Ratio” or in the component definitions thereof shall not constitute a reduction or forgiveness in any rate of interest), (ii) increase or extend the Commitment of any Lender without the prior written consent of such Lender (it being understood that a waiver of any condition precedent or of any Default, mandatory prepayment or mandatory reduction of the Commitments shall not constitute an extension or increase of any Commitment of any Lender), (iii) amend or modify the pro rata requirements of Section 2.13(b), Section 2.13(c) or Section 2.14, the provisions of Section 10.04(j) or the provisions of this Section 10.08 or release all or substantially all of the Guarantors (other than in connection with the sale of such Guarantors in a transaction permitted by Section 7.04 or 7.05) or all or substantially all of the Collateral, without the prior written consent of each Lender, (iv) change the provisions of any Loan Document in a manner that by its terms adversely affects the rights of Lenders holding Loans of one Class differently from the rights of Lenders holding Loans of any other Class without the prior written consent of the Required Class Lenders with respect to each adversely affected Class, (v) modify the protections afforded to an SPV pursuant to the provisions of Section 10.04(i) without the written consent of such SPV, (vi) reduce the percentage contained in the definition of the term “Required Lenders” without the prior written consent of each Lender (it being understood that, with the consent of the Required Lenders (if such consent is otherwise required), additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as on the Closing Date), (vii) modify the definition of “Required Class Lenders” without the consent of the Required Class Lenders with respect to each Class of Loans or Commitments, the definition of “Required Revolving Lenders” without the consent of the Required Revolving Lenders or the definition of “Required Term Lenders” without the consent of the Required Term Lenders, (viii) waive a Default for purposes of the conditions set forth in Section 4.01 without the consent of the Required Revolving Lenders or (ix) amend or otherwise modify the financial covenant set forth in Section 7.11, the equity cure rights set forth in Section 8.05 or any definition related thereto (as any such definition is used for purposes of such financial covenant or equity cure right) or waive any Default or Event of Default resulting from a failure to perform or observe the financial covenant set forth in Section 7.11 (including any related Default or Event of Default resulting from a failure to comply with Section 7.11 due to the occurrence of an actual Event of Default with respect to the financial covenant set forth in Section 7.11) or alter the rights or remedies of the Required Lenders arising pursuant to Article 8 as a result of a breach of the financial covenant set forth in Section 7.11, in each case without the written consent of the Required Revolving Lenders; *provided, however*, that the amendments, modifications or waivers described in this clause (ix) shall not require the consent of any Lenders other than the Required Revolving Lenders;

provided, further, that (w) no Lender consent is required to effect a Refinancing Amendment or an Incremental Amendment or an Extension (except as expressly provided in Section 2.19, 2.20 or 2.21, as applicable) or to effect any amendment expressly contemplated by Section 7.12, (x) in connection with an amendment that addresses solely a re-pricing transaction in which any tranche of Term Loans is refinanced with a replacement tranche of term loans bearing (or is modified in a manner such that the resulting term loans bear) a lower effective yield (a “**Permitted Repricing Amendment**”), only the consent of each Lender holding Term Loans subject to such permitted repricing transaction that will continue as a Lender in respect of the repriced tranche of Term Loans or modified Term Loans shall be required for such Permitted Repricing Amendment and (y) modifications to Section 2.14, 2.15 or any other provision requiring pro rata payments or sharing of payments in connection with (I) any buy back of Term Loans by Holdings or the Borrower pursuant to Section 10.04(m) or pursuant to any similar program that may in the future be permitted hereunder, (II) any Incremental Amendment or (III) any Extension, shall only require approval (to the extent any such approval is otherwise required) of the Required Lenders; *provided, further*, that (1) no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Collateral Agent or Issuing Banks hereunder or under any other Loan Document without the prior written consent of the Administrative Agent or the Collateral Agent or Issuing Banks, as applicable and (2) this Agreement may be amended with the consent of only the Borrower, the Administrative Agent and an additional or replacement Issuing Bank to (i) appoint an additional or replacement Issuing Bank during the primary syndication of the Revolving Loans and (ii) revise provisions relating to administration and funding of Revolving Loans, the Letters of Credit, LC Exposure and the additional or replacement Issuing Bank (and other related provisions) to give effect to reasonable modifications requested by such additional or replacement Issuing Bank, and matters reasonably related or incidental thereto.

(c) The Administrative Agent and the Borrower may amend any Loan Document to cure ambiguities or defects, correct administrative errors or omissions, or to effect administrative changes that are not adverse to any Lender. Notwithstanding anything to the contrary contained herein, such amendment shall become effective without any further consent of any other party to such Loan Document.

Notwithstanding the foregoing, no Lender consent is required to effect any amendment or supplement to the Intercreditor Agreement, any First Lien Intercreditor Agreement, any Second Lien Intercreditor Agreement or any other intercreditor or subordination agreement required under this Agreement (i) that is for the purpose of adding the holders of Permitted First Priority Refinancing Debt, Permitted Second Priority Refinancing Debt, Permitted Unsecured Refinancing Debt, Incremental Equivalent Debt or Second Lien Indebtedness (or, in each case, a Senior Representative with respect thereto) as parties thereto, as expressly contemplated by the terms of such Intercreditor Agreement, First Lien Intercreditor Agreement, Second Lien Intercreditor Agreement or such other intercreditor or subordination agreement required under this Agreement, as applicable (it being understood that any such amendment or supplement may make such other changes to the applicable intercreditor agreement as, in the good faith determination of the Administrative Agent, are required to effectuate the foregoing and provided that such other changes are not adverse, in any material respect, to the interests of the Lenders) or (ii) that is expressly contemplated by any Intercreditor Agreement, First Lien Intercreditor Agreement, Second Lien Intercreditor Agreement or other intercreditor or subordination

agreement required under this Agreement; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder or under any other Loan Document without the prior written consent of the Administrative Agent.

Notwithstanding anything to the contrary contained in this Section 10.08, guarantees, collateral security documents and related documents executed by Subsidiaries in connection with this Agreement may be in a form reasonably determined by the Administrative Agent and may be, together with this Agreement, amended and waived with the consent of the Administrative Agent at the request of the Borrower without the need to obtain the consent of any other Lender if such amendment or waiver is delivered in order (i) to comply with local Law or (ii) to cause such guarantee, collateral security document or other document to be consistent with this Agreement and the other Loan Documents.

(d) Each Affiliated Lender (other than a Specified Debt Fund), solely in its capacity as a Term Lender, hereby agrees, and each assignment agreement relating to an assignment to such Affiliated Lender shall provide a confirmation that, if any Loan Party shall be subject to any voluntary or involuntary proceeding commenced under any Debtor Relief Laws (“**Bankruptcy Proceedings**”), (i) such Affiliated Lender shall not take any step or action in such Bankruptcy Proceeding to object to, impede, or delay the exercise of any right or the taking of any action by the Administrative Agent or the Collateral Agent (or the taking of any action by a third party that is supported by the Administrative Agent or the Collateral Agent) in relation to such Affiliated Lender’s claim with respect to its Loans (a “**Claim**”) (including objecting to any debtor-in-possession financing, use of cash collateral, grant of adequate protection, sale or disposition, compromise or plan of reorganization) so long as such Affiliated Lender is treated in connection with such exercise or action on the same or better terms as the other Term Lenders and (ii) with respect to any matter requiring the vote of Term Lenders during the pendency of a Bankruptcy Proceeding (including voting on any plan of reorganization), the Loans held by such Affiliated Lender (and any Claim with respect thereto) shall be deemed to be voted in accordance with Section 10.04(l), so long as such Affiliated Lender is treated in connection with the exercise of such right or taking of such action on the same or better terms as the other Lenders. For the avoidance of doubt, the Lenders and each Affiliated Lender (other than any Specified Debt Fund) agree and acknowledge that the provisions set forth in this Section 10.08(d), and the related provisions set forth in each assignment agreement relating to an assignment to such Affiliated Lender, constitute a “subordination agreement” as such term is contemplated by, and utilized in, Section 510(a) of the Bankruptcy Code, and, as such, would be enforceable for all purposes in any case where a Loan Party has filed for protection under any Debtor Relief Law applicable to the Loan Party.

Section 10.09. *Interest Rate Limitation.* Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable Law (collectively the “**Charges**”), shall exceed the maximum lawful rate (the “**Maximum Rate**”) which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable Law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 10.09 shall be cumulated

and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.10. *Entire Agreement.* This Agreement, the Fee Letter and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof. Any other previous agreements and understandings, oral or written, among the parties relating to the subject matter hereof are superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or any other Loan Document, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and thereto, their respective successors and assigns permitted hereby, Participants to the extent expressly provided in Section 10.04(f) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Collateral Agent and the Lenders) any legal or equitable rights, remedies, obligations or liabilities under or by reason of this Agreement or any other Loan Document.

Section 10.11. *WAIVER OF JURY TRIAL.* EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11.

Section 10.12. *Severability.* In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.13. *Counterparts.* This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10.03. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic imaging transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 10.14. *Headings.* Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or to be taken into consideration in interpreting, this Agreement.

Section 10.15. *Jurisdiction; Consent to Service of Process.*

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in such New York State court or, to the extent permitted by applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

(b) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 10.15(a). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in any action or proceeding arising out of or relating to any Loan Document in the manner provided for notices (other than facsimile or email) in Section 10.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable Law.

Section 10.16. *Confidentiality.* Each of the Administrative Agent, the Collateral Agent and the Lenders and the Issuing Banks agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' officers, directors, employees and agents, including accountants, legal counsel and other advisors on a "need to know" basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential pursuant to the terms hereof), (b) to the extent requested by any regulatory authority or quasi-regulatory authority (such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or under the other Loan Documents or any suit, action or proceeding relating to the enforcement of its rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.16, to (i) any actual or prospective assignee of or participant in any of its rights or obligations under this Agreement and the other Loan Documents, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower or any Subsidiary or any

of their respective obligations or (iii) any actual or prospective investor in an SPV, (g) with the consent of the Borrower, (h) on a confidential basis to (x) any rating agency in connection with rating the Borrower or its Subsidiaries or the Facility or (y) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the Facility or (i) to the extent such Information (x) is publicly available at the time of disclosure or becomes publicly available other than as a result of a breach of this Section 10.16 or (y) becomes available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower or any Subsidiary. For the purposes of this Section 10.16, “**Information**” shall mean all information received from the Borrower or Holdings and related to the Borrower or Holdings or their business, other than any such information that was available to the Administrative Agent, the Collateral Agent or any Lender or Issuing Bank on a nonconfidential basis prior to its disclosure by the Borrower or Holdings; *provided* that, in the case of Information received from the Borrower or Holdings after the Closing Date, such information is clearly identified at the time of delivery as confidential or is delivered pursuant to Section 6.01, 6.02 or 6.03 hereof. In addition, each Agent and each Lender and Issuing Bank may disclose the existence of this Agreement and the information about this Agreement to market data collectors, similar services providers to the lending industry, and service providers to the Agents and the Lenders and the Issuing Banks in connection with the administration and management of this Agreement and the other Loan Documents. Any Person required to maintain the confidentiality of Information as provided in this Section 10.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord its own confidential information.

Section 10.17. *Lender Action*. Each Lender and Issuing Bank agrees that it shall not take or institute any actions or proceedings, judicial or otherwise, for any right or remedy against any Loan Party or any other obligor under any of the Loan Documents (including the exercise of any right of setoff, rights on account of any banker’s lien or similar claim or other rights of self-help), or institute any actions or proceedings, or otherwise commence any remedial procedures, with respect to any Collateral or any other property of any such Loan Party, unless expressly provided for herein or in any other Loan Document, without the prior written consent of the Administrative Agent. The provisions of this Section 10.17 are for the sole benefit of the Lenders and shall not afford any right to, or constitute a defense available to, any Loan Party.

Section 10.18. *USA PATRIOT Act Notice*. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Loan Party that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name, address and taxpayer information number of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Loan Party in accordance with the USA PATRIOT Act.

Section 10.19. *Collateral And Guaranty Matters*. The Lenders irrevocably agree that the Administrative Agent and Collateral Agent may release or subordinate any Lien or release any Guarantor as contemplated by Section 9.13.

Upon request by the Administrative Agent or the Collateral Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's or the Collateral Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 10.19. The Administrative Agent or the Collateral Agent will (and each Lender irrevocably authorizes the Administrative Agent and the Collateral Agent to), at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as the Borrower may reasonably request to evidence the release or subordination of such item of Collateral from the assignment and security interest granted under the Collateral Documents, or to evidence the release of such Guarantor from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 10.19.

Section 10.20. *Secured Hedge Agreements and Secured Cash Management Services Obligations.* No Hedge Bank or Cash Management Services Bank that obtains the benefits of Section 8.04, the Guaranty or any Collateral by virtue of the provisions hereof or any Collateral Document shall have any right to notice of any action or to consent to, direct or object to any action hereunder or under any other Loan Document or otherwise in respect of the Collateral (including the release or impairment of any Collateral) other than in its capacity as a Lender and, in such case, only to the extent expressly provided in the Loan Documents. Notwithstanding any other provision of Article 9 to the contrary, no Agent shall be required to verify the payment of, or that other satisfactory arrangements have been made with respect to, Obligations arising under Secured Hedge Agreements or in respect of Secured Cash Management Services Obligations unless such Agent has received written notice of such Obligations, together with such supporting documentation as such Agent may request, from the applicable Hedge Bank or Cash Management Services Bank.

Section 10.21. *Payments Set Aside.* To the extent that any payment by or on behalf of the Borrower or any other Loan Party is made to any Agent or any Lender or any Issuing Bank, or any Agent or any Lender or any Issuing Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall, to the fullest extent possible under provisions of applicable Law, be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by any Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate *per annum* equal to the applicable Federal Funds Effective Rate from time to time in effect.

Section 10.22. *No Advisory or Fiduciary Responsibility.*

(a) In connection with all aspects of each transaction contemplated hereby, each Loan Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that (i) the facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower

and its Affiliates, on the one hand, and the Agents, the Lead Arrangers and the Lenders, on the other hand, and the Borrower and its Affiliates are capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof), (ii) in connection with the process leading to such transaction, each of the Agents, the Lead Arrangers and the Lenders is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person, (iii) none of the Agents, the Lead Arrangers or the Lenders has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower or any of its Affiliates with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether any Agent or Lender has advised or is currently advising the Borrower or any of its Affiliates on other matters) and none of the Agents, the Lead Arrangers or the Lenders has any obligation to the Borrower or any of its Affiliates with respect to the financing transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents, (iv) the Agents, the Lead Arrangers, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from, and may conflict with, those of the Borrower and its Affiliates, and none of the Agents, the Lead Arrangers or the Lenders has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship and (v) the Agents, the Lead Arrangers and the Lenders have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Loan Parties have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate. Each Loan Party hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Agents, the Lead Arrangers and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty under applicable Law relating to agency and fiduciary obligations.

(b) Each Loan Party acknowledges and agrees that each Lender, the Lead Arrangers and any affiliate thereof may lend money to, invest in, and generally engage in any kind of business with, any of the Borrower, Holdings, any Investor, any Affiliate thereof or any other person or entity that may do business with or own securities of any of the foregoing, all as if such Lender, the Lead Arrangers or Affiliate thereof were not a Lender or the Lead Arrangers (or an agent or any other person with any similar role under the Facilities) and without any duty to account therefor to any other Lender, the Lead Arrangers, Holdings, the Borrower, any Investor or any Affiliate of the foregoing. Each Lender, the Lead Arrangers and any affiliate thereof may accept fees and other consideration from Holdings, the Borrower, any Investor or any Affiliate thereof for services in connection with this Agreement, the Facilities, the Commitment Letter or otherwise without having to account for the same to any other Lender, the Lead Arrangers, Holdings, the Borrower, any Investor or any Affiliate of the foregoing.

Section 10.23. *Intercreditor Agreement.*

(a) The Administrative Agent is authorized to enter into the Intercreditor Agreement, and each of the parties hereto acknowledges that it has received a copy of the Intercreditor

Agreement and that the Intercreditor Agreement is binding upon it. Each Lender (a) hereby agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and (b) hereby authorizes and instructs the Administrative Agent to enter into the Intercreditor Agreement and any amendments or supplements expressly contemplated thereby.

(b) The Administrative Agent is authorized to enter into each of the Intercreditor Agreement, the First Lien Intercreditor Agreement and the Second Lien Intercreditor Agreement, and each of the parties hereto acknowledges that each such agreement shall be binding upon it. Each Lender (a) hereby consents to the intercreditor agreements in respect of the Collateral securing the Obligations on the terms set forth in each of the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement, and any other applicable subordination or intercreditor agreement, (b) hereby agrees that it will be bound by and will take no actions contrary to the provisions of each of the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement and each other applicable subordination or intercreditor agreement, and (c) hereby authorizes and instructs the Administrative Agent to enter into each of the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement and each other applicable subordination or intercreditor agreement, and, without the further consent, direction or other action of any Lender, to enter into any amendments or supplements thereto, in each case solely if the form of the agreement as so amended or supplemented would constitute the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement or any other applicable subordination or intercreditor agreement, as applicable, if being entered into as an original agreement.

(c) The provisions of this Section 10.23 are for the sole benefit of the Lenders and the Administrative Agent and shall not afford any right to, or constitute a defense available to, any Loan Party.

ARTICLE 11 GUARANTEE

Section 11.01. *The Guarantee.* Each Guarantor hereby jointly and severally with the other Guarantors guarantees, as a primary obligor and not as a surety to each Secured Party and their respective successors and assigns, the prompt payment in full when due (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of the principal of and interest (including any interest, fees, costs or charges that would accrue but for the provisions of (i) Title 11 of the United States Code after any bankruptcy or insolvency petition under Title 11 of the United States Code and (ii) any other Debtor Relief Laws, whether or not such items are allowed or allowable as a claim in any applicable proceeding) on the Loans made by the Lenders to, and the Notes (if any) issued hereunder and held by each Lender of, the Borrower, and all other Obligations (excluding, with respect to any Guarantor, any Excluded Swap Obligations of such Guarantor) from time to time owing to the Secured Parties by any other Loan Party under any Loan Document or any Secured Hedge Agreement or in respect of any Secured Cash Management Services Obligation, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the “**Guaranteed Obligations**”). The Guarantors hereby jointly and severally agree that if the Borrower or other Guarantor(s)

shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantors will promptly pay the same in cash, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Section 11.02. *Obligations Unconditional.* The obligations of the Guarantors under Section 11.01 shall constitute a guaranty of payment and to the fullest extent permitted by applicable Law, are absolute, irrevocable and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the Guaranteed Obligations of the Borrower or any other Guarantor under this Agreement, any Notes issued under this Agreement, or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or Guarantor (except for payment in full). Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder which shall remain absolute, irrevocable and unconditional under any and all circumstances as described above:

(a) at any time or from time to time, without notice to the Guarantors, to the extent permitted by Law, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of this Agreement or the Notes, if any, or any other agreement or instrument referred to herein or therein shall be done or omitted;

(c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be amended in any respect, or any right under the Loan Documents or any other agreement or instrument referred to herein or therein shall be amended or waived in any respect or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(d) any Lien or security interest granted to, or in favor of, any Secured Party or Agent as security for any of the Guaranteed Obligations shall fail to be perfected; or

(e) the release of any other Guarantor pursuant to Section 11.10.

Section 11.03. *Certain Waivers, Etc.* The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and, to the extent permitted by Law, all notices whatsoever, and any requirement that any Secured Party exhaust any right, power or remedy or proceed against the Borrower under this Agreement or the Notes issued hereunder, if any, or any other agreement or instrument referred to herein or therein, or against any other person under any other guarantee of, or security for, any of the Guaranteed Obligations. The Guarantors waive, to the extent permitted by Law, any and all notice of the creation, renewal, extension, waiver, termination or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by any Secured Party upon this Guarantee or acceptance of this Guarantee, and the Guaranteed

Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee, and all dealings between the Borrower and the Secured Parties shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. This Guarantee shall be construed as a continuing, absolute, irrevocable and unconditional guarantee of payment without regard to any right of offset with respect to the Guaranteed Obligations at any time or from time to time held by Secured Parties, and the obligations and liabilities of the Guarantors hereunder shall not be conditioned or contingent upon the pursuit by the Secured Parties or any other person at any time of any right or remedy against the Borrower or against any other person which may be or become liable in respect of all or any part of the Guaranteed Obligations or against any collateral security or guarantee therefor or right of offset with respect thereto. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantors and the successors and permitted assigns thereof, and shall inure to the benefit of the Secured Parties, and their respective successors and permitted assigns, notwithstanding that from time to time during the term of this Agreement there may be no Guaranteed Obligations outstanding. Each Guarantor waives any rights and defenses that are or may become available to it by reason of §§ 2787 to 2855, inclusive, and §§ 2899 and 3433 of the California Civil Code. As provided in Section 10.07, the provisions of this Article 11 shall be governed by, and construed in accordance with, the laws of the State of New York. The foregoing waivers and the provisions hereinafter set forth in this Article 11 which pertain to California law are included solely out of an abundance of caution, and shall not be construed to mean that any of the above-referenced provisions of California law are in any way applicable to this Article 11, to any other provision of this Agreement or to the Obligations.

Section 11.04. *Reinstatement.* The obligations of the Guarantors under this Article 11 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower or other Loan Party in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

Section 11.05. *Subrogation; Subordination.* Each Guarantor hereby agrees that until the payment and satisfaction in full in cash of all Guaranteed Obligations and the expiration and termination of the Commitments of the Lenders and the expiry or termination of all Letters of Credit (unless the obligations thereunder have been Cash Collateralized or as to which other arrangements reasonably satisfactory to the applicable Issuing Bank have been made) under this Agreement it shall waive any claim and shall not exercise any right or remedy, direct or indirect, arising by reason of any performance by it of its guarantee in Section 11.01, whether by subrogation or otherwise, against the Borrower or any other Guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations. Any Indebtedness of any Loan Party to any Person that is not a Loan Party permitted pursuant to Section 7.03(b) or 7.03(d) shall be subordinated to such Loan Party's Obligations in the manner set forth in the Intercompany Note evidencing such Indebtedness.

Section 11.06. *Remedies.* The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of the Borrower under this Agreement and the Notes issued hereunder, if any, may be declared to be forthwith due and payable as provided in Section 8.02 (and shall be deemed to have become automatically due and payable in the

circumstances provided in Section 8.02) for purposes of Section 11.01, notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 11.01.

Section 11.07. *Instrument for the Payment of Money.* Each Guarantor hereby acknowledges that the guarantee in this Article 11 constitutes an instrument for the payment of money, and consents and agrees that any Secured Party or Agent, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring a motion-action under New York CPLR Section 3213.

Section 11.08. *Continuing Guarantee.* The guarantee in this Article 11 is a continuing guarantee of payment, and shall apply to all Guaranteed Obligations whenever arising.

Section 11.09. *General Limitation on Guarantee Obligations.* In any action or proceeding involving any state corporate, limited partnership or limited liability company law, or any applicable state, federal or foreign bankruptcy, insolvency, reorganization or other Law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 11.01 would otherwise be held or determined to be void, voidable, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 11.01, then, notwithstanding any other provision to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Loan Party or any other person, be automatically limited and reduced to the highest amount (after giving effect to the right of contribution established in Section 11.11) that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

Section 11.10. *Release of Guarantors.* If, in compliance with the terms and provisions of the Loan Documents, (i) all or substantially all of the Equity Interests or property of any Subsidiary Guarantor are sold or otherwise transferred to a Person or Persons none of which is a Loan Party or (ii) any Subsidiary Guarantor becomes an Excluded Subsidiary (any such Subsidiary Guarantor, and any Subsidiary Guarantor referred to in clause (i), a “**Transferred Guarantor**”), such Transferred Guarantor shall, upon the consummation of such sale or transfer or other transaction, be automatically released from its obligations under this Agreement (including under Section 10.05 hereof) and its obligations to pledge and grant any Collateral owned by it pursuant to any Collateral Document and, in the case of a sale of all or substantially all of the Equity Interests of the Transferred Guarantor, the pledge of such Equity Interests to the Collateral Agent pursuant to the Collateral Documents shall be automatically released, and, so long as the Borrower shall have provided the Agents such certifications or documents as any Agent shall reasonably request, the Collateral Agent shall take such actions as are necessary to effect each release described in this Section 11.10 in accordance with the relevant provisions of the Collateral Documents; *provided* that no Guarantor shall be released as provided in this paragraph if such Guarantor continues to be a guarantor in respect of any Second Lien Indebtedness, any Incremental Equivalent Debt, any Permitted First Priority Refinancing Debt, any Permitted Second Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt, any Junior Financing, or any Permitted Refinancing of any of the foregoing.

When all Commitments hereunder have terminated, and all Loans or other Obligations hereunder which are accrued and payable have been paid or satisfied, and no Letter of Credit remains outstanding (unless the obligations thereunder have been Cash Collateralized or as to which other arrangements reasonably satisfactory to the applicable Issuing Bank have been made), this Agreement and the Guarantees made herein shall terminate with respect to all Obligations, except with respect to Obligations that expressly survive such repayment pursuant to the terms of this Agreement.

Section 11.11. *Right of Contribution.* Each Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 11.05. The provisions of this Section 11.11 shall in no respect limit the obligations and liabilities of any Subsidiary Guarantor to the Administrative Agent and the Secured Parties, and each Subsidiary Guarantor shall remain liable to the Administrative Agent and the Secured Parties for the full amount guaranteed by such Subsidiary Guarantor hereunder.

Section 11.12. *Additional Guarantor Waivers and Agreements.*

(a) Each Guarantor understands and acknowledges that if the Collateral Agent or any other Secured Party forecloses judicially or nonjudicially against any real property security for the Obligations, that foreclosure could impair or destroy any ability that such Guarantor may have to seek reimbursement, contribution, or indemnification from the Borrower or others based on any right such Guarantor may have of subrogation, reimbursement, contribution, or indemnification for any amounts paid by such Guarantor under the Guaranty. Each Guarantor further understands and acknowledges that in the absence of this Section 11.12, such potential impairment or destruction of such Guarantor's rights, if any, may entitle such Guarantor to assert a defense to this Guaranty based on Section 580d of the California Code of Civil Procedure as interpreted in *Union Bank v. Gradsky*, 265 Cal. App. 2d 40 (1968). By executing this Guaranty, each Guarantor freely, irrevocably, and unconditionally: (i) waives and relinquishes that defense and agrees that such Guarantor will be fully liable under this Guaranty even though the Collateral Agent or any other Secured Party may foreclose, either by judicial foreclosure or by exercise of power of sale, any deed of trust securing the Obligations; (ii) agrees that such Guarantor will not assert that defense in any action or proceeding which the Administrative Agent, the Collateral Agent or any other Secured Party may commence to enforce this Guaranty; (iii) acknowledges and agrees that the rights and defenses waived by such Guarantor in this Guaranty include any right or defense that such Guarantor may have or be entitled to assert based upon or arising out of any one or more of §§ 580a, 580b, 580d, or 726 of the California Code of Civil Procedure or § 2848 of the California Civil Code; and (iv) acknowledges and agrees that the Secured Parties are relying on this waiver in creating the Obligations, and that this waiver is a material part of the consideration which the Secured Parties are receiving for creating the Obligations.

(b) Each Guarantor waives all rights and defenses that such Guarantor may have because any of the Obligations is secured by real property. This means, among other things: (i) the Administrative Agent, the Collateral Agent and the other Secured Parties may collect from

such Guarantor without first foreclosing on any real or personal property collateral pledged by the other Loan Parties; and (ii) if the Collateral Agent or any other Secured Party forecloses on any real property collateral pledged by the other Loan Parties: (A) the amount of the Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) the Administrative Agent, the Collateral Agent and the other Secured Parties may collect from such Guarantor even if the Secured Parties, by foreclosing on the real property collateral, have destroyed any right such Guarantor may have to collect from the Borrower. This is an unconditional and irrevocable waiver of any rights and defenses such Guarantor may have because any of the Obligations is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon § 580a, 580b, 580d, or 726 of the California Code of Civil Procedure.

(c) Each Guarantor waives any right or defense it may have at law or equity, including California Code of Civil Procedure § 580a, to a fair market value hearing or action to determine a deficiency judgment after a foreclosure.

[SIGNATURES PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

BORROWER:

SURGERY CENTER HOLDINGS, INC.

By: 
Name: Christopher Laitala
Title: President

HOLDINGS:

SP HOLDCO I, INC.

By: 
Name: Christopher Laitala
Title: President

[Signature Page to Credit Agreement]

SUBSIDIARY GUARANTORS:

**ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.
APS OF BRADENTON, LLC
APS OF MERRITT ISLAND, LLC
BUSINESS IT SOLUTIONS OF TAMPA, INC.
LOGAN LABORATORIES, LLC
MIDWEST UNCUTS, INC.
NOVAMED, INC.
NOVAMED ALLIANCE, INC.
MEDICAL BILLING SOLUTIONS, LLC
NOVAMED MANAGEMENT SERVICES, LLC
NOVAMED ACQUISITION COMPANY, INC.
NOVAMED MANAGEMENT OF KANSAS CITY, INC.
NOVAMED OF BETHLEHEM, INC.
NOVAMED OF DALLAS, INC.
NOVAMED OF LEBANON, INC.
NOVAMED OF SAN ANTONIO, INC.
NOVAMED OF TEXAS, INC.
NOVAMED OF WISCONSIN, INC.
PATIENT EDUCATION CONCEPTS INC.
SAINT THOMAS COMPOUNDING LLC
REHABILITATION MEDICAL GROUP, INC.
SARASOTA ANESTHESIA SERVICES, LLC
SURGERY PARTNERS, LLC
SURGERY PARTNERS ACQUISITION COMPANY, INC.
SURGERY PARTNERS OF CORAL GABLES, LLC
SURGERY PARTNERS OF LAKE MARY, LLC
SURGERY PARTNERS OF LAKE WORTH, LLC
SURGERY PARTNERS OF MERRITT ISLAND, LLC
SURGERY PARTNERS OF MILLENIA, LLC
SURGERY PARTNERS OF NEW TAMPA, LLC
SURGERY PARTNERS OF PARK PLACE, LLC
SURGERY PARTNERS OF SARASOTA, LLC
SURGERY PARTNERS OF WESTCHASE, LLC**



By: _____

Name: Teresa F. Sparks

Title: Chief Financial Officer

[Signature Page to Credit Agreement]

**SURGERY PARTNERS OF WEST KENDALL, L.L.C.
TAMPA PAIN RELIEF CENTER, INC.
SURGERY PARTNERS OF SUNCOAST, LLC**



By: _____
Name: Teresa F. Sparks
Title: Chief Financial Officer

**SYMBION, INC.
SYMBION HOLDINGS CORPORATION
AMBULATORY RESOURCE CENTRES
INVESTMENT COMPANY, LLC
AMBULATORY RESOURCE CENTRES OF
WASHINGTON, INC.
AMBULATORY RESOURCE CENTRES OF
WILMINGTON, INC.
ARC DEVELOPMENT CORPORATION
ARC FINANCIAL SERVICES CORPORATION
ASC OF NEW ALBANY, LLC
AUSTIN SURGICAL HOLDINGS, LLC
LUBBOCK SURGICENTER, INC.
NEOSPINE SURGERY OF PUYALLUP, LLC
NEOSPINE SURGERY, LLC
PHYSICIANS SURGICAL CARE, INC.
PSC DEVELOPMENT COMPANY, LLC
PSC OPERATING COMPANY, LLC
SARC/ASHEVILLE, INC.
SARC/CIRCLEVILLE, INC.
SARC/FT. MYERS, INC.
SARC/GEORGIA, INC.
SARC/JACKSONVILLE, INC.
SARC/KENT, LLC
SARC/LARGO ENDOSCOPY, INC.
SARC/LARGO, INC.
SARC/PROVIDENCE, LLC**



By: _____
Name: Teresa F. Sparks
Title: Chief Financial Officer

[Signature Page to Credit Agreement]

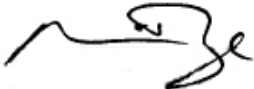
SARC/ST. CHARLES, INC.
SARC/VINCENNES, INC.
SMBI GREAT FALLS, LLC
SMBI HAVERTOWN, LLC
SMBI IDAHO, LLC
SMBI JACKSON, LLC
SMBI LHH, LLC
SMBI PORTSMOUTH, LLC
SMBI STLWSC, LLC
SMBIMS BIRMINGHAM, INC.
SMBIMS DURANGO, LLC
SMBIMS FLORIDA I, LLC
SMBIMS GREENVILLE, LLC
SMBIMS KIRKWOOD, LLC
SMBIMS ORANGE CITY, LLC
SMBIMS STEUBENVILLE, INC.
SMBIMS WICHITA, LLC
SMBISS BEVERLY HILLS, LLC
SMBISS CHESTERFIELD, LLC
SMBISS ENCINO, LLC
SMBISS IRVINE, LLC
SMBISS THOUSAND OAKS, LLC
SYMBION AMBULATORY RESOURCE
CENTRES, INC.
SYMBION ANESTHESIA SERVICES, LLC
SYMBIONARC MANAGEMENT SERVICES, INC.
TEXARKANA SURGERY CENTER GP, INC.
UNIPHY HEALTHCARE OF JOHNSON CITY VI, LLC
UNIPHY HEALTHCARE OF MAINE I, INC.
VASC, INC.
VILLAGE SURGICENTER, INC.



By: _____
Name: Teresa F. Sparks
Title: Chief Financial Officer

[Signature Page to Credit Agreement]

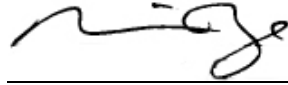
JEFFERIES FINANCE LLC,
as a Lender and as the Administrative Agent and Collateral
Agent



By: _____
Name: BRIAN BUOYE
Title: MANAGING DIRECTOR

[Signature Page to Credit Agreement]

JEFFERIES FINANCE LLC,
as Issuing Bank




By: _____

Name: BRIAN BUOYE

Title: MANAGING DIRECTOR

[Signature Page to Credit Agreement]

JEFFERIES GROUP LLC,
as a Lender

By: 
Name: Mark Sahler
Title: Managing Director

[Signature Page to Credit Agreement]

KKR CORPORATE LENDING LLC,
as a Lender



By:

Name: **Jeffrey Rowbottom**

Title: **Authorized Signatory**

[Signature Page to Credit Agreement]

MCS CORPORATE LENDING LLC,
as a Lender



By:

Name: **Jeffrey Rowbottom**

Title: **Authorized Signatory**

[Signature Page to Credit Agreement]

SCHEDULES

| | |
|---------|--|
| 1.01(a) | Subsidiary Guarantors |
| 1.01(b) | Specified Subsidiaries |
| 2.01 | Lenders and Commitments |
| 2.17 | Existing Letters of Credit |
| 4.02(d) | Local Counsel Opinions |
| 5.05 | Certain Liabilities |
| 5.11 | Plans or Multiemployer Plans |
| 5.12 | Subsidiaries and Other Equity Interests |
| 5.15 | Labor Matters |
| 6.13(a) | Certain Post-Closing Documents |
| 6.13(b) | Intellectual Property Post-Closing Matters |
| 7.01(b) | Existing Liens |
| 7.02(f) | Existing Investments |
| 7.03(b) | Existing Indebtedness |
| 7.05(k) | Dispositions |
| 7.08 | Transactions with Affiliates |
| 7.09 | Certain Contractual Obligations |

Subsidiary Guarantors

Surgery Partners:

Anesthesiology Professional Services, Inc.
APS of Bradenton, LLC
APS of Merritt Island, LLC
Business IT Solutions of Tampa, Inc.
Logan Laboratories, LLC
Midwest Uncuts, Inc.
NovaMed, Inc.
NovaMed Alliance, Inc.
Medical Billing Solutions, LLC
NovaMed Acquisition Company, Inc.
NovaMed Management Services, LLC
NovaMed Management of Kansas City, Inc.
Novamed of Bethlehem, Inc.
NovaMed of Dallas, Inc.
Novamed of Lebanon, Inc.
NovaMed of San Antonio, Inc.
NovaMed of Texas, Inc.
NovaMed of Wisconsin, Inc.
Patient Education Concepts Inc.
Saint Thomas Compounding LLC
Rehabilitation Medical Group, Inc.
Sarasota Anesthesia Services, LLC
Surgery Partners, LLC
Surgery Partners Acquisition Company, Inc.
Surgery Partners of Coral Gables, LLC
Surgery Partners of Lake Mary, LLC
Surgery Partners of Lake Worth, LLC
Surgery Partners of Merritt Island, LLC
Surgery Partners of Millenia, LLC
Surgery Partners of New Tampa, LLC
Surgery Partners of Park Place, LLC
Surgery Partners of Sarasota, LLC
Surgery Partners of Westchase, LLC
Surgery Partners of West Kendall, L.L.C.
Tampa Pain Relief Center, Inc.
Surgery Partners of Suncoast, LLC

Symbion:

Symbion, Inc.
Symbion Holdings Corporation
Ambulatory Resource Centres Investment Company, LLC

Ambulatory Resource Centres of Washington, Inc.
Ambulatory Resource Centres of Wilmington, Inc.
ARC Development Corporation
ARC Financial Services Corporation
ASC of New Albany, LLC
Austin Surgical Holdings, LLC
Lubbock SurgiCenter, Inc.
NeoSpine Surgery of Puyallup, LLC
NeoSpine Surgery, LLC
Physicians Surgical Care, Inc.
PSC Development Company, LLC
PSC Operating Company, LLC
SARC/Asheville, Inc.
SARC/Circleville, Inc.
SARC/Ft. Myers, Inc.
SARC/Georgia, Inc.
SARC/Jacksonville, Inc.
SARC/Kent, LLC
SARC/Largo Endoscopy, Inc.
SARC/Largo, Inc.
SARC/Providence, LLC
SARC/St. Charles, Inc.
SARC/Vincennes, Inc.
SMBI Great Falls, LLC
SMBI Havertown, LLC
SMBI Idaho, LLC
SMBI Jackson, LLC
SMBI LHH, LLC
SMBI Portsmouth, LLC
SMBI STLWSC, LLC
SMBIMS Birmingham, Inc.
SMBIMS Durango, LLC
SMBIMS Florida I, LLC
SMBIMS Greenville, LLC
SMBIMS Kirkwood, LLC
SMBIMS Orange City, LLC
SMBIMS Steubenville, Inc.
SMBIMS Wichita, LLC
SMBISS Beverly Hills, LLC
SMBISS Chesterfield, LLC
SMBISS Encino, LLC
SMBISS Irvine, LLC
SMBISS Thousand Oaks, LLC
Symbion Ambulatory Resource Centres, Inc.
Symbion Anesthesia Services, LLC
SymbionARC Management Services, Inc.

Texarkana Surgery Center GP, Inc.
UniPhy Healthcare of Johnson City VI, LLC
UniPhy Healthcare of Maine I, Inc.
VASC, Inc.
Village SurgiCenter, Inc.

Specified Subsidiaries

Surgery Partners:

NovaMed Surgery Center of North County, LLC

NovaMed Pain Management Center of New Albany, LLC¹

Symbion:

None.

¹ NovaMed Management Services, LLC temporarily purchased a 49% interest owned by physician partners in NovaMed Pain Management Center of New Albany, LLC. This results in NovaMed Management Services, LLC owning 100% of this entity for as short of a period as possible, after which, NovaMed Management Services, LLC will syndicate interests to other MDs.

Schedule 2.01
(First Lien)

Term Loan Commitment

| <u>Lender</u> | <u>Commitment</u> |
|---------------------------|-------------------------|
| Jefferies Finance LLC | \$652,500,000.00 |
| KKR Corporate Lending LLC | \$156,252,000.00 |
| MCS Corporate Lending LLC | <u>\$ 61,248,000.00</u> |
| <u>Total:</u> | <u>\$870,000,000.00</u> |

Revolving Loan Commitment

| <u>Lender</u> | <u>Commitment</u> |
|---------------------------|------------------------|
| Jefferies Finance LLC | \$30,000,000.00 |
| Jefferies Group LLC | \$30,000,000.00 |
| KKR Corporate Lending LLC | \$14,368,000.00 |
| MCS Corporate Lending LLC | <u>\$ 5,632,000.00</u> |
| <u>Total:</u> | <u>\$80,000,000.00</u> |

Address for Jefferies Finance LLC and Jefferies Group LLC:

Jefferies Finance LLC
Attention of Account Officer – Surgery Partners
Address: 520 Madison Avenue, New York, NY 10022
Fax No. (212) 284-3444
Email: jfin.admin@jefferies.com

Address for KKR Corporate Lending LLC and MCS Corporate Lending LLC:

John Knox
9 West 5th Street
New York, NY 10019
Telephone: (212) 659-2022
Fax: (212) 271-9943
Email: John.knox@kkf.com; kcmoperations@kkf.com

Schedule 2.17

Existing Letters of Credit

Surgery Partners:

| <u>Beneficiary</u> | <u>Amount</u> | <u>Expiration Date</u> | <u>Issuer</u> |
|-------------------------|---------------|------------------------|------------------|
| Luxottica Group | \$730,000.00 | April 30, 2015 | Fifth Third Bank |
| Marchon Eyewear, Inc. | \$200,000.00 | April 30, 2015 | Fifth Third Bank |
| Parkway Realty Services | \$100,000.00 | May 31, 2015 | Fifth Third Bank |

Symbion:

Irrevocable Standby Letter of Credit No. 2013062801 in the amount of \$1,000,000 issued by Morgan Stanley Bank, N.A. in favor of LHH Realco, LLC for the account of Symbion, Inc.

Irrevocable Standby Letter of Credit No. 2012071300 in the amount of \$835,000 issued by Morgan Stanley Bank, N.A. in favor of The Travelers Indemnity Company for the account of Symbion, Inc.

Schedule 4.02(d)

Local Counsel Opinions

| <u>State</u> | <u>Counsel Information</u> |
|--------------|---|
| Florida | Gregg H. Fierman, Esq. McDermott Will & Emery LLP 333 Avenue of the Americas, 45th FL Miami, Florida 33131 305-347-6554 gfierman@mwe.com |
| Illinois | Kenneth D. Crews GoodSmith Gregg & Unruh LLP 150 S. Wacker Drive, Suite 3150, Chicago, IL 60606 312-322-1961 kcrews@ggulaw.com |
| Indiana | Thomas M. Hanahan Wooden & McLaughlin LLP One Indiana Square Suite 1800 Indianapolis, Indiana 46204 317-639-6151 thanahan@woodmclaw.com |
| Iowa | Thomas D. Johnson Brown, Winick, Graves, Gross, Baskerville, & Schoenebaum P.L.C. 666 Grand Avenue Suite 2000 Ruan Center Des Moines, IA 50309 515-242-2414 johnson@brownwinick.com |
| Missouri | Kevin Zeller HUSCH BLACKWELL LLP 190 Carondelet Plaza, Suite 600 St. Louis, MO 63105 816-983-8278 Kevin.Zeller@huschblackwell.com |
| Tennessee | Dustin Timblin Waller Lansden Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, TN 37219 615-850-8068 dustin.timblin@wallerlaw.com |

William A. Lang (Bill)
McGuire, Craddock & Strother, P.C.
2501 N. Harwood Street, Ste. 1800
Dallas, TX 75201
214-954-6852
blang@mcsllaw.com

Schedule 5.05

Certain Liabilities

Surgery Partners:

None.

Symbion:

None.

Schedule 5.11
Plans or Multiemployer Plans

Surgery Partners:

Employee Benefit Plans

Surgery Partners 401(k) plan dated March 1, 2012

Multiemployer Plans

None

Symbion:

Employee Benefit Plans

1. Symbion, Inc. Supplemental Executive Retirement Plan, dated May 1, 2005
2. Symbion Holdings Corporation 2007 Equity Incentive Plan, as amended by the First Amendment dated January 23, 2012, and the award agreements entered into with respect to those stock options set forth on Section 3.06(b) of the Company Disclosure Schedule.
3. Symbion 401(k) Retirement Savings Plan, as amended
4. SymbionARC Management Services, Inc. Cafeteria Plan, dated January 1, 2014
5. Symbion SymbionARC Management Services, Inc. Welfare Benefit Plan (includes health, vision, dental, short-term disability, long-term disability, healthcare flexible spending, dependent care flexible spending), dated August 1, 2011
6. Employment Agreement, effective as of August 23, 2007, between Symbion, Inc. and Richard E. Francis, Jr.
7. Employment Agreement, effective as of August 23, 2007, between Symbion, Inc. and Clifford G. Adlerz.
8. Employment Agreement, dated January 1, 2011, between SymbionARC Management Services, Inc. and Brett Gosney
9. Employment Agreement, dated April 27, 2009, between Mountain View Hospital, LLC and James G. Adamson, as amended on February 15, 2010 and April 9, 2010
10. Symbion Inc. Corporate Key Management Incentive Plan

11. Symbion, Inc. Executive Change in Control Severance Plan and Summary Plan Description by and between Symbion, Inc. and the Eligible Employees set forth on Exhibit A attached thereto, as amended and restated November 1, 2013

12. Symbion Corporate Employee Handbook, dated January 1, 2014

13. Corporate Vacation Policy, dated February 1, 2014

14. In-Market Recruitment Incentive Plan

15. Group AVP/Director of Product Line Development Incentive Plan

Schedule 5.12

Subsidiaries and Other Equity Interests

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SP Holdco I, Inc. | Surgery Center Holdings, Inc. | Corp. | 100 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Anesthesia Management Services, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Anesthesiology Professional Services, Inc. | Corp. | 5,000 | 100% | 100% | 5 |
| Surgery Center Holdings, Inc. | APS of Bradenton, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | APS of Merritt Island, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | APS of Suncoast, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Armenia Ambulatory Surgery Center, LLC | LLC | Uncertificated | 97% | 97% | 1 |
| NovaMed Management of Kansas City, Inc. | Blue Ridge NovaMed, Inc. | Corp. | 293.645 | 53.4% | 100% | 18 |
| | | | 256.355 | 46.6% | | 17 |
| Surgery Center Holdings, Inc. | Business IT Solutions of Tampa, Inc. | Corp. | 1,000,000 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Logan Laboratories, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | MDN Acquisition Company, Inc. | Corp. | 100 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Medical Billing Solutions, LLC | LLC | 100 | 100% | 100% | 1 |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed, Inc. | Midwest Uncuts, Inc. | Corp. | 28,550 | 100% | 100% | 6 |
| Surgery Center Holdings, Inc. | NovaMed, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed Acquisition Company, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed Management Services, LLC | NovaMed Alliance, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed Management of Kansas City, Inc. | NovaMed Eye Surgery and Laser Center of St. Joseph, Inc. | Corp. | 30,000 | 100% | 100% | 3 |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of North County, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | NovaMed Management of Kansas City, Inc. | Corp. | 26,257 | 100% | 100% | 33 |
| NovaMed, Inc. | NovaMed Management Services, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | NovaMed of Bethlehem, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Dallas, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Laredo, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Lebanon, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Louisville, Inc. | Corp. | 100 | 100% | 100% | 9 |
| NovaMed, Inc. | NovaMed of San Antonio, Inc. | Corp. | 1,000 | 100% | 100% | 2 |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed, Inc. | NovaMed of Texas, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Wisconsin, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | NPR Anesthesia Services, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | Patient Education Concepts Inc. | Co. | 1,000 | 100% | 100% | 2 |
| Anesthesiology Professional Services, Inc. | Sarasota Anesthesia Services, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Surgery Partners, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners Acquisition Company, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Surgery Partners of Coral Gables, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Lake Mary, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Lake Worth, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Merritt Island, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Millenia, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of New Tampa, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Orlando, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Surgery Partners of Park Place, LLC | LLC | 100 | 100% | 100% | 1 |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Surgery Center Holdings, Inc. | Surgery Partners of Sarasota, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Suncoast, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Surgery Partners of Westchase, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of West Kendall, L.L.C. | L.L.C. | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Tampa Pain Relief Center, Inc. | Corp. | 500 | 100% | 100% | 5 |
| NovaMed Management of Kansas City, Inc. | Blue Ridge Surgical Center, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Management Services, LLC | NMGK, Inc. | Corp. | 11,159 | 100% | 100% | 6 |
| NovaMed Management Services, LLC | NMI, Inc. | Corp. | 500 | 100% | 100% | 3 |
| NovaMed Management of Kansas City, Inc. | NMLO, Inc. | Corp. | 100 | 100% | 100% | 4 |
| NovaMed Management Services, LLC | NovaMed Surgery Center of River Forest, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | Laser and Outpatient Surgery, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of Cincinnati, LLC | LLC | Uncertificated | 100% | 100% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Management of Kansas City, Inc. | NovaMed Eye Surgery Center (Plaza), L.L.C. | L.L.C. | Uncertificated | 100% | 100% | N/A |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of Maryville, LLC | LLC | Uncertificated | 41% | 41% | N/A |
| NovaMed, Inc. | NovaMed Eyecare Research, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| NovaMed Management of Kansas City, Inc. | NovaMed Eye Surgery Center of Overland Park, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Management Services, LLC | NovaMed Pain Management Center of New Albany, LLC | LLC | Uncertificated | 100% | 51% | N/A |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of New Albany, L.L.C. | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Baton Rouge, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Laredo, LP | LP | Uncertificated | 99% | 99% | N/A |
| NovaMed Management Services, LLC | NovaMed Surgery Center of Chattanooga, LLC | LLC | Uncertificated | 61% | 61% | N/A |
| NovaMed Management Services, LLC | NovaMed Surgery Center of Chicago-Northshore, LLC | LLC | Uncertificated | 66.5% | 66.5% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Cleveland, LLC | LLC | Uncertificated | 64.002% | 64.002% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Colorado Springs, LLC | LLC | Uncertificated | 60% | 60% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|-----------------------------------|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Dallas, LP | LP | Uncertificated | 62.6581% | 63.6371 | N/A |
| NovaMed of Dallas, Inc. | | | | .9790% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Jonesboro, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Madison, L.P. | L.P. | Uncertificated | 50.5% | 51% | N/A |
| NovaMed of Wisconsin, Inc. | | | | 0.5% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Orlando, LLC | LLC | Uncertificated | 61% | 61% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Nashua, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Oak Lawn, LLC | LLC | Uncertificated | 56% | 56% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Palm Beach, LLC | LLC | Uncertificated | 60% | 60% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of San Antonio, L.P. | L.P. | Uncertificated | 54% | 55% | N/A |
| NovaMed of San Antonio, Inc. | | | | 1% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Sandusky, LLC | LLC | Uncertificated | 60% | 60% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|------------------------------------|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of St. Peters, LLC | LLC | Uncertificated | 53% | 53% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Tyler, L.P. | L.P. | Uncertificated | 59% | 60% | N/A |
| NovaMed of Texas, Inc. | | | | 1% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Warrensburg, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Whittier, LLC | LLC | Uncertificated | 55.8% | 55.8% | N/A |
| NovaMed Acquisition Company, Inc. | Surgery Center of Fremont, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | Surgery Center of Kalamazoo, LLC | LLC | Uncertificated | 61.925% | 61.925% | N/A |
| NovaMed Acquisition Company, Inc. | Surgery Center of Lebanon, LP | LP | Uncertificated | 64.1875% | 65.1875% | N/A |
| NovaMed of Lebanon, Inc. | | | | 1% | | |
| NovaMed Acquisition Company, Inc. | The Center for Specialized Surgery, LP | LP | Uncertificated | 62.2068% | 63.2068% | N/A |
| NovaMed of Bethlehem, Inc. | | | | 1% | | |
| Surgery Partners of Lake Mary, LLC | Lake Mary Surgery Center, L.L.C. | LLC | Uncertificated | 59.42% | 59.42% | N/A |
| Surgery Partners of Millenia, LLC | Millenia Surgery Center, L.L.C. | LLC | Uncertificated | 71.32% | 71.32% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Surgery Partners of Park Place, LLC | Park Place Surgery Center, L.L.C. | LLC | Uncertificated | 92.11% | 92.11% | N/A |
| Surgery Partners of Merritt Island, LLC | Space Coast Surgery Center LLLP | LLLP | Uncertificated | 55% | 55% | N/A |
| Surgery Partners of Coral Gables, LLC | PSHS Beta Partners, Ltd., d/b/a The Gables Surgical Center | Ltd. | Uncertificated | 87.76% | 87.76% | N/A |
| Surgery Partners of Westchase, LLC | Westchase Surgery Center, Ltd. | Ltd. | Uncertificated | 58.3% | 58.3% | N/A |
| Surgery Partners of West Kendall, LLC | ASC Gamma Partners, Ltd., d/b/a Miami Surgical Center | Ltd. | Uncertificated | 53.72% | 53.72% | N/A |
| APS of Bradenton LLC | Bradenton Anesthesia Services, LLC | LLC | Uncertificated | 50% | 50% | N/A |
| APS of Merritt Island, LLC | Space Coast Anesthesia Services, LLC | LLC | Uncertificated | 50% | 50% | N/A |
| Surgery Partners Acquisition Company, Inc. | Orange City Surgery Center, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| Anesthesiology Professional Services, Inc. | Orange City Anesthesia Services, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| Anesthesiology Professional Services, Inc. | Baton Rouge Anesthesia Services, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Denver, LLC | LLC | Uncertificated | 51% | 51% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|-------------------------------------|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Acquisition Company, Inc. | The Cataract Specialty Surgical Center, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| Surgery Partners of Lake Worth, LLC | PSHS Alpha Partners, Ltd., d/b/a Lake Worth Surgery Center | Ltd. | Uncertificated | 87% | 87% | N/A |
| Surgery Partners of New Tampa, LLC | New Tampa Surgery Center Ltd. | Ltd. | Uncertificated | 56.03% | 56.03% | N/A |
| Surgery Partners of Sarasota, LLC | Sarasota Ambulatory Surgery Center, Ltd. | Ltd. | Uncertificated | 48.125% | 48.125% | N/A |
| Surgery Partners of Suncoast, LLC | Suncoast Specialty Surgery Center, LLLP | LLLP | Uncertificated | 25% | 25% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Bedford, LLC | LLC | Uncertificated | 67.33% | 67.33% | N/A |
| Surgery Center Holdings, Inc. | Saint Thomas Compounding, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed Alliance, Inc. | Nexus Vision Group, LLC | LLC | Uncertificated | 12.5% | 12.5% | N/A |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|-----------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SymbionARC Management Services, Inc. | SMBI Great Falls, LLC | LLC | 100 Units | 100% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SMBI Great Falls, LLC | Montana Health Partners, LLC | LLC | 50 Class B Units | 50% | 50% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBI STLWSC, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| UniPhy Healthcare of Maine I, Inc. | SMBI LHH, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SMBI Great Falls, LLC | Great Falls Clinic Surgery Center, L.L.C. | LLC | 560 Class B Units | 56% | 93% | Uncertificated |
| UniPhy Healthcare of Johnson City VI, LLC | | | 37 Class A Units | 37% | | |
| SMBI LHH, LLC | Lubbock Heart Hospital, LLC | LLC | 520 units | 58.28% | 58.28% | Uncertificated |
| SMBI STLWSC, LLC | St. Louis Women's Surgery Center, LLC | LLC | 585,070 Class B Units | 58.507% | 58.507% | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | ARC of Bellingham, L.P. | LP | Not designated | 77.47% | 77.47% | Uncertificated |
| Ambulatory Resource Centres of Washington, Inc. | | | | 2.00% | | |
| ARC of Bellingham, L.P. | Northwest Ambulatory Surgery Services, LLC | LLC | Not designated | 79.47% | None | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Ambulatory Resource Centres Investment Company, LLC | Ocala Surgery Center Realty, LLC | LLC | N/A | 51% | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | The Surgery Center of Ocala, LLC | LLC | N/A | 41% | 41% | Uncertificated |
| SARC/Providence, LLC | Ocean State Endoscopy Holdings, LLC | LLC | 45 Class B Units | 45% | 45% | Uncertificated |
| SymbionARC Management Services, Inc. | Symbion Anesthesia Services, LLC | LLC | N/A | 100% | 100% | Uncertificated |
| SMBI Havertown, LLC | Havertown Management Company, LLC | LLC | 48 Units | 48% | 48% | Uncertificated |
| SMBI Jackson, LLC | The Jackson Ophthalmology ASC, LLC | LLC | N/A | 20% | 20% | Uncertificated |
| Specialty Surgical Center of Irvine, LLC | Irvine Multi- Specialty Surgical Care, L.P. ² | LP | N/A | 56.45% | None | Uncertificated |
| Austin Surgical Holdings, LLC | Arise Healthcare System, LLC | LLC | N/A | 25% | 25% | Uncertificated |
| Symbion Holdings Corporation | Symbion, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Symbion Holdings Corporation | Corp. | 1,000 | 100% | 100% | 40 |
| SymbionARC Management Services, Inc. | Ambulatory Resource Centres Investment Company, LLC | LLC | 100 | 100% | 100% | Uncertificated |

² To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| ARC Financial Services Corporation | Ambulatory Resource Centres of Florida, Inc. | Corp. | 100 | 100% | 100% | 2 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Massachusetts, Inc. | Corp. | 100 | 100% | 100% | 01 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Texas, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Washington, Inc. | Corp. | 100 | 100% | 100% | 1 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Wilmington, Inc. | Corp. | 100 | 100% | 100% | 001 |
| ARC Financial Services Corporation | ARC Development Corporation | Corp. | 1,000 | 100% | 100% | 3 |
| Symbion Ambulatory Resource Centres, Inc. | ARC Financial Services Corporation | Corp. | 1,000 | 100% | 100% | 2 |
| ARC Financial Services Corporation | ASC of Hammond, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SARC/Vincennes, Inc. | ASC of New Albany, LLC | LLC | 100 | 100% | 100% | Uncertificated |
| PSC Development Company, LLC | Austin Surgical Holdings, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| PSC Operating Company, LLC | Houston PSC - I, Inc. | Corp. | 1,000 | 100% | 100% | 3 |
| PSC Development Company, LLC | Lubbock SurgiCenter, Inc. | Corp. | 1,000 | 100% | 100% | 002 |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Symbion Ambulatory Resource Centres, Inc. | MediSphere Health Partners Management of Tennessee, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Symbion Ambulatory Resource Centres, Inc. | MediSphere Health Partners - Oklahoma City, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SymbionARC Management Services, Inc. | NeoSpine Surgery, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| NeoSpine Surgery, LLC | SMBI Jackson, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| NeoSpine Surgery, LLC | NeoSpine Surgery of Puyallup, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| Symbion Ambulatory Resource Centres, Inc. | NSC Edmond, Inc. ³ | Corp. | 1,000 | 100% | 100% | 3 |
| Symbion, Inc. | Physicians Surgical Care, Inc. | Corp. | 1,000 | 100% | 100% | 127 |
| Symbion Ambulatory Resource Centres, Inc. | Premier Ambulatory Surgery of Duncanville, Inc. | Corp. | 100 | 100% | 100% | 4 |
| Physicians Surgical Care, Inc. | PSC Development Company, LLC | LLC | 50,000 | 100% | 100% | Uncertificated |
| Physicians Surgical Care, Inc. | PSC Operating Company, LLC | LLC | 1,000,000 | 100% | 100% | Uncertificated |
| PSC Development Company, LLC | PSC of New York, L.L.C. | LLC | 15,000 | 100% | 100% | Uncertificated |

³ To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|-----------------------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| ARC Financial Services Corporation | Quahog Holding Company, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/Asheville, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Circleville, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/DeLand, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Ft. Myers, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/FW, Inc. ⁴ | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Georgia, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Jacksonville, Inc. | Corp. | 100 | 100% | 100% | 2 |
| SymbionARC Management Services, Inc. | SARC/Kent, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/Knoxville, Inc. ⁵ | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Largo, Inc. | Corp. | 1,000 | 100% | 100% | 1 |

⁴ To be dissolved within 180 days of closing.

⁵ To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|----------------------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| ARC Financial Services Corporation | SARC/Largo Endoscopy, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Metairie, Inc. ⁶ | Corp. | 1,000 | 100% | 100% | 1 |
| SymbionARC Management Services, Inc. | SARC/Providence, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/San Antonio, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/Savannah, Inc. ⁷ | Corp. | 1,000 | 100% | 100% | 2 |
| ARC Financial Services Corporation | SARC/St. Charles, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Vincennes, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Worcester, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| SymbionARC Management Services, Inc. | SMBI Gresham, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBI Havertown, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| UniPhy Healthcare of Maine I, Inc. | SMBI Idaho, LLC | LLC | 100 | 100% | 100% | Uncertificated |

⁶ To be dissolved within 180 days of closing.

⁷ To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|---------------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SymbionARC Management Services, Inc. | SMBI Portsmouth, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SMBIMS Birmingham, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| SymbionARC Management Services, Inc. | SMBIMS Durango, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Florida I, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Greenville, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Kirkwood, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Novi, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Orange City, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SMBIMS Steubenville, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SMBIMS Tuscaloosa, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SymbionARC Management Services, Inc. | SMBIMS Wichita, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Beverly Hills, LLC | LLC | Not designated | 100% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SymbionARC Management Services, Inc. | SMBISS Chesterfield, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Encino, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Irvine, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Thousand Oaks, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SSC Provider Network, LLC | LLC | 100 | 100% | 100% | Uncertificated |
| Symbion, Inc. | Symbion Ambulatory Resource Centres, Inc. | Corp. | 1,000 | 100% | 100% | 169 |
| ARC Financial Services Corporation | SymbionARC Management Services, Inc. | Corp. | 100 | 100% | 100% | 3 |
| SymbionARC Management Services, Inc. | SymbionARC Support Services, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| PSC Operating Company, LLC | Texarkana Surgery Center GP, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Symbion, Inc. | UniPhy Healthcare of Johnson City VI, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| Symbion, Inc. | UniPhy Healthcare of Maine I, Inc. | Corp. | 1,000 | 100% | 100% | 4 |
| Symbion, Inc. | UniPhy Healthcare of Memphis II, Inc. | Corp. | 1,000 | 100% | 100% | 4 |
| Symbion Ambulatory Resource Centres, Inc. | UniPhy Healthcare of Memphis III, LLC | LLC | Not designated | 100% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--------------------------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Symbion Ambulatory Resource Centres, Inc. | UniPhy Healthcare of Memphis IV, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SARC/St. Charles, Inc. | VASC, Inc. | Corp. | 1,000 | 100% | 100% | 100 |
| PSC Development Company, LLC | Village SurgiCenter, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SMBIMS Durango, LLC | Animas Surgical Hospital, LLC | LLC | 154.8 Class B Units | 68.5% | 68.5% | Uncertificated |
| ARC Development Corporation | ARC of Georgia, LLC | LLC | 59 Units | 59% | None | Uncertificated |
| SARC/Georgia, Inc. | | | 2 Units | 2% | | |
| SymbionARC Management Services, Inc. | ARC Kentucky, LLC | LLC | 2 Units | 2% | 69.82% | Uncertificated |
| Symbion Ambulatory Resource Centres, Inc. | | | 59 Units | 67.82% | | |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Ambulatory Resource Centres of Massachusetts, Inc. | ARC Worcester Center, L.P. | LP | 2 GP Units | 1.67% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 55.5 LP Units | 46.44% (LP) | | |
| SARC/Providence, LLC | Bayside Endoscopy Center, LLC | LLC | 750 Units | 75% | 75% | Uncertificated |
| SMBIMS Birmingham, Inc. | Birmingham Surgery Center, LLC | LLC | 59.67 Units | 59.67% | 59.67% | Uncertificated |
| SMBIMS Florida I, LLC | Cape Coral Ambulatory Surgery Center, LLC | LLC | 65 Units | 79.54% | None | Uncertificated |
| Cape Coral Ambulatory Surgery Center, LLC | Cape Coral Anesthesia Services, LLC | LLC | Not designated | 100% | None | Uncertificated |
| SMBISS Chesterfield, LLC | Chesterfield Spine Center, LLC | LLC | 55.5 Class B Units | 55.50% | 55.50% | Uncertificated |
| SMBIMS Wichita, LLC | Cypress Surgery Center, LLC | LLC | 395.1784 Units | 52.27% | 52.27% | Uncertificated |
| SARC/Jacksonville, Inc. | Jacksonville Beach Surgery Center, L.P. | LP | 2 GP Units | 2.04% | 79.59% | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 76 LP Units | 77.55% | | |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|---------------------------|---------------------------|------------------------------|--|
| SARC/Largo Endoscopy, Inc. | Largo Endoscopy Center, L.P. | LP | 2 GP Units | 2.22% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 49 LP Units | 54.45% (LP) | | |
| SARC/Largo, Inc. | Largo Surgery, LLC | LLC | 51 Class A Units | 51% | 51% | Uncertificated |
| NeoSpine Surgery of Puyallup, LLC | NeoSpine Puyallup Spine Center, LLC | LLC | Not designated | 50% | 50% | Uncertificated |
| NeoSpine Surgery, LLC | NeoSpine Surgery of Bristol, LLC | LLC | Not designated | 56.18% | None | Uncertificated |
| ASC of New Albany, LLC | New Albany Outpatient Surgery, L.P. | LP | 60 GP Units 8 LP Units | 74.07% (GP) 9.88% (LP) | None | Uncertificated |
| SARC/Asheville, Inc. | Orthopaedic Surgery Center of Asheville, L.P. | LP | 2 GP Units | 2% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 52 LP Units | 52% (LP) | | |
| PSC Operating Company, LLC | Physicians Medical Center, L.L.C. | LLC | 136.20 Class A Units | 54.04% | None | Uncertificated |
| SARC/Circleville, Inc. | Pickaway Surgical Center, Ltd. | Ltd. | 47 Units | 47% | 53% | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 6 Units | 6% | | |

| Symbion | | | | | | |
|--|---|-----------------------------|---|------------------|------------------------------|--|
| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
| SMBI Portsmouth, LLC | Portsmouth, LLC | LLC | 75 Units | 75% Class B | 75% Class B | Uncertificated |
| Valley Ambulatory Surgery Center, L.P. | Recovery Care, L.P. | LP | Not designated | 99.9% (LP) | 99.9% (LP) | Uncertificated |
| SMBISS Encino, LLC | Specialty Surgical Center of Encino, LLC | LLC | 705.5 Units | 53.55% (Class B) | 53.55% (Class B) | Uncertificated |
| Specialty Surgical Center of Encino, LLC | Specialty Surgical Center of Encino, L.P. | LP | Not designated | 99% | 100% | Uncertificated |
| SMBISS Encino, LLC | | | | 1% | | |
| Specialty Surgical Center of Irvine, LLC | Specialty Surgical Center of Irvine, L.P. | LP | Not designated | 99% | 100% | Uncertificated |
| SMBISS Irvine, LLC | | | | 1% | | |
| SMBISS Irvine, LLC | Specialty Surgical Center of Irvine, LLC | LLC | 288.417 Units | 56.89% | 56.89% | Uncertificated |
| SMBIMS Kirkwood, LLC | Surgery Center Partners, LLC | LLC | 592.5 Class B Units | 62.2% | 62.2% | Uncertificated |
| Texarkana Surgery Center GP, Inc. | Texarkana Surgery Center, L.P. | LP | 116.7432 Units (74.6716 GP units, 18.0716 B units & 24 C units) | 57.71% | None | Uncertificated |
| SARC/Georgia, Inc. | The Surgery Center, L.L.C. | LLC | 64.92 Class B Units | 63.21% | 63.21% | Uncertificated |
| Valley Ambulatory Surgery Center, L.P. | Valley Medical Inn, L.P. | LP | Not designated | 99.9% | None | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|---------------------------------------|-----------------|------------------------------|--|
| Recovery Care, L.P. | | | | 0.1% | | |
| SMBIMS Steubenville, Inc. | Valley Surgical Center, Ltd. | Ltd. | 18.27 Class B Units | 34% | 34% | Uncertificated |
| PSC Operating Company, LLC | Village SurgiCenter, Limited Partnership | LP | 69.77 Units | 70.66% | None | Uncertificated |
| Village SurgiCenter, Inc. | | | 1 Unit | 1.01% | | |
| Ambulatory Resource Centres of Wilmington, Inc. | Wilmington Surgery Center, L.P. | LP | 2 Units | 2% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 70 Units | 69.5% (LP) | | |
| NeoSpine Surgery, LLC | Boulder Spine Center, LLC | LLC | Not designated | 40.23% | 40.23% | Uncertificated |
| NeoSpine Surgery of Bristol, LLC | Bristol Spine Center, LLC | LLC | Not designated | 66.61% | None | Uncertificated |
| PSC Operating Company, LLC | CMMP Surgical Center, LLC | LLC | 39.9985 Class A, 1.3999 Class B units | 41.54% | 41.54% | Uncertificated |
| Orange City Surgical, LLC | DSC Anesthesia, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| NeoSpine Surgery, LLC | Honolulu Spine Center, LLC | LLC | Not designated | 41.75% | 41.75% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SARC/Kent, LLC | Kent, LLC | LLC | 450 Units | 45% | 45% | Uncertificated |
| SMBI Idaho, LLC | Mountain View Hospital, LLC | LLC | 12,049 Class B Units | 61.66% | 61.66% | Uncertificated |
| PSC Development Company, LLC | Northstar Surgical Center, L.P. | LP | 174.90 Units | 44.38% | None | Uncertificated |
| Lubbock Surgicenter, Inc. | | | | 1.01% | | |
| SMBIMS Orange City, LLC | Orange City Surgical, LLC | LLC | 68 Class B Units | 34% | 34% | Uncertificated |
| SARC/Ft. Myers, Inc. | Physicians Surgery Center, LLC | LLC | 41 Class A Units | 43.02% | None | Uncertificated |
| Physicians Medical Center, L.L.C. | PMCROS, L.L.C. (LA) | LLC | 110 Units | 55% | None | Uncertificated |
| SMBISS Beverly Hills, LLC | Specialty Surgical Center, LLC | LLC | 459.18 Class B Units | 25.98% | 25.98% | Uncertificated |
| Specialty Surgical Center, LLC | Specialty Surgical Center of Beverly Hills, L.P. | LP | Not designated | 99.24% | 100% | Uncertificated |
| SMBISS Beverly Hills, LLC | | | | .77% | | |
| Specialty Surgical Center of Thousand Oaks, LLC | Specialty Surgical Center of Thousand Oaks, L.P. | LP | Not designated | 99% | 100% | Uncertificated |
| SMBISS Thousand Oaks, LLC | | | | 1% | | |
| SMBI Havertown, LLC | Surgery Center of Pennsylvania, LLC | LLC | Not designated | 99.12% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|---|-----------------|------------------------------|--|
| UniPhy Healthcare of Johnson City VI, LLC | | | | 0.88% | | |
| Austin Surgical Holdings, LLC | Surgical Hospital of Austin, L.P. | LP | 23 GP Units and 1102.667 LP units = 1,125,667 | 85.82% | 85.82% | Uncertificated |
| VASC, Inc. | Valley Ambulatory Surgery Center, L.P. | LP | Not Designated | 40% | None | Uncertificated |
| Symbion Ambulatory Resource Centres, Inc. | Ambulatory Surgery Center of Cool Springs, LLC | LLC | Not designated | 35.71% | 35.71% | Uncertificated |

Schedule 5.15

Labor Matters

Surgery Partners:

None

Symbion:

None

Schedule 6.13(a)

Certain Post-Closing Documents

None.

Schedule 6.13(b)

Intellectual Property Post-Closing Matters

None.

Schedule 7.01(b)

Existing Liens

Surgery Partners

| <u>Debtor</u> | <u>Secured Party</u> | <u>Collateral</u> |
|--|--|------------------------------|
| Surgery Center Holdings, Inc. | Dex Imaging Inc. | Specific equipment |
| Surgery Center Holdings, Inc. | Receivables Advance | Specific equipment |
| Armenia Ambulatory Surgery Center, LLC | Olympus America Inc. | Specific equipment |
| Surgery Partners of Lake Mary, LLC | US Bancorp | Specific equipment |
| Surgery Partners of New Tampa, LLC | Alcon Laboratories, Inc. | Specific equipment |
| Tampa Pain Relief Center, Inc. | Leasing Associates of Barrington, Inc. | Viva-E Chemistry Analyzer |
| Tampa Pain Relief Center, Inc. | Leasing Associates of Barrington, Inc. | Viva Twin Chemistry Analyzer |
| NovaMed, Inc. | Alcon Laboratories, Inc. | Infiniti System |
| NovaMed Management Services, LLC | Alcon Laboratories, Inc. | Infiniti Vision System |

Blanket lien granted by NovaMed Surgery Center of Orlando, LLC ("NovaMed Orlando") in favor of New Traditions National Bank ("New Traditions"), to secure the loan, in the original principal amount of \$2,200,000, made by NovaMed Orlando in favor of New Traditions, and all related documents.

Liens granted by Suncoast Specialty Surgery Center, LLLP in connection with the following:

Promissory Note dated as of September 15, 2009, by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP.

Loan Agreement dated as of September 15, 2009, by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP.

Liens on specific equipment granted in connection with capital leases listed on Schedule 7.03(b) Existing Indebtedness

Liens on financed equipment in respect of equipment financing facilities listed on Schedule 7.03(b) and identified with an asterisk (*), Blanket Liens are identified with a double asterisk (**)

Symbion

| <u>Debtor/Grantor</u> | <u>Secured Party</u> | <u>Collateral:</u> |
|---------------------------|---|--------------------|
| Symbion, Inc. | The Fifth Third Leasing Company | Specific equipment |
| | The Fifth Third Leasing Company | Specific equipment |
| | Fifth Third Bank (Tennessee) | Specific equipment |
| | Fifth Third Bank (Tennessee) | Specific equipment |
| | LaSalle National Leasing Corporation | Specific equipment |
| | LaSalle National Leasing Corporation | Specific equipment |
| | Johnson & Johnson Financial Corporation | Specific equipment |
| | Winthrop Resources Corporation | Specific equipment |
| | U.S. Bankcorp Equipment Finance, Inc. | Specific equipment |
| | General Electric Capital Corporation | Specific equipment |
| | U.S. Bank Equipment Finance, a Division of U.S. Bank National Association | Specific equipment |
| Village Surgicenter, Inc. | Stryker Sales Corporation | Specific equipment |

Liens on specific equipment granted in connection with capitalized leases listed on Schedule 7.03(b) Existing Indebtedness

Liens granted by non-Loan Parties in respect of notes payable to third parties of certain of Symbion's Restricted Subsidiaries listed on Schedule 7.03(b)

Liens granted by non-Loan Parties in favor of ARC Financial Services Corporation in respect of intercompany notes payable to ARC Financial Services Corporation from certain of Symbion's Restricted Subsidiaries listed on Schedule 7.02(f)

Liens granted by non-Loan Parties in connection with the following:

1. Credit Agreement by and between CMSC, LLC and Zions First National Bank dated August 27, 2014 (\$5,000,000).
2. Credit Agreement by and between Birmingham Surgery Center, LLC and Compass Bank dated June 27, 2012 (\$4,340,000).
3. Credit Agreement by and between Mountain View Hospital, LLC and Zions First National Bank dated March 15, 2013 (\$26,000,000).

4. Loan Agreement by and between Bayside Endoscopy Center, LLC and Capstar Bank dated December 20, 2013 (\$1,814,816).
5. Credit Agreement by and between Kent, LLC and Evolve Bank & Trust dated December 24, 2013 (\$1,642,012.57).
6. Credit Agreement by and between Chesterfield Spine Center, LLC and Evolve Bank & Trust dated January 3, 2014 (\$1,538,063.03).

Schedule 7.02(f)

Existing Investments

Surgery Partners:

Equity Investments:

Investments as set forth in Schedule 5.12

Promissory Notes

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Principal Amount of Instrument</u> | <u>Maturity Date</u> |
|-------------------------------|--|---------------------------------------|----------------------|
| Surgery Center Holdings, Inc. | ASC Gamma Partners, Ltd. d/b/a West Kendall Surgical Center | \$ 1,700,000 | 03/01/2023 |

Symbion:

Equity Investments:

Investments as set forth in Schedule 5.12

Promissory Notes

The intercompany indebtedness between ARC Financial Services Corporation, a Restricted Subsidiary and the legal entities reflected on the chart below with the ending balance as of June 30, 2014.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Original Amount of Loan</u> | <u>Maturity Date</u> |
|------------------------------------|---|--------------------------------|----------------------|
| ARC Financial Services Corporation | Jacksonville Beach Surgery Center, L.P. | \$ 1,702,824.07 | December 31, 2014 |
| ARC Financial Services Corporation | ARC Worcester Center, L.P. | Up to \$2,850,000.00 | September 1, 2016 |
| ARC Financial Services Corporation | Bayside Endoscopy Center, LLC | \$ 128,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | Bayside Endoscopy Center, LLC | \$ 633,993.16 | December 31, 2014 |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Original Amount of Loan</u> | <u>Maturity Date</u> |
|------------------------------------|--|--------------------------------|----------------------|
| ARC Financial Services Corporation | Bristol Spine Center, LLC | \$ 1,654,804.33 | December 31, 2014 |
| ARC Financial Services Corporation | CMSC, LLC | \$ 1,647,124.09 | December 31, 2019 |
| ARC Financial Services Corporation | CMSC, LLC | \$ 350,000 | December 31, 2019 |
| ARC Financial Services Corporation | Honolulu Spine Center, LLC | \$ 5,232,443.27 | December 31, 2014 |
| ARC Financial Services Corporation | Jacksonville Beach Surgery Center, L.P. | \$ 1,239,337.07 | December 31, 2014 |
| ARC Financial Services Corporation | Largo Surgery, LLC | \$ 57,000.80 | January 1, 2015 |
| ARC Financial Services Corporation | Lubbock Heart Hospital, LLC | Up to \$1,500,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | New Albany Outpatient Surgery, LP | Up to \$160,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | Northwest Ambulatory Surgery Services, LLC | \$ 1,337,033.26 | December 31, 2014 |
| ARC Financial Services Corporation | Physicians Surgery Center, LLC | \$ 322,000.00 | June 20, 2017 |
| ARC Financial Services Corporation | Pickaway Surgical Center, Ltd. | \$ 180,574.08 | May 20, 2017 |
| ARC Financial Services Corporation | Specialty Surgical Center of Encino, L.P. | Up to \$200,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | Specialty Surgical Center of Encino, L.P. | \$ 89,869.54 | November 20, 2015 |
| ARC Financial Services Corporation | Specialty Surgical Center of Irvine, L.P. | \$ 111,472.08 | April 20, 2016 |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Original Amount of Loan</u> | <u>Maturity Date</u> |
|------------------------------------|----------------------------------|--------------------------------|----------------------|
| ARC Financial Services Corporation | The Surgery Center of Ocala, LLC | \$ 200,000 | December 31, 2014 |
| ARC Financial Services Corporation | Village Surgicenter, LP | \$ 121,929.00 | October 31, 2015 |
| ARC Financial Services Corporation | Pickaway Surgical Center, Ltd. | \$ 81,429.78 | August 31, 2017 |

Schedule 7.03(b)

Existing Indebtedness

Surgery Partners:

Securities Purchase Agreement dated as of May 4, 2011, among Borrower, THL Credit Opportunities, L.P., as agent for the purchasers and purchasers party thereto, as amended on April 11, 2013.

Intercompany Promissory Notes:

| Holder | Maker | Principal Amount | Date of Issuance | Maturity Date |
|-------------------------------|---|-------------------------|-------------------------|----------------------|
| Surgery Center Holdings, Inc. | ASC Gamma Partners, Ltd. d/b/a West Kendall Surgical Center | \$1,700,000 | 03/01/13 | 03/01/23 |

Promissory Note dated as of August 28, 2009, in the original principal amount of \$300,000 by and between Wachovia Bank, National Association and Space Coast Surgery Center, LLLP

Promissory Note dated as of November 19, 2008, in the original principal amount of \$150,000 by and between Wachovia Bank, National Association and Park Place Surgery Center, L.L.C.

Promissory Note dated as of September 15, 2009, in the original principal amount of \$475,000 by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP.**

Loan Agreement dated as of September 15, 2009, by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP, with \$27,872 outstanding as of June 30, 2014.**

Indebtedness arising under the Amended and Restated Promissory Note dated September 13, 2013, in the original principal amount of \$2,200,000, made by NovaMed Surgery Center of Orlando, LLC (f/k/a NovaMed Surgery Center of Altamonte Springs, LLC) in favor of New Traditions National Bank, and all related documents and guarantees by NovaMed Surgery Center of Orlando, LLC in favor of New Traditions National Bank.**

Indebtedness arising under the Equipment Sale Agreement dated as of June 27, 2011 by and between Schneider GmbH & Co KG and NovaMed, Inc. in the original principal amount of \$306,264 (document # 1031012673).*

Indebtedness arising under the Promissory Note dated as of March 26, 2013, in the original principal amount of \$107,203 by NovaMed Surgery Center of St. Peters, LLC and Timothy G. Graven, D.O.

Indebtedness arising under a Note dated July 31, 2013, in the original principal amount of \$100,830, made by NovaMed Surgery Center of St. Peters, LLC in favor of Richard Helfrey, MD.

Indebtedness arising under a Note dated September 1, 2013, in the original principal amount of \$79,680, made by New Tampa Surgery Center, Ltd. in favor of Americorp Financial.*

Indebtedness arising under a Note dated December 20, 2013, in the original principal amount of \$165,000, made by NovaMed Surgery Center of Whittier, LLC in favor of William May, MD.

Indebtedness arising under a Note dated January 14, 2014, in the original principal amount of \$395,000, made by Laser and Outpatient Surgery Center, LLC in favor of Alcon.*

Indebtedness in connection with the following capital leases (*):

Debt outstanding pursuant to capital leases as of September 30, 2014: \$3,829,880

Master Lease Agreement dated as of October 16, 2008 by and between Banc of America Leasing & Capital, LLC and NovaMed, Inc. (agreement #19243-90000).

Lease Agreement dated September 29, 2009 by and between Stryker Finance, a division of Stryker Sales Corporation and New Tampa Surgery Center, Ltd. (agreement # 24999630).

Master Lease Agreement dated March 1, 2010, by and between De Lage Landen Financial Services, Inc. and PSHS Alpha Partners, Ltd. d/b/a Lake Worth Surgical Center, LLC.

Equipment Financing Lease dated as of July 28, 2010, by and between Alcon Laboratories Inc. and NovaMed Surgery Center of Nashua, LLC (contract # EQPO25OD- 00252 / Account # 006746).

Master Lease Agreement dated as of September 30, 2010, by and between Olympus America, Inc. and Millenia Surgery Center, L.L.C. (lease # 0009722), which ended in June 2013 but entered into new equipment financing under with master agreement in March 2014.

Short Form Lease Agreement dated October 6, 2010, by and between Stryker Finance, a division of Stryker Sales Corporation and New Tampa Surgery Center, Ltd. (lease agreement # 01239840).

Lease Agreement dated January 28, 2011 by and between Balboa Capital Corporation and Surgery Center Holdings, Inc. (lease # 159758-002).

Short Form Lease Agreement dated February 28, 2011, by and between Stryker Finance, a division of Stryker Sales Corporation and Surgery Center of Kalamazoo, LLC (agreement # 21239990).

Short Form Lease Agreement dated July 14, 2011 by and between Stryker Finance, a division of Stryker Sales Corporation and Suncoast Specialty Surgery Center, LLLP (agreement # 22240170).

Short Form Lease Agreement dated August 10, 2011 by and between Stryker Finance, a division of Stryker Sales Corporation and NovaMed Surgery Center of Dallas, LP (agreement # 22-4868).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and Surgery Center of Kalamazoo, LLC (agreement # 693900).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and Lake Mary Surgery Center, LLC (agreement # 694100).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and PSHS Alpha Partners, Ltd d/b/a Lake Worth Surgical Center, LLC (agreement # 693800).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and New Tampa Surgery Center, Ltd. (agreement # 694300).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and NovaMed Surgery Center of Orlando, LLC (agreement # 694200).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and PSHS Beta Partners, Ltd. d/b/a The Gables Surgical Center (agreement # 693700).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and Westchase Surgery Center, Ltd. (agreement # 694000).

Master Lease Agreement dated November 16, 2011 by and between Olympus America, Inc and Orange City Surgery Center, LLC (agreement # 0010788).

Finance Agreement dated November 21, 2011 by and between General Electric Capital Corporation and NovaMed Surgery Center of Merrillville, LLC (agreement # 8707388-001).

Master Lease Agreement dated December 8, 2011 by and between De Lage Landen Financial Services, Inc and Logan Laboratories, LLC (contract # 25164803-01).

Lease Agreement dated December 29, 2011 by and between Karl Storz Capital, a Program of Medical Technology Finance Corporation and PSHS Alpha Partners, Ltd d/b/a Lake Worth Surgical Center, LLC.

Master Lease Agreement dated December 30, 2011 by and between Olympus America, Inc. and New Tampa Surgery Center, Ltd. (agreement # 0009893).

Equipment Lease dated January 10, 2012 by and between Stearns Bank N.A. Equipment Finance Division and NovaMed Surgery Center of Denver, LLC (lease # 1236970-1).

Equipment Financing Agreement dated January 25, 2012, by and between Alcon Laboratories, Inc. and Orange City Surgery Center, LLC.

Short Form Lease Agreement dated February 28, 2012 by and between Stryker Finance, a division of Stryker Sales Corporation and NovaMed Surgery Center of Cleveland, LLC (agreement # 21-5772).

Lease agreement dated April 12, 2012 by and between Bankers Leasing Company and Midwest Uncuts, Inc.(contract #46187PAK).

Lease agreement dated April 30, 2012 by and between General Electric Capital Corporation and NovaMed Surgery Center of Colorado Springs, LLC (contract # 8729957-001).

Short Form Rental Agreement dated May 14, 2012 by and between Stryker Finance, a division of Stryker Sales Corporation and Lake Mary Surgery Center, LLC (agreement # 22240587).

Lease agreement dated May 18, 2012 by and between De Lage Landen Financial Services, Inc. and NovaMed Surgery Center of Bedford, LLC (agreement # 25175546).

Equipment Financing Agreement dated August 12, 2012 by and between TCF Equipment Finance and NovaMed Surgery Center of Dallas, LP (agreement # 008-0623496-300).

Lease Agreement dated September 5, 2012 by and between Americorp Financial, LLC and NovaMed Surgery Center of Colorado Springs, LLC (lease # 1704802).

Equipment Financing Agreement dated September 20, 2012 by and between Alcon Laboratories, Inc. and Suncoast Specialty Surgery Center, LLLP (contract # EQP0256D-01134R).

Lease Agreement dated October 1, 2012 by and between Americorp Financial, LLC and NovaMed Surgery Center of Jonesboro, LLC (agreement # 1448803).

Master Lease Agreement dated October 26, 2012 by and between Olympus America, Inc. and NovaMed Surgery Center of Dallas, LP (agreement # 0012825).

Master Lease Schedule dated December 13, 2012 by and between De Lage Landen Financial Services, Inc. and Logan Laboratories, LLC (contract # 25164803-02).

Equipment Installment Agreement dated January 3, 2013 by and between Alcon Laboratories, Inc. and NovaMed, Inc. (contract # EQP0086D-03799).

Master Lease Schedule date January 15, 2013 by and between De Lage Landen Financial Services, Inc. and Logan Laboratories, LLC (contract # 25164803-03).

Equipment Finance Agreement dated February 14, 2013 by and between Americorp Financial, LLC and The Cataract Specialty Surgical Center, LLC (agreement # 1905801).

Business Lease Agreement dated February 22, 2013 by and between Heartland Business Credit and Logan Laboratories, LLC (lease # 26296.001).

Lease Agreement dated as of March 19, 2013 by and between Philips Medical Capital, LLC and Park Place Surgery Center, LLC (lease # 100672).

Lease Agreement dated as of May 1, 2010, by and between Tygris Commercial Finance-Everbank and Tampa Pain Relief Center, Inc.

Lease Agreement dated as of November 8, 2012, by and between Americorp and ASC Gamma Partners, Ltd. (d/b/a Miami Surgical Center f/k/a West Kendall Surgical Center).

Lease Agreement dated as of February 28, 2013, by and between GE Capital and The Cataract Specialty Surgical Center, LLC.

Lease Agreement dated as of March 1, 2013, by and between Phillips Medical Capital and Millenia Surgery Center, LLC.

Lease Agreement dated as of May 21, 2013, by and between De Lage Financial and NovaMed Surgery Center of Dallas, LP.

Equipment Financing Agreement dated as of January 1, 2013, by and between Alcon Laboratories and NovaMed Management Services, LLC (d/b/a Atlanta Eye Surgery Center).

Short Form Lease Agreement dated as of September 17, 2013, by and between Stryker and ASC Gamma Partners, Ltd. (d/b/a Miami Surgical Center f/k/a West Kendall Surgical Center).

Business Lease Agreement dated as of September 20, 2013, by and between Heartland and Logan Laboratories, LLC.

Master Lease Agreement dated as of December 27, 2013, by and between De Lage Financial and Logan Laboratories, LLC.

Lease Agreement dated as of February 27, 2014, by and between US Bank and NovaMed Eye Surgery Center of New Albany, LLC.

Equipment Lease Contract dated as of January 17, 2014, by and between Marlin Equipment and Space Coast Surgery Center, LLLP.

Master Lease Agreement dated as of March 26, 2014, by and between Olympus and Millenia Surgery Center, LLC.

Lease Agreement dated as of April 17, 2014, by and between GE Capitol and ASC Gamma Partners, Ltd. (d/b/a Miami Surgical Center f/k/a West Kendall Surgical Center).

Equipment Installment Agreement dated as of May 21, 2014, by and between Alcon Laboratories and Surgery Center of Kalamazoo, LLC.

Symbion:

1. Credit Agreement by and between CMSC, LLC and Zions First National Bank dated August 27, 2014 (\$5,000,000).
2. Credit Agreement by and between Birmingham Surgery Center, LLC and Compass Bank dated June 27, 2012 (\$4,340,000).
3. Credit Agreement by and between Mountain View Hospital, LLC and Zions First National Bank dated March 15, 2013 (\$26,000,000).
4. Loan Agreement by and between Bayside Endoscopy Center, LLC and Capstar Bank dated December 20, 2013 (\$1,814,816).
5. Credit Agreement by and between Kent, LLC and Evolve Bank & Trust dated December 24, 2013 (\$1,642,012.57).
6. Credit Agreement by and between Chesterfield Spine Center, LLC and Evolve Bank & Trust dated January 3, 2014 (\$1,538,063.03).
7. Promissory Note issued by PMCROS, L.L.C. to Synergy Bank, dated November 26, 2012 (\$1,495,825.83).

8. Promissory Note issued by Physicians Medical Center, L.L.C. to Synergy Bank, dated August 1, 2013 (\$1,687,897.24).
9. Promissory Note issued by PMCROS, L.L.C. to Synergy Bank, dated August 16, 2013 (\$1,167,108.39).
10. Irrevocable Standby Letter of Credit No. ZSB802976 in the aggregate amount up to \$10,000,000 issued by Zions Bank in favor of Mountain View-MPT Hospital, LLC, dated March 15, 2013.
11. Irrevocable Standby Letter of Credit No. 68034269 in the amount of \$300,000.00 issued by Bank of America, N.A. in favor of HR Acquisition I Corporation for the account of Chesterfield Spine Center, LLC
12. Promissory Note dated December 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Paul Dvirnak, M.D., as holder, in the principal amount of \$845,548.00.
13. Promissory Note dated December 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Loyd Lifton, M.D., as holder, in the principal amount of \$676,439.00.
14. Promissory Note dated November 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Randy Rice, M.D., as holder, in the principal amount of \$591,882.69.
15. Promissory Note dated November 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Greg Stillwell, M.D., as holder, in the principal amount of \$507,328.02.
16. Indebtedness in the form of certain obligations of Symbion's Restricted Subsidiaries to third parties, as reflected in the chart below as of September 30, 2014.

Some of these obligations are guaranteed by Symbion, as indicated in the column labeled "Guarantee."

| <u>Center</u> | <u>Legal Name</u> | <u>Type</u> | <u>Financer</u> | <u>Guarantee</u> | <u>Amount</u> | <u>Current</u> | <u>Long-Term</u> | <u>Total</u> |
|------------------|--------------------------------------|---------------|--------------------------|------------------|---------------|----------------|------------------|--------------|
| AL - BIRMINGHAM | Birmingham Surgery Center, LLC | NOTES PAYABLE | BBVA COMPASS | Ownership % | 4,340,000 | 1,002,210 | 1,200,203 | 2,202,413 |
| FL - ORANGE CITY | Orange City Surgical, LLC | NOTES PAYABLE | GE CAPITAL | 100% | 3,846,714 | 688,869 | 0 | 688,869 |
| FL - ORANGE CITY | Orange City Surgical, LLC | NOTES PAYABLE | GE CAPITAL | 100% | 133,836 | 26,942 | 53,975 | 80,917 |
| IL - ST CHARLES | Valley Ambulatory Surgery Center, LP | NOTES PAYABLE | Old Second National Bank | Ownership % | 633,796 | 282,770 | 0 | 282,770 |

| | | | | | | | | |
|---------------------|---|---------------|-----------------------------|-------------|-----------|---------|-----------|-----------|
| MO - CHESTERFIELD | Chesterfield Spine Center, LLC | NOTES PAYABLE | Evolve Bank | Ownership % | 1,538,063 | 773,301 | 263,831 | 1,037,133 |
| RI - PROVIDENCE | Bayside Endoscopy Center, LLC | NOTES PAYABLE | Capstar Bank | Ownership % | 1,814,816 | 344,683 | 1,253,498 | 1,598,182 |
| RI - EAST GREENWICH | Kent, LLC | NOTES PAYABLE | Evolve Bank | Ownership % | 1,642,013 | 538,914 | 759,467 | 1,298,381 |
| RI - PORTSMOUTH | Portsmouth, LLC | NOTES PAYABLE | Evolve Bank | Ownership % | 336,287 | 110,370 | 155,540 | 265,911 |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 178,822 | 37,484 | 39,382 | 76,866 |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 404,107 | 84,359 | 96,216 | 180,576 |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 59,183 | 11,983 | 24,689 | 36,671 |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 49,008 | 9,738 | 21,899 | 31,637 |
| CA - WILSHIRE | Specialty Surgical Center, LP | NOTES PAYABLE | GE HEALTHCARE FINANCE | N/A | 78,270 | 15,921 | 28,843 | 44,763 |
| CA - WILSHIRE | Specialty Surgical Center, LP | NOTES PAYABLE | Key Equipment Finance | N/A | 58,267 | 11,578 | 26,019 | 37,597 |
| CA - ENCINO | Specialty Surgical Center of Encino, LP | NOTES PAYABLE | KeyBank | N/A | 59,851 | 11,848 | 27,703 | 39,550 |
| CA - ENCINO | Specialty Surgical Center of Encino, LP | NOTES PAYABLE | KeyBank | N/A | 130,978 | 25,928 | 60,625 | 86,553 |
| CA - IRVINE | Specialty Surgical Center of Irvine, LP | NOTES PAYABLE | KeyBank | N/A | 275,104 | 52,802 | 153,023 | 205,825 |

| | | | | | | | | |
|--------------------|--|---------------|----------------------------------|-----|------------|---------|-----------|-----------|
| CA - IRVINE | Specialty Surgical Center of Irvine, LP | NOTES PAYABLE | KeyBank | N/A | 151,026 | 27,292 | 108,654 | 135,946 |
| CA - THOUSAND OAKS | Specialty Surgical Center of Thousand Oaks, LP | NOTES PAYABLE | KEY EQUIPMENT FINANCE | N/A | 2,580,695 | 518,735 | 1,005,823 | 1,524,558 |
| CA - THOUSAND OAKS | Specialty Surgical Center of Thousand Oaks, LP | NOTES PAYABLE | KEY EQUIPMENT FINANCE | N/A | 107,990 | 0 | 0 | 0 |
| FL - LARGO | Largo Surgery, LLC | NOTES PAYABLE | GE CAPITAL | N/A | 131,490 | 26,746 | 48,456 | 75,201 |
| FL - OCALA | The Surgery Center of Ocala, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE | N/A | 127,540 | 11,441 | 0 | 11,441 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | DL Evans | N/A | 433,463 | 82,911 | 303,353 | 386,265 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | DL Evans | N/A | 4,930,253 | 0 | 4,602,758 | 4,602,758 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | CHANNING WAY PROPERTIES | N/A | 61,731 | 9,821 | 31,930 | 41,751 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | Great America Financial Services | N/A | 45,312 | 8,268 | 29,446 | 37,714 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | REVOLVER | Zion's Bank | N/A | 26,000,000 | 600,000 | 1,700,000 | 2,300,000 |
| KS - WICHITA | Cypress Surgery Center, LLC | NOTES PAYABLE | ALCON | N/A | 43,000 | 9,551 | 14,017 | 23,568 |
| KS - WICHITA | Cypress Surgery Center, LLC | NOTES PAYABLE | COMMERCE BANK | N/A | 163,844 | 32,862 | 65,602 | 98,464 |
| LA - HOUMA | Physicians Medical Center, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,740,647 | 338,568 | 927,820 | 1,266,388 |
| LA - HOUMA | Physicians Medical Center, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,687,897 | 321,279 | 1,013,714 | 1,334,993 |
| LA - HOUMA PMCROS | PMCROS, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,495,826 | 521,705 | 89,804 | 611,509 |

| | | | | | | | | |
|---------------------------|--|---------------|--------------------------|-----|-----------|----------|-----------|-----------|
| LA - HOUMA PMCROS | PMCROS, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,167,108 | 84,011 | 997,210 | 1,081,222 |
| MA - WORCESTER | ARC Worcester Center, LP | NOTES PAYABLE | ALCON | N/A | 96,000 | 19,883 | 26,290 | 46,172 |
| MA - WORCESTER | ARC Worcester Center, LP | NOTES PAYABLE | ALCON | N/A | 62,500 | 20,644 | 25,423 | 46,067 |
| MO - JEFFERSON CITY | CMMP Surgical Center, LLC | NOTES PAYABLE | CENTRAL BANK | N/A | 83,680 | 16,798 | 34,218 | 51,016 |
| MO - ST LOUIS | St Louis Women's Surgery Center, LLC | NOTES PAYABLE | Commerce Bank | N/A | 302,457 | 100,819 | 25,205 | 126,024 |
| MO - ST LOUIS | St Louis Women's Surgery Center, LLC | NOTES PAYABLE | MOBIN KHAN, MD | N/A | 17,001 | 3,060 | 6,120 | 9,180 |
| MT - GREAT FALLS HOSPITAL | CMSC, LLC | NOTES PAYABLE | Great Falls Clinic | N/A | 2,968,356 | — | 868,356 | 868,356 |
| TN - FRANKLIN | Ambulatory Surgery Center of Cool Springs, LLC | NOTES PAYABLE | Fifth Third Bank | N/A | 500,000 | 152,038 | 131,000 | 283,038 |
| TN - JACKSON | The Jackson Opthamology ASC, LLC | NOTES PAYABLE | Bancorp South | N/A | 596,327 | 151,794 | 0 | 151,794 |
| TN - JACKSON | The Jackson Opthamology ASC, LLC | NOTES PAYABLE | Commercial Bank | N/A | 147,428 | 44,019 | 131,187 | 175,206 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | GE HEALTHCARE | N/A | 633,566 | 147,056 | 51,114 | 198,170 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | GE HEALTHCARE | N/A | 216,341 | 47,866 | 20,890 | 68,756 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | PNC Bank | N/A | 741,702 | 139,128 | 524,192 | 663,320 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | PNC Bank | N/A | 3,740,010 | 734,382 | 2,002,207 | 2,736,590 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | PNC Bank | N/A | 135,000 | 46,098 | — | 46,098 |
| TX - TEXARKANA | Texarkana Surgery Center, LP | NOTES PAYABLE | Commercial National Bank | N/A | 200,000 | 36878.35 | 163,122 | 200,000 |

17. Capital lease obligations of Symbion and certain of Symbion's Restricted Subsidiaries, as reflected in the chart below through September 30, 2014.

| <u>LEASE TAG#</u> | <u>LOAN TYPE</u> | <u>LESSOR</u> | <u>CURRENT BALANCE</u> | <u>LONG-TERM BALANCE</u> | <u>TOTAL BALANCE</u> |
|--|------------------|------------------|------------------------|--------------------------|----------------------|
| Birmingham Surgery Center, LLC | | | | | |
| <u>AL-122-LEASE#1</u> | CAPITAL LEASE | BANK OF THE WEST | 26,451 | 25,433 | 51,884 |
| <u>AL-122-LEASE#2</u> | CAPITAL LEASE | BANK OF THE WEST | 68,625 | 84,308 | 152,933 |
| Specialty Surgical Center, LLC | | | | | |
| <u>CA-311-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 0 | 0 | 0 |
| <u>CA-311-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 0 | 0 | 0 |
| <u>CA-311-LEASE#3</u> | CAPITAL LEASE | DLL LEASING | 112,753 | 401,577 | 514,330 |
| Specialty Surgical Center, LP | | | | | |
| <u>CA-312-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 25,817 | 34,329 | 60,146 |
| <u>CA-312-LEASE#3</u> | CAPITAL LEASE | DLL LEASING | 9,452 | 28,372 | 37,823 |
| <u>CA-312-LEASE#4</u> | CAPITAL LEASE | DLL LEASING | 18,552 | 61,005 | 79,557 |
| <u>CA-312-LEASE#5</u> | CAPITAL LEASE | DLL | 45,443 | 191,444 | 236,887 |
| <u>CA-312-LEASE#6</u> | CAPITAL LEASE | DLL | 11,905 | 2,995 | 14,900 |
| Specialty Surgical Center of Encino, LP | | | | | |
| <u>CA-315-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 18,122 | 32,502 | 50,624 |
| <u>CA-315-LEASE#2</u> | CAPITAL LEASE | WELLS FARGO | 7,902 | 4,100 | 12,002 |
| <u>CA-315-LEASE#3</u> | CAPITAL LEASE | DLL | 29,271 | 111,657 | 140,928 |
| Specialty Surgical Center of Irvine, LP | | | | | |
| <u>CA-318-LEASE#1</u> | | WELLS FARGO | | | |
| | CAPITAL LEASE | FINANCE | 14,165 | 0 | 14,165 |
| <u>CA-318-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 24,955 | 47,106 | 72,061 |
| <u>CA-318-LEASE#3</u> | CAPITAL LEASE | DLL LEASING | 32,314 | 106,233 | 138,547 |

| | | | | | | |
|---|---------------|------------------|--------|---------|---------|--|
| Specialty Surgical Center of Thousand Oaks, LP | | | | | | |
| <u>CA-321-LEASE#1</u> | CAPITAL LEASE | DLL | 26,721 | 107,230 | 133,951 | |
| <u>CA-321-LEASE#2</u> | CAPITAL LEASE | DLL | 21,121 | 53,275 | 74,396 | |
| Boulder Spine Center, LLC | | | | | | |
| <u>CO-161-LEASE#1</u> | | WELLS FARGO | | | | |
| | CAPITAL LEASE | LEASING | 21,649 | 0 | 21,649 | |
| <u>CO-161-LEASE#2</u> | CAPITAL LEASE | DLL | 44,431 | 30,685 | 75,116 | |
| Cape Coral Ambulatory Surgery Center, LLC | | | | | | |
| <u>FL-405-LEASE#1</u> | | KINGSBRIDGE | | | | |
| | CAPITAL LEASE | HEALTHCARE | 0 | 0 | 0 | |
| Jacksonville Beach Surgery Center, LP | | | | | | |
| <u>FL-191-LEASE#1</u> | CAPITAL LEASE | WELLS FARGO | 16,473 | 0 | 16,473 | |
| <u>FL-191-LEASE#2</u> | CAPITAL LEASE | WELLS FARGO | 36,931 | 148,205 | 185,136 | |
| Largo Surgery, LLC | | | | | | |
| <u>FL-145-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 25,844 | 77,284 | 103,128 | |
| Largo Endoscopy Center, LP | | | | | | |
| <u>FL-420-LEASE#1</u> | | WELLS FARGO | | | | |
| | CAPITAL LEASE | FINANCE | 24,069 | 0 | 24,069 | |
| The Surgery Center of Ocala, LLC | | | | | | |
| <u>FL-200-LEASE#1</u> | CAPITAL LEASE | GE Healthcare | 17,977 | 48,156 | 66,133 | |
| <u>FL-200-LEASE#2</u> | CAPITAL LEASE | Stryker | 46,548 | 69,822 | 116,370 | |
| <u>FL-200-LEASE#3</u> | CAPITAL LEASE | Stryker | 6,825 | 0 | 6,825 | |
| <u>FL-200-LEASE#4</u> | CAPITAL LEASE | Stryker | 17,690 | 78,348 | 96,038 | |
| ARC of Georgia, LLC | | | | | | |
| <u>GA-240-LEASE#1</u> | CAPITAL LEASE | GE Capital | 24,080 | 81,919 | 105,998 | |
| Surgery Center, LLC | | | | | | |
| <u>GA-224-LEASE#2</u> | CAPITAL LEASE | SMITH & NEPHEW | 0 | 0 | 0 | |
| <u>GA-224-LEASE#3</u> | CAPITAL LEASE | GE | 68,540 | 0 | 68,540 | |
| <u>GA-224-LEASE#4</u> | CAPITAL LEASE | Alcon | 20,080 | 0 | 20,080 | |
| Honolulu Spine Center, LLC | | | | | | |
| <u>HI-215-LEASE#1</u> | CAPITAL LEASE | STRYKER | 9,988 | 0 | 9,988 | |
| Cypress Surgery Center, LLC | | | | | | |
| <u>KS-172-LEASE#2</u> | CAPITAL LEASE | 0 | 12,262 | 0 | 12,262 | |
| <u>KS-172-LEASE#3</u> | CAPITAL LEASE | Bank of the West | 31,045 | 43,991 | 75,036 | |
| <u>KS-172-LEASE#4</u> | CAPITAL LEASE | DLL | 30,501 | 135,252 | 165,753 | |
| Physicians Medical Center, LLC | | | | | | |
| <u>LA-182-LEASE#1</u> | CAPITAL LEASE | Phillips Medical | 14,393 | 92,875 | 107,268 | |
| <u>LA-182-LEASE#2</u> | CAPITAL LEASE | Phillips Medical | 30,165 | 166,242 | 196,407 | |

| | | | | | | |
|--|---------------|---------------------------------|---------|---------|---------|--|
| St Louis Women's Surgery Center, LLC | | | | | | |
| <u>MO-306-LEASE#1</u> | CAPITAL LEASE | DLL | 24,169 | 74,678 | 98,847 | |
| <u>MO-306-LEASE#2</u> | CAPITAL LEASE | DLL | 37,006 | 118,869 | 155,875 | |
| CMSC, LLC | | | | | | |
| <u>MT-271-LEASE#1</u> | | Baytree National Bank and Trust | 0 | 0 | 0 | |
| | CAPITAL LEASE | | | | | |
| <u>MT-271-LEASE#2</u> | CAPITAL LEASE | Olympus | 33,652 | 50,787 | 84,439 | |
| <u>MT-271-LEASE#3</u> | CAPITAL LEASE | GE HEALTHCARE | 22,881 | 36,978 | 59,859 | |
| <u>MT-271-LEASE#4</u> | CAPITAL LEASE | GE HEALTHCARE | 26,311 | 55,011 | 81,323 | |
| <u>MT-271-LEASE#5</u> | | | | | | |
| [NOTE: OBLIGATIONS GUARANTEED BY THE COMPANY] | | | | | | |
| | CAPITAL LEASE | DLL | 103,685 | 354,219 | 457,904 | |
| <u>MT-271-LEASE#6</u> | CAPITAL LEASE | Barrington Inc | 19,427 | 72,612 | 92,039 | |
| <u>MT-271-LEASE#7</u> | CAPITAL LEASE | DLL | 28,718 | 115,228 | 143,945 | |
| Great Falls Clinic Surgery Center, LLC | | | | | | |
| <u>MT-270-LEASE#1</u> | CAPITAL LEASE | GE HEALTHCARE | 18,836 | 9,892 | 28,728 | |
| <u>MT-270-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 96,396 | 0 | 96,396 | |
| <u>MT-270-LEASE#3</u> | CAPITAL LEASE | Wells Fargo | 37,449 | 0 | 37,449 | |
| Wilmington Surgery Center, LP | | | | | | |
| <u>NC-280-LEASE#1</u> | CAPITAL LEASE | OLYMPUS | 3,308 | 0 | 3,308 | |
| South Shore Operating Company, LLC | | | | | | |
| <u>NY-163-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 0 | 0 | 0 | |
| <u>NY-163-LEASE#2</u> | CAPITAL LEASE | WELLS FARGO | 0 | 0 | 0 | |
| <u>NY-163-LEASE#3</u> | CAPITAL LEASE | DLL | 0 | 0 | 0 | |
| Village Surgicenter, LP | | | | | | |
| <u>PA-247-LEASE#1</u> | | WELLS FARGO FINANCE | 9,887 | 0 | 9,887 | |
| | CAPITAL LEASE | | | | | |
| <u>PA-247-LEASE#2</u> | CAPITAL LEASE | STRYKER | 62,350 | 32,349 | 94,699 | |
| <u>PA-247-LEASE#3</u> | | WELLS FARGO FINANCE | 13,108 | 0 | 13,108 | |
| | CAPITAL LEASE | | | | | |
| <u>PA-247-LEASE#4</u> | CAPITAL LEASE | Wells Fargo | 25,586 | 0 | 25,586 | |
| <u>PA-247-LEASE#5</u> | DLL | Wells Fargo | 11,984 | 49,403 | 61,387 | |
| <u>PA-247-LEASE#6</u> | DLL | Wells Fargo | 16,079 | 69,636 | 85,715 | |
| Bayside Endoscopy Center, LLC | | | | | | |
| <u>RI-102-LEASE#1</u> | CAPITAL LEASE | Olympus Financial | 152,984 | 216,222 | 369,206 | |
| Kent, LLC | | | | | | |
| <u>RI-107-LEASE#1</u> | CAPITAL LEASE | Olympus Financial | 108,708 | 163,591 | 272,300 | |
| Portsmouth, LLC | | | | | | |
| <u>RI-108-LEASE#1</u> | CAPITAL LEASE | Olympus Financial | 26,028 | 36,787 | 62,815 | |

| | | | | | |
|--|---------------|---------------------------|--------|---------|---------|
| Ocean State Endoscopy Holdings, LLC | | | | | |
| <u>RI-104-LEASE#1</u> | CAPITAL LEASE | Olympus | 73,988 | 231,594 | 305,582 |
| <u>RI-104-LEASE#2</u> | CAPITAL LEASE | Olympus | 5,901 | 18,471 | 24,371 |
| Northstar Surgical Center, LP | | | | | |
| <u>TX-132-LEASE#1</u> | CAPITAL LEASE | DLL | 13,397 | 52,762 | 66,159 |
| <u>TX-132-LEASE#2</u> | CAPITAL LEASE | DLL | 34,096 | 143,794 | 177,891 |
| Lubbock Heart Hospital, LLC | | | | | |
| <u>TX-135-LEASE#1</u> | CAPITAL LEASE | SIEMENS | 6,707 | 0 | 6,707 |
| Texarkana Surgery Center, LP | | | | | |
| <u>TX-199-LEASE#1</u> | CAPITAL LEASE | STRYKER FINANCE | 56,626 | 14,604 | 71,230 |
| <u>TX-199-LEASE#2</u> | CAPITAL LEASE | TRINITY VENDOR FINANCE | 25,118 | 39,084 | 64,202 |
| The Jackson Opthamology ASC, LLC | | | | | |
| <u>TN-415-LEASE#1</u> | CAPITAL LEASE | Alcon | 19,246 | 32,898 | 52,144 |
| <u>TN-415-LEASE#2</u> | CAPITAL LEASE | Key Equipment Finance | 10,532 | 26,832 | 37,364 |
| Neospine Puyallup Spine Center, LLC | | | | | |
| <u>WA-265-LEASE#1</u> | CAPITAL LEASE | STRYKER FINANCE | 7,218 | 624 | 7,842 |

Schedule 7.05(k)

Dispositions

Surgery Partners

None

Symbion

Sale of a 10% interest in Specialty Surgical Center of Encino, L.L.C. to the UCLA Health System.

Sale of interests in Orange City Surgical, LLC.

Transactions with Affiliates

Surgery Partners:

None.

Symbion:

Agreement and Plan of Merger dated as of June 13, 2014 among Symbion Holdings Corporation, Surgery Center Holdings Inc., SCH Acquisition Corp. and Crestview Symbion Holdings, L.L.C.

On December 10, 2013, certain employees of Symbion, Inc. borrowed funds from the Company to pay the exercise price and applicable taxes payable in connection with the exercise of options to purchase the Company's common stock that were to expire in December 2013 and January 2014. Richard E. Francis, Jr., Clifford G. Adlerz and Teresa F. Sparks borrowed approximately \$223,731, \$174,157 and \$10,842, respectively, in connection with option exercises. Each loan is represented by a full recourse promissory note executed by the officer and bearing interest at a rate of 0.25% per annum (the applicable federal rate). Principal and interest on the notes is payable in three equal annual installments beginning December 10, 2014, with payment in full due on December 10, 2016. Payment and performance under the notes is secured by the shares of Company's common stock received upon exercise of the options exercised on December 10, 2013. The total amount of stockholders' notes outstanding at December 31, 2013 was \$485,000.

Schedule 7.09

Certain Contractual Obligations

Surgery Partners:

None.

Symbion:

None.

ADMINISTRATIVE QUESTIONNAIRE

SURGERY CENTER HOLDINGS, INC.

Agent Information

Jefferies Finance LLC
520 Madison Avenue
New York, NY 10022

Agent Closing Contact

Sabrina Ortiz
Tel: (212) 284-2107
Fax: (212) 284-3444
E-Mail: sabrina.ortiz@jefferies.com
jfin.trades@jefferies.com

Agent Wire Instructions

Deutsche Bank Trust Company Americas
New York, NY
Routing Transit / ABA #: 021001033
Account Name: Global Loan Services
Account Number: 99907998
Ref: Surgery Partners

It is very important that **all** of the requested information be completed accurately and that this questionnaire be returned promptly. If your institution is sub-allocating its allocation, please fill out an administrative questionnaire for each legal entity.

Legal Name of Lender to appear in Documentation:

Signature Block Information:

- Signing Credit Agreement Yes No
- Coming in via Assignment Yes No

Type of Lender:

(Bank, Asset Manager, Broker/Dealer, CLO/CDO; Finance Company, Hedge Fund, Insurance, Mutual Fund, Pension Fund, Other Regulated Investment Fund, Special Purpose Vehicle, Other-please specify)

Lender Parent:

Lender Domestic Address

Lender Eurodollar Address

Contacts/Notification Methods: Borrowings, Paydowns, Interest, Fees, etc.

Primary Credit Contact

Secondary Credit Contact

Name: _____
Company: _____
Title: _____
Address: _____

Telephone: _____
Facsimile: _____
E-Mail Address: _____

Primary Operations Contact

Secondary Operations Contact

Name: _____
Company: _____
Title: _____
Address: _____

Lender's Domestic Wire Instructions

Bank Name: _____
ABA/Routing No.: _____
Account Name: _____
Account No.: _____
FFC Account Name: _____
FFC Account No.: _____

Attention: _____
Reference: _____

Tax Documents

NON-U.S. LENDER INSTITUTIONS:

I. Non-Flow Through Entities:

If your institution is organized outside of the United States for U.S. federal income tax purposes, and is the beneficial owner of the interest and other income it receives, you must, without limiting the obligations to deliver certain forms and documents under Section 3.01 of the Credit Agreement, complete one of the following three tax forms, as applicable to your institution: **a.) Form W-8BEN** (*Certificate of Foreign Status of Beneficial Owner*), **b.) Form W-8ECI** (*Income Effectively Connected to a U.S. Trade or Business*), or **c.) Form W-8EXP** (*Certificate of Foreign Government or Governmental Agency*).

A U.S. taxpayer identification number is required for any institution submitting Form W-8ECI. It is also required on Form W-8BEN for certain institutions claiming the benefits of a tax treaty with the U.S. Please refer to the instructions when completing the form applicable to your institution. In addition, please be advised that U.S. tax regulations do not permit the acceptance of faxed forms. **Two original copies of each applicable tax form must be submitted.**

II. Flow-Through Entities:

If your institution is organized outside the U.S., and is classified for U.S. federal income tax purposes as either a partnership, trust, qualified or non-qualified Intermediary, or other non-U.S. flow-through entity, an original **Form W-8IMY** (*Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding*) must, without limiting the obligations to deliver certain forms and documents under Section 3.01 of the Credit Agreement, be completed by the intermediary together with a withholding statement. Flow-through entities other than Qualified Intermediaries are required to include tax forms for each of the underlying beneficial owners.

Please refer to the instructions when completing this form. In addition, please be advised that U.S. tax regulations do not permit the acceptance of faxed forms. **Two original copies of each applicable tax form must be submitted.**

U.S. LENDER INSTITUTIONS:

If your institution is incorporated or organized within the United States, you must complete and return **Form W-9** (*Request for Taxpayer Identification Number and Certification*). **Please be advised that you must submit an original Form W-9.**

Pursuant to the Credit Agreement, the applicable tax forms and documents for your institution must be completed and returned on or prior to the date on which it becomes a party to the Credit Agreement. Failure to provide the proper tax form when requested may subject your institution to U.S. tax withholding.

[FORM OF] ASSIGNMENT AND ACCEPTANCE
(Standard)

This Assignment and Acceptance (the “**Assignment and Acceptance**”) is dated as of the Effective Date set forth below and is entered into by and between [Insert Name of Assignor] (the “**Assignor**”) and [Insert Name of Assignee] (the “**Assignee**”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit and guarantees included in such facilities), and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “**Assigned Interest**”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: _____
- 3. Borrower: Surgery Center Holdings, Inc.
- 4. Administrative Agent: Jefferies Finance LLC, as the administrative agent under the Credit Agreement

5. Credit Agreement: The First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank.

6. Assigned Interest[s]:

| <u>Facility Assigned</u> | <u>Aggregate Amount of Commitment/Loans for all Lenders</u> | <u>Amount of Commitment/Loans Assigned</u> | <u>Percentage Assigned of Commitment/ Loans¹</u> |
|--|---|--|---|
| [Initial] [Extended] [Incremental] [Other] Term Commitments/Loans | \$ | \$ | % |
| [Extended] [Other] Revolving Commitments/Loans | \$ | \$ | % |

[7. Trade Date:]²

Effective Date: , 20 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

¹ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

² To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: _____
Name:
Title:

[NAME OF ASSIGNEE], as Assignee

By: _____
Name:
Title:

[Consented to and]³ Accepted:

JEFFERIES FINANCE LLC, as Administrative Agent

By: _____
Name:
Title:

[Consented to and]⁴ Accepted:

[ISSUING BANK]

By: _____
Name:
Title:

[Consented to:]⁵

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

³ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
⁴ To be added only if the consent of the Issuing Bank is required by the terms of the Credit Agreement
⁵ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document (other than this Assignment and Acceptance), (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents (other than this Assignment and Acceptance) or any collateral thereunder, (iii) the financial condition of Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is not a Disqualified Lender, a Specified Debt Fund or an Affiliated Lender and it meets all the requirements of an Eligible Assignee under the Credit Agreement (subject to such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been afforded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.05 or Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vii) it is not a Defaulting Lender, (viii) if it is not already a Lender under the Credit Agreement, attached to the Assignment and Acceptance is an Administrative Questionnaire in the form provided by the Administrative Agent and (ix) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the Section 3.01 of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other

Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[FORM OF] ASSIGNMENT AND ACCEPTANCE
(Specified Debt Funds/Affiliated Lenders)

This Assignment and Acceptance (the “**Assignment and Acceptance**”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert Name of Assignor*] (the “**Assignor**”) and [*Insert Name of Assignee*] (the “**Assignee**”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit and guarantees included in such facilities), and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “**Assigned Interest**”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is a Lender, an Affiliate of a Lender or a Related Fund][and is an Affiliated Lender]¹
3. Borrower: Surgery Center Holdings, Inc.

¹ Select as applicable

4. Administrative Agent: Jefferies Finance LLC, as the administrative agent under the Credit Agreement
5. Credit Agreement: The First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank.

6. Assigned Interest[s]:

| <u>Facility Assigned</u> | <u>Aggregate Amount of Commitment/Loans for all Lenders</u> | <u>Amount of Commitment/Loans Assigned</u> | <u>Percentage Assigned of Commitment/ Loans²</u> |
|--|---|--|---|
| [Initial] [Extended] [Incremental] [Other] Term Commitments/Loans | \$ | \$ | % |
| [Extended] [Other] Revolving Commitments/Loans | \$ | \$ | % |

[7. Trade Date:]³

Effective Date: , 20 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

² Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
³ To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: _____
Name:
Title:

[NAME OF ASSIGNEE], as Assignee

By: _____
Name:
Title:

[Consented to and]⁴ Accepted:

JEFFERIES FINANCE LLC, as Administrative Agent

By: _____
Name:
Title:

[Consented to and]⁵ Accepted:

[ISSUING BANK]

By: _____
Name:
Title:

[Consented to:]⁶

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

⁴ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
⁵ To be added only if the consent of the Issuing Bank is required by the terms of the Credit Agreement
⁶ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document (other than this Assignment and Acceptance), (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents (other than this Assignment and Acceptance) or any collateral thereunder, (iii) the financial condition of Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is not a Disqualified Lender and it meets all the requirements of an Eligible Assignee under the Credit Agreement (subject to such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been afforded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.05 or Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vii) it is not a Defaulting Lender, (viii) if it is not already a Lender under the Credit Agreement, attached to the Assignment and Acceptance is an Administrative Questionnaire in the form provided by the Administrative Agent and (viii) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the Section 3.01 of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it

shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

[A] [The [Assignor/Assignee] is an Affiliated Lender and hereby represents and warrants that, as of the date hereof, neither the Sponsor nor any of its Affiliates nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its respective Subsidiaries or the securities of any of the foregoing that has not been disclosed to the [Assignor/Assignee] (other than because such [Assignor/Assignee] does not wish to receive material non-public information with respect to Holdings, the Borrower and its respective Subsidiaries or the securities of any of the foregoing) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material to, a Lender's decision to assign Term Loans to, or to acquire Term Loans from, such Affiliated Lender.]¹

[B] [The [Assignor/Assignee] is an Affiliated Lender and cannot represent and warrant that, as of the date hereof, neither the Sponsor nor any of its Affiliates nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its respective Subsidiaries or the securities of any of the foregoing that has not been disclosed to the [Assignor/Assignee] (other than because such [Assignor/Assignee] does not wish to receive material non-public information with respect to Holdings, the Borrower and its respective Subsidiaries or the securities of any of the foregoing) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material to, a Lender's decision to assign Term Loans to, or to acquire Term Loans from, such Affiliated Lender.]

[C] ² [The Assignee is [an Affiliated Lender/Specified Debt Fund] and hereby confirms that (a) the assignment of the Assigned Interest hereunder complies with Section 10.04(k) of the Credit Agreement and (b) after giving effect to such assignment, (i) the aggregate principal amount of Term Loans held by Affiliated Lenders shall be \$[], which represents []%³ of the total aggregate principal amount of the Term Loans, and (ii) the aggregate principal amount of Term Loans held by Specified Debt Funds shall be \$[], which represents []%⁴ of the total aggregate principal amount of the Term Loans.]

[D] [The Assignee is an Affiliated Lender and hereby acknowledges and agrees that the Term Loans owned by it shall be non-voting under Sections 1126 and 1129 of the U.S. Bankruptcy Code in the event that any proceeding thereunder shall be instituted by or against the Borrower or any other Loan Party or, alternatively, to the extent that the foregoing non-voting designation is deemed unenforceable for any reason, the Assignee shall vote its interest as a Lender in such proceedings in the same proportion as the allocation of voting with respect to such matter by those Lenders who are not Affiliated Lenders.]⁵

¹ If the Assignor or Assignee is an Affiliated Lender, include either [A] or [B].

² If the Assignee is an Affiliated Lender or a Specified Debt Fund, paragraph [C] may be included in the assignment or delivered by the Assignee to the Administrative Agent in a second duly executed writing.

³ Many not exceed 25%

⁴ May not exceed 49%.

⁵ If the Assignee is an Affiliated Lender, include [D].

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[FORM OF] REQUEST FOR CREDIT EXTENSION

To: Jefferies Finance LLC
 as Administrative Agent
 520 Madison Avenue
 New York, New York 10022
 Attention: Surgery Center Holdings, Inc. Account Manager

[Date]

Ladies and Gentlemen:

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned Borrower hereby requests (select one):

- A Borrowing of new Loans _____
- A conversion of Loans made on _____
- A continuation of Eurodollar Loans made on _____

to be made on the terms set forth below:

- (A) Class of Borrowing¹ _____
- (B) Date of Borrowing, conversion or continuation (which is a Business Day) _____
- (C) Principal amount² _____

¹ Initial Term Loan, Incremental Term Loan, Other Term Loan, Extended Term Loan, Revolving Loan, Other Revolving Loan or Extended Revolving Loan.

² Borrowing minimum of \$1,000,000 and borrowings also allowed in whole multiples of \$500,000, in excess thereof (except, with respect to any Incremental Term Loans or Other Term Loans, to the extent otherwise provided in the applicable Incremental Amendment or Refinancing Amendment).

- | | | |
|-----|--|--|
| (D) | Type of Loan ³ | |
| (E) | Interest Period and the last day thereof ⁴ | |
| (F) | Location and number of the Borrower's account to which proceeds of Borrowings are to be disbursed: | |

[The undersigned Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, on and as of the date of the Borrowing set forth above, the conditions to lending specified in Section 4.01 of the Credit Agreement will be satisfied as of the date of the Borrowing set forth above.]⁵

[The undersigned Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, on and as of the date of the Borrowing set forth above, (i) the conditions to lending specified in Sections 4.01(a) and 4.01(b) of the Credit Agreement will have been waived by the Lenders holding a majority in principal amount with respect to the applicable Incremental Facility pursuant to and in accordance with the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and (ii) the condition to lending specified in Section 4.01(a) of the Credit Agreement with respect to the accuracy of the Specified Representations will have been waived by the Required Lenders pursuant to and in accordance with the second proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement.]⁶

[The undersigned Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, on and as of the date of the Borrowing set forth above, (i) the conditions to lending specified in Sections 4.01(a) and 4.01(b) of the Credit Agreement will have been waived by the Lenders holding a majority in principal amount with respect to the applicable Incremental Facility pursuant to and in accordance with the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and (ii) the condition to lending specified in Section 4.01(a) of the Credit Agreement, solely with respect to the accuracy of the Specified Representations, will be satisfied.]⁷

³ Specify Eurodollar or ABR.

⁴ Applicable for Eurodollar Borrowings/Loans only.

⁵ Insert bracketed language if the Borrower is making a Request for Credit Extension (other than (i) a Request for Credit Extension requesting only a conversion of Loans to the other Type, or a continuation of Eurodollar Loans and (ii) any Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement) after the Closing Date.

⁶ Insert bracketed language if the Borrower is making a Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and the Required Lenders have waived the accuracy of the Specified Representations pursuant to the second proviso to such sentence.

⁷ Insert bracketed language if the Borrower is making a Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and the Required

By: _____
Name:
Title:

Lenders have not waived the accuracy of the Specified Representations pursuant to the second proviso to such sentence.

FORM OF SECURITY AGREEMENT

See attached.

D-1

FIRST LIEN SECURITY AGREEMENT

dated as of

November 3, 2014

among

SP HOLDCO I, INC.,
as Holdings,

SURGERY CENTER HOLDINGS, INC.,
as the Borrower,

THE OTHER GRANTORS PARTY HERETO FROM TIME TO TIME,

and

JEFFERIES FINANCE LLC,
as Collateral Agent

Table of Contents

| | <u>Page</u> |
|---|-------------|
| ARTICLE I Definitions | 1 |
| Section 1.01. Credit Agreement and UCC | 1 |
| Section 1.02. Other Defined Terms | 2 |
| ARTICLE II Pledge of Securities | 7 |
| Section 2.01. Pledge | 7 |
| Section 2.02. Delivery of the Pledged Collateral | 8 |
| Section 2.03. Representations, Warranties and Covenants | 9 |
| Section 2.04. Certification of Limited Liability Company and Limited Partnership Interests | 11 |
| Section 2.05. Registration in Nominee Name; Denominations | 11 |
| Section 2.06. Voting Rights; Dividends and Interest | 11 |
| Section 2.07. Collateral Agent Not a Partner or Limited Liability Company Member | 14 |
| ARTICLE III Security Interests in Personal Property | 14 |
| Section 3.01. Security Interest | 14 |
| Section 3.02. Representations and Warranties | 17 |
| Section 3.03. Covenants | 19 |
| Section 3.04. Other Actions | 21 |
| ARTICLE IV Special Provisions Concerning Intellectual Property Collateral | 22 |
| Section 4.01. Grant of License to Use Intellectual Property | 22 |
| Section 4.02. Protection of Collateral Agent's Security | 23 |
| ARTICLE V Remedies | 24 |
| Section 5.01. Remedies Upon Default | 24 |
| Section 5.02. Application of Proceeds | 27 |
| Section 5.03. Medicare / Medicaid | 28 |
| ARTICLE VI Indemnity, Subrogation and Subordination | 28 |
| ARTICLE VII Miscellaneous | 29 |
| Section 7.01. Notices | 29 |
| Section 7.02. Waivers; Amendment | 29 |
| Section 7.03. Collateral Agent's Fees and Expenses; Indemnification | 29 |
| Section 7.04. Successors and Assigns | 30 |
| Section 7.05. Survival of Agreement | 31 |
| Section 7.06. Counterparts; Effectiveness; Several Agreement | 31 |
| Section 7.07. Severability | 31 |
| Section 7.08. [Reserved.] | 31 |
| Section 7.09. Governing Law | 32 |
| Section 7.10. Waiver of Right to Trial by Jury | 33 |
| Section 7.11. Headings | 33 |

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Section 7.12. Security Interest Absolute | 33 |
| Section 7.13. Termination or Release | 33 |
| Section 7.14. Additional Restricted Subsidiaries | 34 |
| Section 7.15. Collateral Agent Appointed Attorney-in-Fact | 34 |
| Section 7.16. General Authority of the Collateral Agent | 35 |
| Section 7.17. Recourse; Limited Obligations | 36 |
| Section 7.18. Mortgages | 36 |

SCHEDULES

- Schedule I - Pledged Equity; Pledged Debt
- Schedule II - Letter-of-Credit Rights; Commercial Tort Claims
- Schedule III - Intellectual Property

EXHIBITS

- Exhibit I - Form of Security Agreement Supplement
- Exhibit II - Form of Perfection Certificate
- Exhibit III - Form of Grant of Security Interest in Trademarks
- Exhibit IV - Form of Grant of Security Interest in Patents
- Exhibit V - Form of Grant of Security Interest in Copyrights

FIRST LIEN SECURITY AGREEMENT, dated as of November 3, 2014 (this “**Agreement**”), among SP HOLDCO I, Inc., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Grantors party hereto from time to time and JEFFERIES FINANCE LLC, as collateral agent (in such capacity, including any successor thereto and assignee thereof, the “**Collateral Agent**”) for the Secured Parties (as defined below).

Reference is made to the First Lien Credit Agreement, dated as of the date hereof (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the “Credit Agreement”), among Holdings, the Borrower, the other Guarantors party thereto from time to time, the Lenders, Jefferies Finance LLC, as Administrative Agent and Collateral Agent, and Jefferies Finance LLC, as the Issuing Bank.

The Lenders have agreed to extend credit to the Borrower subject to the terms and conditions set forth in the Credit Agreement, and the Issuing Banks have agreed to issue Letters of Credit, the Hedge Banks have agreed to enter into and/or maintain one or more Secured Hedge Agreements, and the Cash Management Services Banks have agreed to provide Cash Management Services on the terms and conditions set forth in the Credit Agreement, the Secured Hedge Agreements and the Secured Cash Management Services Agreements, as applicable. The obligations of the Lenders to extend such credit, the obligations of the Issuing Banks to issue such Letters of Credit, the obligations of the Hedge Banks to enter into and/or maintain such Secured Hedge Agreements, and the obligations of the Cash Management Services Banks to provide Cash Management Services are, in each case, conditioned upon, among other things, the execution and delivery of this Agreement by each Grantor. The Grantors are affiliates of one another, will derive substantial direct and indirect benefits from (i) the extensions of credit to the Borrower and the issuance of Letters of Credit pursuant to the Credit Agreement, (ii) the entering into and/or maintaining by the Hedge Banks of Secured Hedge Agreements with the Borrower and/or one or more of its Restricted Subsidiaries and (iii) the provision of Cash Management Services by the Cash Management Services Banks to the Borrower and/or one or more of its Restricted Subsidiaries, and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit, to induce the Issuing Banks to issue such Letters of Credit, to induce the Hedge Banks to enter into and/or maintain such Secured Hedge Agreements, and to induce the Cash Management Services Banks to provide such Cash Management Services. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Credit Agreement and UCC

(a) Capitalized terms used in this Agreement, including the preamble and the introductory paragraphs hereto, and not otherwise defined herein have the meanings specified in the Credit Agreement.

(b) As used herein, each of the following terms has the meaning specified in the UCC (as defined herein):

| <u>Term</u> | <u>UCC Section</u> |
|-------------------------|----------------------|
| Certificated Security | 8-102 |
| Chattel Paper | 9-102 |
| Commercial Tort Claim | 9-102 |
| Control | 9-104, 8-106 & 9-106 |
| Commodity Contract | 9-102 |
| Commodity Intermediary | 9-102 |
| Deposit Account | 9-102 |
| Document | 9-102 |
| Entitlement Holder | 8-102 |
| Entitlement Order | 8-102 |
| Financial Asset | 8-102 & 103 |
| Fixtures | 9-102 |
| Goods | 9-102 |
| Instrument | 9-102 |
| Inventory | 9-102 |
| Investment Property | 9-102 |
| Letter-of-Credit Right | 9-102 |
| Location | 9-307 |
| Money | 1-201 |
| Proceeds | 9-102 |
| Promissory Note | 9-102 |
| Securities Account | 8-501 |
| Securities Intermediary | 8-102 |
| Security Entitlement | 8-102 |
| Supporting Obligations | 9-102 |
| Uncertificated Security | 8-102 |

(c) The rules of construction specified in Article 1 of the Credit Agreement also apply to this Agreement.

Section 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Accommodation Payment” has the meaning assigned to such term in Article VI.

“Account(s)” means “accounts” as defined in Section 9-102 of the UCC, and also means a right to payment of a monetary obligation, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, or (c) arising out of the use of a credit or charge card or information contained on or for use with the card.

“Account Debtor” means any Person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

“After-Acquired Intellectual Property” has the meaning assigned to such term in Section 4.02(d).

“Agreement” means this Security Agreement.

“Allocable Amount” has the meaning assigned to such term in Article VI.

“Article 9 Collateral” has the meaning assigned to such term in Section 3.01(a).

“Bankruptcy Event of Default” means any Event of Default under Sections 8.01(f) or (g) of the Credit Agreement, provided that, for the purposes of this Agreement only and notwithstanding Section 8.03 of the Credit Agreement, in determining whether such an Event of Default has occurred, any reference in any such clause to any Restricted Subsidiary or Loan Party shall be deemed not to include any Immaterial Subsidiary affected by any event or circumstances referred to in any such clause (it being agreed that all Restricted Subsidiaries affected by any event or circumstance referred to in any such clause shall be considered together, as a single consolidated Restricted Subsidiary, for purposes of determining whether they constitute an Immaterial Subsidiary).

“Blue Sky Laws” has the meaning assigned to such term in Section 5.01.

“Closing Date Grantor” has the meaning assigned to such term in Section 2.02 of this Agreement.

“Collateral” means the Article 9 Collateral and the Pledged Collateral; provided that all references to “Collateral” in Section 5.02 shall, unless the context requires otherwise, also refer to Mortgaged Properties.

“Collateral Account” means any cash collateral account established by a Grantor pursuant to, or in connection with, any Loan Document, which cash collateral account shall be maintained with, and under the sole dominion and control of, the Collateral Agent for the benefit of the relevant Secured Parties.

“Commercial Software License(s)” means any non-exclusive license of commercially available (on non-discriminatory pricing terms) computer software to a Grantor from a commercial software provider (e.g., “shrink-wrap”, “browse-wrap” or “click-wrap” software licenses) or a license of freely available computer software from a licensor of free or open source software.

“Copyright License” means any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or that such Grantor otherwise has the right to license, or granting any right to any Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

“Copyrights” means all of the following now owned or hereafter acquired by or assigned to any Grantor: (a) all copyright rights in any work subject to the copyright laws of the United States or any other country or group of countries, whether as author, assignee, transferee or otherwise, whether registered or unregistered and whether published or unpublished, (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending

applications for registration in the United States Copyright Office, including those listed on Schedule III, (c) all rights and privileges arising under applicable Law with respect to such Grantor's use of such copyrights, (d) all renewals and extensions thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to the foregoing, including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) all rights to sue for past, present or future infringements thereof.

“Credit Agreement” has the meaning assigned to such term in the preliminary statement of this Agreement.

“Domain Names” means all Internet domain names and associated URL addresses in or to which any Grantor now or hereafter has any right, title or interest.

“Equipment” means (x) any “equipment” as such term is defined in Article 9 of the UCC and shall also include, but shall not be limited to, all machinery, equipment, furnishings, appliances, furniture, fixtures, tools, and vehicles now or hereafter owned by any Grantor in each case, regardless of whether characterized as equipment under the UCC and (y) any and all additions, substitutions and replacements of any of the foregoing and all accessions thereto, wherever located, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefore, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

“General Intangibles” has the meaning provided in Article 9 of the UCC and shall in any event include all choses in action and causes of action and all other intangible personal property of every kind and nature (other than Accounts) now owned or hereafter acquired by any Grantor, as the case may be, including corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Swap Contracts and other agreements), goodwill, registrations, franchises, tax refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor.

“Grant of Security Interest” means a Grant of Security Interest in certain Intellectual Property Collateral in the form of Exhibit III, IV or V attached hereto.

“Grantor” means Holdings, the Borrower and each other Guarantor.

“Intellectual Property” means all intellectual and similar property of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know how, show how or other data or information, software, databases, all other proprietary information, including but not limited to Domain Names, and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

“Intellectual Property Collateral” means Collateral consisting of Intellectual Property.

“License” means any Patent License, Trademark License, Copyright License, Commercial Software License or other license or sublicense agreement granting rights under Intellectual Property to which any Grantor is a party, including those listed on Schedule III.

“Medicare” shall mean that government-sponsored benefits program under Title XVIII of the Social Security Act that provides for a health insurance system for eligible elderly and disabled individuals (Social Security Act of 1965, Title XVIII, P.L. 89-87 as amended; 42 U.S.C. § 1395 et seq.).

“Medicaid” shall mean that means-tested benefits program under Title XIX of the Social Security Act that provides federal grants to states for medical assistance based on specific eligibility criteria (Social Security Act of 1965, Title XIX, P.L. 89-87, as amended; 42 U.S.C. § 1396 et seq.).

“Patent License” means any written agreement, now or hereafter in effect, granting to any third party any right to develop, commercialize, import, make, have made, offer for sale, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or that any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any such right with respect to any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

“Patents” means all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or the equivalent thereof in any other country or group of countries, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule III, (b) all rights and privileges arising under applicable Law with respect to such Grantor’s use of any patents, (c) all inventions and improvements described and claimed therein, (d) all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to any of the foregoing including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) rights to sue for past, present or future infringements thereof.

“Perfection Certificate” means a certificate substantially in the form of Exhibit II, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by any Responsible Officer of the Borrower.

“Pledged Collateral” has the meaning assigned to such term in Section 2.01.

“Pledged Debt” has the meaning assigned to such term in Section 2.01.

“Pledged Equity” has the meaning assigned to such term in Section 2.01.

“Pledged Securities” means any Promissory Notes, stock certificates or other Securities, certificates or Instruments now or hereafter included in the Pledged Collateral, including all Pledged Equity, Pledged Debt and all other certificates, instruments or other documents representing or evidencing any Pledged Collateral.

“Secured Cash Management Services Agreement” means any agreement relating to Secured Cash Management Services Obligations.

“Secured Credit Document” means each Loan Document, each Secured Cash Management Services Agreement and each Secured Hedge Agreement.

“Secured Obligations” means the “Obligations” as defined in the Credit Agreement; it being acknowledged and agreed that the term “Secured Obligations” as used herein shall include each extension of credit under the Credit Agreement and all obligations of the Borrower and/or its Restricted Subsidiaries under the Secured Hedge Agreements and under the Secured Cash Management Services Agreements, in each case, whether outstanding on the date of this Agreement or extended or arising from time to time after the date of this Agreement; provided that the Secured Obligations shall not include Excluded Swap Obligations (as defined in Section 1.13(c) of the Credit Agreement).

“Secured Parties” means the holders from time to time of the Secured Obligations.

“Securities Act” has the meaning assigned to such term in Section 5.01.

“Security” means a “security” as such term is defined in Article 8 of the UCC and, in any event, shall include any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

“Security Agreement Supplement” means an instrument substantially in the form of Exhibit I hereto.

“Security Interest” has the meaning assigned to such term in Section 3.01(a).

“Trademark License” means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or that any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

“Trademarks” means all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, the goodwill of the business symbolized thereby or associated therewith, all registrations and recordings thereof, and all

registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule III, (b) all rights and privileges arising under applicable Law with respect to such Grantor's use of any trademarks, (c) all extensions and renewals thereof and amendments thereto, (d) all income, fees, royalties, damages and payments now and hereafter due and/or payable with respect to any of the foregoing, including damages, claims and payments for past, present or future infringements thereof, (e) all rights corresponding thereto throughout the world and (f) all rights to sue for past, present and future infringements or dilutions thereof or other injuries thereto.

"UCC" means the Uniform Commercial Code as the same may from time to time be in effect in the State of New York; provided that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

"UFCA" has the meaning assigned to such term in Article VI.

"UFTA" has the meaning assigned to such term in Article VI.

ARTICLE II

Pledge of Securities

Section 2.01. Pledge. As security for the payment or performance, as the case may be, in full of the Secured Obligations, each Grantor hereby assigns and pledges to the Collateral Agent, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, for the benefit of the Secured Parties, a continuing security interest in, all of such Grantor's right, title and interest in, to and under (i) all Equity Interests held by it (including those Equity Interests listed on Schedule I) and any other Equity Interests obtained in the future by such Grantor and the certificates representing all such Equity Interests (the "Pledged Equity"); provided that (A) the Pledged Equity shall not include more than 65% of any class of voting Equity Interests of (x) each Foreign Subsidiary and (y) each Domestic Subsidiary that is a disregarded entity for U.S. federal income tax purposes substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries, (B) the Pledged Equity shall not include the Equity Interests of any Subsidiary that conducts no business and has assets with a fair market value of less than \$2,000,000 if the Borrower elects to exclude such Equity Interests from the Pledged Equity and (C) the Pledged Equity shall not include Margin Stock or Equity Interests in any joint venture or in any Subsidiary that is not a wholly owned Restricted Subsidiary of the Borrower (but shall include Proceeds thereof), but only to the extent that the creation of a security interest in such Equity Interests is prohibited or restricted by the Organization Documents of such joint venture or Subsidiary or by any contractual restriction contained in any agreement with third party holders of other Equity Interests in such joint venture or Subsidiary which holders are not Affiliates of the Borrower (except to the extent any

such prohibition or restriction is deemed ineffective under the UCC or other applicable Law); (ii)(A) the Promissory Notes and any Instruments evidencing indebtedness owned by it listed opposite the name of such Grantor on Schedule I and (B) any Promissory Notes and Instruments evidencing indebtedness obtained in the future by such Grantor (collectively, the Promissory Notes and Instruments referred to in clauses (A) and (B), the “Pledged Debt”); (iii) all other property that may be delivered to and held by the Collateral Agent pursuant to the terms of this Section 2.01; (iv) subject to Section 2.06, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon the conversion of, and all other Proceeds received in respect of, the securities referred to in clauses (i), (ii) and (iii) above; (v) subject to Section 2.06, all rights and privileges of such Grantor with respect to the securities and other property referred to in clauses (i), (ii), (iii) and (iv) above; and (vi) all Proceeds of, and Security Entitlements in respect of, any of the foregoing (the items referred to in clauses (i) through (vi) above being collectively referred to as the “Pledged Collateral”). Notwithstanding the foregoing, if after the date hereof any Grantor shall acquire any Equity Interest (1) in which a pledge is prohibited or restricted by applicable law or requires the consent of any Governmental Authority or third party, (2) to the extent a pledge of such Equity Interest would result in material adverse tax consequences as reasonably determined by the Borrower in consultation with the Administrative Agent or (3) in circumstances where the cost of obtaining a pledge of such Equity Interest exceeds the practical benefit to the Lenders afforded thereby as reasonably determined between the Borrower and the Collateral Agent, then such Equity Interest shall not be included in the Pledged Collateral.

TO HAVE AND TO HOLD the Pledged Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, for the benefit of the applicable Secured Parties, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

Section 2.02. Delivery of the Pledged Collateral

(a) On the Closing Date (in the case of any Grantor that grants a Lien on any of its assets hereunder on the Closing Date (each, a “Closing Date Grantor”)) or on the date on which it signs and delivers its first Security Agreement Supplement (in the case of any other Grantor), each Grantor shall deliver or cause to be delivered to the Collateral Agent, for the benefit of the Secured Parties, any and all Pledged Securities (other than any Uncertificated Securities, but only for so long as such Securities remain uncertificated), subject, in the case of Promissory Notes and Instruments evidencing Indebtedness, to the extent such Pledged Securities are required to be delivered pursuant to Section 2.02(b). Thereafter, whenever such Grantor acquires any other Pledged Security (other than any Uncertificated Securities, but only for so long as such Uncertificated Securities remain uncertificated), such Grantor shall promptly deliver or cause to be delivered to the Collateral Agent such Pledged Security as Collateral hereunder, subject, in the case of Promissory Notes and Instruments evidencing Indebtedness, to the extent such Pledged Securities are required to be delivered pursuant to Section 2.02(b).

(b) Each Grantor will cause (i) all indebtedness of Holdings, the Borrower and each other Guarantor that, in each case, is owing to such Grantor to be evidenced by an Intercompany Note, (ii) such Intercompany Note to be pledged and delivered to the Collateral

Agent pursuant to the terms hereof and (iii) any Indebtedness for borrowed money having an aggregate principal amount equal to or in excess of \$5,000,000 owed to such Grantor by any Person (other than the Borrower or a Restricted Subsidiary) to be evidenced by a duly executed Promissory Note that is pledged and delivered to the Collateral Agent, for the benefit of the applicable Secured Parties, pursuant to the terms hereof.

(c) Upon delivery to the Collateral Agent, (i) any Pledged Securities shall be accompanied by undated stock powers duly executed in blank or other instruments of transfer reasonably satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request and (ii) all other property comprising part of the Pledged Collateral shall be accompanied by proper instruments of assignment duly executed by the applicable Grantor and such other instruments or documents as the Collateral Agent may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing such Pledged Securities, which schedule shall be deemed to supplement Schedule I and be made a part hereof; provided that failure to attach any such schedule hereto shall not affect the validity of such pledge of such Pledged Securities. Each schedule so delivered shall supplement any prior schedules so delivered.

(d) Notwithstanding the foregoing, to the extent that any Closing Date Grantor does not or cannot deliver any Pledged Collateral (other than Pledged Collateral consisting of the Equity Interests of the Borrower or any wholly-owned Domestic Subsidiary of the Borrower) on the Closing Date notwithstanding its use of commercially reasonable efforts to do so, such Closing Date Grantor shall not be required to deliver such Pledged Collateral until the date that is 90 days following the Closing Date (or such longer period as the Collateral Agent may agree).

(e) The assignment, pledge and security interest granted in Section 2.01 are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Pledged Collateral.

Section 2.03. Representations, Warranties and Covenants

Each Grantor represents, warrants and covenants, as to itself and the other Grantors, to and with the Collateral Agent, for the benefit of the Secured Parties, that:

(a) Schedule I correctly sets forth, as of the Closing Date and as of each date on which a supplement to Schedule I is delivered pursuant to Section 2.02(c), the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Equity and includes all Equity Interests, Promissory Notes and Instruments required to be pledged hereunder in order to satisfy the Collateral and Guarantee Requirement;

(b) the Pledged Equity issued by the Borrower or a wholly owned Restricted Subsidiary and the Pledged Debt (solely with respect to Pledged Debt issued by a Person other than the Borrower or a wholly-owned Restricted Subsidiary of the Borrower, to the best of the Borrower's knowledge) have been duly and validly authorized and issued by the issuers thereof

and (i) in the case of Pledged Equity (other than Pledged Equity consisting of limited liability company interests or partnership interests which, pursuant to the relevant organizational or formation documents, cannot be fully paid and non-assessable), are fully paid and nonassessable and (ii) in the case of Pledged Debt (solely with respect to Pledged Debt issued by a Person other than the Borrower or a wholly-owned Restricted Subsidiary of the Borrower, to the best of the Borrower's knowledge), are legal, valid and binding obligations of the issuers thereof, subject to applicable Debtor Relief Laws and general principles of equity;

(c) each Grantor (i) owns the Pledged Securities indicated on Schedule I as owned by such Grantor free and clear of all Liens, other than (A) Liens created by the Collateral Documents and (B) Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement, and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Liens permitted pursuant to this Section 2.03(c)), however, arising, of all Persons whomsoever;

(d) (i) except for (x) restrictions and limitations imposed by the Loan Documents or securities laws generally or Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement and (y) in the case of Pledged Equity of Persons that are not Subsidiaries, transfer restrictions that exist at the time of acquisition of Equity Interests in such Persons, and (ii) except as described in the Perfection Certificate, the Pledged Collateral is and will continue to be freely transferable and assignable, and none of the Pledged Collateral is or will be subject to any option, right of first refusal, shareholders agreement, charter or by-law provisions or contractual restriction of any nature that would prohibit, impair, delay or otherwise affect in any manner material and adverse to the Secured Parties the pledge of such Pledged Collateral hereunder, the sale or disposition thereof pursuant hereto or the exercise by the Collateral Agent of rights and remedies hereunder;

(e) each of the Grantors has the power and authority to pledge the Pledged Collateral pledged by it hereunder in the manner hereby done or contemplated;

(f) no consent or approval of any Governmental Authority, any securities exchange or any other Person was or is necessary to the validity and perfection of the pledge effected hereby (other than such as have been obtained and are in full force and effect);

(g) by virtue of the execution and delivery by the Grantors of this Agreement, when any Pledged Securities are delivered to the Collateral Agent in accordance with this Agreement, the Collateral Agent will obtain a legal, valid and, to the extent governed by the UCC, first-priority (subject to any Liens permitted pursuant by Section 7.01 of the Credit Agreement other than Liens securing Second Lien Indebtedness, Permitted Second Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing) perfected lien upon and security interest in such Pledged Securities as security for the payment and performance of the Secured Obligations; and

(h) the pledge effected hereby is effective to vest in the Collateral Agent, for the benefit of the Secured Parties, the rights of the Collateral Agent in the Pledged Collateral as set forth herein.

Notwithstanding anything herein to the contrary, none of the Grantors shall be required: (i) other than in respect of Pledged Collateral constituting Certificated Securities, to perfect the security interests hereunder through “control” (including for the avoidance of doubt, to enter into any deposit account control agreement, securities account control agreement or any other control agreement with respect to any deposit account, securities account or any other Collateral that requires perfection by “control” other than the Collateral Account), (ii) to perfect by possession of Promissory Notes or any other Instruments evidencing an amount not in excess of \$5,000,000 and (iii) to take any actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction to create any security interests in assets located or titled outside of the U.S. or to perfect any security interest in such assets (it being understood that there shall be no security agreements or pledge agreements governed under the laws of any non-U.S. jurisdiction).

Section 2.04. Certification of Limited Liability Company and Limited Partnership Interests

Each Grantor acknowledges and agrees that, to the extent any interest in any limited liability company or limited partnership controlled by any Grantor and pledged under Section 2.01 is a “security” within the meaning of Article 8 of the UCC and is governed by Article 8 of the UCC, such interest shall be represented by a certificate. Each Grantor further acknowledges and agrees that, with respect to any interest in any limited liability company or limited partnership controlled on or after the date hereof by such Grantor and pledged hereunder that is not a “security” within the meaning of Article 8 of the UCC, such Grantor shall at no time elect to treat any such interest as a “security” within the meaning of Article 8 of the UCC, nor shall such interest be represented by a certificate, unless such election and such interest is thereafter represented by a certificate that is promptly delivered to the Collateral Agent pursuant to the terms hereof.

Section 2.05. Registration in Nominee Name; Denominations

If an Event of Default shall occur and be continuing and the Collateral Agent shall give the Borrower notice of its intent to exercise such rights, (a) the Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to cause each of the Pledged Securities to be transferred of record into the name of the Collateral Agent and (b) the Collateral Agent shall have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement; provided that, notwithstanding the foregoing, if a Bankruptcy Event of Default shall have occurred and be continuing, the Collateral Agent shall not be required to give the notice referred to above in order to exercise the rights described above. Each Grantor will promptly give to the Collateral Agent copies of any material notices received by it with respect to Pledged Securities registered in the name of such Grantor. Each Grantor will take any and all actions reasonably requested by the Collateral Agent to facilitate compliance with this Section 2.05.

Section 2.06. Voting Rights; Dividends and Interest

(a) Unless and until an Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified the Borrower that the rights of the Grantors under this Section 2.06 are being suspended:

(i) Each Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Credit Agreement and the other Loan Documents; provided that such rights and powers shall not be exercised in any manner that could materially and adversely affect the rights inuring to a holder of any Pledged Securities or the rights and remedies of any of the Collateral Agent or the other Secured Parties under this Agreement, the Credit Agreement or any other Loan Document or the ability of the Secured Parties to exercise the same.

(ii) The Collateral Agent shall promptly execute and deliver to each Grantor, or cause to be executed and delivered to such Grantor, all such proxies, powers of attorney and other instruments as such Grantor may reasonably request in writing for the purpose of enabling such Grantor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to Section 2.06(a)(i), in each case as shall be specified in such request and be in form and substance reasonably satisfactory to the Collateral Agent.

(iii) Each Grantor shall be entitled to receive and retain any and all dividends, interest, principal and other distributions paid on or distributed in respect of the Pledged Securities, to the extent (and only to the extent) that such dividends, interest, principal and other distributions are permitted by, and otherwise paid or distributed in accordance with, the terms and conditions of the Credit Agreement, the other Loan Documents and applicable Laws; provided that any noncash dividends, interest, principal or other distributions that would constitute Pledged Equity or Pledged Debt, whether resulting from a subdivision, combination or reclassification of the outstanding Equity Interests of the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Pledged Collateral and, if received by any Grantor, shall not be commingled by such Grantor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and the applicable Secured Parties and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement reasonably requested by the Collateral Agent). So long as no Event of Default has occurred and is continuing, the Collateral Agent shall promptly deliver to each Grantor any Pledged Securities in its possession if requested to be delivered to the issuer thereof in connection with any exchange or redemption of such Pledged Securities.

(b) Upon the occurrence and during the continuance of an Event of Default, after the Collateral Agent shall have notified the Borrower of the suspension of the rights of the Grantors under Section 2.06(a)(iii), then all rights of any Grantor to dividends, interest, principal or other distributions that such Grantor is authorized to receive pursuant to Section 2.06(a)(iii) shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to receive and retain such dividends,

interest, principal or other distributions. All dividends, interest, principal or other distributions received by any Grantor contrary to the provisions of this Section 2.06 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Grantor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsement reasonably requested by the Collateral Agent). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this Section 2.06(b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 5.02. After all Events of Default have been cured or waived and, other than in the case of a waiver of which the Collateral Agent is aware, the Borrower has delivered to the Collateral Agent a certificate executed by a Responsible Officer of the Borrower to such effect, the Collateral Agent shall promptly repay to each Grantor (without interest) all dividends, interest, principal or other distributions that such Grantor would otherwise be permitted to retain pursuant to the terms of Section 2.06(a)(iii) in the absence of an Event of Default and that remain in such account.

(c) Upon the occurrence and during the continuance of an Event of Default, after the Collateral Agent shall have notified the Borrower of the suspension of the rights of the Grantors under Section 2.06(a)(i), then all rights of any Grantor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to Section 2.06(a)(i), and the obligations of the Collateral Agent under Section 2.06(a)(ii), shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers; provided that, unless otherwise directed by the Required Lenders, the Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Grantors to exercise such rights. After all Events of Default have been cured or waived and, other than in the case of a waiver of which the Collateral Agent is aware, the Borrower has delivered to the Collateral Agent a certificate executed by a Responsible Officer of the Borrower to such effect, each Grantor shall have the exclusive right to exercise the voting and/or consensual rights and powers that such Grantor would otherwise be entitled to exercise pursuant to the terms of Section 2.06(a)(i), and the obligations of the Collateral Agent under Section 2.06(a)(ii) shall be reinstated.

(d) Any notice given by the Collateral Agent to the Borrower suspending the rights of the Grantors under Section 2.06(a)(i) shall be given in writing, (ii) may be given with respect to one or more of the Grantors at the same or different times and (iii) may suspend the rights of the Grantors under Section 2.06(a)(i) or (iii) in part without suspending all such rights (as specified by the Collateral Agent in its sole and absolute discretion) and without waiving or otherwise affecting the Collateral Agent's rights to give additional notices from time to time suspending other rights so long as an Event of Default has occurred and is continuing. Notwithstanding anything to the contrary contained in Section 2.06(a), (b) or (c), if a Bankruptcy Event of Default shall have occurred and be continuing, the Collateral Agent shall not be required to give any notice referred to in said Section in order to exercise any of its rights described in such Section, and the suspension of the rights of each of the Grantors under each such Section shall be automatic upon the occurrence of such Bankruptcy Event of Default.

Section 2.07. Collateral Agent Not a Partner or Limited Liability Company Member

Nothing contained in this Agreement shall be construed to make the Collateral Agent or any other Secured Party liable as a member of any limited liability company or as a partner of any partnership and neither the Collateral Agent nor any other Secured Party by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a member of any limited liability company or as a partner in any partnership. The parties hereto expressly agree that, unless the Collateral Agent shall become the absolute owner of Pledged Equity consisting of a limited liability company interest or a partnership interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Collateral Agent, any other Secured Party, any Grantor and/or any other Person.

ARTICLE III

Security Interests in Personal Property

Section 3.01. Security Interest

(a) As security for the payment or performance, as the case may be, in full of the Secured Obligations, each Grantor hereby assigns and pledges to the Collateral Agent, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, for the benefit of the Secured Parties, a continuing security interest (the "Security Interest") in, all of such Grantor's right, title and interest in, to and under any and all of the following assets and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Article 9 Collateral"):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Documents;
- (iv) all Equipment;
- (v) all General Intangibles;
- (vi) all Instruments;
- (vii) all Inventory;
- (viii) all Investment Property;
- (ix) all books and records pertaining to the Article 9 Collateral;

- (x) all Goods Fixtures and other personal property of such Grantor, whether tangible or intangible and wherever located;
- (xi) all Money, cash, cash equivalents and Deposit Accounts;
- (xii) all Letter-of-Credit Rights described on Schedule II from time to time;
- (xiii) all Commercial Tort Claims described on Schedule II from time to time;
- (xiv) each Collateral Account, and all cash, Money, Securities and other investments deposited therein;
- (xv) all Supporting Obligations;
- (xvi) all Security Entitlements in any or all of the foregoing;
- (xvii) all Intellectual Property; and
- (xviii) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing (including proceeds of all insurance policies) and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided that (i) any applications in the United States Patent and Trademark Office to register Trademarks or service marks on the basis of any Grantor's "intent to use" such Trademarks or service marks will not be deemed to be Collateral unless and until a "Statement of Use" or "Amendment to Allege Use" has been filed and accepted in the United States Patent and Trademark Office (solely to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such "intent to use" application under applicable federal law), whereupon such application shall be automatically subject to the security interest granted herein and deemed to be included in the Collateral and (ii) notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute a grant of a security interest in or a pledge of (A) more than 65% of any class of voting Equity Interests of any Foreign Subsidiary, (B) more than 65% of any class of voting Equity Interests of any Domestic Subsidiary that is a disregarded entity for U.S. federal income tax purposes substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries, (C) the Equity Interests of any Subsidiary that conducts no business and has assets with a fair market value of less than \$2,000,000 if the Borrower elects to exclude such Equity Interests from the Pledged Equity, (D) any specifically identified asset with respect to which (1) the grant of a security interest in such asset would result in material adverse tax consequences as reasonably determined by the Borrower in consultation with the Administrative Agent or (2) the cost of obtaining a security interest in such asset exceeds the practical benefit to the Lenders afforded thereby as reasonably determined between the Borrower and the Administrative Agent, (E) any particular asset, if the pledge thereof or the security interest therein is prohibited or restricted by applicable Law or would require, to the extent commercially reasonable efforts have been made to obtain the same, the consent of any

Governmental Authority or third party to such pledge or security interest, unless such consent has been obtained, and so long as, in the case where such pledge or security interest is limited by contract, such limitation is otherwise permitted under the Credit Agreement, (F) Margin Stock and Equity Interests in any joint venture (with any party other than the Borrower or any Guarantor) or any Subsidiary that is not a wholly owned Restricted Subsidiary, other than Proceeds thereof, but only to the extent that the creation of a security interest in such Equity Interests is prohibited or restricted by the Organizational Documents of such joint venture or Subsidiary or by any contractual restriction contained in any agreement with third party holders of the other Equity Interests in such joint venture or Subsidiary which holders are not Affiliates of the Borrower (except to the extent any such prohibition or restriction is deemed ineffective under the UCC or other applicable Law), (G) any lease, license or agreement or any property subject to a purchase money security interest or similar arrangement to the extent that a grant of a security interest therein would violate or invalidate such lease, license or agreement or purchase money or similar arrangement or create a right of termination in favor of any other party thereto (other than the Borrower or any Guarantor) after giving effect to the applicable anti-assignment provisions of the UCC or other applicable Law, other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under the UCC or other applicable Law notwithstanding such prohibition or restriction, (H) any governmental licenses or state or local franchises, charters and authorizations, to the extent security interests in such licenses, franchises, charters or authorizations are prohibited or restricted thereby (except to the extent such prohibition or restriction is rendered ineffective under the UCC), (except that cash Proceeds of dispositions thereof in accordance with applicable Law (including, without limitation, rules and regulations of any Governmental Authority) shall constitute Collateral), provided that Collateral shall include to the maximum extent permitted by applicable Law all rights incident or appurtenant to such licenses, property and assets (except to the extent any Lien on such asset in favor of the Collateral Agent requires consent, approval or authorization from any Governmental Authority) and the right to receive all Proceeds realized from the sale, assignment or transfer of such licenses, property and assets, (I) any fee-owned real property (but not any property located thereon that is not real property) that does not constitute Material Real Property and any leasehold interest in real property (but not any property located thereon that is not real property), (J) motor vehicles, airplanes and other assets subject to certificates of title, (K) Letter-of-Credit Rights of less than \$5,000,000 (other than to the extent consisting of supporting obligations that can be perfected solely by the filing of a UCC financing statement), (L) any Commercial Tort Claim in an amount (taking the greater of the aggregate claimed damages thereunder or the reasonably estimated value thereof) of less than \$5,000,000 and (M) the Indemnity Escrow Account and any amounts on deposit thereon. Each Grantor shall, if requested to do so by the Collateral Agent, use commercially reasonable efforts to obtain any such required consent that is reasonably obtainable with respect to Collateral which the Collateral Agent reasonably determines to be material.

(b) Each Grantor hereby irrevocably authorizes the Collateral Agent for the benefit of the Secured Parties at any time and from time to time to file in any relevant jurisdiction any financing statements or continuation statements (including fixture filings) with respect to the Collateral or any part thereof and amendments thereto that (i) indicate the Collateral as all assets or all personal property of such Grantor or words of similar effect and (ii) contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment, including (A) whether such Grantor is an

organization, the type of organization and any organizational identification number issued to such Grantor and (B) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Collateral relates. Each Grantor agrees to provide such information to the Collateral Agent promptly upon request.

(c) The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Article 9 Collateral.

(d) Each Grantor hereby further authorizes the Collateral Agent to file a Grant of Security Interest substantially in the form of Exhibit III, IV or V, as applicable, covering Intellectual Property Collateral with the United States Patent and Trademark Office or United States Copyright Office (or any successor office), as applicable, and such other documents as may be necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by such Grantor hereunder, without the signature of such Grantor, and naming such Grantor, as debtor, and the Collateral Agent, as secured party.

Section 3.02. Representations and Warranties

Each Grantor represents and warrants, as to itself and the other Grantors, to the Collateral Agent, for the benefit of the Secured Parties, that:

(a) Each Grantor has good and valid rights (not subject to any Liens other than Liens permitted by Section 7.01 of the Credit Agreement) and/or good and marketable title in the Article 9 Collateral with respect to which it has purported to grant a Security Interest hereunder (which rights and/or title, are in any event, sufficient under Section 9-203 of the UCC), and has full power and authority to grant to the Collateral Agent the Security Interest in such Article 9 Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval that has been obtained.

(b) The Perfection Certificate has been duly executed and delivered to the Collateral Agent and the information set forth therein, including the exact legal name of each Grantor and its jurisdiction of organization, is correct and complete in all material respects as of the Closing Date. The UCC financing statements (including fixture filings, as applicable) prepared by the Collateral Agent based upon the information provided to the Collateral Agent in the Perfection Certificate for filing in each governmental, municipal or other office specified in Section I.A. of the Perfection Certificate (or specified by notice from the applicable Grantor to the Collateral Agent after the Closing Date in the case of filings, recordings or registrations required by Section 6.11 of the Credit Agreement), are all the filings, recordings and registrations (other than any filings required to be made in the United States Patent and Trademark Office, the United States Copyright Office in order to perfect the Security Interest in Article 9 Collateral consisting of Intellectual Property) that are necessary to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the benefit of the Secured Parties) in respect of all Article 9 Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refileing,

recording, rerecording, registration or reregistration with respect to such Article 9 Collateral is necessary in any such jurisdiction, except as provided under applicable Law with respect to the filing of continuation statements. Each Grantor represents and warrants that, as of the Closing Date, fully executed Grants of Security Interest in the form attached as Exhibit III, IV or V, as applicable, containing a description of all Intellectual Property Collateral consisting of Patents (and Patents for which applications are pending), registered Trademarks (and Trademarks for which registration applications are pending) or registered Copyrights (and Copyrights for which registration applications are pending), as applicable, have been delivered to the Collateral Agent for recording by the United States Patent and Trademark Office or the United States Copyright Office, as applicable, pursuant to 35 U.S.C. § 261, 15 U.S.C. § 1060 or 17 U.S.C. § 205 and the regulations thereunder.

(c) The Security Interest constitutes (i) a legal and valid security interest in all the Article 9 Collateral securing the payment and performance of the Secured Obligations, (ii) subject to the filings described in Section 3.02(b), a perfected security interest in all Article 9 Collateral in which a security interest may be perfected by filing, recording or registering a financing statement in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC and (iii) a security interest that shall be perfected in all Article 9 Collateral in which a security interest may be perfected upon the receipt and recording of the relevant Grants of Security Interest with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three month period (commencing as of the date hereof) pursuant to 35 U.S.C. § 261 or 15 U.S.C. § 1060 or the one month period (commencing as of the date hereof) pursuant to 17 U.S.C. § 205. The Security Interest is and shall be prior to any other Lien on any of the Article 9 Collateral, other than Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement (other than Liens securing Second Lien Indebtedness, Permitted Second Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing).

(d) The Article 9 Collateral is owned by the Grantors free and clear of any Lien, except for Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement. None of the Grantors has filed or consented to the filing of (i) any financing statement or analogous document under the UCC or any other applicable Laws covering any Article 9 Collateral, (ii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with the United States Patent and Trademark Office or the United States Copyright Office, or (iii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement.

(e) All (i) Commercial Tort Claims of each Grantor where the amount of damages claimed by such Grantor is in excess of \$5,000,000 and (ii) Letter-of-Credit Rights of in excess of \$5,000,000, in each case in existence on the date of this Agreement (or on the date upon which such Grantor becomes a party to this Agreement), are described on Schedule II hereto.

Section 3.03. Covenants

(a) The Borrower agrees to promptly (and in any event within 30 calendar days thereafter, other than in the case of a change in Location, in which case, five days prior written notice (or such later date as the Collateral Agent may agree in its reasonable discretion) shall be given to the Collateral Agent) notify the Collateral Agent in writing of any change (i) in the legal name of any Grantor, (ii) in the identity or type of organization or corporate structure of any Grantor, (iii) in the jurisdiction of organization of any Grantor, (iv) in the Location of any Grantor or (v) in the organizational identification number of any Grantor. The Grantors agree not to effect or permit any change referred to in the preceding sentence unless all filings, publications and registrations have been made (or will be made in a timely fashion) under the UCC or any other applicable Law that are required in order for the Collateral Agent to continue at all times following such change to have a valid, legal and first-priority (subject only to Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement (other than Liens securing Second Lien Indebtedness, Permitted Second Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing)) perfected security interest in all Article 9 Collateral. In addition, if any Grantor does not have an organizational identification number on the Closing Date (or the date such Grantor becomes a party to this Agreement) and later obtains one, the Borrower shall promptly thereafter notify the Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Collateral Agent to the extent necessary to maintain the security interests (and the priority thereof) of the Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

(b) Subject to Section 3.03(h), each Grantor shall, at its own expense, take any and all commercially reasonable actions necessary to defend title to the Article 9 Collateral against all Persons and to defend the Security Interest of the Collateral Agent in the Article 9 Collateral and the priority thereof against any Lien not expressly permitted pursuant to Section 7.01 of the Credit Agreement.

(c) Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to Section 6.01 of the Credit Agreement, the Borrower shall deliver to the Collateral Agent a certificate executed by a Responsible Officer of the Borrower setting forth the information required pursuant to Sections I.A., I.B., II.A.1., II.A.4., and II.D. of the Perfection Certificate or confirming that there has been no change in such information since the date of such certificate or the date of the most recent certificate delivered pursuant to this Section 3.03(c).

(d) Subject to Section 3.03(h), each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agent may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith; provided that no Grantor shall be required to comply with the Assignment of Claims Act, any similar provision of the laws of any other jurisdiction or any laws, rules or regulations applicable to the assignment of any receivables or contract rights governed by

Medicare or Medicaid. If any amount payable under or in connection with any of the Article 9 Collateral (other than by a Loan Party) that equals or exceeds \$5,000,000 shall be or become evidenced by any Promissory Note or Instrument, such Promissory Note or Instrument shall be promptly pledged and delivered to the Collateral Agent, for the benefit of the Secured Parties, duly endorsed in a manner reasonably satisfactory to the Collateral Agent.

(e) At its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Article 9 Collateral and not permitted pursuant to Section 7.01 of the Credit Agreement, and may pay for the maintenance and preservation of the Article 9 Collateral to the extent any Grantor fails to do so as required by the Credit Agreement or this Agreement and within a reasonable period of time after the Collateral Agent has requested that it do so, and each Grantor jointly and severally agrees to reimburse the Collateral Agent within 10 days after demand for any payment made or any reasonable expense incurred by the Collateral Agent pursuant to the foregoing authorization. Nothing in this Section 3.03(e) shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

(f) If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other Person the value of which equals or exceeds \$5,000,000 to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent for the benefit of the applicable Secured Parties. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other Person granting the security interest.

(g) Each Grantor (rather than the Collateral Agent or any Secured Party) shall remain liable (as between itself and any relevant counterparty) to observe and perform all the conditions and obligations to be observed and performed by it under each contract agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

(h) Notwithstanding anything herein to the contrary, none of the Grantors shall be required: (i) other than in respect of Pledged Collateral constituting Certificated Securities of wholly owned Restricted Subsidiaries directly owned by Holdings, the Borrower or any Grantor, to perfect the security interests hereunder through "control" (including for the avoidance of doubt, to enter into any deposit account control agreement, securities account control agreement or any other control agreement with respect to any deposit account, securities account or any other Collateral that requires perfection by "control" other than the Collateral Account), (ii) to complete any filings or other action with respect to the perfection of the security interests, including of any Intellectual Property, created hereby in any jurisdiction outside of the United States or any State thereof, (iii) to perfect by possession of Promissory Notes or any other Instruments, in each case evidencing indebtedness not in excess of \$5,000,000, and (iv) to take any actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction to

create any security interests in assets located or titled outside of the United States or to perfect any security interest in such assets, including any Intellectual Property registered in any non-U.S. jurisdiction (it being understood that there shall be no security agreements or pledge agreements governed under the laws of any non-U.S. jurisdiction).

Section 3.04. Other Actions

Each Grantor agrees to promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable, or that the Collateral Agent may reasonably request from time to time, in order to further insure the attachment, perfection and priority of, and the ability of the Collateral Agent to enforce, the Security Interest and the security interest granted under Article II, in each case at such Grantor's own expense. Without limiting the generality of the foregoing, each Grantor shall take the following actions with respect to the following Article 9 Collateral:

(a) Instruments. If any Grantor shall at any time hold or acquire any Instruments constituting Collateral and evidencing an amount equal to or in excess of \$5,000,000, such Grantor shall forthwith endorse, assign and deliver the same to the Collateral Agent for the benefit of the applicable Secured Parties, accompanied by such instruments of transfer or assignment duly executed in blank or otherwise acceptable to the Collateral Agent as the Collateral Agent may from time to time reasonably request.

(b) Investment Property. Except to the extent otherwise provided in Article II or in Section 3.03(h), if any Grantor shall at any time hold or acquire any Certificated Securities, such Grantor shall forthwith endorse, assign and deliver the same to the Collateral Agent for the benefit of the applicable Secured Parties, accompanied by such instruments of transfer or assignment duly executed in blank as the Collateral Agent may from time to time reasonably request. If any Securities now or hereafter acquired by any Grantor are uncertificated and are issued to such Grantor or its nominee directly by the issuer thereof, upon the Collateral Agent's request and following the occurrence of an Event of Default, such Grantor shall promptly notify the Collateral Agent thereof and, at the Collateral Agent's request, pursuant to an agreement in form and substance satisfactory to the Collateral Agent, either (but only to the extent such Securities and other Investment Property constitute Collateral) (i) cause the issuer to agree to comply with instructions from the Collateral Agent as to such Securities, without further consent of any Grantor or such nominee, or (ii) arrange for the Collateral Agent to become the registered owner of the Securities. If any Securities, whether certificated or uncertificated, or other Investment Property are held by any Grantor or its nominee through a Securities Intermediary or Commodity Intermediary, upon the Collateral Agent's request and following the occurrence of an Event of Default, such Grantor shall promptly notify the Collateral Agent thereof and at the Collateral Agent's request and option, pursuant to an agreement in form and substance satisfactory to the Collateral Agent shall either (i) cause such Securities Intermediary or (as the case may be) Commodity Intermediary to agree to comply with Entitlement Orders or other instructions from the Collateral Agent to such Securities Intermediary as to such Security Entitlements, or (as the case may be) to apply any value distributed on account of any Commodity Contract as directed by the Collateral Agent to such Commodity Intermediary, in each case without further consent of any Grantor or such nominee, or (ii) in the case of Financial Assets or other Investment Property held through a Securities Intermediary, arrange for the

Collateral Agent to become the Entitlement Holder with respect to such Investment Property, with the Grantor being permitted, only with the consent of the Collateral Agent, to exercise rights to withdraw or otherwise deal with such Investment Property. The Collateral Agent agrees with each of the Grantors that the Collateral Agent shall not give any such Entitlement Orders or instructions or directions to any such issuer, Securities Intermediary or Commodity Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by any Grantor, unless an Event of Default has occurred and is continuing. The provisions of this Section 3.04(b) shall not apply to any Financial Assets credited to a Securities Account for which the Collateral Agent is the Securities Intermediary.

(c) Commercial Tort Claims. If any Grantor shall at any time after the date of this Agreement acquire a Commercial Tort Claim in an amount (taking the greater of the aggregate claimed damages thereunder or the reasonably estimated value thereof) of \$5,000,000 or more, such Grantor shall promptly notify the Collateral Agent thereof in a writing signed by such Grantor and provide supplements to Schedule II describing the details thereof and shall grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest therein and in the proceeds thereof, all upon the terms of this Agreement.

ARTICLE IV

Special Provisions Concerning Intellectual Property Collateral

Section 4.01. Grant of License to Use Intellectual Property

Without limiting the provisions of Section 3.01 hereof or any other rights of the Collateral Agent as the holder of a Security Interest in any Intellectual Property Collateral, for the purpose of enabling the Collateral Agent to exercise rights and remedies under this Agreement at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent an irrevocable, nonexclusive license (exercisable without payment of rent, royalty or other compensation to the Grantors) to use, license or sublicense any of the Intellectual Property Collateral now owned or hereafter acquired by such Grantor, and wherever the same may be located (whether or not any license agreement by and between any Grantor and any other Person relating to the use of such Intellectual Property Collateral may be terminated hereafter), and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, provided, however, that any license granted by the Collateral Agent to a third party shall include reasonable and customary terms necessary to preserve the existence, validity, and value of the affected Intellectual Property Collateral, including, without limitation, provisions requiring the continuing confidential handling of trade secrets, requiring the use of appropriate notices and prohibiting the use of false notices, protecting Trademarks in the manner set forth below (it being understood and agreed that, without limiting any other rights and remedies of the Collateral Agent under this Agreement, any other Loan Document or applicable Law, nothing in the foregoing license grant shall be construed as granting the Collateral Agent rights in and to such Intellectual Property Collateral above and beyond (x) the rights to such Intellectual Property Collateral that each Grantor has reserved for itself and (y) in the case of Intellectual Property Collateral that is licensed to any such Grantor by a third party, the extent to which such Grantor

has the right to grant a sublicense to such Intellectual Property Collateral hereunder). The use of such license by the Collateral Agent may only be exercised, at the option of the Collateral Agent, during the continuance of an Event of Default; provided that any license, sublicense or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default. In the event the license set forth in this Section 4.01 is exercised with regard to any Trademarks, then the following shall apply: (i) all goodwill arising from any licensed or sublicensed use of any Trademark shall inure to the benefit of the Grantor; (ii) the licensed or sublicensed Trademarks shall only be used in association with goods or services of a quality and nature consistent with the quality and reputation with which such Trademarks were associated when used by Grantor prior to the exercise of the license rights set forth herein; and (iii) at the Grantor's request and expense, licensees and sublicensees shall provide reasonable cooperation in any effort by the Grantor to maintain the registration or otherwise secure the ongoing validity and effectiveness of such licensed Trademarks, including, without limitation the actions and conduct described in Section 4.02 below. The license granted to the Collateral Agent herein shall be inapplicable to any Commercial Software License that constitutes Intellectual Property Collateral to the extent the applicable Grantor is prohibited by written agreement from granting a license in such Commercial Software License to the Collateral Agent, except to the extent such prohibition is ineffective (or deemed ineffective) under the UCC or other applicable Law.

Section 4.02. Protection of Collateral Agent's Security

(a) Except to the extent permitted by Section 4.02(f) below, or to the extent that failure to act could not reasonably be expected to have a Material Adverse Effect, with respect to registration or pending application of each item of its Intellectual Property Collateral for which such Grantor has standing to do so, each Grantor agrees to take, at its expense, all steps, including, without limitation, in the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other Governmental Authority located in the United States to (i) maintain the validity and enforceability of any registered Intellectual Property Collateral and maintain such Intellectual Property Collateral in full force and effect, and (ii) pursue the prosecution, registration and maintenance of each Patent, Trademark, or Copyright registration or application, now or hereafter included in such Intellectual Property Collateral of such Grantor, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other Governmental Authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings.

(b) Except to the extent permitted by Section 4.02(f) below, or to the extent that failure to act could not reasonably be expected to have a Material Adverse Effect, no Grantor shall do or permit any act or knowingly omit to do any act whereby any of its Intellectual Property Collateral may lapse, be terminated, or become invalid or unenforceable or placed in the public domain (or in case of a trade secret, lose its competitive value).

(c) Except to the extent permitted by Section 4.02(f) below, or to the extent that failure to act could not reasonably be expected to have a Material Adverse Effect, each Grantor shall take all steps to preserve and protect each item of its Intellectual Property Collateral, including, without limitation, maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks abide by the applicable license's terms with respect to the standards of quality.

(d) Each Grantor agrees that, should it obtain an ownership or other interest in any Intellectual Property Collateral after the Closing Date (the "After-Acquired Intellectual Property") (i) the provisions of this Agreement shall automatically apply thereto, and (ii) any such After-Acquired Intellectual Property and, in the case of Trademarks, the goodwill symbolized thereby, shall automatically become part of the Intellectual Property Collateral subject to the terms and conditions of this Agreement with respect thereto.

(e) Once every fiscal quarter of the Borrower, each Grantor shall sign and deliver to the Collateral Agent an appropriate Security Agreement Supplement and related Grant of Security Interest with respect to applications for registration or registrations of Intellectual Property Collateral (other than with respect to any Copyright that is not material to the business of the Grantors, taken as a whole) owned or exclusively licensed by it as of the last day of such fiscal quarter, to the extent that such Intellectual Property Collateral is not covered by any previous Security Agreement Supplement (and Grant of Security Interests) so signed and delivered by it. In each case, it will promptly cooperate as reasonably necessary to enable the Collateral Agent to make any necessary or reasonably desirable recordations with the U.S. Copyright Office or the U.S. Patent and Trademark Office, as appropriate

(f) Notwithstanding the foregoing provisions of this Section 4.02 or elsewhere in this Agreement, nothing in this Agreement shall prevent any Grantor from discontinuing the use or maintenance of any or its Intellectual Property Collateral, the enforcement of license agreements or the pursuit of actions against infringers, to the extent permitted by the Credit Agreement if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

(g) Upon and during the continuance of an Event of Default, each Grantor shall, if requested by the Collateral Agent, use its commercially reasonable efforts to obtain all requisite consents or approvals by the licensor of each License to effect the assignment of all such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

ARTICLE V

Remedies

Section 5.01. Remedies Upon Default

Upon the occurrence and during the continuance of an Event of Default, it is agreed that the Collateral Agent shall have the right to exercise any and all rights afforded to a

secured party under this Agreement, the UCC or other applicable Law, and also may (i) require each Grantor to, and each Grantor agrees that it will at its expense and upon request of the Collateral Agent forthwith, assemble all or part of the Collateral as directed by the Collateral Agent and make it available to the Collateral Agent at a place and time to be designated by the Collateral Agent that is reasonably convenient to both parties; (ii) occupy any premises owned or, to the extent lawful and permitted, leased by any of the Grantors where the Collateral or any part thereof is assembled or located for a reasonable period in order to effectuate its rights and remedies hereunder or under law, without obligation to such Grantor in respect of such occupation; provided that the Collateral Agent shall provide the applicable Grantor with notice thereof prior to or promptly after such occupancy; (iii) exercise any and all rights and remedies of any of the Grantors under or in connection with the Collateral, or otherwise in respect of the Collateral; provided that the Collateral Agent shall provide the applicable Grantor with notice thereof prior to or promptly after such exercise; (iv) withdraw any and all cash or other Collateral from any Collateral Account and apply such cash and other Collateral to the payment of any and all Secured Obligations in the manner provided in Section 5.02 of this Agreement; (v) subject to the mandatory requirements of applicable Law and the notice requirements described below, sell or otherwise dispose of all or any part of the Collateral securing the Secured Obligations at a public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate and (vi) with respect to any Intellectual Property Collateral, on demand, cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Intellectual Property Collateral by the applicable Grantors to the Collateral Agent, or license or sublicense, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any such Intellectual Property Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine, provided, however, that such terms shall include all terms and restrictions that are customarily required to ensure the continuing validity and effectiveness of the Intellectual Property Collateral at issue, such as, without limitation, notice, quality control and inurement provisions with regard to Trademarks, patent designation provisions with regard to patents, and copyright notices and restrictions or decompilation and reverse engineering of copyrighted software, and confidentiality protections for trade secrets. Each Grantor acknowledges and recognizes that (a) the Collateral Agent may be unable to effect a public sale of all or a part of the Collateral consisting of securities by reason of certain prohibitions contained in the Securities Act of 1933, 15 U.S.C. §77, (as amended and in effect, the "Securities Act") or the securities laws of various states (the "Blue Sky Laws"), but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof, (b) private sales so made may be at prices and upon other terms less favorable to the seller than if such securities were sold at public sales, (c) neither the Collateral Agent nor any other Secured Party has any obligation to delay sale of any of the Collateral for the period of time necessary to permit such securities to be registered for public sale under the Securities Act or the Blue Sky Laws, and (d) private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner. To the maximum extent permitted by Law, each Grantor hereby waives any claim against any Secured Party arising because the price at which any Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and does not offer such Collateral to more than

one offeree. Upon consummation of any such sale, the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any sale of Collateral shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable Law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

To the extent notice of any sale is required by applicable law, the Collateral Agent shall give the applicable Grantors 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-611 of the UCC or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. The Collateral Agent may conduct one or more going out of business sales, in the Collateral Agent's own right or by one or more agents and contractors. Such sale(s) may be conducted upon any premises owned, leased, or occupied by any Grantor. The Collateral Agent and any such agent or contractor, in conjunction with any such sale, may augment the Inventory with other goods (all of which other goods shall remain the sole property of the Collateral Agent or such agent or contractor). Any amounts realized from the sale of such goods which constitute augmentations to the Inventory (net of an allocable share of the costs and expenses incurred in their disposition) shall be the sole property of the Collateral Agent or such agent or contractor and neither any Grantor nor any Person claiming under or in right of any Grantor shall have any interest therein. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable Law, private) sale made pursuant to this Agreement, any Secured Party may bid for or purchase, free (to the extent permitted by applicable Law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by applicable Law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes of determining the Grantors' rights

in the Collateral, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Secured Obligations paid in full, provided, however, that such terms shall include all terms and restrictions that are customarily required to ensure the continuing validity and effectiveness of the Intellectual Property Collateral at issue, such as, without limitation, quality control and inurement provisions with regard to Trademarks, patent designation provisions with regard to patents, and copyright notices and restrictions or decompilation and reverse engineering of copyrighted software, and protecting the confidentiality of trade secrets. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court appointed receiver. Any sale pursuant to the provisions of this Section 5.01 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-610(b) of the UCC or its equivalent in other jurisdictions.

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) during the continuance of an Event of Default and after notice to the Borrower of its intent to exercise such rights (except in the case of a Bankruptcy Event of Default, in which case no such notice shall be required), for the purpose of (i) making, settling and adjusting claims in respect of Article 9 Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance, (ii) making all determinations and decisions with respect thereto and (iii) obtaining or maintaining the policies of insurance required by Section 6.07 of the Credit Agreement or to pay any premium in whole or in part relating thereto. All sums disbursed by the Collateral Agent in connection with this paragraph, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, within 10 days of demand, by the Grantors to the Collateral Agent and shall be additional Secured Obligations secured hereby.

By accepting the benefits of this Agreement and each other Collateral Document, the Secured Parties expressly acknowledge and agree that this Agreement and each other Collateral Document may be enforced only by the action of the Collateral Agent and that no other Secured Party shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Collateral Agent for the benefit of the Secured Parties upon the terms of this Agreement and the other Collateral Documents.

Section 5.02. Application of Proceeds

The Collateral Agent shall apply the proceeds of any collection or sale of Collateral, including any Collateral consisting of cash, in accordance with the provisions of Section 8.04 of the Credit Agreement. The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this

Agreement. Upon any sale of Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof. It is understood and agreed that the Grantors shall remain jointly and severally liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the Secured Obligations.

Section 5.03. Medicare / Medicaid

The parties hereto understand and agree that the exercise of remedies hereunder with respect to accounts receivable from Medicare or Medicaid may be subject to applicable federal laws.

ARTICLE VI

Indemnity, Subrogation and Subordination

Upon payment by any Grantor of any Secured Obligations, all rights of such Grantor against the Borrower or any other Grantor arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior payment in full in cash of all the Secured Obligations (other than contingent indemnity obligations for then unasserted claims). If any amount shall erroneously be paid to any Grantor on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such indebtedness of any Grantor, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Collateral Agent to be credited against the payment of the Secured Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement and the other Loan Documents. Subject to the foregoing, to the extent that any Grantor (other than the Borrower) shall, under this Agreement or the Credit Agreement as a joint and several obligor, repay any of the Secured Obligations (an "Accommodation Payment"), then the Grantor making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Grantors in an amount equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Grantor's Allocable Amount and the denominator of which is the sum of the Allocable Amounts of all of the Grantors. As of any date of determination, the "Allocable Amount" of each Grantor shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Grantor hereunder and under the Credit Agreement without (a) rendering such Grantor "insolvent" within the meaning of Section 101 (31) of the Bankruptcy Code, Section 2 of the Uniform Fraudulent Transfer Act ("UFTA") or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (b) leaving such Grantor with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA, or (c) leaving such Grantor unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA, or Section 5 of the UFCA.

ARTICLE VII

Miscellaneous

Section 7.01. Notices

All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 10.01 of the Credit Agreement. All communications and notices hereunder to a Grantor other than the Borrower shall be given to it in care of the Borrower.

Section 7.02. Waivers; Amendment

(a) No failure or delay by the Collateral Agent in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by Section 7.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Collateral Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 10.08 of the Credit Agreement.

Section 7.03. Collateral Agent's Fees and Expenses; Indemnification

(a) The parties hereto agree that the Collateral Agent shall be entitled to reimbursement of its expenses incurred hereunder as provided in Section 10.05 of the Credit Agreement.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Grantor, jointly and severally, agrees to indemnify the Collateral Agent and the other Indemnitees (as defined in Section 10.05 of the Credit Agreement) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including Attorney Costs for any Indemnitee (which shall be limited to one counsel to the Indemnitees (and, if reasonably necessary, one local counsel and one specialty counsel in each applicable jurisdiction and, in the event of any actual or potential conflict of interest, one additional counsel for each class of similarly situated parties)), of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in

any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of this Agreement, the Collateral Documents or any other agreement, letter or instrument delivered in connection with the transactions contemplated hereby or the consummation of the transactions contemplated hereby or (b) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing or the Collateral, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of an Indemnitee; provided that, notwithstanding the foregoing, such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, damages, claims, liabilities and expenses resulted from (x) the gross negligence, bad faith or willful misconduct of such Indemnitee or of any affiliate, director, officer, employee, counsel, agent or attorney-in-fact of such Indemnitee, as determined by the final non-appealable judgment of a court of competent jurisdiction, (y) a material breach of its obligations under this Agreement by such Indemnitee or by any Related Indemnified Person of such Indemnitee as determined by the final non-appealable judgment of a court of competent jurisdiction or (z) any dispute solely among the Indemnitees other than (1) any claim against an Indemnitee in its capacity or in fulfilling its role as Collateral Agent and (2) any claim arising out of any act or omission of the Borrower or any of its Affiliates. To the extent permitted by applicable Law, (i) no Grantor shall assert, and each hereby waives, any claim against any Indemnitee and (ii) no Indemnitee shall assert, and each hereby waives, any claim against any Grantor, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby; provided that this sentence shall not limit the indemnification obligations of any Grantor (including in respect of any such damages incurred or paid by an Indemnitee to a third party and for any out of pocket expenses). For the avoidance of doubt, this Section 7.03(b) shall not apply with respect to Taxes that are the subject of, or excluded from, Section 3.01 of the Credit Agreement.

(c) Any such amounts payable as provided hereunder shall be additional Secured Obligations secured hereby and by the other Collateral Documents. The provisions of this Section 7.03 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Secured Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 7.03 shall be payable within 10 Business Days of written demand therefor.

Section 7.04. Successors and Assigns

Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective permitted successors and assigns. No Grantor or Grantors may assign any of its or their rights or obligations hereunder without the written consent of the Collateral Agent.

Section 7.05. Survival of Agreement

All covenants, agreements, representations and warranties made by the Grantors in the Loan Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letter of Credit, regardless of any investigation made by any Lender or on its behalf and notwithstanding that the Collateral Agent or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement, and shall continue in full force and effect until this Agreement is terminated as provided in Section 7.13 hereof or, with respect to the covenants, agreements, representations and warranties of any individual Grantor, until such Grantor is otherwise released from its obligations under this Agreement in accordance with Section 7.13(b).

Section 7.06. Counterparts; Effectiveness; Several Agreement

This Agreement may be executed by facsimile and in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic imaging transmission shall be as effective as delivery of a manually signed counterpart of this Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective permitted successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement and the Credit Agreement. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

Section 7.07. Severability

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 7.08. [Reserved.]

Section 7.09. GOVERNING LAW

(a) THIS AGREEMENT AND THE OTHER COLLATERAL DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER COLLATERAL DOCUMENT (EXCEPT, AS TO ANY OTHER COLLATERAL DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER COLLATERAL DOCUMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING SHALL BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER COLLATERAL DOCUMENT IN ANY COURT REFERRED TO IN SECTION 7.09(B). EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY COLLATERAL DOCUMENT IN THE MANNER PROVIDED FOR NOTICES (OTHER THAN FACSIMILE OR EMAIL) IN SECTION 10.01 OF THE CREDIT AGREEMENT. NOTHING IN THIS AGREEMENT OR ANY OTHER COLLATERAL DOCUMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 7.10. WAIVER OF RIGHT TO TRIAL BY JURY

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY COLLATERAL DOCUMENT, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER COLLATERAL DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.10.

Section 7.11. Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

Section 7.12. Security Interest Absolute

All rights of the Collateral Agent hereunder, the Security Interest, the grant of a security interest in the Pledged Collateral and all obligations of each Grantor hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, the Secured Hedge Agreements, the Secured Cash Management Services Agreement, any agreement with respect to any of the Secured Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document, the Secured Hedge Agreements, the Secured Cash Management Services Agreements or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Secured Obligations or (d) subject only to termination of a Guarantor's obligations hereunder in accordance with the terms of Section 11.10 of the Credit Agreement, but without prejudice to reinstatement rights under Section 11.04 of the Credit Agreement, any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Secured Obligations or this Agreement.

Section 7.13. Termination or Release

(a) This Agreement, the Security Interest and all other security interests granted hereby shall terminate pursuant to the terms of Section 9.13 of the Credit Agreement.

(b) A Subsidiary Guarantor shall automatically be released from its obligations hereunder and the Security Interest in the Collateral of such Subsidiary Guarantor shall be automatically released in the circumstances set forth in Section 9.13 of the Credit Agreement.

(c) The Security Interest in any Collateral shall be automatically released in the circumstances set forth in subclause (i) of Section 9.13(a) of the Credit Agreement.

(d) In connection with any termination or release pursuant to Section 7.13(a), (b), or (c), the Collateral Agent shall promptly execute and deliver to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 7.13 shall be without recourse to or warranty by the Collateral Agent.

(e) At any time that the respective Grantor desires that the Collateral Agent take any action described in Section 7.13(d), it shall, upon request of the Collateral Agent, deliver to the Collateral Agent an officer's certificate certifying that the release of the respective Collateral is permitted pursuant to Section 7.13(a), (b) or (c). The Collateral Agent shall have no liability whatsoever to any Secured Party as the result of any release of Collateral by it as permitted (or which the Collateral Agent in good faith believes to be permitted) by this Section 7.13.

(f) Notwithstanding anything to the contrary set forth in this Agreement, each Cash Management Services Bank and each Hedge Bank by the acceptance of the benefits under this Agreement hereby acknowledges and agrees that (i) the obligations of the Borrower or any Subsidiary under any Secured Hedge Agreement and Secured Cash Management Services Agreement shall be secured pursuant to this Agreement only to the extent that, and for so long as, the other Secured Obligations are so secured and (ii) any release of Collateral effected in the manner permitted by this Agreement shall not require the consent of any Hedge Bank or Cash Management Services Bank.

Section 7.14. Additional Restricted Subsidiaries

Pursuant to Section 6.11 of the Credit Agreement, certain Restricted Subsidiaries of the Borrower that were not in existence on the date of the Credit Agreement are required to enter in this Agreement as Grantors upon becoming Restricted Subsidiaries. Upon execution and delivery by the Collateral Agent and a Restricted Subsidiary of a Security Agreement Supplement, such Restricted Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

Section 7.15. Collateral Agent Appointed Attorney-in-Fact

Each Grantor hereby appoints the Collateral Agent the true and lawful attorney-in-fact of such Grantor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or

advisable to accomplish the purposes hereof at any time after and during the continuance of an Event of Default, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right upon the occurrence and during the continuance of an Event of Default and upon and after delivery of notice by the Collateral Agent to the Borrower of its intent to exercise such rights (unless a Bankruptcy Event of Default has occurred and is continuing, in which case no such notice shall be required), with full power of substitution either in the Collateral Agent's name or in the name of such Grantor (except to the extent such action would be prohibited by applicable law with respect to Medicare and Medicaid accounts receivable) (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent or to a Collateral Account and adjust, settle or compromise the amount of payment of any Account; (h) to make, settle and adjust claims in respect of Collateral under policies of insurance and to endorse the name of such Grantor on any check, draft, instrument or any other item of payment with respect to the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto; and (i) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct or that of any of their Affiliates, directors, officers, employees, counsel, agents or attorneys-in-fact (in each case, as determined by the final non-appealable judgment of a court of competent jurisdiction).

Section 7.16. General Authority of the Collateral Agent

By acceptance of the benefits of this Agreement and any other Collateral Documents, each Secured Party (whether or not a signatory hereto) shall be deemed irrevocably (a) to consent to the appointment of the Collateral Agent as its agent hereunder and under such other Collateral Documents, (b) to confirm that the Collateral Agent shall have the authority to act as the exclusive agent of such Secured Party for the enforcement of any provisions of this Agreement and such other Collateral Documents against any Grantor, the exercise of remedies

hereunder or thereunder and the giving or withholding of any consent or approval hereunder or thereunder relating to any Collateral or any Grantor's obligations with respect thereto, (c) to agree that it shall not take any action to enforce any provisions of this Agreement or any other Collateral Document against any Grantor, to exercise any remedy hereunder or thereunder or to give any consents or approvals hereunder or thereunder except as expressly provided in this Agreement or any other Collateral Document and (d) to agree to be bound by the terms of this Agreement and any other Collateral Documents.

Section 7.17. Recourse; Limited Obligations

This Agreement is made with full recourse to each Grantor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Grantor contained herein, in the Credit Agreement and the other Secured Credit Documents and otherwise in writing in connection herewith or therewith, with respect to the Secured Obligations of each applicable Secured Party. It is the desire and intent of each Grantor and each applicable Secured Party that this Agreement shall be enforced against each Grantor to the fullest extent permissible under the Laws applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, and in furtherance of the foregoing, it is noted that if the obligations of any Guarantor under Section 11.01 of the Credit Agreement have been limited as expressly provided in Section 1.13 or 11.09 of the Credit Agreement, then such obligations shall be limited hereunder as and to the same extent provided therein.

Section 7.18. Mortgages.

In the event that any of the Collateral hereunder is also subject to a valid and enforceable Lien under the terms of a Mortgage and the terms thereof are inconsistent with the terms of this Agreement, then with respect to such Collateral, the terms of such Mortgage shall control in the case of Fixtures and Real Estate leases, letting and licenses of, and contracts, and agreements relating to the lease of, Real Estate, and the terms of this Agreement shall control in the case of all other Collateral.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

SURGERY CENTER HOLDINGS, INC.,
a Delaware corporation

By: _____
Name:
Title:

HOLDINGS:

SP HOLDCO I, INC.,
a Delaware corporation

By: _____
Name:
Title:

[Signature Page to Security Agreement]

GRANTORS:

ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.

By: _____
Name: _____
Title: _____

APS OF BRADENTON, LLC

By: _____
Name: _____
Title: _____

APS OF MERRITT ISLAND, LLC

By: _____
Name: _____
Title: _____

BUSINESS IT SOLUTIONS OF TAMPA, INC.

By: _____
Name: _____
Title: _____

LOGAN LABORATORIES, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

MIDWEST UNCUTS, INC.

By: _____
Name: _____
Title: _____

NOVAMED, INC.

By: _____
Name: _____
Title: _____

NOVAMED ALLIANCE, INC.

By: _____
Name: _____
Title: _____

MEDICAL BILLING SOLUTIONS, LLC

By: _____
Name: _____
Title: _____

NOVAMED MANAGEMENT SERVICES, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

NOVAMED ACQUISITION COMPANY, INC.

By: _____
Name: _____
Title: _____

NOVAMED MANAGEMENT OF KANSAS CITY, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF BETHLEHEM, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF DALLAS, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF LEBANON, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

NOVAMED OF SAN ANTONIO, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF TEXAS, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF WISCONSIN, INC.

By: _____
Name: _____
Title: _____

PATIENT EDUCATION CONCEPTS INC.

By: _____
Name: _____
Title: _____

SAINT THOMAS COMPOUNDING LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

REHABILITATION MEDICAL GROUP, INC.

By: _____
Name: _____
Title: _____

SARASOTA ANESTHESIA SERVICES, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS ACQUISITION COMPANY, INC.

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF CORAL GABLES, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SURGERY PARTNERS OF LAKE MARY, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF LAKE WORTH, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF MERRITT ISLAND,
LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF MILLENIA, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF NEW TAMPA, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SURGERY PARTNERS OF PARK PLACE, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF SARASOTA, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF WESTCHASE, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF WEST KENDALL, L.L.C.

By: _____
Name: _____
Title: _____

TAMPA PAIN RELIEF CENTER, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SURGERY PARTNERS OF SUNCOAST, LLC

By: _____
Name: _____
Title: _____

SYMBION, INC.

By: _____
Name: _____
Title: _____

SYMBION HOLDINGS CORPORATION

By: _____
Name: _____
Title: _____

AMBULATORY RESOURCE CENTRES INVESTMENT
COMPANY, LLC

By: _____
Name: _____
Title: _____

AMBULATORY RESOURCE CENTRES OF
WASHINGTON, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

AMBULATORY RESOURCE CENTRES OF
WILMINGTON, INC.

By: _____
Name: _____
Title: _____

ARC DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

ARC FINANCIAL SERVICES CORPORATION

By: _____
Name: _____
Title: _____

ASC OF NEW ALBANY, LLC

By: _____
Name: _____
Title: _____

AUSTIN SURGICAL HOLDINGS, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

LUBBOCK SURGICENTER, INC.

By: _____
Name: _____
Title: _____

NEOSPINE SURGERY OF PUYALLUP, LLC

By: _____
Name: _____
Title: _____

NEOSPINE SURGERY, LLC

By: _____
Name: _____
Title: _____

PHYSICIANS SURGICAL CARE, INC.

By: _____
Name: _____
Title: _____

PSC DEVELOPMENT COMPANY, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

PSC OPERATING COMPANY, LLC

By: _____
Name: _____
Title: _____

SARC/ASHEVILLE, INC.

By: _____
Name: _____
Title: _____

SARC/CIRCLEVILLE, INC.

By: _____
Name: _____
Title: _____

SARC/FT. MYERS, INC.

By: _____
Name: _____
Title: _____

SARC/GEORGIA, INC.

By: _____
Name: _____
Title: _____

SARC/JACKSONVILLE, INC.

By: _____
Name: _____
Title: _____

SARC/KENT, LLC

By: _____
Name: _____
Title: _____

SARC/LARGO ENDOSCOPY, INC.

By: _____
Name: _____
Title: _____

SARC/LARGO, INC.

By: _____
Name: _____
Title: _____

SARC/PROVIDENCE, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SARC/ST. CHARLES, INC.

By: _____
Name: _____
Title: _____

SARC/VINCENNES, INC.

By: _____
Name: _____
Title: _____

SMBI GREAT FALLS, LLC

By: _____
Name: _____
Title: _____

SMBI HAVERTOWN, LLC

By: _____
Name: _____
Title: _____

SMBI IDAHO, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SMBI JACKSON, LLC

By: _____
Name: _____
Title: _____

SMBI LHH, LLC

By: _____
Name: _____
Title: _____

SMBI PORTSMOUTH, LLC

By: _____
Name: _____
Title: _____

SMBI STLWSC, LLC

By: _____
Name: _____
Title: _____

SMBIMS BIRMINGHAM, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SMBIMS DURANGO, LLC

By: _____
Name: _____
Title: _____

SMBIMS FLORIDA I, LLC

By: _____
Name: _____
Title: _____

SMBIMS GREENVILLE, LLC

By: _____
Name: _____
Title: _____

SMBIMS KIRKWOOD, LLC

By: _____
Name: _____
Title: _____

SMBIMS ORANGE CITY, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SMBIMS STEUBENVILLE, INC.

By: _____
Name: _____
Title: _____

SMBIMS WICHITA, LLC

By: _____
Name: _____
Title: _____

SMBISS BEVERLY HILLS, LLC

By: _____
Name: _____
Title: _____

SMBISS CHESTERFIELD, LLC

By: _____
Name: _____
Title: _____

SMBISS ENCINO, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

SMBISS IRVINE, LLC

By: _____
Name: _____
Title: _____

SMBISS THOUSAND OAKS, LLC

By: _____
Name: _____
Title: _____

SYMBION AMBULATORY RESOURCE CENTRES, INC.

By: _____
Name: _____
Title: _____

SYMBION ANESTHESIA SERVICES, LLC

By: _____
Name: _____
Title: _____

SYMBIONARC MANAGEMENT SERVICES, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

TEXARKANA SURGERY CENTER GP, INC.

By: _____
Name: _____
Title: _____

UNIPHY HEALTHCARE OF JOHNSON CITY VI, LLC

By: _____
Name: _____
Title: _____

UNIPHY HEALTHCARE OF MAINE I, INC.

By: _____
Name: _____
Title: _____

VASC, INC.

By: _____
Name: _____
Title: _____

VILLAGE SURGICENTER, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Security Agreement]

JEFFERIES FINANCE LLC,
as Collateral Agent

By: _____

Name:

Title:

[Signature Page to Security Agreement]

PLEDGED EQUITY; PLEDGED DEBT

EQUITY INTERESTS

| <u>Issuer</u> | <u>Number of Certificate</u> | <u>Registered Owner</u> | <u>Number and Class of Equity Interest</u> | <u>Percentage of Equity Interests</u> |
|---------------|------------------------------|-------------------------|--|---------------------------------------|
|---------------|------------------------------|-------------------------|--|---------------------------------------|

PROMISSORY NOTES

| <u>Issuer</u> | <u>Principal Amount as of the date of Issuance (or delivery)</u> | <u>Date of Promissory Note/Instrument</u> | <u>Maturity Date</u> |
|---------------|--|---|----------------------|
|---------------|--|---|----------------------|

COMMERCIAL TORT CLAIMS

LETTER-OF-CREDIT RIGHTS

INTELLECTUAL PROPERTY

U.S. COPYRIGHTS OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Copyrights are owned. List in numerical order by Registration No.]

U.S. Copyright Registrations

| <u>Title</u> | <u>Reg. No.</u> | <u>Author</u> |
|--------------|-----------------|---------------|
|--------------|-----------------|---------------|

Pending U.S. Copyright Applications for Registration

| <u>Title</u> | <u>Author</u> | <u>Class</u> | <u>Date Filed</u> |
|--------------|---------------|--------------|-------------------|
|--------------|---------------|--------------|-------------------|

PATENTS OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Patents are owned. List in numerical order by Patent No./Patent Application No.]

U.S. Patent Registrations

| <u>Title</u> | <u>Patent Numbers</u> | <u>Issue Date</u> |
|--------------|-----------------------|-------------------|
|--------------|-----------------------|-------------------|

U.S. Patent Applications

| <u>Title</u> | <u>Patent Numbers</u> | <u>Filing Date</u> |
|--------------|-----------------------|--------------------|
|--------------|-----------------------|--------------------|

TRADEMARKS OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Trademarks are owned. List in numerical order by trademark registration/application no.]

U.S. Trademark Registrations

Mark

Reg. Date

Reg. No.

U.S. Trademark Applications

Mark

Filing Date

Application No.

DOMAIN NAMES OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Domain Names are owned.]

Internet Domain Names

Country

Registration No. (or other
applicable identifier)

U.S. COPYRIGHT LICENSES¹ OWNED BY [NAME OR GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Copyright Licenses are owned.]

PATENT LICENSES² OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Patent Licenses are owned.]

TRADEMARK LICENSES³ OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Trademark Licenses are owned.]

-
- 1 Excluding Commercial Software Licenses.
 - 2 Excluding Commercial Software Licenses.
 - 3 Excluding Commercial Software Licenses.

[FORM OF] SUPPLEMENT NO. [●], dated as of [●], to the First Lien Security Agreement dated as of November 3, 2014, among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Grantors party thereto from time to time, and JEFFERIES FINANCE LLC, as collateral agent (in such capacity, including any successor thereto, the “**Collateral Agent**”) for the Secured Parties

A. Reference is made to (i) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), Surgery Center Holdings, Inc., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders, Jefferies Finance LLC, as Administrative Agent and Collateral Agent, and Jefferies Finance LLC, as the Issuing Bank, (ii) each Secured Hedge Agreement and (iii) each Secured Cash Management Services Agreement.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Security Agreement referred to therein.

C. The Grantors have entered into the Security Agreement in order to induce (x) the Lenders to make Loans, (y) the Hedge Banks to enter into and maintain Secured Hedge Agreements and (z) the Cash Management Services Banks to enter into and maintain Secured Cash Management Services Agreements. Section 7.14 of the Security Agreement provides that additional Restricted Subsidiaries of the Borrower may become Grantors under the Security Agreement by execution and delivery of an instrument substantially in the form of this Supplement. The undersigned Restricted Subsidiary (the “**New Subsidiary**”) is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and as consideration for Loans previously made.

Accordingly, the Collateral Agent and the New Subsidiary agree as follows:

Section 1. In accordance with Section 7.14 of the Security Agreement, the New Subsidiary by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all respects as of such earlier date. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest in and lien on all of the New Subsidiary’s right, title and interest in and to the Collateral

(as defined in the Security Agreement) of the New Subsidiary. Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Subsidiary. The Security Agreement is hereby incorporated herein by reference.

Section 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

Section 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary and the Collateral Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile or electronic (including .pdf file) transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

Section 4. The New Subsidiary hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Subsidiary and (b) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of formation and the location of its chief executive office (or if different, its "location" as determined in accordance with Section 9-307 of the Uniform Commercial Code).

Section 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

Section 6. **THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.**

Section 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement.

Section 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including all Attorney Costs of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[NAME OF NEW SUBSIDIARY],

By: _____

Name:

Title:

Legal Name:

Jurisdiction of Formation:

Location of Chief Executive office:

JEFFERIES FINANCE LLC,
as Collateral Agent

By: _____

Name:

Title:

By: _____

Name:

Title:

FORM OF PERFECTION CERTIFICATE

In connection with a proposed transaction by and among Surgery Center Holdings, Inc. (the “Debtor”) and Jefferies Finance LLC, as administrative agent (the “Administrative Agent”), the Debtor hereby certifies on behalf of itself and the other grantors specified below (the “Grantors”) as follows:

I. CURRENT INFORMATION

A. **Legal Names, Organizations, Jurisdictions of Organization and Organizational Identification Numbers.** The full and exact legal name (as it appears in each respective certificate or articles of incorporation, limited liability membership agreement or similar organizational documents, in each case as amended to date or, for natural persons, the name as set forth on their valid driver’s license issued by their state of residence), the type of organization (or if the Debtor or a particular Grantor is a natural person, please indicate so), the jurisdiction of organization (or formation, as applicable), and the organizational identification number (not tax i.d. number) of the Debtor and each other Grantor are as follows:

| <u>Name of Debtor/Grantor</u> | <u>Type of Organization (e.g. corporation, limited liability company, limited partnership)</u> | <u>Jurisdiction of Organization/Formation</u> | <u>Organizational Identification Number</u> |
|-------------------------------|--|---|---|
|-------------------------------|--|---|---|

B. Chief Executive Offices and Mailing Addresses. The chief executive office address (or the principal residence if the Debtor or a particular Grantor is a natural person) and the preferred mailing address (if different than chief executive office or residence) of the Debtor and each other Grantor are as follows:

Name of Debtor/Grantor

Address of Chief Executive Office
(or for natural persons, residence)

Mailing Address (if different than
CEO or residence)

C. Special Debtors and Former Article 9 Debtors. Except as specifically identified below none of the Grantors is: (i) a transmitting utility (as defined in Section 9-102(a)(80)), (ii) primarily engaged in farming operations (as defined in Section 9-102(a)(35)), (iii) a trust, (iv) a foreign air carrier within the meaning of the federal aviation act of 1958, as amended, (v) a branch or agency of a bank which bank is not organized under the law of the United States or any state thereof or (vi) located (within the meaning of Section 9-307) in the Commonwealth of Puerto Rico.

Name of Debtor/Grantor

Type of Special Grantor

D. Trade Names/Assumed Names.

Current Trade Names. Set forth below is each trade name or assumed name currently used by the Debtor or any other Grantor or by which the Debtor or any Grantor is known or is transacting any business:

Debtor/Grantor

Trade/Assumed Name

E. Changes in Names, Jurisdiction of Organization or Corporate Structure.

Except as set forth below, neither the Debtor nor any other Grantor has changed its name, jurisdiction of organization or its corporate structure in any way (e.g. by merger, consolidation, change in corporate form, change in jurisdiction of organization or otherwise) within the past five (5) years:

| <u>Debtor/Grantor</u> | <u>Date of Change</u> | <u>Description of Change</u> |
|-----------------------|-----------------------|------------------------------|
|-----------------------|-----------------------|------------------------------|

F. Prior Addresses.

Except as set forth below, neither the Debtor nor any other Grantor has changed its chief executive office, or principal residence if the Debtor or a particular Grantor is a natural person, within the past five (5) years:

| <u>Debtor/Grantor</u> | <u>Prior Address/City/State/Zip Code</u> |
|-----------------------|--|
|-----------------------|--|

G. Acquisitions of Equity Interests or Assets.

Except as set forth below, neither the Debtor nor any Grantor has acquired substantially all of the equity interests of another entity or substantially all the assets of another entity within the past five (5) years:

| <u>Debtor/Grantor</u> | <u>Date of Acquisition</u> | <u>Description of Acquisition including full legal name of seller and seller's jurisdiction of organization and seller's chief executive office</u> |
|-----------------------|----------------------------|---|
|-----------------------|----------------------------|---|

H. Corporate Ownership and Organizational Structure.

Attached as Exhibit A hereto is a true and correct chart showing the ownership relationship of the Debtor and all of its affiliates.

II. INFORMATION REGARDING CERTAIN COLLATERAL

A. Investment Related Property

1. Equity Interests. Set forth below is a list of all equity interests owned by the Debtor and each Grantor together with the type of organization which issued such equity interests (e.g. corporation, limited liability company, partnership or trust):

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|-----------------------|---------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
|-----------------------|---------------|-----------------------------|--------------------------|-----------------|------------------------------|--|

2. Debt Securities & Instruments. Set forth below is a list of all debt securities and instruments owed to the Debtor or any other Grantor in the principal amount of greater than \$5,000,000:

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Principal Amount of Instrument</u> | <u>Maturity Date</u> |
|-----------------------|-----------------------------|---------------------------------------|----------------------|
|-----------------------|-----------------------------|---------------------------------------|----------------------|

B. Intellectual Property. Set forth below is a list of all copyrights, patents, and trademark, all applications and licenses thereof and other intellectual property owned or used, or hereafter adopted, held or used, by the Debtor and each other Grantor:

1. Copyrights, Copyright Applications

| <u>Debtor/Grantor</u> | <u>Title</u> | <u>Status</u> | <u>Application/Registration No.</u> |
|-----------------------|--------------|---------------|-------------------------------------|
|-----------------------|--------------|---------------|-------------------------------------|

2. Patents, Patent Applications

| <u>Debtor/Grantor</u> | <u>Title</u> | <u>Filing Date/Issued Date</u> | <u>Status</u> | <u>Application/Registration No.</u> |
|-----------------------|--------------|--------------------------------|---------------|-------------------------------------|
|-----------------------|--------------|--------------------------------|---------------|-------------------------------------|

3. Trademarks, Trademark Applications

| <u>Debtor/Grantor</u> | <u>Title</u> | <u>Filing Date/Issued Date</u> | <u>Status</u> | <u>Application/ Registration No.</u> |
|-----------------------|--------------|--------------------------------|---------------|--|
|-----------------------|--------------|--------------------------------|---------------|--|

4. Intellectual Property Licenses

C. Tangible Personal Property in Possession of Warehousemen, Bailees and Other Third Parties. Except as set forth below, no persons (including, without limitation, warehousemen and bailees) other than the Debtor or any other Grantor have possession of any material amount (fair market value of \$5,000,000 or more) of tangible personal property of the Debtor or any other Grantor:

| <u>Debtor/Grantor</u> | <u>Address/City/State/Zip Code</u> | <u>County</u> | <u>Description of Assets and Value</u> |
|-----------------------|------------------------------------|---------------|--|
|-----------------------|------------------------------------|---------------|--|

D. Real Estate Related UCC Collateral

1. **Fixtures.** Set forth below are all the locations where the Debtor or any other Grantor owns any real property:

| <u>Debtor/Grantor</u> | <u>Address/City/State/Zip Code</u> | <u>County</u> | <u>Owned or Leased</u> |
|-----------------------|------------------------------------|---------------|----------------------------|
|-----------------------|------------------------------------|---------------|----------------------------|

2. **“As Extracted” Collateral**. Set forth below are all the locations where the Debtor or any other Grantor owns, leases or has an interest in any wellhead or minehead:

Debtor/Grantor

Address/City/State/Zip Code

County

3. **Timber to be Cut**. Set forth below are all locations where the Debtor or any other Grantor owns goods that are timber to be cut:

Debtor/Grantor

Address/City/State/Zip Code

County

IN WITNESS WHEREOF, this Certificate has been executed by the undersigned as of the date first written above.

SURGERY CENTER HOLDINGS, INC.

By: _____
Name: _____
Title: _____

SP HOLDCO I, INC.

By: _____
Name: _____
Title: _____

[GUARANTORS]

[FORM OF] GRANT OF SECURITY INTEREST
IN TRADEMARKS

This Grant of Security Interest in Trademarks, dated as of [], 20[] (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, this "Agreement"), is made by the entities identified as grantors on the signature pages hereto (collectively, the "Grantors") in favor of Jefferies Finance LLC, as collateral agent, (the "Collateral Agent").

THIS GRANT is made to secure the payment or performance, as the case may be, in full of the Secured Obligations, as such term is defined in the First Lien Security Agreement among the Grantors, the other assignors from time to time party thereto and the Collateral Agent, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Security Agreement").

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, the Grantors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms

Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

SECTION 2. Grant of Security Interest in Trademark Collateral

SECTION 2.1. Each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in, all right, title or interest in, to or under any and all of the following assets

and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Trademark Collateral"):

(a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, the goodwill of the business symbolized thereby or associated therewith, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule A attached hereto, (b) all rights and privileges arising under applicable Law with respect to such Grantor's use of any trademarks, (c) all extensions and renewals thereof and amendments thereto, (d) all income, fees, royalties, damages and payments now and hereafter due and/or payable with respect to any of the foregoing, including damages, claims and payments for past, present or future infringements thereof, (f) all rights to sue for past, present or future infringements thereof and (g) all rights corresponding thereto throughout the world.

SECTION 2.2 Certain Limited Exclusions. Notwithstanding anything herein to the contrary, in no event shall the Trademark Collateral include or the security interest granted under Section 2.1 hereof include, any applications in the United States Patent and Trademark Office to register Trademarks or service marks on the basis of any Grantor's "intent to use" such Trademarks or service marks applications unless and until a "Statement of Use" or "Amendment

to Allege Use” has been filed and accepted in the United States Patent and Trademark Office(solely to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such “intent to use” application under applicable federal law) whereupon such application shall be automatically subject to the security interest granted herein and deemed to be included in the Trademark Collateral.

SECTION 3. Security Agreement.

This Grant has been granted in conjunction with the security interest granted to the Collateral Agent under the Security Agreement. The rights and remedies of the Collateral Agent with respect to the security interest granted herein are as set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

SECTION 4. Governing Law

THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

SECTION 5. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the date first set forth above.

[NAME OF GRANTOR], Grantor

By _____
Name:
Title:

JEFFERIES FINANCE LLC, as Collateral Agent

By _____
Name:
Title:

TRADEMARK REGISTRATIONS AND APPLICATIONS

Mark

Serial No.

Filing Date

Registration No.

Registration Date

[FORM OF] GRANT OF SECURITY INTEREST
IN PATENTS

This Grant of Security Interest in Patents, dated as of [], 20[] (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, this "Agreement"), is made by the entities identified as grantors on the signature pages hereto (collectively, the "Grantors") in favor of Jefferies Finance LLC, as collateral agent, (the "Collateral Agent").

THIS GRANT is made to secure the payment or performance, as the case may be, in full of the Secured Obligations, as such term is defined in the First Lien Security Agreement among the Grantors, the other assignors from time to time party thereto and the Collateral Agent, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Security Agreement").

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, the Grantors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms

Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

SECTION 2. Grant of Security Interest in Patent Collateral

SECTION 2.1. Each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in, all right, title or interest in, to or under any and all of the following assets

and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Patent Collateral"):

(a) all letters patent of the United States or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or the equivalent thereof in any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule A attached hereto, (b) all rights and privileges arising under applicable Law with respect to such Grantor's use of any patents, (c) all inventions and improvements described and claimed therein, (d) all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to any of the foregoing including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) rights to sue for past, present or future infringements thereof.

SECTION 3. Security Agreement.

This Grant has been granted in conjunction with the security interest granted to the Collateral Agent under the Security Agreement. The rights and remedies of the Collateral Agent with respect to the security interest granted herein are as set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

SECTION 4. Governing Law

THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

SECTION 5. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the [] day of [], 2014.

[NAME OF GRANTOR], Grantor

By _____

Name:
Title:

JEFFERIES FINANCE LLC
as Collateral Agent

By _____

Name:
Title:

PATENTS AND PATENT APPLICATIONS

Title

Application No.

Filing Date

Patent No.

Issue Date

[FORM OF] GRANT OF SECURITY INTEREST
IN COPYRIGHTS

This Grant of Security Interest in Copyrights, dated as of [], 20[] (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, this "Agreement"), is made by the entities identified as grantors on the signature pages hereto (collectively, the "Grantors") in favor of Jefferies Finance LLC, as collateral agent, (the "Collateral Agent").

THIS GRANT is made to secure the payment or performance, as the case may be, in full of the Secured Obligations, as such term is defined in the First Lien Security Agreement among the Grantors, the other assignors from time to time party thereto and the Collateral Agent, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Security Agreement").

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, the Grantors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms

Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

SECTION 2. Grant of Security Interest in Copyright Collateral

SECTION 2.1. Each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in, all right, title or interest in, to or under any and all of the following assets

and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Copyright Collateral"):

(a) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, whether registered or unregistered and whether published or unpublished, (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule III, (c) all rights and privileges arising under applicable Law with respect to such Grantor's use of such copyrights, (d) all renewals and extensions thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to the foregoing, including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) all rights to sue for past, present or future infringements thereof.

SECTION 3. Security Agreement.

This Grant has been granted in conjunction with the security interest granted to the Collateral Agent under the Security Agreement. The rights and remedies of the Collateral Agent with respect to the security interest granted herein are as set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

SECTION 4. Governing Law

THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED

UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

SECTION 5. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the date first set forth above.

[NAME OF GRANTOR], Grantor

By _____
Name:
Title:

JEFFERIES FINANCE LLC, as Collateral Agent

By _____
Name:
Title:

COPYRIGHT REGISTRATIONS AND APPLICATIONS

| <u>Title</u> | <u>Application No.</u> | <u>Filing Date</u> | <u>Registration No.</u> | <u>Registration Date</u> |
|--------------|------------------------|--------------------|-------------------------|--------------------------|
|--------------|------------------------|--------------------|-------------------------|--------------------------|

EXCLUSIVE COPYRIGHT LICENSES

| <u>Description of Copyright License</u> | <u>Name of Licensor</u> | <u>Registration Number of underlying Copyright</u> |
|---|-------------------------|--|
|---|-------------------------|--|

FORM OF GLOBAL INTERCOMPANY NOTE

See attached.

FOR VALUE RECEIVED, each of the undersigned, to the extent a borrower from time to time from any other entity listed on the signature page hereto (each, in such capacity, an “**Issuer**”), hereby promises to pay on demand to such other entity listed below (each, in such capacity, a “**Holder**” and, together with each Issuer, a “**Note Party**”), in immediately available funds in lawful money of the United States of America or the currencies as shall be agreed from time to time at such location as the applicable Holder shall from time to time designate, the unpaid principal amount of all loans and advances or other credit extensions (in each case other than any loans, advances or other credit extensions evidenced by an Excluded Instrument) (including trade payables) made by such Holder to such Issuer. Each Issuer promises also to pay interest, if any, on the unpaid principal amount of all such loans and advances or other credit extensions in like money at said location from the date of such loans and advances until paid at such rate per annum as shall be agreed upon from time to time by such Issuer and such Holder. For purposes of this Promissory Note, “**Excluded Instruments**” shall mean the notes set forth on Schedule A attached hereto and each Promissory Note.

Reference is made to (i) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**First Lien Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “**First Lien Lenders**”), JEFFERIES FINANCE LLC, as administrative agent (the “**First Lien Administrative Agent**”) and as collateral agent (the “**First Lien Collateral Agent**”), and JEFFERIES FINANCE LLC, as the issuing bank, and (ii) the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Second Lien Credit Agreement**” and, together with the First Lien Credit Agreement, the “**Credit Agreements**”), among Holdings, the Borrower, the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “**Second Lien Lenders**” and, together with the First Lien Lenders, the “**Lenders**”), JEFFERIES FINANCE LLC, as administrative agent (the “**Second Lien Administrative Agent**” and, together with the First Lien Administrative Agent, the “**Administrative Agents**”) and as collateral agent (the “**Second Lien Collateral Agent**” and, together with the First Lien Collateral Agent, the “**Collateral Agents**”). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

This note (“**Note**”) is the Global Intercompany Note referred to in the Credit Agreements and is subject to the terms thereof, and shall be pledged by each Holder pursuant to the applicable Security Agreement (as defined in each Credit Agreement), to the extent required pursuant to the terms thereof. Each Holder hereby acknowledges and agrees that the Administrative Agents and Collateral Agents may exercise all rights provided in the applicable Credit Agreement and the applicable Security Agreement with respect to this Note.

Anything in this Note to the contrary notwithstanding, the indebtedness evidenced by this Note owed by any Issuer that is a Loan Party to any Holder that is not a Loan Party shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to (i) all Obligations (as defined in the First Lien Credit Agreement) (the “**First Lien Obligations**”) and (ii) all Obligations (as defined in the Second Lien Credit Agreement) (the “**Second Lien Obligations**”) and, together with the First Lien Obligations, the “**Secured Obligations**”) of such Issuer under the Loan Documents (as defined in each Credit Agreement), including, without limitation, where applicable, under such Issuer’s guarantees of the Secured Obligations under the Credit Agreements (such Secured Obligations together with other indebtedness and obligations in connection with any renewal, refunding, restructuring or refinancing of any thereof, including interest thereon accruing after the commencement of any proceedings referred to in clause (i) below, whether or not such interest is an allowed claim in such proceeding, being hereinafter collectively referred to as “**Senior Indebtedness**”):

(i) in the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to any Issuer or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of such Issuer, whether or not involving insolvency or bankruptcy, then (x) the holders of Senior Indebtedness shall be paid in full in cash in respect of all amounts constituting Senior Indebtedness before any Holder is entitled to receive (whether directly or indirectly), or make any demands for, any payment on account of this Note and (y) until the holders of Senior Indebtedness are paid in full in cash in respect of all amounts constituting Senior Indebtedness, any payment or distribution to which such Holder would otherwise be entitled (other than (A) equity securities or (B) debt securities of such Issuer that are subordinated, to at least the same extent as this Note, to the payment of all Senior Indebtedness then outstanding (such securities being hereinafter referred to as “**Restructured Debt Securities**”)) shall be made to the holders of Senior Indebtedness;

(ii) if any Event of Default occurs and is continuing with respect to any Senior Indebtedness (including any Event of Default under the Credit Agreements), then no payment or distribution of any kind or character to any Person that is not a Loan Party shall be made by or on behalf of the Issuer or any other Person on its behalf with respect to this Note unless otherwise agreed in writing by the Administrative Agents in their reasonable discretion; and

(iii) if any payment or distribution of any character, whether in cash, securities or other property (other than Restructured Debt Securities), in respect of this Note shall (despite these subordination provisions) be received by any Holder in violation of clause (i) or (ii) above before all Senior Indebtedness shall have been paid in full in cash, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness (or their representatives), ratably according to the respective aggregate amounts remaining unpaid thereon, to the extent necessary to pay all Senior Indebtedness in full in cash.

Except as otherwise set forth in clauses (i), (ii) and (iii) of the immediately preceding paragraph, any Issuer is permitted to pay, and any Holder is entitled to receive, any payment or prepayment of principal and interest on the indebtedness evidenced by this Note so long as such payment or prepayment is permitted under the Credit Agreements.

To the fullest extent permitted by law, no present or future holder of Senior Indebtedness shall be prejudiced in its right to enforce the subordination of this Note by any act or failure to act on the part of any Issuer or by any act or failure to act on the part of such holder or any trustee or agent for such holder. Each Holder and each Issuer hereby agree that the subordination of this Note is for the benefit of the Administrative Agents, the Collateral Agents and the Secured Parties (as defined in each Credit Agreement) under the Credit Agreements, and the Administrative Agents, the Collateral Agents and the Secured Parties are obligees under this Note to the same extent as if their names were written herein as such and the Administrative Agents, on behalf of the itself and the Lenders may proceed to enforce the subordination provisions herein.

The indebtedness evidenced by this Note owed by any Issuer that is not a Loan Party shall not be subordinated to, and shall rank pari passu in right of payment with, any other obligation of such Issuer.

Notwithstanding the foregoing, nothing contained in the subordination provisions set forth above is intended to or will impair, as between each Issuer and each Holder, the obligations of such Issuer, which are absolute and unconditional, to pay to such Holder the principal of and interest on this Note as and when due and payable in accordance with its terms, or is intended to or will affect the relative rights of such Holder and other creditors of such Issuer other than the holders of Senior Indebtedness.

Each Holder is hereby authorized (but not required) to record all loans and advances or other credit extensions made by it to any Issuer (all of which shall be evidenced by this Note), and all repayments or prepayments thereof, in its books and records, such books and records constituting prima facie evidence of the accuracy of the information contained therein. For the avoidance of doubt, this Note as between each Issuer and each Holder contains additional terms to any intercompany loan agreement between them and this Note does not in any way replace such intercompany loans between them nor does this Note in any way change the principal amount of any intercompany loans between them.

Notwithstanding the foregoing, this Note governs all indebtedness not governed by the Excluded Instruments.

Notwithstanding anything to the contrary contained herein, in any other Loan Document (as defined in each Credit Agreement) or in any such promissory note or other instrument, this Note shall not be deemed replaced, superseded or in any way modified by any promissory note or other instrument entered into on or after the date hereof which purports to create or evidence any loan or advance by any Loan Party to another Loan Party (except any Excluded Instrument and any amendments or amendments and restatements of this Note made in accordance with the terms of the Credit Agreements).

Upon execution and delivery after the date hereof by any subsidiary of the Borrower of a counterpart signature page hereto, such subsidiary shall become a Note Party hereunder with the

same force and effect thereafter as if originally named as a Note Party hereunder. The rights and obligations of each Note Party hereunder shall remain in full force and effect notwithstanding the addition of any new Note Party as a party to this Note.

From time to time after the date hereof, additional Subsidiaries of the Borrower may become parties hereto by executing a counterpart signature page hereto, which shall be automatically incorporated into this Note (each additional Subsidiary, an "Additional Party"). Upon delivery of such counterpart signature page to the Collateral Agents, notice of which is hereby waived by the Holders and Issuers, each Additional Party shall be a Note Party and shall be as fully a party hereto as if such Additional Party were an original signatory hereof. Each Note Party expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Note Party hereunder. This Note shall be fully effective as to any Note Party that is or becomes a party hereto regardless of whether any other person becomes or fails to become or ceases to be a Note Party hereunder.

Each Issuer hereby waives presentment, demand, protest or notice of any kind in connection with this Note. All payments under this Note shall be made without offset, counterclaim or deduction of any kind.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

This Note may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[Remainder of page intentionally left blank]

Schedule A

Excluded Instruments

| Note | Maker | Holder | Date | Amount |
|---|---|------------------------------------|-------------------|----------------------|
| Promissory Note (Dallas) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | February 21, 2006 | \$10,375,000.00 |
| Promissory Note (Bethlehem LP) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | December 1, 2008 | \$14,116,329.00 |
| Promissory Note (Cleveland) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$5,871,772.86 |
| Promissory Note (Kalamazoo) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | June 1, 2007 | \$20,500,000.00 |
| Promissory Note (Bethlehem GP) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | December 1, 2008 | \$210,256.00 |
| Promissory Note (Lebanon LP) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | December 1, 2008 | \$17,565,385.00 |
| Promissory Note (Lebanon GP) | NovaMed of Lebanon, Inc. | NovaMed, Inc. | December 1, 2008 | \$267,948.00 |
| Amended and Restated Promissory Note (St. Peters) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$4,056,614.93 |
| Amended and Restated Promissory Note (Fremont) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$1,984,586.47 |
| Amended and Restated Promissory Note (Madison) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$1,967,481.27 |
| Amended and Restated Promissory Note (Whittier) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$4,720,228.55 |
| Promissory Note | ASC Gamma Partners, Ltd. d/b/a West Kendall Surgical Center | Surgery Center Holdings, Inc. | March 1, 2013 | \$1,700,000.00 |
| Promissory Note | Jacksonville Beach Surgery Center, L.P. | ARC Financial Services Corporation | May 1, 2011 | Up to \$1,702,824.07 |
| Amended and Restated Promissory Note | ARC Worcester Center, L.P. | ARC Financial Services Corporation | September 1, 2013 | Up to \$2,850,000.00 |
| Promissory Note | Bayside Endoscopy Center, LLC | ARC Financial Services Corporation | January 1, 2014 | \$128,000.00 |
| Promissory Note | Bayside Endoscopy Center, LLC | ARC Financial Services Corporation | January 1, 2014 | \$633,933.16 |
| Amended and Restated Promissory Note | Bristol Spine Center, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$1,700,000.00 |
| Promissory Note | CMSC, LLC | ARC Financial Services Corporation | January 1, 2014 | \$1,647,124.09 |
| Promissory Note | CMSC, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$500,000.00 |

| Note | Maker | Holder | Date | Amount |
|---|--|------------------------------------|-------------------|----------------------|
| Amended and Restated Promissory Note | Honolulu Spine Center, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$5,400,000.00 |
| Amended and Restated Promissory Note | Jacksonville Beach Surgery Center, L.P. | ARC Financial Services Corporation | January 1, 2014 | Up to \$1,650,000.00 |
| Promissory Note | Largo Surgery, LLC | ARC Financial Services Corporation | January 1, 2008 | \$57,000.80 |
| Amended and Restated Promissory Note | Lubbock Heart Hospital, LLC | ARC Financial Services Corporation | September 1, 2014 | Up to \$1,500,000.00 |
| Promissory Note | Lubbock Heart Hospital, LLC | ARC Financial Services Corporation | January 1, 2014 | \$2,019,549.19 |
| Promissory Note | New Albany Outpatient Surgery, LP | ARC Financial Services Corporation | September 1, 2014 | Up to \$160,000.00 |
| Promissory Note | Northwest Ambulatory Surgery Services, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$1,900,000.00 |
| Amended and Restated Promissory Note | Physicians Surgery Center, LLC | ARC Financial Services Corporation | July 1, 2012 | \$322,000.00 |
| Second Amended and Restated Promissory Note | Pickaway Surgical Center, Ltd. | ARC Financial Services Corporation | June 1, 2012 | \$180,574.08 |
| Promissory Note | Specialty Surgical Center of Encino, L.P. | ARC Financial Services Corporation | January 1, 2014 | Up to \$200,000.00 |
| Promissory Note | Specialty Surgical Center of Encino, L.P. | ARC Financial Services Corporation | December 1, 2010 | \$89,869.54 |
| Promissory Note | Specialty Surgical Center of Irvine, L.P. | ARC Financial Services Corporation | May 1, 2011 | \$111,472.08 |
| Amended and Restated Promissory Note | The Surgery Center of Ocala, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$280,000.00 |
| Promissory Note | Village Surgicenter, LP | ARC Financial Services Corporation | October 31, 2013 | \$121,929.00 |
| Promissory Note | Pickaway Surgery Center, Ltd. | ARC Financial Services Corporation | August 31, 2014 | \$81,429.78 |

FOR VALUE RECEIVED, each of the undersigned does hereby sell, assign and transfer to _____ all of its right, title and interest in and to the Global Intercompany Note, dated November 3, 2014 (as amended, supplemented or otherwise modified from time to time, the “**Global Intercompany Note**”), made by Surgery Center Holdings, Inc., a Delaware corporation (the “**Borrower**”), SP Holdco I, Inc., a Delaware corporation (“**Holdings**”), and certain Subsidiaries of the Borrower or any other Person that is or becomes a party thereto, and payable to the undersigned. This endorsement is intended to be attached to the Global Intercompany Note and, when so attached, shall constitute an endorsement thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Global Intercompany Note.

The initial undersigned shall be the Note Parties (as defined in the Global Intercompany Note) party to the Loan Documents on the date of the Global Intercompany Note. From time to time after the date thereof, additional Subsidiaries of the Note Parties shall become parties to the Global Intercompany Note (each, an “**Additional Holder**”) and a signatory to this endorsement by executing a counterpart signature page to the Global Intercompany Note and to this endorsement. Upon delivery of such counterpart signature page to the Collateral Agents, notice of which is hereby waived by the Holders and Issuers, each Additional Holder shall be a Holder and shall be as fully a Holder under the Global Intercompany Note and a signatory to this endorsement as if such Additional Holder were an original Holder under the Global Intercompany Note and an original signatory hereof. Each Holder expressly agrees that its obligations arising under the Global Intercompany Note and hereunder shall not be affected or diminished by the addition or release of any other Holder under the Global Intercompany Note or hereunder. This endorsement shall be fully effective as to any Holder that is or becomes a signatory hereto regardless of whether any other Person becomes or fails to become or ceases to be a Holder to the Global Intercompany Note or hereunder.

[Remainder of page intentionally left blank]

FORM OF PROMISSORY NOTE

See attached.

[FORM OF] PROMISSORY NOTE

Up to \$ _____ Nashville, Tennessee _____, 20

FOR VALUE RECEIVED, the undersigned, _____, a _____ (“Maker”), promises to pay to the order of _____, a _____ (“Payee”; Payee and any subsequent holder[s] hereof are sometimes herein referred to individually and collectively as “Holder”), the principal sum of up to _____ (\$ _____), together with interest and loan charges on the aggregate unpaid principal balance of the loan evidenced hereby at the rate(s) specified below; *provided* that in no event shall the interest and loan charges payable in respect of the indebtedness evidenced hereby exceed the maximum amounts from time to time allowed to be collected under applicable law. This Note and any other loan document executed in connection herewith, shall constitute the “Note Documents”.

Reference is made to (i) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “First Lien Credit Agreement”), among SP HOLDCO I, INC., a Delaware corporation (“Holdings”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “Borrower”), the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “First Lien Lenders”), JEFFERIES FINANCE LLC, as administrative agent (the “First Lien Administrative Agent”) and as collateral agent (the “First Lien Collateral Agent”), and JEFFERIES FINANCE LLC, as the issuing bank, and (ii) the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Second Lien Credit Agreement” and, together with the First Lien Credit Agreement, the “Credit Agreements”), among Holdings, the Borrower, the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “Second Lien Lenders” and, together with the First Lien Lenders, the “Lenders”), JEFFERIES FINANCE LLC, as administrative agent (the “Second Lien Administrative Agent” and, together with the First Lien Administrative Agent, the “Administrative Agents”) and as collateral agent (the “Second Lien Collateral Agent” and, together with the First Lien Collateral Agent, the “Collateral Agents”).

This note (“Note”) is a Promissory Note referred to in the Credit Agreements and is subject to the terms thereof, and shall be pledged by each Holder pursuant to the applicable Security Agreement (as defined in each Credit Agreement), to the extent required pursuant to the terms thereof. Each Holder hereby acknowledges and agrees that the Administrative Agents and Collateral Agents may exercise all rights provided in the applicable Credit Agreement and the applicable Security Agreement with respect to this Note.

The indebtedness evidenced by this Note may be prepaid in whole or in part, at any time and from time to time, without premium or penalty. The indebtedness evidenced by this Note shall be paid, due and payable on the _____ day of each month commencing _____ as follows:

A. Interest Only. The Maker shall pay to the Holder interest only on the unpaid principal balance of this Note at a [fixed/variable] rate of interest per annum [equal to _____ percent (_____ %)] [appearing on the Telerate Page 3750 (or successor page) as the London interbank offered rate for deposits in Dollars for a three month period (“LIBOR Rate”) plus _____ basis points (_____ %) until _____.

B. Principal Plus Interest; Term. Thereafter, the Maker shall pay to the Holder principal and interest in equal monthly installment amounts of \$ _____ until _____, 20____, at which time the outstanding balance of this Note shall be due and payable in full.

C. Loan Charges. The Maker shall pay to Holder an additional debt and liquidity guarantee premium fee of _____ basis points (_____ %) per annum on the outstanding principal of this Note and such fee will be paid along with the interest.

In the event that this Note is placed in the hands of an attorney for collection, or if Holder incurs any costs incident to the collection of indebtedness evidenced hereby, Maker and any other parties hereto agree to pay reasonable attorney’s and paralegal’s fees and expenses, all court and other costs and the reasonable costs of any other collection efforts.

The following are events of default hereunder (each an “Event of Default”):

- (1) the failure to pay or perform any obligation, liability or indebtedness of Maker to any Holder under this Note, as and when due (whether upon demand, at maturity or by acceleration);
- (2) the failure to pay or perform any other obligation, liability or indebtedness of Maker to any other party;
- (3) the commencement of a proceeding against Maker for dissolution or liquidation, the voluntary or involuntary termination or dissolution of Maker or the merger or consolidation of Maker with or into another entity;
- (4) the insolvency of, the business failure of, the appointment of a custodian, trustee, liquidator or receiver for or for any of the property of, the assignment for the benefit of creditors by, or the filing of a petition under bankruptcy, insolvency or debtor’s relief law or the filing of a petition for any adjustment of indebtedness, composition or extension by or against Maker;

- (5) the seizure or forfeiture of, or the issuance of any writ of possession, garnishment or attachment, or any turnover order for any property of Maker;
- (6) the determination by Holder that a material adverse change has occurred in the financial condition of Maker; or
- (7) the failure of Maker's business to comply with any law or regulation controlling its operation.

Upon the occurrence of an event of default under any of the Note Documents, the entire outstanding principal balance of the indebtedness evidenced hereby, together with all accrued and unpaid interest thereon, may be declared, and immediately shall become, due and payable in full.

[Anything in this Note to the contrary notwithstanding, the indebtedness evidenced by this Note owed by the Maker that is a Loan Party (as defined under the First Lien Credit Agreement) to any Holder that is not a Loan Party shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to (i) all Obligations (as defined in the First Lien Credit Agreement) (the "First Lien Obligations") and (ii) all Obligations (as defined in the Second Lien Credit Agreement) (the "Second Lien Obligations") and, together with the First Lien Obligations, the "Secured Obligations") of such Maker under the Loan Documents (as defined in each Credit Agreement), including, without limitation, where applicable, under such Maker's guarantees of the Secured Obligations under the Credit Agreements (such Secured Obligations together with other indebtedness and obligations in connection with any renewal, refunding, restructuring or refinancing of any thereof, including interest thereon accruing after the commencement of any proceedings referred to in clause (i) below, whether or not such interest is an allowed claim in such proceeding, being hereinafter collectively referred to as "Senior Indebtedness"):

(i) in the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Maker or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Maker, whether or not involving insolvency or bankruptcy, then (x) the holders of Senior Indebtedness shall be paid in full in cash in respect of all amounts constituting Senior Indebtedness before any Holder is entitled to receive (whether directly or indirectly), or make any demands for, any payment on account of this Note and (y) until the holders of Senior Indebtedness are paid in full in cash in respect of all amounts constituting Senior Indebtedness, any payment or distribution to which such Holder would otherwise be entitled (other than (A) equity securities or (B) debt securities of such Maker that are subordinated, to at least the same extent as this Note, to the payment of all Senior Indebtedness then outstanding (such securities being hereinafter referred to as "**Restructured Debt Securities**")) shall be made to the holders of Senior Indebtedness;

(ii) if any Event of Default (as defined in the Credit Agreements) occurs and is continuing with respect to any Senior Indebtedness (including any Event of Default under the Credit Agreements), then no payment or distribution of any kind or character to

any person that is not a Loan Party (as defined in the Credit Agreements) shall be made by or on behalf of the Maker or any other person on its behalf with respect to this Note unless otherwise agreed in writing by the Administrative Agents in their reasonable discretion; and

(iii) if any payment or distribution of any character, whether in cash, securities or other property (other than Restructured Debt Securities), in respect of this Note shall (despite these subordination provisions) be received by any Holder in violation of clause (i) or (ii) above before all Senior Indebtedness shall have been paid in full in cash, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness (or their representatives), ratably according to the respective aggregate amounts remaining unpaid thereon, to the extent necessary to pay all Senior Indebtedness in full in cash.

Except as otherwise set forth in clauses (i), (ii) and (iii) of the immediately preceding paragraph, the Maker is permitted to pay, and any Holder is entitled to receive, any payment or prepayment of principal and interest on the indebtedness evidenced by this Note so long as such payment or prepayment is permitted under the Credit Agreements.

To the fullest extent permitted by law, no present or future holder of Senior Indebtedness shall be prejudiced in its right to enforce the subordination of this Note by any act or failure to act on the part of the Maker or by any act or failure to act on the part of such holder or any trustee or agent for such holder. Each Holder and the Maker hereby agree that the subordination of this Note is for the benefit of the Administrative Agents, the Collateral Agents and the Secured Parties (as defined in each Credit Agreement) under the Credit Agreements, and the Administrative Agents, the Collateral Agents and the Secured Parties are obligees under this Note to the same extent as if their names were written herein as such and the Administrative Agents, on behalf of the itself and the Lenders may proceed to enforce the subordination provisions herein.¹

Presentment for payment, demand, protest and notice of demand, protest and nonpayment are hereby waived by Maker and all other parties hereto.

It is the intention of Maker and Holder to conform strictly to all laws applicable to Holder that govern or limit the interest and loan charges that may be charged in respect of the indebtedness evidenced hereby. Anything in this Note or any of the other Note Documents to the contrary notwithstanding, in no event whatsoever, whether by reason of advancement of proceeds of the loans, acceleration of the maturity of the unpaid balance of any of the Obligations (defined as the repayment of the indebtedness evidenced hereby and the payment and performance of any and all other obligations of Maker to Holder) or otherwise, shall the interest and loan charges agreed to be paid to any of the Holders for the use of the money advanced or to be advanced under this Note exceed the maximum amounts collectible pursuant to applicable law. Maker and the Payee have agreed that:

¹ Provision only to be included if the Holder of this Note is not a Loan Party (as defined in the Credit Agreements).

(a) if for any reason whatsoever the interest or loan charges paid or contracted to be paid by Maker to the Holder in respect of the Obligations shall exceed the maximum amount collectible under the law applicable to the Holder, then, in that event, and notwithstanding anything to the contrary in this Note or any other Note Document (i) the aggregate of all consideration that constitutes interest or loan charges under the law applicable to such Holder that is contracted for, taken, reserved, charged or received under this Note or any other Note Document or otherwise in connection with the Obligations under no circumstances shall exceed the maximum amounts allowed by such applicable law, and any excess paid to any Holder shall be credited by such Holder on the principal amount of the Obligations (or, to the extent the principal amount outstanding under this Note and the other Note Documents has been or thereby would be paid in full, refunded to Maker), and (ii) in the event that the maturity of any or all of the Obligations is accelerated by reason of an election of the Holders resulting from any Default under the Note Documents, or in the event of any required or permitted prepayment, then such consideration that constitutes interest or loan charges under the law applicable to any Holder may never include more than the maximum amounts allowed by the law applicable to such Holder, and any excess interest or loan charges provided for in the Note Documents or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Holder on the principal amount of the Obligations (or, to the extent the principal amount of the Obligations has been or thereby would be paid in full, refunded by such Holder to Maker);

(b) all sums paid or agreed to be paid to the Holder for the use, forbearance or detention of sums due under the Note Documents shall, to the extent permitted by applicable law, be prorated, allocated and spread throughout the full term of the Obligations until payment in full so that the rate or amount of interest and loan charges on account of the Obligations will not exceed any applicable legal limitation; and

(c) the right to accelerate the maturity of the Obligations does not include the right to accelerate the maturity of any interest or loan charges not otherwise accrued on the date of such acceleration, and the Holders do not intend to charge or collect any unearned interest or loan charges in the event of any such acceleration.

This Note has been negotiated, executed and delivered in the State of Tennessee, and is intended as a contract under and shall be construed and enforceable in accordance with the laws of said state, without reference to the conflicts or choice of law principles thereof, except to the extent that Federal law may be applicable to determining the maximum amount of interest that may be charged by Holder in respect of the indebtedness evidenced hereby.

Notwithstanding anything to the contrary contained herein, in any other Loan Document (as defined in each Credit Agreement) or in any such promissory note or other instrument, this Note shall not be deemed replaced, superseded or in any way modified by any promissory note or other instrument entered into on or after the date hereof which purports to create or evidence any loan or advance by any Loan Party (as defined in the Credit Agreements) to another Loan Party (except any amendments or amendments and restatements of this Note made in accordance with the terms of the Credit Agreements).

The proceeds of this Note shall be applied by Maker solely in the State of working capital and/or to acquire related business assets located solely in that state.

for use by Maker to refinance existing indebtedness, for

IN WITNESS WHEREOF, the undersigned Maker has caused this Note to be executed by its duly authorized officer as of the date first above written.

MAKER:

By: _____, its general partner

By: _____

Name: _____

Title: _____

ALLONGE

Attached to up to \$ _____ Promissory Note, dated _____, 20____, made by _____, a _____, payable to the order of _____.

PAY TO THE ORDER OF:

By: _____

[FORM OF] COMPLIANCE CERTIFICATE

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to Section 6.02(a) of the Credit Agreement, the undersigned, solely in his/her capacity as a Responsible Officer of the Borrower, certifies as follows:

1. [Attached hereto as Exhibit A is (a) the consolidated balance sheet of the Borrower and its Subsidiaries as of [] and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the fiscal year then ended, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of BDO USA, LLP, which report and opinion (i) has been prepared in accordance with generally accepted auditing standards, (ii) is not subject to qualifications or exceptions as to the scope of such audit and (iii) shall be without a “going concern” disclosure or like qualification or exception (other than a disclosure, an exception or a qualification solely resulting from (1) the impending maturity of any Indebtedness, (2) any prospective default under the financial covenant set forth in Section 7.11 of the Credit Agreement or (3) solely with respect to the Term Loans, an actual Default under the financial covenant set forth in Section 7.11 of the Credit Agreement) and (b) a management’s discussion and analysis of the financial condition and results of operations for such fiscal year, as compared to the previous fiscal year (including commentary on (i) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (ii) the reasons for any significant variations from the figures for the corresponding period in the previous fiscal year). Also attached hereto as Exhibit A are the related consolidated financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) (which may be in footnote form only) from such consolidated financial statements.]¹

2. [Attached hereto as Exhibit A is (a) the consolidated balance sheet of the Borrower and its Subsidiaries as of [] and the related (i) consolidated statements of operations for such fiscal quarter and for the portion of the fiscal year then ended and (ii) consolidated statements of cash flows for such fiscal quarter and the portion of the fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and which fairly present in all material respects the financial condition, results

¹ To be included if accompanying annual financial statements only.

of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes and (b) a management’s discussion and analysis of the financial condition and results of operations for such fiscal quarter and the then elapsed portion of the fiscal year, as compared to the comparable periods in the previous fiscal year (including commentary on (i) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (ii) the reasons for any significant variations from the figures for the corresponding period in the previous quarter year). Also attached hereto as Exhibit A are the related consolidated financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) (which may be in footnote form only) from such consolidated financial statements.]²

3. [Attached as Exhibit B hereto is a reasonably detailed consolidated budget for 20[] on a quarterly basis (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of 20[], the related consolidated statements of projected cash flows and projected income and a summary of the material underlying assumptions applicable thereto) (collectively, the “**Projections**”), which Projections are prepared in good faith and are based on assumptions believed to be reasonable at the time of preparation of such Projections. Actual results may vary from such Projections and such variations may be material.]³

4. [To my knowledge, except as otherwise disclosed to the Administrative Agent pursuant to the Credit Agreement, no Default has occurred. [If unable to provide the foregoing certification, describe in reasonable detail the reasons therefor and circumstances thereof and any action taken or proposed to be taken with respect thereto on Annex A attached hereto.]

[5. The following represent true and accurate calculations, as of []:

Total Leverage Ratio:

| | | |
|-----------------------------|---|------------|
| Consolidated Total Net Debt | = | [] |
| Consolidated EBITDA | = | [] |
| Ratio | = | [] to 1.0 |
| Capital Expenditures | = | [] |

Supporting detail showing the calculations of Total Leverage Ratio is attached hereto as Schedule 1.]⁴

6. [Attached hereto as Schedule 2 are detailed calculations setting forth Excess Cash Flow and Capital Expenditures.]^{5 6}

7. [Attached hereto is the information required by Section 6.02(d) of the Credit Agreement.]⁷

² To be included if accompanying quarterly financial statements only.

³ To be included only in annual compliance certificate.

⁴ To be included for each Test Period.

⁵ To be included only in annual compliance certificate.

⁶ Items 4-6 may be disclosed in a separate certificate no later than five business days after delivery of the financial statements pursuant to Section 6.02(a) of the Credit Agreement.

⁷ Information required by Section 6.02(d)(i) to be included only in annual compliance certificate.

Total Leverage Ratio Calculation

Consolidated Total Net Debt to Consolidated EBITDA

(1) Consolidated Total Net Debt as of [_____], 20[__]:

(a) At any date of determination, the aggregate principal amount of Indebtedness of the Restricted Group outstanding on such date, in an amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis for the Restricted Group in accordance with GAAP (but excluding the effects of any discounting of Indebtedness as provided in Section 1.10 of the Credit Agreement) consisting of:

(i) Indebtedness for borrowed money _____

(ii) Attributable Indebtedness or purchase money Indebtedness _____

(iii) unreimbursed drawings in respect of letters of credit _____

(iv) without duplication, all Guarantees of any Indebtedness of such type that is owed to a Person that is not the Borrower or a Restricted Subsidiary. _____

minus:

(b) the aggregate amount of cash and Cash Equivalents (other than Restricted Cash) held by the Borrower and its Domestic Subsidiaries that are also Restricted Subsidiaries, in each case held free and clear of all Liens, other than nonconsensual Liens permitted by Section 7.01 and Liens permitted by Section 7.01(a), Section 7.01(k), Section 7.01(p), Section 7.01(q), clauses (i) and (ii) of Section 7.01(r), Section 7.01(cc), Section 7.01(dd) and Section 7.01(ii); _____

provided that Consolidated Total Net Debt shall not include Indebtedness in respect of letters of credit, except to the extent of unreimbursed amounts thereunder (*provided* that any unreimbursed amount under commercial letters of credit shall not be counted as Consolidated Total Net Debt until three Business Days after such amount is drawn).

Consolidated Total Net Debt = _____

divided by

(2) Consolidated EBITDA:

(a) Consolidated Net Income:

- (i) the net income (loss) of the Restricted Group for such period determined on a consolidated basis in accordance with GAAP, excluding, without duplication: _____
- (A) (i) any after-tax effect of extraordinary, non-recurring or unusual items (including gains or losses and all fees and expenses relating thereto) for such period and (ii) income in respect of cancellation of Indebtedness extinguished prior to the Closing Date _____
- (B) the cumulative effect of a change in accounting principles during such period to the extent included in Consolidated Net Income _____
- (C) any fees and expenses incurred during such period (including any premiums, make-whole or penalty payments), or any amortization thereof for such period, in connection with any acquisition, investment, asset disposition, issuance or repayment of debt, issuance of equity securities and including any Qualified IPO, refinancing transaction or amendment or other modification of any debt instrument (in each case, including any such transaction consummated on or prior to the Closing Date (including, for the avoidance of doubt, any payments to option holders in connection with prior dividends to the extent such payments reduced Consolidated Net Income) and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful (including, for the avoidance of doubt, the effects of expensing all transaction related expenses in accordance with FASB Accounting Standards Codification 805 and gains or losses associated with FASB Accounting Standards Codification 460) _____
- (D) accruals and reserves that are established or adjusted within twelve months after the Closing Date that are so required to be established or adjusted as a result of the Transactions (or within 12 months after the closing of any Permitted Acquisition that are so required to be established or adjusted as a result of such Permitted Acquisition) in accordance with GAAP or changes as a result of adoption or modification of accounting policies in accordance with GAAP _____
- (E) any net after-tax gains or losses on disposed, abandoned or discontinued operations _____
- (F) any net after-tax effect of gains or losses (less all fees, expenses and charges) attributable to asset dispositions or the sale or other disposition of any Equity Interests of any Person in each case other than in the ordinary course of business, as determined in good faith by the Borrower _____

- (G) the net income (loss) for such period of any Person that is not a Subsidiary of the Borrower, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting; *provided* that, unless already included, Consolidated Net Income of the Borrower shall be increased by the amount of dividends or distributions that are actually paid in cash or Cash Equivalents (or to the extent subsequently converted into cash or Cash Equivalents) by such Person to the Borrower or a Restricted Subsidiary thereof in respect of such period
-
- (H) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities or as a result of a change in law or regulation, in each case, pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP; *provided* that (x) any non-cash charge of the type referred to in clause (b)(xi)(B) of the calculation of Consolidated EBITDA herein shall not be excluded and (y) if any non-cash charges referred to in this clause (H) represent an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to exclude such non-cash charge in the current period and (2) to the extent the Borrower does decide to exclude such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated Net Income in such future period to the extent paid
-
- (I) any equity based or non-cash (for such period and all other periods) compensation charge or expense, including any such charge or expense arising from the grants of stock appreciation rights, equity incentive programs or similar rights, stock options, restricted stock or other rights or equity incentive programs, and any cash charges associated with the rollover, acceleration or payout of Equity Interests by management of the Borrower or any of its Restricted Subsidiaries in connection with the Transactions
-
- (J) any expenses, charges or losses that are covered by indemnification or other reimbursement provisions in connection with any Investment, Permitted Acquisition or any sale, conveyance, transfer or other disposition of assets permitted under the Credit Agreement, to the extent actually reimbursed, or, so long as the Borrower has made a determination that a reasonable basis exists for indemnification or reimbursement and only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days)
-
- (K) to the extent covered by insurance and actually reimbursed, or, so long as the Borrower has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is in fact reimbursed within 365 days of the date of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so reimbursed within such 365 days), expenses, charges or losses with respect to liability or casualty events or business interruption
-

-
- (L) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of the Borrower's Restricted Subsidiaries or that Person's assets are acquired by the Borrower or any of the Borrower's Restricted Subsidiaries (except to the extent required for any calculation of Consolidated EBITDA on a Pro Forma Basis in accordance with Section 1.09 of the Credit Agreement)
- (M) solely for the purpose of determining the Cumulative Credit pursuant to clause (b) of the definition thereof in the Credit Agreement, the income of any Restricted Subsidiary of the Borrower that is not a Guarantor to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted without government approval or by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its equity holders (which has not been waived), except (solely to the extent permitted to be paid) to the extent of the amount of dividends or other distributions actually paid in cash to the Borrower or any of its Restricted Subsidiaries that are Guarantors by such Person during such period in accordance with such documents and regulations
-

There shall be excluded from (or, in the case of lost revenue, included in) Consolidated Net Income for any period the effects of fair value adjustments (including the effects of such adjustments pushed down to the Borrower and its Restricted Subsidiaries) in the inventory, property and equipment, goodwill, intangible assets, deferred revenue and debt line items in such Person's consolidated financial statements pursuant to GAAP resulting solely from the application of recapitalization accounting or purchase accounting in relation to the Transactions or any consummated acquisition permitted under the Credit Agreement (and the amortization or write-off of any amounts thereof (or the loss of revenue otherwise recognizable), in each case net of taxes, shall be excluded from (or, in the case of lost revenue, included in) the determination of Consolidated Net Income).

Consolidated Net Income =

- b) *plus*, without duplication and, except with respect to clauses (viii), (x), (xiv), (xv) and (xvi) below, to the extent deducted (and not added back or excluded) in arriving at such Consolidated Net Income, the sum of the following amounts for such period with respect to the Restricted Group:
- (i) total interest expense determined in accordance with GAAP and, to the extent not reflected in such total interest expense, any expenses or losses on hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such hedging obligations or other derivative obligations, letter of credit fees, costs of surety bonds in connection with financing activities and any bank fees and financing fees (including commitment, underwriting, funding, “rollover” and similar fees and commissions, discounts, yields and other fees, charges and amounts incurred in connection with the issuance, incurrence or extinguishment of Indebtedness and all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing and net costs under Swap Contracts entered into for the purpose of hedging interest rate risk) and annual agency, unused line, facility or similar fees paid under definitive documentation related to Indebtedness (whether amortized or immediately expensed)
- (ii) provision for taxes based on income, profits or capital gains of the Restricted Group, including, without limitation, federal, state, local, franchise and similar taxes and foreign withholding taxes paid or accrued during such period including penalties and interest related to such taxes or arising from any tax examinations (but, for clarity, including taxes in respect of cancellation of debt income in respect of Indebtedness extinguished prior to the Closing Date for which a valid election was made to defer the realization to the extent such taxes reduced Consolidated Net Income for such period)
- (iii) depreciation and amortization
- (iv) (A) duplicative running costs, severance, relocation costs or expenses, integration costs, transition costs, pre-opening, opening, consolidation and closing costs for facilities, signing, retention and completion bonuses, costs incurred in connection with any strategic initiatives, costs incurred in connection with Permitted Acquisitions and non-recurring product and intellectual property development after the Closing Date, other business optimization expenses (including costs and expenses relating to business optimization programs), and new systems design and implementation costs, project start-up costs and restructuring charges or reserves (including restructuring costs related to acquisitions after the Closing Date and to closure/consolidation of facilities, retention charges, systems establishment costs and excess pension charges) and litigation settlements or losses and related expenses; (B) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses, compensation or otherwise) and adjustments thereof and purchase price adjustments, in each case in connection with acquisitions; and (C) Transaction Expenses
- (v) [Reserved]

- (vi) the amount of management, monitoring, consulting and advisory fees (including transaction and termination fees) and related indemnities and expenses paid or accrued (without duplication among periods) to the Sponsor under the Sponsor Management Agreement
- (vii) any costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Borrower or net cash proceeds of an issuance of Equity Interests of the Borrower (other than Disqualified Equity Interests), which cash proceeds are in each case Not Otherwise Applied
- (viii) (A) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to the Transactions projected by the Borrower in good faith to be realized as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after the Closing Date (calculated on a Pro Forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined (the “**EBITDA Determination Period**”), and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith judgment of the Borrower, (B) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to mergers and other business combinations, acquisitions, divestures, restructurings, insourcing initiatives, cost savings initiatives and other similar initiatives consummated after the Closing Date projected by the Borrower in good faith as a result of actions either taken or are expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after a merger or other business combination, acquisition, divestiture, restructuring, cost savings initiative or other initiative (calculated on a Pro Forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the EBITDA Determination Period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith determination of the Borrower, and (C) the amount of run rate impact on

Consolidated EBITDA occurring as a result of business initiatives consummated after the Closing Date not contemplated by subclauses (A) and (B) of this clause (viii) projected by the Borrower in good faith as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months of the applicable business initiative, provided, that such impact on Consolidated EBITDA is reasonably identifiable and factually supportable, in the good faith determination of the Borrower; *provided* that (x) no cost savings, operating expense reductions and synergies shall be added pursuant to this clause (viii) to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for the EBITDA Determination Period and (y) the aggregate amount of cost savings, operating expense reductions, synergies and other run rate impact added pursuant this clause (viii) shall not, taken together with those added pursuant to Section 1.09(c) of the Credit Agreement, exceed 35% of Consolidated EBITDA (calculated prior to giving effect to any addback pursuant to this clause (viii) or Section 1.09(c) of the Credit Agreement) for any period of four-consecutive fiscal quarters

- (ix) any net loss from disposed, abandoned, or discontinued operations
- (x) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to section (c) below for any previous period and not added back
- (xi) non-cash expenses, charges and losses (including reserves, impairment charges or asset write-offs, write-offs of deferred financing fees, losses from investments recorded using the equity method and stock-based awards compensation expense), in each case other than (A) any non-cash charge representing amortization of a prepaid cash item that was paid and not expensed in a prior period and (B) any non-cash charge relating to write-offs, write-downs or reserves with respect to accounts receivable in the normal course or inventory; *provided* that, if any of the non-cash charges referred to in this clause (xi) represents an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to add back such non-cash charge in the current period and (2) to the extent the Borrower does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA in such future period to the extent paid
- (xii) [Reserved]
- (xiii) [Reserved]

- (xiv) the net income of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof (i.e., the minority interest of the Borrower or any Subsidiary Guarantor in the entities generating such net income),
 - (xv) with respect to any Restricted Subsidiary that is not wholly owned by the Borrower or any Subsidiary Guarantor that has any outstanding Pledged Note(s) issued to the Borrower or any Subsidiary Guarantor, the least of (i) the minority interest of such Restricted Subsidiary as of the last day of such period, (ii) the outstanding amount of all Pledged Notes issued by such Restricted Subsidiary to the Borrower or any Subsidiary Guarantor as of the last day of such period and (iii) the amount of the Consolidated EBITDA of such Restricted Subsidiary for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP
 - (xvi) with respect to any Person in which the Borrower or a Subsidiary Guarantor holds an equity interest, but which is not a Subsidiary of the Borrower, that has any outstanding Pledged Note(s) issued to the Borrower or any Subsidiary Guarantor, the lesser of (i) the outstanding amount of all Pledged Notes issued by such Person to the Borrower or a Subsidiary Guarantor as of the last day of such period and (ii) the amount of the Consolidated EBITDA of such Person for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP
- (c) *minus*, without duplication and to the extent included in arriving at such Consolidated Net Income:
- (i) non-cash gains (excluding any non-cash gain to the extent it represents the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period) and all other non-cash items of income for such period
 - (ii) any net gain from disposed, abandoned, or discontinued operations
 - (iii) all gains and income from investments recorded using the equity method
 - (iv) the net loss of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof *provided* that, for the avoidance of doubt, any gain representing the reversal of any non-cash charge referred to in clause (b)(xi)(B) of the calculation of Consolidated EBITDA herein for a prior period shall be added (together with, without duplication, any amounts received in respect thereof to the extent not increasing Consolidated Net Income) to Consolidated EBITDA in any subsequent period to such extent so reversed (or received);

provided that:

- (A) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period (x) currency translation gains and losses related to currency remeasurements of Indebtedness (including the net loss or gain (i) resulting from Swap Contracts for currency exchange risk and (ii) resulting from intercompany indebtedness) and (y) all other foreign currency translation gains or losses to the extent such gain or losses are non-cash items _____
- (B) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any adjustments resulting from the application of FASB Accounting Standards Codification 815 and International Accounting Standard No. 39 and their respective related pronouncements and interpretations _____
- (C) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any income (loss) for such period attributable to the early extinguishment of (i) Indebtedness, (ii) obligations under any Swap Contracts or (iii) other derivative instruments. _____

Notwithstanding anything to the contrary contained herein, for purposes of determining Consolidated EBITDA under this Agreement for any period that includes any of the fiscal quarters ended June 30, 2013, September 30, 2013, December 31, 2013, or March 31, 2014, Consolidated EBITDA for such fiscal quarters shall be \$50,317,000, \$46,437,000, \$54,596,000 and \$44,691,000, respectively, in each case, as may be subject to addbacks and adjustments (without duplication) pursuant to Section 1.09 of the Credit Agreement.

Consolidated EBITDA = _____

Consolidated Total Net Debt to Consolidated EBITDA =

[]:1.00

Excess Cash Flow Calculation

- (a) the *sum*, without duplication, of:
 - (i) Consolidated Net Income for such period _____
 - (ii) an amount equal to the amount of all non-cash charges to the extent deducted in arriving at such Consolidated Net Income and cash gains (if any) included in clauses (a)(i)(A) – (a)(i)(M) of the calculation of Consolidated Net Income in Schedule 1 _____
 - (iii) decreases in Consolidated Working Capital for such period (other than any such decreases arising from acquisitions or dispositions by the Restricted Group completed during such period) _____
 - (iv) cash receipts in respect of Swap Contracts during such period to the extent such receipts were not otherwise included in arriving at such Consolidated Net Income _____
 - (v) the amount of tax expense deducted in determining Consolidated Net Income for such period to the extent it exceeds the amount of cash taxes paid in such period _____
 - (vi) an amount equal to the aggregate net non-cash loss on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent deducted in arriving at such Consolidated Net Income _____
- (b) *minus the sum, without duplication, of:*
 - (i) an amount equal to the amount of all non-cash credits included in arriving at such Consolidated Net Income and cash charges (if any) in respect of such period included in clauses (a)(i)(A) – (a)(i)(M) of the calculation of Consolidated Net Income in Schedule 1 _____
 - (ii) without duplication of amounts deducted pursuant to clause (b)(xi) below in prior fiscal years, the amount of Capital Expenditures made in cash during such period to the extent financed with Internally Generated Cash _____

- (iii) the aggregate amount of all principal payments of Indebtedness of the Restricted Group during such period, in each case to the extent financed with Internally Generated Cash (including (A) the principal component of payments in respect of Capitalized Leases, (B) the amount of any scheduled repayment of Term Loans pursuant to Section 2.11 of the Credit Agreement (to the extent actually made), and (C) any mandatory prepayment of Term Loans made pursuant to Section 2.13(a)(ii) of the Credit Agreement to the extent required due to a Disposition that resulted in an increase to Consolidated Net Income and not in excess of the amount of such increase but excluding (V) any mandatory prepayment of Term Loans made pursuant to Section 2.13(a)(iv) of the Credit Agreement, (W) all voluntary prepayments of Term Loans, Incremental Equivalent Debt (to the extent secured by the Collateral on a first lien basis) and Permitted First Priority Refinancing Debt, (X) all prepayments of Loans under the Existing Credit Agreements and the Existing Symbion Notes on the Closing Date, (Y) all prepayments, redemptions or repurchases in respect of (i) Permitted Second Priority Refinancing Debt (or any Permitted Refinancing thereof), except to the extent permitted under Section 7.13(a) of the Credit Agreement and (ii) Junior Financing, except to the extent permitted under Section 7.13(a) of the Credit Agreement and (Z) all prepayments of loans under any revolving credit facility made during such period (it being agreed that any amount excluded pursuant to clause (V), (W), (X), (Y) or (Z) may not be deducted under any other clause of this definition) _____
- (iv) an amount equal to the aggregate net non-cash gain on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent included in arriving at such Consolidated Net Income _____
- (v) increases in Consolidated Working Capital for such period (other than any such increases arising from acquisitions or dispositions by the Restricted Group during such period) _____
- (vi) cash payments by the Restricted Group during such period in respect of long-term liabilities of the Restricted Group other than Indebtedness and that were made with Internally Generated Cash and were not deducted or were excluded in calculating Consolidated Net Income _____

- (vii) without duplication of amounts deducted pursuant to clause (b)(xi) below in prior fiscal years, the amount of Investments and acquisitions made during such period in cash pursuant to Section 7.02 of the Credit Agreement (other than Section 7.02(a), (c) or (e) of the Credit Agreement) (net of the return on any such Investments received during such period, except to the extent such return was included in the determination of Consolidated Net Income) to the extent that such Investments and acquisitions were not expensed and were financed with Internally Generated Cash
-
- (viii) the amount of Restricted Payments paid during such period pursuant to Section 7.06(i) of the Credit Agreement (but in the case of clauses (iv) through (vii), only to the extent such amounts were not deducted or were excluded in calculating Consolidated Net Income) or Section 7.06(g) of the Credit Agreement in cash or 7.06(j) of the Credit Agreement in cash (in the case of Section 7.06(g) of the Credit Agreement, in an amount not to exceed the amount permitted thereunder in any fiscal year) to the extent such Restricted Payments were financed with Internally Generated Cash
-
- (ix) the aggregate amount of expenditures actually made by the Restricted Group in cash during such period (including expenditures for the payment of financing fees) to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash
-
- (x) the aggregate amount of any premium, make-whole or penalty payments actually paid in cash by the Restricted Group during such period that are required to be made in connection with any prepayment of Indebtedness to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash
-
- (xi) without duplication of amounts deducted from Excess Cash Flow in prior periods, the aggregate consideration required to be paid in cash by the Restricted Group pursuant to binding contracts with a third party that is not an Affiliate (the “**Contract Consideration**”) entered into prior to or during such period relating to Permitted Acquisitions or Capital Expenditures or acquisitions of IP Rights to the extent not expensed to be consummated or made, in each case during the period of four consecutive fiscal quarters of the Borrower following the end of such period; *provided* that, to the extent the aggregate amount of Internally Generated Cash actually utilized to finance such Permitted Acquisitions, Capital Expenditures or acquisitions of IP Rights during such period of four consecutive fiscal quarters is less than the Contract Consideration, the amount of such shortfall shall be added to the calculation of Excess Cash Flow at the end of such period of four consecutive fiscal quarters
-

(xii) the amount of cash taxes paid in such period to the extent they exceed the amount of tax expense deducted in determining Consolidated Net Income for such period (which amounts shall be included in the calculation of Excess Cash Flow for the period in which they are expensed) _____

(xiii) cash expenditures in respect of Swap Contracts, which were made during such fiscal year and were not deducted in determining (or were excluded in arriving at) such Consolidated Net Income. _____

Notwithstanding anything in the definition of any term used in the definition of Excess Cash Flow to the contrary, all components of Excess Cash Flow shall be computed for the Restricted Group on a consolidated basis.

Excess Cash Flow = _____

Capital Expenditures Calculation

(a) all amounts that would be reflected as additions to property, plant or equipment on a consolidated statement of cash flows of the Restricted Group in accordance with GAAP (including amounts expended or capitalized under Capitalized Leases) _____

Capital Expenditures = _____

IN WITNESS WHEREOF, the undersigned, solely in his/her capacity as a Responsible Officer of the Borrower, has executed this certificate for and on behalf of the Borrower and has caused this certificate to be delivered this day of , 20[].

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

[FORM OF]
UNITED STATES TAX COMPLIANCE CERTIFICATE
(For Non-U.S. Lenders That Are Not Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a “bank” as such term is used in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the “**Code**”), (iii) it is not a “10-percent shareholder” of the Borrower within the meaning of Code Section 871(h)(3)(B), (iv) it is not a “controlled foreign corporation” within the meaning of Section 881(c)(3)(C) of the Code and (v) no payments in connection with the Loan Documents are effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent with a certificate of its non-U.S. person status on Internal Revenue Service Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent in writing and (2) the undersigned shall furnish the Borrower and the Administrative Agent a properly completed and currently effective certificate in either the calendar year in which payment is to be made by the Borrower or the Administrative Agent to the undersigned, or in either of the two calendar years preceding such payment.

[Signature Page Follows]

G-1-1

[Lender]

By: _____
Name:
Title:

[Address]

Dated: _____, 20[]

[FORM OF]
UNITED STATES TAX COMPLIANCE CERTIFICATE
(For Non-U.S. Lenders That Are Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) neither the undersigned nor any of its partners/members is a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the “**Code**”), (iv) none of its partners/members is a “10-percent shareholder” of the Borrower within the meaning of Code Section 871(h)(3)(B), (v) none of its partners/members is a “controlled foreign corporation” related to the Borrower within the meaning of Section 881(c)(3)(C) of the Code and (vi) no payments in connection with the Loan Documents are effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with Internal Revenue Service Form W-8IMY accompanied by an Internal Revenue Service Form W-8BEN from each of its partners/members claiming the portfolio interest exemption, *provided* that, for the avoidance of doubt, the foregoing shall not limit the obligation of the Lender to provide, in the case of a partner/member not claiming the portfolio interest exemption, a Form W-8ECI, Form W-9 or Form W-8IMY (including appropriate underlying certificates from each interest holder of such partner/member), in each case establishing such partner/member’s any available exemption from U.S. federal withholding tax. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent in writing with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

G-2-2

[FORM OF]

UNITED STATES TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Participants That Are Not Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among SP HOLDCO I, INC., a Delaware corporation ("**Holdings**"), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the "**Borrower**"), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) and Section 10.04(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the "**Code**"), (iii) it is not a "10-percent shareholder" of the Borrower within the meaning of Code Section 871(h)(3)(B), (iv) it is not a "controlled foreign corporation" related to the Borrower within the meaning of Section 881(c)(3)(C) of the Code and (v) no payments in connection with the Loan Documents are effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished its participating non-U.S. Lender with a certificate of its non-U.S. person status on Internal Revenue Service Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such non-U.S. Lender in writing and (2) the undersigned shall have at all times furnished such Non-U.S. Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[Signature Page Follows]

G-3-1

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

G-3-2

[FORM OF]

UNITED STATES TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Participants That Are Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) and Section 10.04(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) neither the undersigned nor any of its partners/members is a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the “**Code**”), (iv) none of its partners/members is a “10-percent shareholder” of the Borrower within the meaning of Code Section 871(h)(3)(B), (v) none of its partners/members is a “controlled foreign corporation” related to the Borrower within the meaning of Section 881(c)(3)(C) of the Code and (vi) no payments in connection with the Loan Documents are effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished its participating non-U.S. Lender with Internal Revenue Service Form W-8IMY accompanied by an Internal Revenue Service Form W-8BEN from each of its partners/members claiming the portfolio interest exemption, *provided* that, for the avoidance of doubt, the foregoing shall not limit the obligation of the Lender to provide, in the case of a partner/member not claiming the portfolio interest exemption, a Form W-8ECI, Form W-9 or Form W-8IMY (including appropriate underlying certificates from each interest holder of such partner/member), in each case establishing such partner/member’s any available exemption from U.S. federal withholding tax. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such non-U.S. Lender in writing and (2) the undersigned shall have at all times furnished such non-U.S. Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

G-4-1

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

[FORM OF] SOLVENCY CERTIFICATE

SOLVENCY CERTIFICATE
of
SP HOLDCO I, INC.
AND ITS SUBSIDIARIES

Pursuant to (a) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**First Lien Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank and (b) the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Second Lien Credit Agreement**”, and together with the First Lien Credit Agreement, the “**Credit Agreements**”), among Holdings, the Borrower, the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, the undersigned hereby certifies, solely in such undersigned’s capacity as chief financial officer of Holdings and the Borrower, and not individually, as follows:

As of the date hereof, after giving effect to the consummation of the Transactions, including the making of the Loans under the Credit Agreements and after giving effect to the application of the proceeds of such indebtedness:

- a. The fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis, exceeds, on a consolidated basis, their debts and liabilities, subordinated, contingent or otherwise;
- b. The present fair saleable value of the assets of Holdings and its Subsidiaries, on a consolidated basis, is greater than the amount that will be required to pay the probable liabilities, on a consolidated basis, of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured;
- c. Holdings and its Subsidiaries, on a consolidated basis, are able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature; and
- d. Holdings and its Subsidiaries, on a consolidated basis, are not engaged in, and are not about to engage in, business for which they have unreasonably small capital.

For purposes of this Certificate, the amount of any contingent liability at any time shall be computed as the amount that could reasonably be expected to become an actual and matured liability. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Credit Agreements.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Certificate in such undersigned's capacity as chief financial officer of Holdings and the Borrower, on behalf of Holdings and the Borrower, and not individually, as of the date first stated above.

SP HOLDCO I, INC.

By: _____
Name:
Title:

[FORM OF] REVOLVING NOTE

[New York, New York]
[Date]

FOR VALUE RECEIVED, the undersigned, SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), hereby promises to pay to the Lender set forth above (the “**Lender**”) or its registered assigns in accordance with Section 10.04 of the Credit Agreement (as defined below), in lawful money of the United States of America in immediately available funds at the office of the Administrative Agent (such term, and each other capitalized term used but not defined herein, having the meaning assigned to it in the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), the Borrower, the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank) at 520 Madison Avenue, New York, New York 10022 (or such other office notified by the Administrative Agent to the Borrower in accordance with Section 10.01 of the Credit Agreement) (i) on the dates set forth in the Credit Agreement, the principal amounts set forth in the Credit Agreement with respect to Revolving Loans made by the Lender to the Borrower pursuant to the Credit Agreement and (ii) on each Interest Payment Date, interest at the rate or rates per annum as provided in the Credit Agreement on the unpaid principal amount of all Revolving Loans made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at the rate or rates provided in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Revolving Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; *provided, however*, that the failure of the holder hereof to make such a notation or any error in such notation shall not affect the obligations of the Borrower under this Revolving Note.

This Revolving Note is one of the Revolving Notes referred to in the Credit Agreement that, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity hereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified.

THIS REVOLVING NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE CREDIT AGREEMENT.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the party hereto has caused this Revolving Note to be duly executed by its respective authorized officers as of the day and year first above written.

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

LOANS AND PAYMENTS

| <u>Date</u> | <u>Amount of Loan</u> | <u>Maturity Date</u> | <u>Payments of Principal/Interest</u> | <u>Principal Balance of Note</u> | <u>Name of Person Making the Notation</u> |
|-------------|-----------------------|----------------------|---------------------------------------|----------------------------------|---|
| | | | | | |
| | | | | | |

[FORM OF] TERM NOTE

[New York, New York]

[Date]

FOR VALUE RECEIVED, the undersigned, SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), hereby promises to pay to the Lender set forth above (the “**Lender**”) or its registered assigns in accordance with Section 10.04 of the Credit Agreement (as defined below), in lawful money of the United States of America in immediately available funds at the office of the Administrative Agent (such term, and each other capitalized term used but not defined herein, having the meaning assigned to it in the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), the Borrower, the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank) at 520 Madison Avenue, New York, New York 10022 (or such other office notified by the Administrative Agent to the Borrower in accordance with Section 10.01 of the Credit Agreement) (i) on the dates set forth in the Credit Agreement, the principal amounts set forth in the Credit Agreement with respect to Term Loans made by the Lender to the Borrower pursuant to the Credit Agreement and (ii) on each Interest Payment Date, interest at the rate or rates per annum as provided in the Credit Agreement on the unpaid principal amount of all Term Loans made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at the rate or rates provided in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

All borrowings evidenced by this Term Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; *provided, however*, that the failure of the holder hereof to make such a notation or any error in such notation shall not affect the obligations of the Borrower under this Term Note.

This Term Note is one of the Term Notes referred to in the Credit Agreement that, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity hereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified.

THIS TERM NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE CREDIT AGREEMENT.

THIS TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the party hereto has caused this Term Note to be duly executed by its respective authorized officer as of the day and year first above written.

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

LOANS AND PAYMENTS

| <u>Date</u> | <u>Amount of Loan</u> | <u>Maturity Date</u> | <u>Payments of Principal/Interest</u> | <u>Principal Balance of Note</u> | <u>Name of Person Making the Notation</u> |
|-------------|-----------------------|----------------------|---------------------------------------|----------------------------------|---|
| | | | | | |
| | | | | | |

AUCTION PROCEDURES

This outline is intended to summarize certain basic terms of procedures with respect to Auctions pursuant to and in accordance with the terms and conditions of Sections 10.04(k) and 10.04(m) of the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. It is not intended to be a definitive list of all of the terms and conditions of an Auction and all such terms and conditions shall be set forth in the applicable Auction Procedures set for each Auction (the “**Offer Documents**”). None of the Administrative Agent, the Auction Manager, any other Agent or any of their respective affiliates makes any recommendation pursuant to the Offer Documents as to whether or not any Lender should sell by assignment any of its Term Loans pursuant to the Offer Documents (including, for the avoidance of doubt, by participating in the Auction as a Lender) or whether or not Holdings, the Borrower or any Affiliated Lender should purchase by assignment any Term Loans from any Lender pursuant to any Auction. Each Lender should make its own decision as to whether to sell by assignment any of its Term Loans and, if so, the principal amount of and price to be sought for such Term Loans. In addition, each Lender should consult its own attorney, business advisor or tax advisor as to legal, business, tax and related matters concerning any Auction and the Offer Documents. Capitalized terms not otherwise defined in this Exhibit J have the meanings assigned to them in the Credit Agreement.

For avoidance of doubt, the provisions of Section 10.04(k) of the Credit Agreement shall also apply to all non-pro rata assignments of Term Loans made to Affiliated Lenders, and the provisions of Section 10.04(m) of the Credit Agreement shall also apply to all non-pro rata assignments of Term Loans made to Holdings or the Borrower.

Summary. Affiliated Lenders, Holdings and the Borrower may purchase (by assignment) Term Loans on a non-pro rata basis by conducting one or more auctions (each, an “**Auction**”) pursuant to the procedures described herein; *provided*, that no more than one Auction may be ongoing at any one time and no more than four Auctions may be made in any period of four consecutive fiscal quarters of the Borrower.

Notice Procedures. In connection with each Auction, Holdings, the Borrower or the applicable Affiliated Lender (as applicable) (the “**Offeror**”) will provide notification to the Auction Manager (for distribution to the Lenders) of the Term Loans that will be the subject of the Auction by delivering to the Auction Manager a written notice in form and substance reasonably satisfactory to the Auction Manager (an “**Auction Notice**”). Each Auction Notice shall contain (i) the maximum principal amount of Term Loans the Offeror is willing to purchase (by assignment) in the Auction (the “**Auction Amount**”), which shall be no less than \$10,000,000 or an integral multiple of \$1,000,000 in excess of thereof (ii) the range of discounts

to par (the “**Discount Range**”), expressed as a range of prices per \$1,000, at which the Offeror would be willing to purchase Term Loans in the Auction; and (iii) the date on which the Auction will conclude, on which date Return Bids (defined below) will be due at the time provided in the Auction Notice (such time, the “**Expiration Time**”), as such date and time may be extended upon notice by the Offeror to the Auction Manager not less than 24 hours before the original Expiration Time.

Reply Procedures. In connection with any Auction, each Lender holding Term Loans wishing to participate in such Auction shall, prior to the Expiration Time, provide the Auction Manager with a notice of participation in form and substance reasonably satisfactory to the Auction Manager (the “**Return Bid**”, to be included in the Offer Documents) which shall specify (i) a discount to par that must be expressed as a price per \$1,000 of Term Loans (the “**Reply Price**”) within the Discount Range and (ii) the principal amount of Term Loans, in an amount not less than \$1,000,000, that such Lender is willing to offer for sale at its Reply Price (the “**Reply Amount**”); *provided*, that each Lender may submit a Reply Amount that is less than the minimum amount and incremental amount requirements described above only if the Reply Amount comprises the entire amount of the Term Loans held by such Lender at such time. A Lender may only submit one Return Bid per Auction, but each Return Bid may contain up to three component bids, each of which may result in a separate Qualifying Bid and each of which will not be contingent on any other component bid submitted by such Lender resulting in a Qualifying Bid. In addition to the Return Bid, a participating Lender must execute and deliver, to be held by the Auction Manager, an Assignment and Acceptance in the form included in the Offer Documents which shall be in form and substance reasonably satisfactory to the Auction Manager and the Administrative Agent (the “**Auction Assignment and Acceptance**”). The Offeror will not purchase any Term Loans at a price that is outside of the applicable Discount Range, nor will any Return Bids (including any component bids specified therein) submitted at a price that is outside such applicable Discount Range be considered in any calculation of the Applicable Threshold Price (as defined below).

Acceptance Procedures. Based on the Reply Prices and Reply Amounts received by the Auction Manager, the Auction Manager, in consultation with the Offeror, will calculate the lowest purchase price (the “**Applicable Threshold Price**”) for the Auction within the Discount Range for the Auction that will allow the Offeror to complete the Auction by purchasing the full Auction Amount (or such lesser amount of Term Loans for which the Offeror has received Qualifying Bids). The Offeror shall purchase (by assignment) Term Loans from each Lender whose Return Bid is within the Discount Range and contains a Reply Price that is equal to or less than the Applicable Threshold Price (each, a “**Qualifying Bid**”). All principal amount of Term Loans included in Qualifying Bids received at a Reply Price lower than the Applicable Threshold Price will be purchased at a purchase price equal to the applicable Reply Price and shall not be subject to proration. If a Lender has submitted a Return Bid containing multiple component bids at different Reply Prices, then all Term Loans of such Lender offered in any such component bid that constitutes a Qualifying Bid with a Reply Price lower than the Applicable Threshold Price shall also be purchased at a purchase price in cash equal to the applicable Reply Price and shall not be subject to proration.

Proration Procedures. All Term Loans offered in Return Bids (or, if applicable, any component bid thereof) constituting Qualifying Bids equal to the Applicable Threshold Price will

be purchased at a purchase price equal to the Applicable Threshold Price; *provided* that if the aggregate principal amount of all Term Loans for which Qualifying Bids have been submitted in any given Auction equal to the Applicable Threshold Price would exceed the remaining portion of the Auction Amount (after deducting all Term Loans purchased below the Applicable Threshold Price), the Offeror shall purchase the Term Loans for which the Qualifying Bids submitted were at the Applicable Threshold Price ratably based on the respective principal amounts offered and in an aggregate amount up to the amount necessary to complete the purchase of the Auction Amount. For the avoidance of doubt, no Return Bids (or any component thereof) will be accepted above the Applicable Threshold Price.

Notification Procedures. The Auction Manager will calculate the Applicable Threshold Price no later than the next Business Day after the date that the Return Bids were due. The Auction Manager will insert the amount of Term Loans to be assigned and the applicable settlement date determined by the Auction Manager in consultation with the Offeror onto each applicable Auction Assignment and Acceptance received in connection with a Qualifying Bid. Upon written request of the submitting Lender, the Auction Manager will promptly return any Auction Assignment and Acceptance received in connection with a Return Bid that is not a Qualifying Bid.

Additional Procedures. Once initiated by an Auction Notice, the Offeror may withdraw an Auction by written notice to the Auction Manager no later than 24 hours before the original Expiration Time so long as no Qualifying Bids have been received by the Auction Manager at or prior to the time the Auction Manager receives such written notice from the Borrower. Any Return Bid (including any component bid thereof) delivered to the Auction Manager may not be modified, revoked, terminated or cancelled; *provided* that a Lender may modify a Return Bid at any time prior to the Expiration Time solely to reduce the Reply Price included in such Return Bid. However, an Auction shall become void if the Offeror fails to satisfy one or more of the conditions to the purchase of Term Loans set forth in Section 10.04(k) or 10.04(m) of the Credit Agreement, as applicable, or to otherwise comply with any of the provisions of such Sections 10.04(k) or 10.04(m). The purchase price for all Term Loans purchased in an Auction shall be paid in cash by the Offeror directly to the respective assigning Lender on a settlement date as determined by the Auction Manager in consultation with the Offeror (which shall be no later than ten (10) Business Days after the date Return Bids are due), along with accrued and unpaid interest (if any) on the applicable Term Loans up to the settlement date. The Offeror shall execute each applicable Auction Assignment and Acceptance received in connection with a Qualifying Bid.

All questions as to the form of documents and validity and eligibility of Term Loans that are the subject of an Auction will be determined by the Auction Manager, in consultation with the Offeror, and the Auction Manager's determination will be final and binding. The Auction Manager's interpretation of the terms and conditions of the Offer Document, in consultation with the Offeror, will be final and binding.

None of the Administrative Agent, the Auction Manager, any other Agent or any of their respective affiliates assumes any responsibility for the accuracy or completeness of the information concerning the Borrower, the Loan Parties, or any of their affiliates contained in the Offer Documents or otherwise or for any failure to disclose events that may have occurred and may affect the significance or accuracy of such information.

Immediately upon the consummation of an Auction pursuant to Section 10.04(m) of the Credit Agreement, the Term Loans subject to such Auction and all rights and obligations as a Lender related to such Term Loans shall for all purposes (including under the Credit Agreement, the other Loan Documents and otherwise) be deemed to be irrevocably prepaid, terminated, extinguished, cancelled and of no further force and effect, and neither Holdings nor the Borrower shall obtain nor have any rights as a Lender under the Credit Agreement or under the other Loan Documents by virtue of the acquisition of any Term Loans subject to such Auction.

The Auction Manager acting in its capacity as such under an Auction shall be entitled to the benefits of the provisions of Article 9 and Section 10.05 of the Credit Agreement to the same extent as if each reference therein to the "Administrative Agent" were a reference to the Auction Manager, and the Administrative Agent shall cooperate with the Auction Manager as reasonably requested by the Auction Manager in order to enable it to perform its responsibilities and duties in connection with each Auction.

This Exhibit J shall not require Holdings, the Borrower or any Affiliated Lender to initiate any Auction, nor shall any Lender be obligated to participate in any Auction.

[FORM OF]
LETTER OF CREDIT REQUEST

[Date]

Jefferies Finance LLC,
as Issuing Bank
520 Madison Avenue
New York, NY 10022
Attention:
Facsimile:

Re: Surgery Center Holdings, Inc.

Ladies and Gentlemen:

Reference is made to the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among SP HOLDCO I, INC., a Delaware corporation ("**Holdings**"), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the "**Borrower**"), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. The Borrower hereby gives notice, pursuant to Section 2.17(b) of the Credit Agreement, that Borrower hereby requests the issuance of a Letter of Credit under the Credit Agreement, and in connection therewith sets forth below the information relating to such issuance (the "**Proposed Issuance**"):

- (i) The requested date of the Proposed Issuance: _____ ;
(which is a Business Day)
- (ii) The face amount of the proposed Letter of Credit: \$ _____ ;
- (iii) The requested expiration date of such Letter of Credit (which shall not be later than the close of business on the Letter of Credit Expiration Date): _____ ;
- (iv) The Proposed Issuance is requested for the account of [Borrower] [Restricted Subsidiary of Borrower (*provided* that Borrower shall remain jointly and severally liable as co-applicant with respect to each Letter of Credit issued for the account of its Restricted Subsidiary)];

(v) The name and address of the beneficiary of such requested Letter of Credit is:

_____ ; and

(vi) Any documents to be presented by such beneficiary in connection with any drawing under the requested Letter of Credit, including any certificate(s), application or form of such requested Letter of Credit and the full text of any certificate to be presented by such beneficiary in connection with any drawing thereunder, are attached hereto as Attachment 1 or described therein.

In connection with a request for an amendment, renewal or extension of any outstanding Letter of Credit, Borrower sets forth the information below relating to such proposed amendment, renewal or extension:

(i) A copy of the outstanding Letter of Credit requested to be amended, renewed or extended is attached hereto as Attachment 2;

(ii) The proposed date of amendment, renewal or extension thereof: _____ ;
(which shall be a Business Day)

(iii) The requested expiration date of such amended, renewed or extended Letter of Credit: _____ ;

(iv) The nature of the proposed amendment, renewal or extension:

The undersigned hereby certifies that the following statements are true and correct on the date hereof, and will be true and correct on the date of the Proposed Issuance or on the date that any amendment, renewal or extension of an outstanding Letter of Credit becomes effective hereunder:

(i) the LC Exposure does not exceed the LC Commitment, (ii) the total Revolving Exposures do not exceed the total Revolving Commitments and (iii) the conditions set forth in Article 4 of the Credit Agreement in respect of such issuance, amendment, renewal or extension have been satisfied.

Very truly yours,

SURGERY CENTER HOLDINGS, INC.

By: _____

Name:

Title:

K-3

ATTACHMENT 1

TO

LETTER OF CREDIT REQUEST

[Documents to be Presented in Connection with any Drawing under the Requested Letter of Credit]

K-4

ATTACHMENT 2

TO

LETTER OF CREDIT REQUEST

[Outstanding Letter of Credit]

K-5

[FORM OF]
INTEREST ELECTION REQUEST

[Date]

Jefferies Finance LLC,
as Administrative Agent for
the Lenders referred to below
520 Madison Avenue
New York, New York 10022

Attention: Surgery Center Holdings, Inc. Account Manager
Facsimile: (904) 494-6871

Re: Surgery Center Holdings, Inc.

Ladies and Gentlemen:

Pursuant to Section 2.10 of that certain First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank, the Borrower hereby gives the Administrative Agent notice that the Borrower hereby requests:

[Option A - Conversion of Eurodollar Borrowings to ABR Borrowings: to convert \$ _____ in principal amount of presently outstanding Eurodollar Borrowings¹ with a final Interest Payment Date of _____, to ABR Borrowings on _____, (which is a Business Day).]

[Option B - Conversion of ABR Borrowings to Eurodollar Borrowings: to convert \$ _____ in principal amount of presently outstanding ABR Borrowings² to Eurodollar Borrowings on _____, (which is a Business Day). The Interest Period for such Eurodollar Borrowings is _____ month[s].]

[Option C - Continuation of Eurodollar Borrowings as Eurodollar Borrowings: to continue as Eurodollar Borrowings \$ _____ in presently outstanding Eurodollar Borrowings³ with a final Interest Payment Date of _____, (which is a Business Day). The Interest Period for such Eurodollar Borrowings is _____ month[s].]

¹ Identify as Eurodollar Term Borrowings or Eurodollar Revolving Borrowings.

² Identify as ABR Term Borrowings or ABR Revolving Borrowings.

³ Identify as Eurodollar Term Borrowings or Eurodollar Revolving Borrowings.

Very truly yours,

SURGERY CENTER HOLDINGS, INC.

By _____
Name:
Title

SECOND LIEN CREDIT AGREEMENT

dated as of

November 3, 2014

among

SP HOLDCO I, INC.,
as Holdings,

SURGERY CENTER HOLDINGS, INC.,
as the Borrower,

THE OTHER GUARANTORS PARTY HERETO FROM TIME TO TIME,

THE LENDERS PARTY HERETO

and

JEFFERIES FINANCE LLC,
as Administrative Agent and Collateral Agent

JEFFERIES FINANCE LLC,

KKR CAPITAL MARKETS LLC
and
MCS CAPITAL MARKETS LLC,
as Joint Lead Arrangers and Joint Bookrunners

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| ARTICLE 1 | |
| DEFINITIONS | 1 |
| Section 1.01. <i>Defined Terms</i> | 1 |
| Section 1.02. <i>Other Interpretive Provisions</i> | 58 |
| Section 1.03. <i>Accounting Terms</i> | 59 |
| Section 1.04. <i>Rounding</i> | 59 |
| Section 1.05. <i>References to Agreements, Laws, Etc.</i> | 59 |
| Section 1.06. <i>Times of Day</i> | 59 |
| Section 1.07. <i>Timing of Payment of Performance</i> | 59 |
| Section 1.08. <i>Cumulative Credit Transactions</i> | 59 |
| Section 1.09. <i>Pro Forma Calculations</i> | 60 |
| Section 1.10. <i>Certain Accounting Matters</i> | 62 |
| Section 1.11. <i>Classification of Loans and Borrowings</i> | 63 |
| Section 1.12. <i>Currency Equivalents Generally</i> | 63 |
| Section 1.13. <i>Excluded Swap Obligations</i> | 63 |
| ARTICLE 2 | |
| THE CREDITS | 64 |
| Section 2.01. <i>Commitments</i> | 64 |
| Section 2.02. <i>Loans</i> | 65 |
| Section 2.03. <i>Borrowing Procedure</i> | 66 |
| Section 2.04. <i>Evidence of Debt; Repayment of Loans</i> | 66 |
| Section 2.05. <i>Fees</i> | 67 |
| Section 2.06. <i>Interest on Loans</i> | 67 |
| Section 2.07. <i>Default Interest</i> | 68 |
| Section 2.08. <i>Alternate Rate of Interest</i> | 68 |
| Section 2.09. <i>Termination and Reduction of Commitments</i> | 68 |
| Section 2.10. <i>Conversion and Continuation of Borrowings</i> | 69 |
| Section 2.11. <i>Repayment of Term Borrowings</i> | 70 |
| Section 2.12. <i>Voluntary Prepayments</i> | 71 |
| Section 2.13. <i>Mandatory Prepayments</i> | 72 |
| Section 2.14. <i>Pro Rata Treatment</i> | 75 |
| Section 2.15. <i>Sharing of Setoffs</i> | 75 |
| Section 2.16. <i>Payments</i> | 76 |
| Section 2.17. <i>[Reserved]</i> | 77 |
| Section 2.18. <i>Defaulting Lenders</i> | 77 |
| Section 2.19. <i>Incremental Credit Extensions</i> | 78 |
| Section 2.20. <i>Refinancing Amendments</i> | 80 |
| Section 2.21. <i>Extension of Loans</i> | 82 |

ARTICLE 3

| | |
|--|----|
| TAXES, INCREASED COSTS PROTECTION AND ILLEGALITY | 84 |
| Section 3.01. <i>Taxes</i> | 84 |
| Section 3.02. <i>Illegality</i> | 88 |
| Section 3.03. <i>[Reserved]</i> | 89 |
| Section 3.04. <i>Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Loans</i> | 89 |
| Section 3.05. <i>Funding Losses</i> | 90 |
| Section 3.06. <i>Matters Applicable to all Requests for Compensation</i> | 90 |
| Section 3.07. <i>Replacement of Lenders under Certain Circumstances</i> | 92 |
| Section 3.08. <i>Survival</i> | 93 |

ARTICLE 4

| | |
|---|----|
| CONDITIONS PRECEDENT TO CREDIT EXTENSIONS | 93 |
| Section 4.01. <i>All Credit Extensions After The Closing Date</i> | 93 |
| Section 4.02. <i>First Credit Extension</i> | 94 |

ARTICLE 5

| | |
|---|-----|
| REPRESENTATIONS AND WARRANTIES | 98 |
| Section 5.01. <i>Existence, Qualification and Power; Compliance with Laws</i> | 98 |
| Section 5.02. <i>Authorization; No Contravention</i> | 98 |
| Section 5.03. <i>Governmental Authorization; Other Consents</i> | 98 |
| Section 5.04. <i>Binding Effect</i> | 99 |
| Section 5.05. <i>Financial Statements; No Material Adverse Effect</i> | 99 |
| Section 5.06. <i>Litigation</i> | 100 |
| Section 5.07. <i>Compliance With Laws; No Default</i> | 100 |
| Section 5.08. <i>Ownership of Property; Liens; Casualty Events</i> | 101 |
| Section 5.09. <i>Environmental Matters</i> | 101 |
| Section 5.10. <i>Taxes</i> | 102 |
| Section 5.11. <i>ERISA Compliance, Etc.</i> | 102 |
| Section 5.12. <i>Subsidiaries</i> | 103 |
| Section 5.13. <i>Margin Regulations; Investment Company Act</i> | 103 |
| Section 5.14. <i>Disclosure</i> | 103 |
| Section 5.15. <i>Labor Matters</i> | 104 |
| Section 5.16. <i>Intellectual Property; Licenses, Etc.</i> | 104 |
| Section 5.17. <i>Solvency</i> | 105 |
| Section 5.18. <i>Subordination of Junior Financing</i> | 105 |
| Section 5.19. <i>Collateral Documents</i> | 105 |
| Section 5.20. <i>Compliance with Anti-Terrorism and Corruption Laws</i> | 107 |
| Section 5.21. <i>Use of Proceeds</i> | 107 |
| Section 5.22. <i>Insurance</i> | 107 |

ARTICLE 6

| | |
|---|-----|
| AFFIRMATIVE COVENANTS | 107 |
| Section 6.01. <i>Financial Statements, Reports, Etc.</i> | 108 |
| Section 6.02. <i>Certificates; Other Information</i> | 110 |
| Section 6.03. <i>Notices</i> | 111 |
| Section 6.04. <i>Payment of Obligations</i> | 112 |
| Section 6.05. <i>Preservation of Existence, Etc.</i> | 112 |
| Section 6.06. <i>Maintenance of Properties</i> | 113 |
| Section 6.07. <i>Maintenance of Insurance</i> | 113 |
| Section 6.08. <i>Compliance with Laws</i> | 114 |
| Section 6.09. <i>Books and Records</i> | 114 |
| Section 6.10. <i>Inspection Rights</i> | 114 |
| Section 6.11. <i>Additional Collateral; Additional Guarantors</i> | 115 |
| Section 6.12. <i>Compliance with Environmental Laws</i> | 117 |
| Section 6.13. <i>Further Assurances and Post-Closing Conditions</i> | 117 |
| Section 6.14. <i>Designation of Subsidiaries</i> | 118 |
| Section 6.15. <i>Maintenance of Ratings</i> | 119 |
| Section 6.16. <i>Use of Proceeds</i> | 119 |
| Section 6.17. <i>Lender Conference Call</i> | 119 |

ARTICLE 7

| | |
|---|-----|
| NEGATIVE COVENANTS | 119 |
| Section 7.01. <i>Liens</i> | 119 |
| Section 7.02. <i>Investments</i> | 124 |
| Section 7.03. <i>Indebtedness</i> | 127 |
| Section 7.04. <i>Fundamental Changes</i> | 133 |
| Section 7.05. <i>Dispositions</i> | 135 |
| Section 7.06. <i>Restricted Payments</i> | 137 |
| Section 7.07. <i>Change in Nature of Business; Organization Documents</i> | 140 |
| Section 7.08. <i>Transactions with Affiliates</i> | 141 |
| Section 7.09. <i>Burdensome Agreements</i> | 141 |
| Section 7.10. <i>[Reserved]</i> | 142 |
| Section 7.11. <i>[Reserved]</i> | 142 |
| Section 7.12. <i>Fiscal Year</i> | 143 |
| Section 7.13. <i>Prepayments, Etc. of Indebtedness</i> | 143 |
| Section 7.14. <i>Permitted Activities</i> | 144 |

ARTICLE 8

| | |
|---|-----|
| EVENTS OF DEFAULT AND REMEDIES | 144 |
| Section 8.01. <i>Events of Default</i> | 144 |
| Section 8.02. <i>Remedies Upon Event of Default</i> | 147 |
| Section 8.03. <i>Exclusion of Immaterial Subsidiaries</i> | 147 |
| Section 8.04. <i>Application of Funds</i> | 148 |

ARTICLE 9

THE ADMINISTRATIVE AGENT AND THE COLLATERAL AGENT

| | | |
|---------------|--|-----|
| Section 9.01. | <i>Appointment</i> | 148 |
| Section 9.02. | <i>Agent in Its Individual Capacity</i> | 149 |
| Section 9.03. | <i>Exculpatory Provisions</i> | 149 |
| Section 9.04. | <i>Reliance by Agent</i> | 150 |
| Section 9.05. | <i>Delegation of Duties</i> | 151 |
| Section 9.06. | <i>Successor Agent</i> | 151 |
| Section 9.07. | <i>Non-Reliance on Agent and Other Lenders</i> | 152 |
| Section 9.08. | <i>Name Agent</i> | 152 |
| Section 9.09. | <i>Indemnification</i> | 152 |
| Section 9.10. | <i>Withholding Taxes</i> | 153 |
| Section 9.11. | <i>Lenders' Representations, Warranties and Acknowledgements</i> | 153 |
| Section 9.12. | <i>Collateral Documents and Guaranty</i> | 154 |
| Section 9.13. | <i>Release of Collateral and Guarantees, Termination of Loan Documents</i> | 154 |

ARTICLE 10

MISCELLANEOUS

| | | |
|----------------|--|-----|
| Section 10.01. | <i>Notices; Electronic Communications</i> | 156 |
| Section 10.02. | <i>Survival of Agreement</i> | 160 |
| Section 10.03. | <i>Binding Effect</i> | 160 |
| Section 10.04. | <i>Successors and Assigns</i> | 160 |
| Section 10.05. | <i>Expenses; Indemnity</i> | 168 |
| Section 10.06. | <i>Right of Setoff</i> | 170 |
| Section 10.07. | <i>Governing Law</i> | 171 |
| Section 10.08. | <i>Waivers; Amendment</i> | 171 |
| Section 10.09. | <i>Interest Rate Limitation</i> | 174 |
| Section 10.10. | <i>Entire Agreement</i> | 174 |
| Section 10.11. | <i>WAIVER OF JURY TRIAL</i> | 174 |
| Section 10.12. | <i>Severability</i> | 175 |
| Section 10.13. | <i>Counterparts</i> | 175 |
| Section 10.14. | <i>Headings</i> | 175 |
| Section 10.15. | <i>Jurisdiction; Consent to Service of Process</i> | 175 |
| Section 10.16. | <i>Confidentiality</i> | 176 |
| Section 10.17. | <i>Lender Action</i> | 176 |
| Section 10.18. | <i>USA PATRIOT Act Notice</i> | 176 |
| Section 10.19. | <i>Collateral And Guaranty Matters</i> | 177 |
| Section 10.20. | <i>[Reserved]</i> | 177 |
| Section 10.21. | <i>Payments Set Aside</i> | 177 |
| Section 10.22. | <i>No Advisory or Fiduciary Responsibility</i> | 178 |
| Section 10.23. | <i>Intercreditor Agreement</i> | 179 |

ARTICLE 11

| | | |
|----------------|--|-----|
| GUARANTEE | | 179 |
| Section 11.01. | <i>The Guarantee</i> | 179 |
| Section 11.02. | <i>Obligations Unconditional</i> | 180 |
| Section 11.03. | <i>Certain Waivers, Etc.</i> | 180 |
| Section 11.04. | <i>Reinstatement</i> | 181 |
| Section 11.05. | <i>Subrogation; Subordination</i> | 181 |
| Section 11.06. | <i>Remedies</i> | 182 |
| Section 11.07. | <i>Instrument for the Payment of Money</i> | 182 |
| Section 11.08. | <i>Continuing Guarantee</i> | 182 |
| Section 11.09. | <i>General Limitation on Guarantee Obligations</i> | 182 |
| Section 11.10. | <i>Release of Guarantors</i> | 182 |
| Section 11.11. | <i>Right of Contribution</i> | 183 |
| Section 11.12. | <i>Additional Guarantor Waivers and Agreements</i> | 183 |

SCHEDULES

| | |
|---------|--|
| 1.01(a) | Subsidiary Guarantors |
| 1.01(b) | Specified Subsidiaries |
| 2.01 | Lenders and Commitments |
| 4.02(d) | Local Counsel Opinions |
| 5.05 | Certain Liabilities |
| 5.11 | Plans or Multiemployer Plans |
| 5.12 | Subsidiaries and Other Equity Interests |
| 5.15 | Labor Matters |
| 6.13(a) | Certain Post-Closing Documents |
| 6.13(b) | Intellectual Property Post-Closing Matters |
| 7.01(b) | Existing Liens |
| 7.02(f) | Existing Investments |
| 7.03(b) | Existing Indebtedness |
| 7.05(k) | Dispositions |
| 7.08 | Transactions with Affiliates |
| 7.09 | Certain Contractual Obligations |

EXHIBITS

| | |
|-------------|--|
| Exhibit A | Form of Administrative Questionnaire |
| Exhibit B-1 | Form of Assignment and Acceptance (Standard) |
| Exhibit B-2 | Form of Assignment and Acceptance (Specified Debt Funds/Affiliated Lenders) |
| Exhibit C | Form of Request for Credit Extension |
| Exhibit D | Form of Security Agreement |
| Exhibit E-1 | Form of Global Intercompany Note |
| Exhibit E-2 | Form of Promissory Note |
| Exhibit F | Form of Compliance Certificate |
| Exhibit G-1 | Form of United States Tax Compliance Certificate (For Non-U.S. Lenders that are not Partnerships) |
| Exhibit G-2 | Form of United States Tax Compliance Certificate (For Non-U.S. Lenders that are Partnerships) |
| Exhibit G-3 | Form of United States Tax Compliance Certificate (For Non-U.S. Participants that are not Partnerships) |
| Exhibit G-4 | Form of United States Tax Compliance Certificate (For Non-U.S. Participants that are Partnerships) |
| Exhibit H | Form of Solvency Certificate |
| Exhibit I | Form of Term Note |
| Exhibit J | Auction Procedures |
| Exhibit K | Interest Election Request |

SECOND LIEN CREDIT AGREEMENT, dated as of November 3, 2014 (this “**Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party hereto from time to time, the Lenders (such term and each other capitalized term used but not defined in this introductory statement having the meaning given it in Article 1) and JEFFERIES FINANCE LLC, as administrative agent (in such capacity, including any successor thereto, the “**Administrative Agent**”) for the Lenders and as collateral agent (in such capacity, including any successor thereto, the “**Collateral Agent**”) for the Secured Parties.

Pursuant to the Merger Agreement, the Borrower will acquire (the “**Acquisition**”) all of the equity interests in Symbion Holdings Corporation, a Delaware corporation (the “**Company**”), on the Closing Date through a merger of SCH Acquisition Corp., a Delaware corporation, with and into the Company with the Company being the surviving corporation and a direct wholly owned subsidiary (on the Closing Date) of the Borrower (the “**Merger**”), in consideration of an aggregate purchase price of approximately \$800,000,000 (the “**Merger Consideration**”). The total cash required to finance the Merger Consideration, to refinance or repay, redeem, defease or otherwise discharge the existing third party indebtedness of the Company and its Subsidiaries and of the Borrower and its Subsidiaries, and to pay related fees and expenses and other amounts contemplated under the Merger Agreement will be approximately \$1,300,000,000 (the “**Aggregate Consideration**”).

In order to fund the Aggregate Consideration, (i) the Lenders will extend credit to the Borrower in the form of Term Loans on the Closing Date in an aggregate principal amount of \$490,000,000, the proceeds of which will be used as set forth herein, (ii) the lenders under the First Lien Credit Agreement will extend credit to the Borrower in the form of first lien term loans on the Closing Date in an aggregate principal amount of \$870,000,000, the proceeds of which shall be used on the Closing Date as set forth therein and (iii) the lenders under the First Lien Credit Agreement will extend credit to the Borrower in the form of a revolving facility in an aggregate principal amount of \$80,000,000, the proceeds of which will be used as set forth therein.

The provisions of this Agreement and the other Loan Documents and the First Lien Credit Agreement and the other First Lien Loan Documents are (as between the Secured Parties and the “**Secured Parties**” as defined in the First Lien Credit Agreement) subject to the provisions of the Intercreditor Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Defined Terms.* As used in this Agreement, the following terms shall have the meanings specified below:

“**ABR**”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“**Acquisition**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Additional Lender**” shall mean, with respect to any Refinancing Amendment or Incremental Amendment, any bank, financial institution or investor not theretofore a Lender that agrees to provide an Other Loan, Other Commitment or Incremental Term Loan pursuant thereto; *provided* that the Administrative Agent shall have consented (such consent not to be unreasonably withheld, conditioned or delayed) to such bank, financial institution or investor to the extent any such consent would be required under Section 10.04(b) for an assignment of Loans to such bank, financial institution or investor.

“**Adjusted LIBO Rate**” shall mean, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate *per annum* (rounded upward, if necessary, to the next 1/100th of 1.00%) determined by the Administrative Agent to be equal to (x) the LIBO Rate for such Eurodollar Borrowing in effect for such Interest Period divided by (y) 1 minus the Statutory Reserves (if any) for such Eurodollar Borrowing for such Interest Period; *provided* that the Adjusted LIBO Rate shall not be less than 1.00% *per annum*.

“**Administrative Agent**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Administrative Agent Fees**” shall have the meaning assigned to such term in Section 2.05(b).

“**Administrative Questionnaire**” shall mean an Administrative Questionnaire in the form of Exhibit A, or such other form as may be supplied from time to time by the Administrative Agent.

“**Affiliate**” shall mean, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; *provided, however*, that for purposes of this Agreement, Jefferies LLC and its Affiliates shall be deemed to be “Affiliates” of Jefferies Finance LLC. “**Control**” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “**Controlling**” and “**Controlled**” have meanings correlative thereto.

“**Affiliated Lender**” shall mean, at any time, any Lender that is the Sponsor or a Related Party of the Sponsor at such time; *provided* that, notwithstanding the foregoing, “Affiliated Lender” shall not include Holdings, the Borrower, any Subsidiary of Holdings or the Borrower, any Specified Debt Fund or any natural person.

“**Agents**” shall have the meaning assigned to such term in Article 9.

“**Aggregate Consideration**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Agreement**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**AHYDO Catch-Up Payment**” shall mean any payment, including payments made on subordinated debt obligations, in each case to the extent such payment is necessary to avoid the application of Section 163(e)(5) of the Code.

“**Alternate Base Rate**” shall mean, for any day, a rate *per annum* (rounded upward, if necessary, to the next 1/100th of 1.00%) 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 (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.00%; *provided* that the Alternate Base Rate shall not be less than 2.00% *per annum*. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate or the Adjusted LIBO Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Alternate Base Rate shall be determined without regard to clause (b) or (c), as applicable, of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the then applicable or the Adjusted LIBO Rate shall be effective on the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the then applicable Adjusted LIBO Rate, as the case may be.

“**Applicable ECF Percentage**” shall mean, for any Excess Cash Flow Period, (a) 50% if the Senior Secured Leverage Ratio as of the last day of such Excess Cash Flow Period is greater than 5.75 to 1.00, (b) 25% if the Senior Secured Leverage Ratio as of the last day of such Excess Cash Flow Period is less than or equal to 5.75 to 1.00 but is greater than 5.25 to 1.00, and (c) 0% if the Senior Secured Leverage Ratio as of the last day of such Excess Cash Flow Period is less than or equal to 5.25 to 1.00.

“**Applicable Margin**” shall mean, for any day (i) with respect to any Eurodollar Term Loan, 7.50% *per annum* and (ii) with respect to any ABR Term Loan, 6.50% *per annum*.

“**Approved Acquisitions**” means certain add-on acquisitions consummated on or prior to the Closing Date in accordance with the terms set forth in the Merger Agreement.

“**Approved Electronic Communications**” shall mean any notice, demand, communication, information, document or other material that any Loan Party provides to the Administrative Agent pursuant to any Loan Document or the transactions contemplated therein which is distributed to the Agents or the Lenders by means of electronic communications pursuant to Section 10.01.

“**Assignment and Acceptance**” shall mean an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in the form of Exhibit B-1 or Exhibit B-2, as applicable, or such other form as shall be approved by the Administrative Agent.

“**Attorney Costs**” shall mean and shall include all reasonable fees, expenses and disbursements of any law firm or other external legal counsel.

“**Attributable Indebtedness**” shall mean, on any date, in respect of any Capitalized Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP.

“**Auction Manager**” shall mean Jefferies Finance LLC (or, if Jefferies Finance LLC declines to act as Auction Manager, an investment bank of recognized standing selected by the Borrower), which shall be engaged to act in such capacity on terms and conditions reasonably satisfactory to Jefferies Finance LLC (or such other investment bank).

“**Auction Procedures**” shall mean the auction procedures with respect to non-pro rata assignments of Term Loans pursuant to Sections 10.04(k) and 10.04(m) set forth in Exhibit J hereto.

“**Audited Financial Statements**” shall mean each of the (i) audited consolidated balance sheets of the Borrower and its consolidated subsidiaries for the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Borrower and its consolidated subsidiaries and (ii) audited consolidated balance sheets of Symbion, Inc. and its consolidated subsidiaries for the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Symbion, Inc. and its consolidated subsidiaries.

“**Bankruptcy Proceedings**” shall have the meaning assigned to such term in Section 10.08(d).

“**Blocked Person**” shall mean any Person that is publicly identified on the most current list of “Specially Designated Nationals and Blocked Persons” published by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“**OFAC**”).

“**Board**” shall mean the Board of Governors of the Federal Reserve System of the United States of America.

“**Borrower Materials**” shall have the meaning assigned to such term in Section 10.01(c).

“**Borrowing**” shall mean Loans of the same Class and Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“**Business Day**” shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law or other governmental action to close; *provided, however*, that when used in connection with a Eurodollar Loan, the term “**Business Day**” shall also exclude any day on which banks are not open for dealings in Dollar deposits in the London interbank market.

“**Capital Expenditures**” shall mean, for any period, all amounts that would be reflected as additions to property, plant or equipment on a consolidated statement of cash flows of the Restricted Group in accordance with GAAP (including amounts expended or capitalized under Capitalized Leases).

“**Capitalized Leases**” shall mean all leases that have been or are required to be, in accordance with GAAP, recorded as capitalized leases; *provided* that, for all purposes hereunder the amount of obligations under any Capitalized Lease shall be the amount thereof accounted for as a liability in accordance with GAAP.

“**Cash Collateral Account**” shall mean a blocked account at a commercial bank reasonably satisfactory to the Administrative Agent, in the name of the Administrative Agent and under the sole dominion and control of the Administrative Agent, and otherwise established in a manner satisfactory to the Administrative Agent.

“**Cash Equivalents**” shall mean any of the following types of Investments, to the extent owned by Holdings, the Borrower or any Restricted Subsidiary:

(a) Dollars;

(b) in the case of any Foreign Subsidiary, such local currencies held by them from time to time in the ordinary course of business and not for speculation;

(c) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(d) investments in commercial paper maturing within 270 days from the date of issuance thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody’s;

(e) investments in demand deposits, time deposits, eurodollar time deposits, certificates of deposit, banker’s acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000 and that issues (or the parent of which issues) commercial paper rated at least “Prime 1” (or the then equivalent grade) by Moody’s or “A 1” (or the then equivalent grade) by S&P, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally;

(f) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody’s;

(g) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (e) of this definition;

(h) repurchase agreements with a term of not more than 30 days for securities described in clause (c) above and entered into with a financial institution satisfying the criteria of clause (e) above;

(i) investments in “money market funds” within the meaning of Rule 2a-7 of the Investment Company Act of 1940, as amended, substantially all of whose assets are invested in investments of the type described in clauses (a) through (g) above;

(j) money market funds that (i) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended from time to time, (ii) are rated AAA by S&P and Aaa by Moody’s and (iii) have portfolio assets of at least \$5,000,000,000; and

(k) other short-term investments utilized by Foreign Subsidiaries in accordance with normal investment practices for cash management in investments of a type analogous to the foregoing.

“**Casualty Event**” shall mean any event that gives rise to the receipt by any member of the Restricted Group of any insurance proceeds or condemnation awards in respect of any equipment, fixed assets or Real Property (including any improvements thereon) to replace or repair such equipment, fixed assets or Real Property or as compensation for such condemnation event.

“**Change of Control**” shall be deemed to occur if:

(a) (i) at any time prior to a Qualified IPO, Permitted Holders (taken collectively) shall fail to own beneficially (within the meaning of Rule 13d-5 of the Exchange Act as in effect on the Closing Date), directly or indirectly, in the aggregate Equity Interests representing at least a majority of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings;

(ii) at any time upon or after a Qualified IPO, (x) any Person (other than a Permitted Holder) or (y) any Persons (other than one or more Permitted Holders) constituting a “group” (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Closing Date) shall have, directly or indirectly, acquired beneficial ownership of Equity Interests representing 40% or more of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings and the Permitted Holders shall own, directly or indirectly, less than such Person or “group” of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of Holdings;

unless, in the case of either clause (a)(i) or (a)(ii) above, the Permitted Holders have, at such time, the right or the ability by voting power, contract or otherwise to elect or designate for election at least a majority of the board of directors of Holdings;

(b) a “change of control” (or similar event) shall occur in respect of any Credit Agreement Refinancing Indebtedness, any Refinancing Facilities, any Incremental Equivalent Debt, any First Lien Indebtedness, any Junior Financing or any Permitted Refinancing of any of the foregoing, in each case having an aggregate principal amount in excess of the Threshold Amount; or

(c) Holdings shall cease to own, directly, 100% of the Equity Interests of the Borrower.

“**Charges**” shall have the meaning assigned to such term in Section 10.09.

“**Claim**” shall have the meaning assigned to such term in Section 10.08(d).

“**Class**” when used in reference to (a) any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Initial Term Loans, Incremental Term Loans, Other Term Loans or Extended Term Loans, (b) any Commitment, refers to whether such Commitment is a Term Loan Commitment, Other Term Loan Commitment (and, in the case of an Other Term Loan Commitment, the Class of Term Loans to which such commitment relates), a commitment in respect of Incremental Term Loans or a Term Loan Extension Offer and (c) any Lender, refers to whether such Lender has a Loan or Commitment with respect to a particular Class of Loans or Commitments. Other Term Loan Commitments, Other Term Loans, Incremental Term Loans and Extended Term Loans that have different terms and conditions, and each tranche of Extended Term Loans, shall be construed to be in different Classes.

“**Closing Date**” shall mean November 3, 2014.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“**Collateral**” shall mean all of the “**Collateral**” as defined in any Collateral Document and shall also include the Mortgaged Properties.

“**Collateral Agent**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Collateral and Guarantee Requirement**” shall mean, at any time, the requirement that:

(a) the Administrative Agent and the Collateral Agent shall have received each Collateral Document to the extent required to be delivered on the Closing Date (pursuant to Section 4.02(f)) or from time to time (pursuant to Section 6.11 or 6.13), subject in each case to the limitations and exceptions of this Agreement, duly executed by each Loan Party party thereto;

(b) all Obligations shall have been unconditionally guaranteed by each of the Guarantors;

(c) in each case subject to the limitations and exceptions set forth in this Agreement and the Collateral Documents, the Obligations and the Guaranty shall have been secured by:

(i) a perfected second-priority security interest (subject to Liens permitted by Section 7.01) in substantially all tangible and intangible assets of the Borrower and each Guarantor, consisting of all accounts receivable arising from the sale of inventory (and other goods and services), inventory, equipment, general intangibles, investment property, contracts, intellectual property, cash, deposit accounts, securities accounts, commercial tort claims, letter of credit rights, intercompany notes and supporting obligations, and books and records related to the foregoing and, in each case, proceeds thereof;

(ii) a perfected second-priority pledge (subject to Liens permitted by Section 7.01) of all Equity Interests of the Borrower and a perfected second-priority pledge (subject to Liens permitted by Section 7.01) of all Equity Interests directly held by the Borrower or any Subsidiary Guarantor in any Restricted Subsidiary (which pledge, in the case of Equity Interests of any Foreign Subsidiary or of a Domestic Subsidiary that is a disregarded entity for U.S. Federal income Tax purposes if substantially all of its assets consist of the Equity Interests or Indebtedness of one or more Foreign Subsidiaries, shall be limited to 65% of the Equity Interests of such Foreign Subsidiary or Domestic Subsidiary, as the case may be, in existence on the Closing Date (or, in the case of a Domestic Subsidiary that is formed or acquired after the Closing Date, the date of the formation or acquisition of such Domestic Subsidiary; *provided* that, after the Closing Date, no Foreign Subsidiary or Domestic Subsidiary that is a disregarded entity for U.S. Federal income Tax purposes and substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries shall issue any non-voting Equity Interests) other than any Restricted Subsidiary that conducts no business and has assets with a fair market value of less than \$2,000,000; and

(iii) perfected second-priority security interests (subject to Liens permitted by Section 7.01) in, and Mortgages on, each Material Real Property (each, a "**Mortgaged Property**") (*provided* that Mortgages on any Mortgaged Property may be delivered within 90 days after the Closing Date (subject to extensions by the Collateral Agent in its reasonable discretion) in accordance with Section 4.02(f)) and substantially all equipment of the Borrower and each Guarantor;

(d) subject to the limitations and exceptions set forth in this Agreement (for the avoidance of doubt, including the limitations and exceptions set forth in the proviso to Section 4.02(f)) and the Collateral Documents, to the extent a security interest in and mortgage lien on any Mortgaged Property is required under Section 4.02, 6.11 or 6.13, the Collateral Agent shall have received (i) counterparts of a Mortgage with respect to such Mortgaged Property duly executed and delivered by the record owner of such Mortgaged Property in form suitable for filing or recording in all filing or recording offices that the Collateral Agent may reasonably deem necessary or desirable in order to create a valid and subsisting perfected Lien on the

Mortgaged Property and/or rights described therein in favor of the Collateral Agent for the benefit of the Secured Parties, and evidence that all filing and recording taxes and fees have been paid or otherwise provided for in a manner reasonably satisfactory to the Collateral Agent (it being understood that if a mortgage tax will be owed on the entire amount of the indebtedness evidenced hereby, then the amount secured by the Mortgage shall be limited to 100% of the fair market value of the property at the time the Mortgage is entered into if such limitation results in such mortgage tax being calculated based upon such fair market value), (ii) fully paid policies of title insurance (or marked-up title insurance commitments having the effect of policies of title insurance) on such Mortgaged Property (the "**Mortgage Policies**") issued by a nationally recognized title insurance company reasonably acceptable to the Collateral Agent in form and substance and in an amount reasonably acceptable to the Collateral Agent (not to exceed 100% of the fair market value of the Real Property (or interest therein, as applicable) covered thereby), insuring the Mortgages to be valid, subsisting second-priority Liens on the property described therein, free and clear of all Liens other than Liens permitted pursuant to Section 7.01, each of which shall (A) to the extent reasonably necessary, include such reinsurance arrangements (with provisions for direct access, if reasonably necessary) as shall be reasonably acceptable to the Collateral Agent, (B) contain a "tie-in" or "cluster" endorsement, if available under applicable law (i.e., policies which insure against losses regardless of location or allocated value of the insured property up to a stated maximum coverage amount), (C) have been supplemented by such endorsements (or where such endorsements are not available, opinions of special counsel, architects or other professionals reasonably acceptable to the Collateral Agent) as shall be reasonably requested by the Collateral Agent (including endorsements on matters relating to usury, first loss, last dollar, zoning, contiguity, revolving credit (if available after the applicable Loan Party uses commercially reasonable efforts), doing business, non-imputation, public road access, variable rate, environmental lien, subdivision, mortgage recording tax, separate tax lot and so-called comprehensive coverage over covenants and restrictions), (iii) either (1) an American Land Title Association/American Congress of Surveying and Mapping (ALTA/ACSM) form of survey for which all charges have been paid, dated a date, containing a certification and otherwise being in form and substance reasonably satisfactory to the Collateral Agent or (2) such documentation as is sufficient to omit the standard survey exception to coverage under the Mortgage Policy with respect to such Mortgaged Property and affirmative endorsements reasonably requested by the Collateral Agent, including "same as" survey and comprehensive endorsements, (iv) legal opinions, addressed to the Collateral Agent and the Secured Parties, reasonably acceptable to the Collateral Agent as to such matters as the Collateral Agent may reasonably request, and (v) in order to comply with the Flood Laws, the following documents: (A) a completed standard "life of loan" flood hazard determination form (a "**Flood Determination Form**") with respect to each Mortgaged Property (together with a notice about special flood hazard area status and flood disaster assistance duly executed by the Borrower and each Loan Party relating thereto); (B) if any of the material improvement(s) to the improved Material Real Property is located in a special flood hazard area, a notification thereof to the Borrower ("**Borrower Notice**") and, if applicable, notification to the Borrower that flood insurance coverage under the National Flood Insurance Program ("**NFIP**") is not available because the community in which the property is located does not participate in the NFIP; (C) documentation evidencing the Borrower's receipt of the Borrower Notice (e.g., a countersigned Borrower Notice or return receipt of certified U.S. Mail or overnight delivery); and (D) if the Borrower Notice is required to be given and flood insurance is available in the community in

which such Mortgaged Property is located, a copy of one of the following: the flood insurance policy, the Borrower's application for a flood insurance policy plus proof of premium payment, a declaration page confirming that flood insurance has been issued or such other evidence of flood insurance reasonably satisfactory to the Collateral Agent (any of the foregoing being "Evidence of Flood Insurance"); and

(e) after the Closing Date, each Restricted Subsidiary of the Borrower that is not an Excluded Subsidiary shall become a Guarantor and signatory to this Agreement pursuant to a joinder agreement in accordance with Section 6.11 or 6.13; provided that, notwithstanding the foregoing provisions, any Subsidiary of the Borrower that Guarantees any Junior Financing, Credit Agreement Refinancing Indebtedness, Refinancing Facilities, Incremental Equivalent Debt or First Lien Indebtedness, or any Permitted Refinancing of any of the foregoing, shall be a Guarantor hereunder for so long as it Guarantees such other Indebtedness (or is a borrower with respect thereto).

Notwithstanding the foregoing provisions of this definition or anything in this Agreement or any other Loan Document to the contrary:

(A) the foregoing definition shall not require, unless otherwise stated in this clause (A), the creation or perfection of pledges of, security interests in, Mortgages on, the obtaining of title insurance with respect to or the taking of any other actions with respect to: (i) any fee owned Real Property that is not Material Real Property or any leasehold property (it being understood there shall be no requirement to obtain any landlord waivers, estoppels or collateral access letters), (ii) motor vehicles, airplanes and other assets subject to certificates of title, (iii) letter of credit rights (other than to the extent consisting of supporting obligations that can be perfected solely by the filing of a UCC financing statement) and commercial tort claims where the amount of damages claimed by the applicable Loan Party is less than \$5,000,000, (iv) any governmental licenses or state or local franchises, charters and authorizations, to the extent security interests in such licenses, franchises, charters or authorizations are prohibited or restricted thereby (except to the extent such prohibition or restriction is rendered ineffective under the UCC), (v) Collateral in which pledges or security interests are prohibited or restricted by applicable law or that would require, to the extent commercially reasonable efforts have been made to acquire the same, the consent of any Governmental Authority or third party to such pledge or security interest, unless such consent has been obtained and so long as, in the case where such pledge or security interest is limited by contract, such limitation is otherwise permitted hereunder and under the other Loan Documents, (vi) Margin Stock and Equity Interests in joint ventures (with any party other than the Borrower or any Guarantor or Subsidiary) and other non-wholly-owned Subsidiaries of the Borrower (but only to the extent that the organizational documents of such Subsidiaries or agreements with other equity holders restrict the pledge thereof under restrictions that are enforceable under the UCC), (vii) any lease, license or agreement or any property subject to a purchase money security interest or similar arrangement to the extent a grant of a security interest therein would violate or invalidate such lease, license or agreement or purchase money security interest or similar arrangement or create a right of termination in favor of any other party thereto (other than the Borrower or any Guarantor) after giving effect to the applicable anti-assignment provisions of the UCC or other applicable law, other than proceeds and receivables thereof, the assignment of which is deemed effective under the UCC or other applicable law, notwithstanding such prohibition, (viii) any assets to the extent a security interest in such assets

would result in material adverse Tax consequences as reasonably determined by the Borrower, in consultation with the Administrative Agent, (ix) any intent-to-use trademark application prior to the filing of a "Statement of Use" or "Amendment to Allege Use" with respect thereto, to the extent, if any, that, and solely during the period, if any, in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark application or any registration that issues from such intent-to-use trademark application under applicable Federal law and (x) assets in circumstances where the cost of obtaining a security interest in such assets exceeds the practical benefit to the Lenders afforded thereby as reasonably determined between the Borrower and the Administrative Agent;

(B) (i) the foregoing definition shall not require control agreements or, except with respect to Equity Interests or Indebtedness represented or evidenced by certificates or instruments, perfection by "control" with respect to any Collateral (including deposit accounts, securities accounts, etc.); (ii) perfection by possession or control shall not be required with respect to any notes or other evidence of Indebtedness in an aggregate principal amount not to exceed \$5,000,000; (iii) no actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction shall be required in order to create any security interests in assets located or titled outside of the United States or to perfect such security interests (it being understood that there shall be no security agreements or pledge agreements governed under the laws of any non-U.S. jurisdiction); and (iii) except to the extent that perfection and priority may be achieved (x) by the filing of a financing statement under the Uniform Commercial Code with respect to the Borrower or a Guarantor, (y) with respect to Real Property and the recordation of Mortgages in respect thereof, as contemplated by clauses (b)(iii) and (c) above or (z) with respect to Equity Interests or Indebtedness, by the delivery of certificates or instruments representing or evidencing such Equity Interests or Indebtedness along with appropriate undated instruments of transfer executed in blank, the Loan Documents shall not contain any requirements as to perfection or priority with respect to any assets or property described in clause (A) above and this clause (B);

(C) the Collateral Agent in its discretion may grant extensions of time for the creation or perfection of security interests in, and Mortgages on, or obtaining of title insurance or taking of other actions with respect to, particular assets (including extensions beyond the Closing Date) or any other compliance with the requirements of this definition where it reasonably determines, in consultation with the Borrower, that such creation or perfection of security interests or Mortgages, or such obtaining of title insurance or taking of other actions, or any other compliance with the requirements of this definition cannot be accomplished without undue delay, burden or expense by the time or times at which such act would otherwise be required by this Agreement or any Collateral Documents and sets forth such determination in writing; *provided* that the Collateral Agent shall have received on or prior to the Closing Date, (i) UCC financing statements in appropriate form for filing under the UCC in the jurisdiction of incorporation or organization of each Loan Party and (ii) any certificates or instruments representing or evidencing Equity Interests of the Borrower and each wholly-owned Domestic Subsidiary of the Borrower or any Subsidiary Guarantor that is not excluded from the Collateral, in each case accompanied by undated instruments of transfer and stock powers endorsed in blank; and

(D) Liens required to be granted from time to time pursuant to the Collateral and Guarantee Requirement shall be subject to the exceptions and limitations set forth in this Agreement and the Collateral Documents.

It is understood and agreed that, to the extent the First Lien Administrative Agent is satisfied with or agrees to any deliveries of possessory Collateral, the Administrative Agent and the Collateral Agent shall be deemed to be satisfied with such deliveries. So long as the Intercreditor Agreement is in effect, (A) a Loan Party may satisfy its obligations to the Collateral Agent with respect to delivery of possessory Collateral by delivering such Collateral to the First Priority Representative (as defined in the Intercreditor Agreement) or its agent, designee or bailee, in each case, in accordance with the terms of the Intercreditor Agreement and (B) if the First Lien Administrative Agent grants an extension of time pursuant to a provision in the First Lien Loan Documents that is substantially similar to clause (C) above or exercises its discretion under the First Lien Loan Documents to determine that any Subsidiary of the Borrower shall be excluded from the requirements of the Collateral and Guarantee Requirement (as defined in the First Lien Credit Agreement) or that any property shall be excluded from the requirements of the Collateral and Guarantee Requirement (as defined in the First Lien Credit Agreement), the Collateral Agent and the Administrative Agent shall automatically be deemed to accept such determination hereunder and shall execute any documentation, if applicable, in connection therewith.

“**Collateral Documents**” shall mean, collectively, the Security Agreement, each of the Mortgages, collateral assignments, security agreements, pledge agreements, intellectual property security agreements or other similar agreements delivered to the Administrative Agent or the Collateral Agent pursuant to Section 4.02, Section 6.11 or Section 6.13, each of the other agreements, instruments or documents that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Parties, the Intercreditor Agreement, the First Lien Intercreditor Agreement (if any), the Second Lien Intercreditor Agreement (if any) and any other applicable subordination or intercreditor agreement.

“**Commitment**” shall mean, with respect to any Lender, such Lender’s Term Loan Commitment (including pursuant to any Incremental Amendment, Extension Amendment or Refinancing Amendment).

“**Commitment Letter**” shall mean the Amended and Restated Commitment Letter, dated June 28, 2014, between the Borrower, Jefferies Finance LLC, KKR Corporate Lending LLC, MCS Corporate Lending LLC, KKR Capital Markets LLC and MCS Capital Markets LLC.

“**Communications**” shall have the meaning assigned to such term in Section 10.01(c).

“**Company**” shall mean Symbion Holdings Corporation, a Delaware corporation.

“**Company Material Adverse Effect**” shall have the meaning assigned to such term in Section 4.02(m).

“**Compliance Certificate**” shall mean a certificate substantially in the form of Exhibit F.

“Consolidated EBITDA” shall mean, for any period, the Consolidated Net Income for such period, plus:

(a) without duplication and, except with respect to clauses (viii), (x), (xiv), (xv) and (xvi) below, to the extent deducted (and not added back or excluded) in arriving at such Consolidated Net Income, the sum of the following amounts for such period with respect to the Restricted Group:

(i) total interest expense determined in accordance with GAAP and, to the extent not reflected in such total interest expense, any expenses or losses on hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such hedging obligations or other derivative obligations, letter of credit fees, costs of surety bonds in connection with financing activities and any bank fees and financing fees (including commitment, underwriting, funding, “rollover” and similar fees and commissions, discounts, yields and other fees, charges and amounts incurred in connection with the issuance, incurrence or extinguishment of Indebtedness and all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing and net costs under Swap Contracts entered into for the purpose of hedging interest rate risk) and annual agency, unused line, facility or similar fees paid under definitive documentation related to Indebtedness (whether amortized or immediately expensed),

(ii) provision for taxes based on income, profits or capital gains of the Restricted Group, including, without limitation, federal, state, local, franchise and similar taxes and foreign withholding taxes paid or accrued during such period including penalties and interest related to such taxes or arising from any tax examinations (but, for clarity, including taxes in respect of cancellation of debt income in respect of Indebtedness extinguished prior to the Closing Date for which a valid election was made to defer the realization, to the extent such taxes reduced Consolidated Net Income for such period),

(iii) depreciation and amortization,

(iv) (A) duplicative running costs, severance, relocation costs or expenses, integration costs, transition costs, pre-opening, opening, consolidation and closing costs for facilities, signing, retention and completion bonuses, costs incurred in connection with any strategic initiatives, costs incurred in connection with Permitted Acquisitions and non-recurring product and intellectual property development after the Closing Date, other business optimization expenses (including costs and expenses relating to business optimization programs), and new systems design and implementation costs, project startup costs and restructuring charges or reserves (including restructuring costs related to acquisitions after the Closing Date and to closure/consolidation of facilities, retention charges, systems establishment costs and excess pension charges) and litigation settlements or losses and related expenses; (B) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses, compensation or otherwise) and adjustments thereof and purchase price adjustments, in each case in connection with acquisitions; and (C) Transaction Expenses,

(v) [reserved],

(vi) the amount of management, monitoring, consulting and advisory fees (including transaction and termination fees) and related indemnities and expenses paid or accrued (without duplication among periods) to the Sponsor under the Sponsor Management Agreement,

(vii) any costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Borrower or net cash proceeds of an issuance of Equity Interests of the Borrower (other than Disqualified Equity Interests), which cash proceeds are in each case Not Otherwise Applied,

(viii) (A) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to the Transactions projected by the Borrower in good faith to be realized as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after the Closing Date (calculated on a Pro Forma Basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined (the “**EBITDA Determination Period**”), and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith judgment of the Borrower, (B) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to mergers and other business combinations, acquisitions, divestitures, restructurings, insourcing initiatives, cost savings initiatives and other similar initiatives consummated after the Closing Date projected by the Borrower in good faith as a result of actions either taken or are expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after a merger or other business combination, acquisition, divestiture, restructuring, cost savings initiative or other initiative (calculated on a Pro Forma Basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the EBITDA Determination Period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith determination of the Borrower, and (C) the amount of run rate impact on Consolidated EBITDA occurring as a result of business initiatives consummated, continued or expanded after the Closing Date not contemplated by subclauses (A) and (B) of this clause (viii) projected by the Borrower in good faith as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are

expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months of the applicable business initiative, provided, that such impact on Consolidated EBITDA is reasonably identifiable and factually supportable, in the good faith determination of the Borrower; *provided* that (x) no cost savings, operating expense reductions and synergies shall be added pursuant to this clause (viii) to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for the EBITDA Determination Period and (y) the aggregate amount of cost savings, operating expense reductions, synergies and other run rate impact added pursuant to this clause (viii) shall not, taken together with those added pursuant to Section 1.09(c), exceed 35% of Consolidated EBITDA (calculated prior to giving effect to any addback pursuant to this clause (viii) or Section 1.09(c)) for any period of four-consecutive fiscal quarters,

(ix) any net loss from disposed, abandoned or discontinued operations,

(x) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to paragraph (b) below for any previous period and not added back,

(xi) non-cash expenses, charges and losses (including reserves, impairment charges or asset write-offs, write-offs of deferred financing fees, losses from investments recorded using the equity method and stock-based awards compensation expense), in each case other than (A) any non-cash charge representing amortization of a prepaid cash item that was paid and not expensed in a prior period and (B) any non-cash charge relating to write-offs, write-downs or reserves with respect to accounts receivable in the normal course or inventory; *provided* that, if any of the non-cash charges referred to in this clause (xi) represents an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to add back such non-cash charge in the current period and (2) to the extent the Borrower does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA in such future period to the extent paid,

(xii) [Reserved],

(xiii) [Reserved],

(xiv) the net income of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof (i.e., the minority interest of the Borrower or any Subsidiary Guarantor in the entities generating such net income),

(xv) with respect to any Restricted Subsidiary that is not wholly owned by the Borrower or any Subsidiary Guarantor that has any outstanding Pledged Notes(s) issued to the Borrower or any Subsidiary Guarantor, the least of (i) the minority interest of such Restricted Subsidiary as of the last day of such period, (ii) the outstanding amount of all

Pledged Notes issued by such Restricted Subsidiary to the Borrower or any Subsidiary Guarantor as of the last day of such period and (iii) the amount of the Consolidated EBITDA of such Restricted Subsidiary for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP, and

(xvi) with respect to any Person in which the Borrower or a Subsidiary Guarantor holds an equity interest, but which is not a Subsidiary of the Borrower, that has any outstanding Pledged Note(s) issued to the Borrower or any Subsidiary Guarantor, the lesser of (i) the outstanding amount of all Pledged Notes issued by such Person to the Borrower or a Subsidiary Guarantor as of the last day of such period and (ii) the amount of the Consolidated EBITDA of such Person for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP,

less (b) without duplication and to the extent included in arriving at such Consolidated Net Income, (i) non-cash gains (excluding any non-cash gain to the extent it represents the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period) and all other non-cash items of income for such period, (ii) any net gain from disposed, abandoned or discontinued operations, (iii) all gains and income from investments recorded using the equity method and (iv) the net loss of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof; *provided* that, for the avoidance of doubt, any gain representing the reversal of any non-cash charge referred to in clause (a)(xi)(B) above for a prior period shall be added (together with, without duplication, any amounts received in respect thereof to the extent not increasing Consolidated Net Income) to Consolidated EBITDA in any subsequent period to such extent so reversed (or received);

provided that:

(A) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA (x) currency translation gains and losses related to currency remeasurements of Indebtedness (including the net loss or gain (i) resulting from Swap Contracts for currency exchange risk and (ii) resulting from intercompany indebtedness) and (y) all other foreign currency translation gains or losses to the extent such gain or losses are non-cash items,

(B) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any adjustments resulting from the application of FASB Accounting Standards Codification 815 and International Accounting Standard No. 39 and their respective related pronouncements and interpretations, and

(C) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any income (loss) for such period attributable to the early extinguishment of (i) Indebtedness, (ii) obligations under any Swap Contracts or (iii) other derivative instruments.

Notwithstanding anything to the contrary contained herein, for purposes of determining Consolidated EBITDA under this Agreement for any period that includes any of the fiscal quarters ended September 30, 2013, December 31, 2013, March 31, 2014, or June 30, 2014, Consolidated EBITDA for such fiscal quarters shall be \$46,437,000, \$54,596,000, \$44,691,000 and \$48,557,000, respectively, in each case, as may be subject to addbacks and adjustments (without duplication) pursuant to Section 1.09.

“**Consolidated Net Income**” shall mean, for any period, the net income (loss) of the Restricted Group for such period determined on a consolidated basis in accordance with GAAP; *provided, however*, that, without duplication,

(a) (i) any after-tax effect of extraordinary, non-recurring or unusual items (including gains or losses and all fees and expenses relating thereto) for such period shall be excluded and (ii) income in respect of cancellation of Indebtedness extinguished prior to the Closing Date shall be excluded,

(b) the cumulative effect of a change in accounting principles during such period to the extent included in Consolidated Net Income shall be excluded,

(c) any fees and expenses incurred during such period (including any premiums, make-whole or penalty payments), or any amortization thereof for such period, in connection with any acquisition, investment, asset disposition, issuance or repayment of debt, issuance of equity securities and including any Qualified IPO, refinancing transaction or amendment or other modification of any debt instrument (in each case, including any such transaction consummated on or prior to the Closing Date (including, for the avoidance of doubt, any payments to option holders in connection with prior dividends to the extent such payments reduced Consolidated Net Income) and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful (including, for the avoidance of doubt the effects of expensing all transaction related expenses in accordance with FASB Accounting Standards Codification 805 and gains or losses associated with FASB Accounting Standards Codification 460) shall be excluded,

(d) accruals and reserves that are established or adjusted within 12 months after the Closing Date that are so required to be established or adjusted as a result of the Transactions (or within 12 months after the closing of any Permitted Acquisition that are so required to be established or adjusted as a result of such Permitted Acquisition) in accordance with GAAP or changes as a result of adoption or modification of accounting policies in accordance with GAAP shall be excluded,

(e) any net after-tax gains or losses on disposed, abandoned or discontinued operations shall be excluded,

(f) any net after-tax effect of gains or losses (less all fees, expenses and charges) attributable to asset dispositions or the sale or other disposition of any Equity Interests of any Person in each case other than in the ordinary course of business, as determined in good faith by the Borrower, shall be excluded,

(g) the net income (loss) for such period of any Person that is not a Subsidiary of the Borrower, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be excluded; *provided* that, unless already included, Consolidated Net Income of the Borrower shall be increased by the amount of dividends or distributions that are actually paid in cash or Cash Equivalents (or to the extent subsequently converted into cash or Cash Equivalents) by such Person to the Borrower or a Restricted Subsidiary thereof in respect of such period,

(h) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities or as a result of a change in law or regulation, in each case, pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP shall be excluded; *provided* that (x) any non-cash charge of the type referred to in clause (a)(xi)(B) of the definition of "Consolidated EBITDA" shall not be excluded and (y) if any non-cash charges referred to in this clause (h) represent an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to exclude such non-cash charge in the current period and (2) to the extent the Borrower does decide to exclude such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated Net Income in such future period to the extent paid,

(i) any equity based or non-cash (for such period and all other periods) compensation charge or expense, including any such charge or expense arising from the grants of stock appreciation rights, equity incentive programs or similar rights, stock options, restricted stock or other rights or equity incentive programs shall be excluded, and any cash charges associated with the rollover, acceleration or payout of Equity Interests by management of the Borrower or any of its Restricted Subsidiaries in connection with the Transactions, shall be excluded,

(j) any expenses, charges or losses that are covered by indemnification or other reimbursement provisions in connection with any Investment, Permitted Acquisition or any sale, conveyance, transfer or other disposition of assets permitted under this Agreement, to the extent actually reimbursed, or, so long as the Borrower has made a determination that a reasonable basis exists for indemnification or reimbursement and only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days), shall be excluded,

(k) to the extent covered by insurance and actually reimbursed, or, so long as the Borrower has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is in fact reimbursed within 365 days of the date of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so reimbursed within such 365 days), expenses, charges or losses with respect to liability or casualty events or business interruption shall be excluded,

(l) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of the Borrower's Restricted Subsidiaries or that Person's assets are acquired by the Borrower or any of the Borrower's Restricted Subsidiaries shall be excluded (except to the extent required for any calculation of Consolidated EBITDA on a Pro Forma Basis in accordance with Section 1.09), and

(m) solely for the purpose of determining the Cumulative Credit pursuant to clause (b) of the definition thereof, the income of any Restricted Subsidiary of the Borrower that is not a Guarantor to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted without government approval or by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its equity holders (which has not been waived) shall be excluded, except (solely to the extent permitted to be paid) to the extent of the amount of dividends or other distributions actually paid in cash to the Borrower or any of its Restricted Subsidiaries that are Guarantors by such Person during such period in accordance with such documents and regulations.

There shall be excluded from (or, in the case of lost revenue, included in) Consolidated Net Income for any period the effects of fair value adjustments (including the effects of such adjustments pushed down to the Borrower and its Restricted Subsidiaries) in the inventory, property and equipment, goodwill, intangible assets, deferred revenue and debt line items in such Person's consolidated financial statements pursuant to GAAP resulting solely from the application of recapitalization accounting or purchase accounting in relation to the Transactions or any consummated acquisition permitted hereunder (and the amortization or write-off of any amounts thereof (or the loss of revenue otherwise recognizable), in each case net of taxes, shall be excluded from (or, in the case of lost revenue, included in) the determination of Consolidated Net Income).

"Consolidated Total Net Debt" shall mean, as of any date of determination, the aggregate principal amount of Indebtedness of the Restricted Group outstanding on such date, in an amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis for the Restricted Group in accordance with GAAP (but excluding the effects of any discounting of Indebtedness as provided in Section 1.10), consisting of Indebtedness for borrowed money, Attributable Indebtedness or purchase money Indebtedness, unreimbursed drawings in respect of letters of credit and, without duplication, all Guarantees of any Indebtedness of such type that is owed to a Person that is not the Borrower or a Restricted Subsidiary, minus the aggregate amount of cash and Cash Equivalents (other than Restricted Cash) as of such date held by the Borrower and its Domestic Subsidiaries that are also Restricted Subsidiaries, in each case held free and clear of all Liens, other than nonconsensual Liens permitted by Section 7.01 and Liens permitted by Section 7.01(a), Section 7.01(k), Section 7.01(p), Section 7.01(q), clauses (i) and (ii) of Section 7.01(r), Section 7.01(cc), Section 7.01(dd) and Section 7.01(ii); *provided* that Consolidated Total Net Debt shall not include Indebtedness in respect of letters of credit, except to the extent of unreimbursed amounts thereunder (*provided* that any unreimbursed amount under commercial letters of credit shall not be counted as Consolidated Total Net Debt until three Business Days after such amount is drawn).

"Consolidated Working Capital" shall mean, with respect to the Restricted Group on a consolidated basis at any date of determination, Current Assets at such date of determination minus Current Liabilities at such date of determination; *provided* that increases or decreases in

Consolidated Working Capital shall be calculated without regard to any changes in Current Assets or Current Liabilities as a result of (a) any reclassification in accordance with GAAP of assets or liabilities, as applicable, between current and noncurrent or (b) the effects of purchase accounting.

“**Contract Consideration**” shall have the meaning assigned to such term in the definition of “Excess Cash Flow”.

“**Contractual Obligation**” shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“**Control**” shall have the meaning assigned to such term in the definition of “Affiliate”.

“**Credit Agreement Refinancing Indebtedness**” shall mean Indebtedness, in each case, issued, incurred or otherwise obtained (including by means of the extension or renewal of existing Indebtedness) in exchange for, or to extend, renew, replace or refinance, in whole or part, existing Loans or Commitments (including any successive Credit Agreement Refinancing Indebtedness) (“**Refinanced Debt**”); *provided* that (i) such extending, renewing, replacing or refinancing Indebtedness is in an original aggregate principal amount (or accreted value, if applicable) not greater than the aggregate principal amount (or accreted value, if applicable) of the Refinanced Debt except by an amount equal to accrued but unpaid interest, premiums and fees payable by the terms of such Indebtedness and reasonable fees, expenses, original issue discount and upfront fees incurred in connection with such exchange, modification, refinancing, refunding, renewal, replacement or extension, and (ii) such Refinanced Debt shall be repaid, defeased or satisfied and discharged with 100% of the Net Proceeds of the applicable Credit Agreement Refinancing Indebtedness and all accrued interest, fees and premiums (if any) in connection therewith shall be paid, on the date such Credit Agreement Refinancing Indebtedness is issued, incurred or obtained. For the avoidance of doubt, all Credit Agreement Refinancing Indebtedness must be one of the following (a) Permitted Second Priority Refinancing Debt, (b) Permitted Third Priority Refinancing Debt, (c) Permitted Unsecured Refinancing Debt or (d) Indebtedness incurred pursuant to a Refinancing Amendment.

“**Credit Extension**” shall mean the making of a Loan by a Lender.

“**Cumulative Credit**” shall mean, at any date, an amount, not less than zero in the aggregate, determined on a cumulative basis equal to, without duplication:

- (a) \$23,000,000; plus
- (b) the Cumulative Retained Excess Cash Flow Amount at such time; plus
- (c) (i) the cumulative amount of cash and Cash Equivalent proceeds from the sale of

Equity Interests of the Borrower or of any direct or indirect parent of the Borrower after the Closing Date and on or prior to such time (including upon exercise of warrants or options) which proceeds have been received in the form of common equity by, or contributed as common equity to the capital of, the Borrower and (ii) the principal amount of Indebtedness (other than Indebtedness that is contractually subordinated to the Obligations or that is owed to an

Unrestricted Subsidiary) of the Borrower or any Restricted Subsidiary owed to a Person other than a Loan Party or a Restricted Subsidiary of a Loan Party incurred after the Closing Date that is converted to common Equity Interests (other than Disqualified Equity Interests) of the Borrower (or to Qualified Equity Interests of Holdings or of any direct or indirect parent of Holdings), in each case to the extent Not Otherwise Applied; plus

(d) 100% of the aggregate amount of contributions to the common capital of the Borrower received in cash and Cash Equivalents after the Closing Date Not Otherwise Applied; plus

(e) to the extent not applied, or required to be applied, to the prepayment of Loans pursuant to Section 2.13, 100% of the aggregate after-tax amount received by the Borrower or any Restricted Subsidiary of the Borrower after the Closing Date in cash and Cash Equivalents from:

(A) the sale (other than to the Borrower or any such Restricted Subsidiary) of the Equity Interests of an Unrestricted Subsidiary, or

(B) any dividend or other distribution made by an Unrestricted Subsidiary, plus

(f) in the event any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Borrower or a Restricted Subsidiary, the fair market value of the Investments of the Borrower and the Restricted Subsidiaries in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable) so long as such Investments were originally made pursuant to Section 7.02(n)(ii); *provided*, in each case, that such amount does not exceed the amount of such Investment made pursuant to Section 7.02(n)(ii) as such amount is reduced by any returns contemplated by clause (f) below prior to such time, plus

(g) an amount equal to any after-tax returns in cash and Cash Equivalents (including dividends, interest, distributions, returns of principal, profits on sale, repayments, income and similar amounts) actually received by the Borrower or any Restricted Subsidiary after the Closing Date in respect of any Investments made pursuant to Section 7.02(n)(ii); *provided*, in each case, that such amount does not exceed the amount of such Investment made pursuant to Section 7.02(n)(ii), minus

(h) any amount of the Cumulative Credit used to make Investments pursuant to Section 7.02(n)(ii) after the Closing Date and prior to such time, minus

(i) any amount of the Cumulative Credit used to pay dividends or make distributions or other Restricted Payments pursuant to Section 7.06(h) after the Closing Date and prior to such time, minus

(j) any amount of the Cumulative Credit used to make payments or distributions in respect of Permitted Third Priority Refinancing Debt (or any Permitted Refinancing thereof), Third Lien Indebtedness (or any Permitted Refinancing thereof) or any Junior Financing pursuant to Section 7.13(a)(iv) after the Closing Date and prior to such time.

“Cumulative Retained Excess Cash Flow Amount” shall mean, at any date, an amount, not less than zero in any Excess Cash Flow Period, determined on a cumulative basis equal to the aggregate cumulative sum of, the applicable Retained Percentage of Excess Cash Flow for all Excess Cash Flow Periods ending after the Closing Date and prior to such date (subject to reduction as provided in the final parenthetical clause contained in the definition of Excess Cash Flow Period); *provided* that, for purposes of Section 7.06(h) and Section 7.13(a)(iv) (including the determination of the amount of the Cumulative Credit), the Cumulative Retained Excess Cash Flow Amount shall only be available if the Total Leverage Ratio at the time of the making of such Restricted Payment or prepayment, redemption, purchase, defeasance or other payment, as the case may be, calculated on a Pro Forma Basis, is less than or equal to 7.70 to 1.00 as of the last day of the most recently ended period of four consecutive fiscal quarters for which financial statements have been delivered.

“Current Assets” shall mean, with respect to the Restricted Group on a consolidated basis at any date of determination, all assets (other than cash and Cash Equivalents) that would, in accordance with GAAP, be classified on a consolidated balance sheet of the Restricted Group as current assets at such date of determination, other than amounts related to current or deferred Taxes based on income or profits (but excluding assets held for sale, loans (permitted) to third parties, pension assets, deferred bank fees and derivative financial instruments).

“Current Liabilities” shall mean, with respect to the Restricted Group on a consolidated basis at any date of determination, all liabilities that would, in accordance with GAAP, be classified on a consolidated balance sheet of the Restricted Group as current liabilities at such date of determination, other than, without duplication (and to the extent otherwise included therein) (a) the current portion of any Indebtedness, (b) accruals of interest expense (excluding interest expense that is past due and unpaid), (c) accruals for current or deferred Taxes based on income or profits, (d) accruals of any costs or expenses related to restructuring reserves and (e) revolving loans, swing line loans and letter of credit obligations hereunder or under any other revolving credit facility.

“Debtor Relief Laws” shall mean the Bankruptcy Code of the United States and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Declined Proceeds” shall have the meaning assigned to such term in Section 2.13(d).

“Default” shall mean any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Excess” shall mean, with respect to any Defaulting Lender, the excess, if any, of such Defaulting Lender’s Pro Rata Share of the aggregate outstanding principal amount of Loans of all Lenders (calculated as if all Defaulting Lenders (including such Defaulting Lender) had funded all of their respective Defaulted Loans) over the aggregate outstanding principal amount of Loans of such Defaulting Lender.

“Default Period” shall mean, with respect to any Defaulting Lender, the period commencing on the date of the applicable Funding Default and ending on the earliest of the following dates: (a) the date on which all Commitments are cancelled or terminated and/or the Obligations and the Guaranteed Obligations are declared or become immediately due and payable, (b) with respect to any Funding Default (other than any such Funding Default arising pursuant to clause (e) of the definition of “Defaulting Lender”), the date on which (1) the Default Excess with respect to such Defaulting Lender shall have been reduced to zero (whether by the funding by such Defaulting Lender of any Defaulted Loans of such Defaulting Lender or by the non-pro rata application of any voluntary or mandatory prepayments of the Loans in accordance with the terms hereof or any combination thereof) and (2) such Defaulting Lender shall have delivered to the Borrower and the Administrative Agent a written reaffirmation of its intention to honor its obligations under this Agreement with respect to its Commitment(s), and (c) the date on which the Borrower, the Administrative Agent and the Required Lenders waive all Funding Defaults of such Defaulting Lender in writing.

“Defaulted Loan” shall mean the Loans of a Defaulting Lender.

“Defaulting Lender” shall mean any Lender that has (a) failed to fund its portion of any Borrowing within one Business Day of the date on which it shall have been required to fund the same, unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s reasonable and good faith determination that one or more conditions precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, (b) notified the Borrower or the Administrative Agent in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under agreements in which it commits to extend credit generally, (c) failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans (unless the subject of a good faith dispute between the Borrower and such Lender); *provided* that any such Lender shall cease to be a Defaulting Lender under this clause (c) upon receipt of such confirmation by the Administrative Agent or the Borrower, (d) otherwise failed to pay over to the Borrower, the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due (unless the subject of a good faith dispute), or (e) (i) been adjudicated as, or determined by any Governmental Authority having regulatory authority over such person or its properties or assets to be, insolvent or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar person charged with reorganization or liquidation of its business or custodian, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment, unless, in the case of any Lender referred to in this clause (e), the Borrower and the Administrative Agent shall be satisfied that such Lender intends, and has all approvals required to enable it, to continue to perform its obligations as a Lender hereunder. For the avoidance of doubt, a Lender shall not be deemed to be a Defaulting Lender solely by virtue of the ownership

or acquisition of any Equity Interest in such Lender or its parent by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender; *provided* that, as of any date of determination, the determination of whether any Lender is a Defaulting Lender hereunder shall not take into account, and shall not otherwise impair, any amounts funded by such Lender which have been assigned by such Lender to an SPV pursuant to Section 10.04(i). Any determination by the Administrative Agent that a Lender is a Defaulting Lender shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon delivery of written notice of such determination by the Administrative Agent to the Borrower and each other Lender.

“Disposition” or **“Dispose”** shall mean the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction and any sale or issuance of Equity Interests in a Restricted Subsidiary) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Disqualified Equity Interests” shall mean any Equity Interest that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior repayment in full of the Loans and all other Obligations that are accrued and payable and the termination of the Commitments), (c) provides for scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case, prior to the date that is 91 days after the then Latest Maturity Date; *provided* that if, such Equity Interests are issued pursuant to a plan for the benefit of employees of Holdings (or any direct or indirect parent thereof), the Borrower or its Restricted Subsidiaries or by any such plan to such employees, such Equity Interests shall not constitute Disqualified Equity Interests solely because they may be required to be repurchased by the Borrower or its Restricted Subsidiaries in order to satisfy applicable statutory or regulatory obligations.

“Disqualified Lenders” shall mean (a) each of those banks, financial institutions and other institutional lenders and competitors of the Company and its subsidiaries or the Borrower and its Subsidiaries identified by name in writing prior to the Closing Date by the Sponsor to the Administrative Agent and (b) each competitor of the Borrower and its Subsidiaries (and Affiliates thereof) that directly or indirectly is engaged in the same or similar line of business as the Borrower and its Subsidiaries (other than any Person that is a bona fide debt fund or investment fund that is engaged in making, purchasing, holding or otherwise investing in commercial loans or similar extensions of credit in the ordinary course of business) identified by name in writing by the Borrower to the Administrative Agent from time to time. Any supplement to such list of Disqualified Lenders will become effective two Business Days after delivery to the Administrative Agent. In no event shall a supplement apply retroactively to disqualify any Lender as of the date of such supplement. **“Dollars”** or **“\$”** shall mean lawful money of the United States of America.

“Domestic Subsidiary” shall mean any Subsidiary that is organized under the Laws of the United States, any state thereof or the District of Columbia.

“Dutch Auction” shall mean an auction conducted by Holdings, the Borrower or an Affiliated Lender in order to purchase Term Loans as contemplated by Section 10.04(k) or 10.04(m), as applicable, in accordance with the procedures set forth in Exhibit J.

“Eligible Assignee” shall mean (i) a Lender, (ii) an Affiliate of a Lender, (iii) a Related Fund of a Lender, and (iv) any other Person (other than a natural person); *provided* that, notwithstanding the foregoing, **“Eligible Assignee”** shall not include Holdings, the Borrower, any other Affiliate of Holdings or the Sponsor (it being understood that assignments to Holdings, the Borrower or an Affiliated Lender may only be made pursuant to Section 10.04(k) or 10.04(m), as applicable). For the avoidance of doubt, no Specified Debt Fund shall be deemed to be an Affiliate of Holdings or the Sponsor for purposes of the definition of “Eligible Assignee”. “Eligible Assignee” shall not include any Disqualified Lender without the prior written consent of the Borrower (which may be withheld in the Borrower’s sole discretion).

“Environmental Laws” shall mean all former, current and future federal, state, local and foreign laws (including common law), treaties, regulations, rules, ordinances, codes, decrees, judgments, directives, orders (including consent orders), and agreements in each case, relating to the environment, natural resources, human health and safety or the presence, Release of, or exposure to, hazardous materials, or the generation, manufacture, processing, distribution, use, treatment, storage, transport, recycling or handling of, or the arrangement for such activities with respect to, hazardous materials.

“Environmental Liability” shall mean all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs (including administrative oversight costs, capital and operating costs, injunctive relief, costs associated with financial assurance, permitting or closure requirements, indemnities, personal injury, property damages, natural resource damages and investigation or remediation costs, including any third party claims for the foregoing), whether contingent or otherwise, arising out of or relating to (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the presence, Release or threatened Release of any Hazardous Materials at any location or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Environmental Permit” shall mean any permit, approval, identification number, license or other authorization required under any Environmental Law.

“Equity Interests” shall mean, with respect to any Person, all of the shares, interests, rights, participations or other equivalents (however designated) of capital stock of (or other ownership or profit interests or units in) such Person and all of the warrants, options or other rights for the purchase, acquisition or exchange from such Person of any of the foregoing (including through convertible securities).

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” shall mean Person, any trade or business (whether or not incorporated) that, together with a Loan Party or any Restricted Subsidiary, is or, within the six year period immediately preceding the Closing Date, was treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414(m) or (o) of the Code.

“ERISA Event” shall mean (a) a Reportable Event; (b) written notice of the failure to satisfy the minimum funding standard with respect to a Plan within the meaning of Sections 412 or 430 of the Code or Sections 302 or 303 of ERISA, whether or not waived (unless such failure is corrected by the final due date for the plan year for which such failure occurred); (c) a written determination that a Plan is, or is expected to be, in “at risk” status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code); (d) the receipt by a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of written notice pursuant to Section 305(b)(3)(D) of ERISA that a Multiemployer Plan is or will be in “endangered status” or “critical status” (as defined in Section 305(b) of ERISA), or is, or is expected to be, “insolvent” (within the meaning of Section 4245 of ERISA) or in “reorganization” (within the meaning of Section 4241 of ERISA); (e) the filing pursuant to Section 431 of the Code or Section 304 of ERISA of an application for the extension of any amortization period; (f) the failure to timely make a contribution required to be made with respect to any Plan or Multiemployer Plan; (g) the filing of a notice to terminate any Plan if such termination would require material additional contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA; (h) the filing under Section 4041(c) of ERISA of a notice of intent to terminate any Plan or the termination of any Plan under Section 4041(c) of ERISA; (i) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (j) imposition on a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (k) the receipt by a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates from the PBGC or a plan administrator of any written notice of an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (l) the receipt by a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of any written notice, or the receipt by any Multiemployer Plan from a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates of any written notice, imposing Withdrawal Liability; or (m) the occurrence of a nonexempt prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Plan which could result in liability to a Loan Party or any Restricted Subsidiary or with respect to which a Loan Party or any Restricted Subsidiary is a “disqualified person” (as defined in Section 4975 of the Code) or a “party in interest” (as defined in Section 3(14) of ERISA).

“**Eurodollar**”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate (other than the Alternate Base Rate) determined by reference to the Adjusted LIBO Rate.

“**Event of Default**” shall have the meaning assigned to such term in Article 8.

“**Excess Cash Flow**” shall mean, for any period, an amount equal to:

- (a) the sum, without duplication, of:
 - (i) Consolidated Net Income for such period,
 - (ii) an amount equal to the amount of all non-cash charges to the extent deducted in arriving at such Consolidated Net Income and cash gains (if any) included in clauses (a) through (m) of the definition of Consolidated Net Income,
 - (iii) decreases in Consolidated Working Capital for such period (other than any such decreases arising from acquisitions or dispositions by the Restricted Group completed during such period),
 - (iv) cash receipts in respect of Swap Contracts during such period to the extent such receipts were not otherwise included in arriving at such Consolidated Net Income,
 - (v) the amount of tax expense deducted in determining Consolidated Net Income for such period to the extent it exceeds the amount of cash taxes paid in such period, and
 - (vi) an amount equal to the aggregate net non-cash loss on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent deducted in arriving at such Consolidated Net Income; minus
- (b) the sum, without duplication, of:
 - (i) an amount equal to the amount of all non-cash credits included in arriving at such Consolidated Net Income and cash charges (if any) in respect of such period included in clauses (a) through (m) of the definition of Consolidated Net Income,
 - (ii) without duplication of amounts deducted pursuant to clause (xi) below in prior fiscal years, the amount of Capital Expenditures made in cash during such period to the extent financed with Internally Generated Cash,
 - (iii) the aggregate amount of all principal payments of Indebtedness of the Restricted Group during such period, in each case to the extent financed with Internally Generated Cash (including (A) the principal component of payments in respect of Capitalized Leases and (B) any mandatory prepayment of Term Loans or First Lien Term Loans made pursuant to Section 2.13(a)(ii) or Section 2.13(a)(ii) of the First Lien Credit Agreement to the extent required due to a Disposition that resulted in an

increase to Consolidated Net Income and not in excess of the amount of such increase, but excluding (V) all voluntary prepayments of First Lien Indebtedness, (W) all voluntary prepayments of Term Loans, Incremental Equivalent Debt (to the extent secured by the Collateral on a second lien basis) and Permitted Second Priority Refinancing Debt, (X) all prepayments of Loans under the Existing Credit Agreements and the Existing Symbion Notes on the Closing Date, (Y) all prepayments, redemptions or repurchases in respect of (i) Permitted Third Priority Refinancing Debt (or any Permitted Refinancing thereof), except to the extent permitted under Section 7.13(a) and (ii) Junior Financing, except to the extent permitted under Section 7.13(a) and (Z) all prepayments of loans under any revolving credit facility made during such period (it being agreed that any amount excluded pursuant to clause (V), (W), (X), (Y) or (Z) may not be deducted under any other clause of this definition),

- (iv) an amount equal to the aggregate net non-cash gain on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent included in arriving at such Consolidated Net Income,
- (v) increases in Consolidated Working Capital for such period (other than any such increases arising from acquisitions or dispositions by the Restricted Group during such period),
- (vi) cash payments by the Restricted Group during such period in respect of long-term liabilities of the Restricted Group other than Indebtedness and that were made with Internally Generated Cash and were not deducted or were excluded in calculating Consolidated Net Income,
- (vii) without duplication of amounts deducted pursuant to clause (xi) below in prior fiscal years, the amount of Investments and acquisitions made during such period in cash pursuant to Section 7.02 (other than Section 7.02(a), (c) or (e)) (net of the return on any such Investments received during such period, except to the extent such return was included in the determination of Consolidated Net Income) to the extent that such Investments and acquisitions were not expensed and were financed with Internally Generated Cash,
- (viii) the amount of Restricted Payments paid during such period pursuant to Section 7.06(i) (but in the case of clauses (iv) through (vii), only to the extent such amounts were not deducted or were excluded in calculating Consolidated Net Income) or Section 7.06(g) in cash or 7.06(j) in cash (in the case of Section 7.06(g), in an amount not to exceed the amount permitted thereunder in any fiscal year) to the extent such Restricted Payments were financed with Internally Generated Cash,
- (ix) the aggregate amount of expenditures actually made by the Restricted Group in cash during such period (including expenditures for the payment of financing fees) to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash,

- (x) the aggregate amount of any premium, make-whole or penalty payments actually paid in cash by the Restricted Group during such period that are required to be made in connection with any prepayment of Indebtedness to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash,
- (xi) without duplication of amounts deducted from Excess Cash Flow in prior periods, the aggregate consideration required to be paid in cash by the Restricted Group pursuant to binding contracts with a third party that is not an Affiliate (the “**Contract Consideration**”) entered into prior to or during such period relating to Permitted Acquisitions or Capital Expenditures or acquisitions of IP Rights to the extent not expensed to be consummated or made, in each case during the period of four consecutive fiscal quarters of the Borrower following the end of such period; *provided* that, to the extent the aggregate amount of Internally Generated Cash actually utilized to finance such Permitted Acquisitions, Capital Expenditures or acquisitions of IP Rights during such period of four consecutive fiscal quarters is less than the Contract Consideration, the amount of such shortfall shall be added to the calculation of Excess Cash Flow at the end of such period of four consecutive fiscal quarters,
- (xii) the amount of cash taxes paid in such period to the extent they exceed the amount of tax expense deducted in determining Consolidated Net Income for such period (which amounts shall be included in the calculation of Excess Cash Flow for the period in which they are expensed), and
- (xiii) cash expenditures in respect of Swap Contracts, which were made during such fiscal year and were not deducted in determining (or were excluded in arriving at) such Consolidated Net Income.

Notwithstanding anything in the definition of any term used in the definition of Excess Cash Flow to the contrary, all components of Excess Cash Flow shall be computed for the Restricted Group on a consolidated basis.

“**Excess Cash Flow Period**” shall mean each fiscal year of the Borrower completed after the Closing Date (or, in the case of the fiscal year ending December 31, 2014, the period from the Closing Date through December 31, 2014), but in all cases for purposes of calculating the Cumulative Retained Excess Cash Flow Amount shall only include such fiscal years for which financial statements and a Compliance Certificate have been delivered in accordance with Sections 6.01(a) and 6.02(a), respectively, and for which any prepayments required by Section 2.13(a)(i) (if any) have been made (it being understood that the Retained Percentage of Excess Cash Flow for any Excess Cash Flow Period shall be included in the Cumulative Retained Excess Cash Flow Amount regardless of whether a prepayment is required by Section 2.13(a)(i), except to the extent that a prepayment is not made in reliance on Section 2.13(f), in which case the Cumulative Retained Excess Cash Flow Amount shall be reduced by the Retained Percentage of the Excess Cash Flow for which the Applicable ECF Percentage has not been applied to make a prepayment pursuant to Section 2.13(a)(i)).

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

“**Excluded Subsidiary**” shall mean (a) any Subsidiary that is not a wholly owned Subsidiary of the Borrower or a Guarantor, (b) any Subsidiary of the Borrower that does not have total assets or annual revenues in excess of 1% of the Total Assets or consolidated annual revenue of the Restricted Group individually; *provided* that the aggregate amount of assets or annual revenues of subsidiaries constituting Excluded Subsidiaries pursuant to this clause (b) shall not at any time exceed 5% of the Total Assets or consolidated annual revenue of the Restricted Group, (c) any Subsidiary that is prohibited by applicable Law or Contractual Obligations existing on the Closing Date (or, in the case of any newly acquired Subsidiary, in existence at the time of acquisition but not entered into in contemplation thereof) from Guaranteeing the Obligations or if Guaranteeing the Obligations would require, to the extent commercially reasonable efforts have been made to acquire the same, governmental (including regulatory) or third party consent, unless such consent has been obtained, (d) any other Subsidiary with respect to which, (x) as reasonably determined by the Borrower, in consultation with the Administrative Agent, would result in any material adverse tax consequences or (y) the Administrative Agent and the Borrower agree that the cost of providing a Guarantee of the Obligations shall be excessive in view of the practical benefits to be obtained by the Lenders therefrom, (e) any Foreign Subsidiary of the Borrower or of any other direct or indirect Domestic Subsidiary or Foreign Subsidiary, (f) any Unrestricted Subsidiary, (g) any special purpose securitization vehicle (or similar entity), captive insurance company or non-profit Subsidiary, (h) any direct or indirect Domestic Subsidiary (x) that is treated as a disregarded entity for federal income tax purposes and (y) does not have any material assets other than the Equity Interests or Indebtedness of one or more Foreign Subsidiaries, (i) any Domestic Subsidiary that is a Subsidiary of a Foreign Subsidiary that is a controlled foreign corporation within the meaning of Section 957 of the Code and (j) any Specified Subsidiary.

“**Existing Borrower Credit Agreements**” shall mean (i) the First Lien Credit Agreement, dated as of April 11, 2013 (as amended, restated, modified or supplemented from time to time), by and among the Borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders and other agent banks from time to time party thereto and (ii) the Second Lien Credit Agreement, dated as of April 11, 2013 (as amended, restated, modified or supplemented from time to time), by and among the Borrower, Morgan Stanley Senior Funding, Inc., as administrative agent, and the lenders and other agent banks from time to time party thereto.

“**Existing Company Credit Agreement**” shall mean the Credit Agreement, dated as of June 14, 2011 (as amended, restated, modified or supplemented from time to time), by and among the Company, Symbion, Inc., Morgan Stanley Senior Funding, Inc., as administrative agent and as collateral agent, and the lenders and other agent banks from time to time party thereto.

“**Existing Credit Agreements**” shall mean the Existing Borrower Credit Agreements and the Existing Company Credit Agreement.

“Extended Term Loans” shall mean one or more Classes of Term Loans that result from an Extension Amendment entered into after the Closing Date.

“Extension” shall mean a Term Loan Extension.

“Extension Amendment” shall have the meaning assigned to such term in Section 2.21(d).

“Extension Offer” shall mean a Term Loan Extension Offer.

“Facility” shall mean the Term Facility.

“FATCA” shall mean Sections 1471 through 1474 of the Code, as in effect on the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), and any applicable Treasury regulation promulgated thereunder or published administrative guidance implementing such Sections.

“Federal Funds Effective Rate” shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System of the United States arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary to the next 1/100th of 1.00%) of the quotations for the day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“Fee Letter” shall mean the Amended and Restated Fee Letter dated June 28, 2014, among the Borrower, Jefferies Finance LLC, KKR Corporate Lending LLC, MCS Corporate Lending LLC, KKR Capital Markets LLC and MCS Capital Markets LLC.

“Fees” shall mean the Administrative Agent Fees.

“First Lien Administrative Agent” means Jefferies Finance LLC, in its capacity as administrative agent and collateral agent under the First Lien Loan Documents, or any successor administrative agent and collateral agent under the First Lien Loan Documents.

“First Lien Credit Agreement” shall mean that certain First Lien Credit Agreement dated as of the date hereof among Holdings, Borrower, the Guarantors, the lenders thereunder and the administrative agent and collateral agent thereunder (as amended, restated, amended and restated, supplemented, replaced, refinanced or otherwise modified from time to time in accordance therewith, herewith and with the Intercreditor Agreement).

“First Lien Incremental Equivalent Debt” shall mean the “Incremental Equivalent Debt” as defined in the First Lien Credit Agreement.

“First Lien Incremental Loans” shall mean the incremental loans from time to time outstanding under the First Lien Credit Agreement.

“First Lien Indebtedness” shall mean the First Lien Term Loans, the First Lien Revolving Loans, any First Lien Incremental Equivalent Debt and any Permitted Refinancing of any of the foregoing, in each case so long as such Indebtedness is subject to the Intercreditor Agreement.

“First Lien Loan Documents” shall mean the First Lien Credit Agreement, the Intercreditor Agreement and the other “Loan Documents” as defined in the First Lien Credit Agreement (as in effect on the date hereof and as amended, restated, amended and restated, supplemented, replaced, refinanced or otherwise modified from time to time in accordance therewith, herewith and with the Intercreditor Agreement).

“First Lien Revolving Loans” shall mean the revolving loans (including any incremental revolving loans) from time to time outstanding under the First Lien Credit Agreement or any Permitted Refinancing thereof, in each case subject to the Intercreditor Agreement.

“First Lien Term Loans” shall mean the term loans (including any incremental term loans) from time to time outstanding under the First Lien Credit Agreement or any Permitted Refinancing thereof, in each case subject to the Intercreditor Agreement.

“First Lien Termination Date” shall mean the date on which the First Priority Obligations Payment Date (as such term is defined in the Intercreditor Agreement) has occurred.

“Flood Laws” shall mean the National Flood Insurance Reform Act of 1994 and related legislation (including the regulations of the Board).

“Foreign Disposition” shall have the meaning set forth in Section 2.13(f).

“Foreign Pension Plan” shall mean any defined benefit plan described in Section 4(b)(4) of ERISA that under applicable law is required to be funded through a trust or other funding vehicle other than a trust or funding vehicle maintained exclusively by a Governmental Authority.

“Foreign Subsidiary” shall mean any direct or indirect Subsidiary of the Borrower which is not a Domestic Subsidiary.

“Funding Default” shall mean, with respect to any Defaulting Lender, the occurrence of any of the events set forth in the definition of “Defaulting Lender”.

“GAAP” shall mean generally accepted accounting principles in the United States of America, as in effect from time to time; *provided, however*, that if the Borrower notifies the Administrative Agent that it requests an amendment to any provision hereof to eliminate the effect of any change occurring after the Closing Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

“**Gari Note**” shall mean the Subordinated Note, dated as of December 24, 2009, made by the Borrower in favor of Surgery Partners Holdings, LLC.

“**Gari Subordination Agreement**” shall mean the Subordination Agreement, dated as of December 24, 2009, between Surgery Partners Holdings, LLC and the Borrower and acknowledged by (among others) Rodolfo Gari and Laurie Gari.

“**Global Intercompany Note**” shall mean a promissory note substantially in the form of Exhibit E-1, or such other form as shall be approved by the Administrative Agent.

“**Governmental Authority**” shall mean any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Granting Lender**” shall have the meaning assigned to such term in Section 10.04(i).

“**Guarantee**” shall mean, as to any Person, without duplication, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other monetary obligation payable or performable by another Person (the “**primary obligor**”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other monetary obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other monetary obligation of the payment or performance of such Indebtedness or other monetary obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other monetary obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other monetary obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other monetary obligation of any other Person, whether or not such Indebtedness or other monetary obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit, in either case in the ordinary course of business, or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or disposition of assets permitted under this Agreement (other than such obligations with respect to Indebtedness). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “**Guarantee**” as a verb has a corresponding meaning.

“Guaranteed Obligations” shall have the meaning assigned to such term in Section 11.01.

“Guarantors” shall mean (i) Holdings, (ii) each wholly owned Domestic Subsidiary of the Borrower as of the Closing Date (other than an Excluded Subsidiary) and (iii) each wholly owned Subsidiary that issues a Guarantee of the Obligations after the Closing Date pursuant to Section 6.11 (which Section 6.11, for the avoidance of doubt, does not require that any Excluded Subsidiary provide such a Guarantee) or otherwise. For avoidance of doubt, the Borrower may cause any Restricted Subsidiary that is not a Guarantor to Guarantee the Obligations by causing such Restricted Subsidiary to execute a joinder to this Agreement, the Intercreditor Agreement, the First Lien Intercreditor Agreement, the Second Lien Intercreditor Agreement, and any other applicable subordination or intercreditor agreement, in each case in form and substance reasonably satisfactory to the Administrative Agent, and any such Restricted Subsidiary shall be treated as a Guarantor hereunder for all purposes.

“Guaranty” shall mean, collectively, the guaranty of the Obligations by the Guarantors pursuant to this Agreement.

“Hazardous Materials” shall mean (a) any petroleum products, distillates or byproducts and all other hydrocarbons, coal ash, radon gas, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and all other ozone-depleting substances and (b) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law.

“Holdings” shall mean SP Holdco I, Inc.

“Immaterial Subsidiary” shall have the meaning set forth in Section 8.03.

“Incremental Amendment” shall have the meaning assigned to such term in Section 2.19(c).

“Incremental Equivalent Debt” shall have the meaning assigned to such term in Section 7.03(s).

“Incremental Facility” shall have the meaning assigned to such term in Section 2.19(b).

“Incremental Lenders” shall have the meaning assigned to such term in Section 2.19(c).

“Incremental Term Loans” shall have the meaning assigned to such term in Section 2.19(a).

“Indebtedness” shall mean, as to any Person at a particular time, without duplication, all of the following, whether or not the foregoing would constitute indebtedness or a liability in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) the maximum amount (after giving effect to any prior drawings or reductions which may have been reimbursed) of all outstanding letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds, performance bonds and similar instruments issued or created by or for the account of such Person;

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts payable in the ordinary course of business, (ii) any earn-out obligation until such earn-out obligation is not paid after becoming due and payable, (iii) liabilities accrued in the ordinary course) and (iv) obligations under the Merger Agreement with regard to the Indemnity Escrow Account);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements and mortgage, industrial revenue bond, industrial development bond and similar financings), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;

(f) all Attributable Indebtedness;

(g) all obligations of such Person in respect of Disqualified Equity Interests; and

(h) to the extent not otherwise included above, all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall (A) with respect to any non-wholly owned Subsidiary (including guarantee obligations in respect of obligations of a non-wholly owned Subsidiary) not include such portion of the Indebtedness (or guarantee obligations in respect of obligations) of such non-wholly owned Subsidiary that corresponds to the equity interest share of third parties in such non-wholly owned Subsidiary and (B) in the case of the Borrower and its Subsidiaries, exclude all intercompany Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of Indebtedness of any Person for purposes of clause (e) that is limited in recourse to the property encumbered thereby shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

"Indemnified Taxes" shall have the meaning assigned to such term in Section 3.01(a).

"Indemnitee" shall have the meaning assigned to such term in Section 10.05(b).

"Indemnity Escrow Account" shall have the meaning assigned to such term in the Merger Agreement.

"Information" shall have the meaning assigned to such term in Section 10.16.

“Initial Term Loans” shall mean the term loans made by the Lenders on the Closing Date to the Borrower pursuant to Section 2.01(a). For the avoidance of doubt, a Term Loan shall no longer be an “Initial Term Loan” when it shall have become an “Extended Term Loan”.

“Intellectual Property Security Agreement” shall have the meaning given to the term “Grant of Security Interest” in the Security Agreement.

“Intercompany Note” shall mean the Global Intercompany Note or a Promissory Note, as the case may be.

“Intercreditor Agreement” shall mean the Intercreditor Agreement, dated as of the date hereof, among the Collateral Agent, the First Lien Administrative Agent and the Loan Parties.

“Interest Election Request” shall mean a request by the Borrower to convert or continue a Term Borrowing in accordance with Section 2.10(b), substantially in the form of Exhibit K.

“Interest Payment Date” shall mean (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December to occur during any period in which such Loan is outstanding, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Loan with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period and (c) the Term Loan Maturity Date and, after such maturity, on each date on which demand for payment is made.

“Interest Period” shall mean, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is 1, 2, 3 or 6 months (or, if each affected Lender so agrees, twelve months) thereafter (or any shorter period agreed to by all applicable Lenders), as the Borrower may elect; *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month and (c) no Interest Period for any Loan shall extend beyond the maturity date of such Loan. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Internally Generated Cash” shall mean cash of the Restricted Group not constituting (x) proceeds of the issuance of (or contributions in respect of) Equity Interests, (y) proceeds of Dispositions pursuant to Section 7.05(d), 7.05(j), 7.05(k), 7.05(m), 7.05(o) or 7.05(p) and Casualty Events or (z) proceeds of the incurrence of Indebtedness; provided that the proceeds of an incurrence of First Lien Revolving Loans or extensions of credit under any other revolving credit or similar facility shall be deemed to be “Internally Generated Cash”.

“Investment” shall mean, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests or debt or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of Indebtedness of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of all or substantially all of the property and assets or business of another Person or assets constituting a business unit, line of business or division of such Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Borrower or a Restricted Subsidiary in respect of such Investment.

“Investors” shall mean the Sponsor and the Management Stockholders.

“IP Rights” has the meaning set forth in Section 5.16.

“Junior Financing” shall mean any Permitted Junior Debt having an outstanding aggregate principal amount of not less than the Threshold Amount, any Subordinated Indebtedness and any other Indebtedness that is required to be subordinated to the Obligations.

“Junior Financing Documentation” shall mean any documentation governing any Junior Financing.

“Latest Maturity Date” shall mean, at any date of determination, the latest maturity or expiration date applicable to any Loan or Commitment hereunder at such time, including the latest maturity or expiration date of any Initial Term Loan, Incremental Term Loan, Other Term Loan or Extended Term Loan, in each case as extended in accordance with this Agreement from time to time.

“Laws” shall mean, collectively, all international, foreign, federal, state and local laws (including common law), statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, requirements, and agreements with, any Governmental Authority.

“Lead Arrangers” shall mean Jefferies Finance LLC, KKR Capital Markets LLC and MCS Capital Markets LLC, in their capacities as joint lead arrangers and joint bookrunners in respect of this Agreement.

“Lender” shall mean each lender from time to time party hereto. For avoidance of doubt, each Additional Lender and each Incremental Lender is a Lender to the extent any such Person has executed and delivered a Refinancing Amendment or an Incremental Amendment, as the case may be, and to the extent such Refinancing Amendment or Incremental Amendment shall have become effective in accordance with the terms hereof and thereof. As of the Closing Date, Schedule 2.01 sets forth the name of each Lender.

“LIBO Rate” shall mean, with respect to any Eurodollar Borrowing for any Interest Period therefor, the rate *per annum* equal to the arithmetic mean (rounded to the nearest 1/100th of 1.00%) of the offered rates for deposits in Dollars with a term comparable to such Interest Period that appears on Reuters Screen LIBOR01 Page (or such other page as may replace such page on such service for the purpose of displaying the rates at which Dollar deposits are offered by leading banks in the London interbank deposit market as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London, England time, on the second full Business Day preceding the first day of such Interest Period; *provided, however*, that (i) if no comparable term for an Interest Period is available, the LIBO Rate shall be determined using the weighted average of the offered rates for the two terms most nearly corresponding to such Interest Period and (ii) if Reuters Screen LIBOR01 Page shall at any time no longer exist, **“LIBO Rate”** shall mean, with respect to each day during each Interest Period pertaining to Eurodollar Borrowings comprising part of the same Borrowing, the rate *per annum* equal to the rate at which the Administrative Agent is offered deposits in Dollars at approximately 11:00 a.m., London, England time, two Business Days prior to the first day of such Interest Period in the London interbank market for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to its portion of the amount of such Eurodollar Borrowing to be outstanding during such Interest Period. **“Reuters Screen LIBOR01 Page”** shall mean the display designated on the Reuters 3000 Xtra Page (or such other page as may replace such page on such service for the purpose of displaying the rates at which Dollar deposits are offered by leading banks in the London interbank deposit market).

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to Real Property, and any Capitalized Lease or financing lease having substantially the same economic effect as any of the foregoing).

“Limited Condition Transaction” shall mean (i) any Permitted Acquisition whose consummation is not conditioned on the availability of, or on obtaining, third party financing and (ii) any redemption or repayment of Indebtedness requiring irrevocable notice in advance of such redemption or repayment.

“Loan” shall mean any Term Loan.

“Loan Documents” shall mean this Agreement (including, without limitation, any amendments to this Agreement), the Collateral Documents, each Incremental Amendment, each Refinancing Amendment, each Extension Offer and each amendment of any Loan Document in connection therewith, the Notes, if any, executed and delivered pursuant to Section 2.04(e), and the Fee Letter.

“Loan Parties” shall mean, collectively, the Borrower and each Guarantor.

“Management Stockholders” shall mean the members of management of Holdings, the Borrower or any of its Subsidiaries who are investors in Holdings or any direct or indirect parent thereof.

“**Margin Stock**” shall have the meaning assigned to such term in Regulation U.

“**Master Agreement**” shall have the meaning assigned to such term in the definition of “**Swap Contract**”.

“**Material Adverse Effect**” shall mean a (a) material adverse effect on the business, operations, assets, liabilities (actual or contingent), operating results or financial condition of the Borrower and its Restricted Subsidiaries, taken as a whole; (b) material adverse effect on the ability of the Loan Parties (taken as a whole) to fully and timely perform any of their payment obligations under any Loan Document to which the Borrower or any of the other Loan Parties is a party; or (c) material adverse effect on the rights and remedies available to the Lenders, the Administrative Agent or the Collateral Agent under any Loan Document.

“**Material Real Property**” shall mean each Real Property that (i) is owned in fee by a Loan Party, (ii) is located in the United States and (iii) has a fair market value in excess of \$5,000,000 (at the Closing Date or, with respect to any such Real Property acquired after (or held by a Person that becomes a Loan Party after) the Closing Date as described in Section 6.11 or 6.13, as applicable, at the time of acquisition (or at the time such Person becomes a Loan Party)), in each case, as reasonably estimated by the Borrower in good faith.

“**Maximum Rate**” shall have the meaning assigned to such term in Section 10.09.

“**Merger**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Merger Agreement**” shall mean that certain Agreement and Plan of Merger, dated as of June 13, 2014, among the Borrower, SCH Acquisition Corp. Crestview Symbion Holdings, L.L.C., and the Company.

“**Merger Consideration**” shall have the meaning assigned to such term in the introductory statement to this Agreement.

“**Minimum Extension Condition**” shall have the meaning assigned to such term in Section 2.21(c).

“**Moody’s**” shall mean Moody’s Investors Service, Inc., or any successor thereto.

“**Mortgage Policies**” shall have the meaning assigned to such term in the definition of “**Collateral and Guarantee Requirement**”.

“**Mortgaged Property**” shall have the meaning assigned to such term in the definition of “**Collateral and Guarantee Requirement**”.

“**Mortgages**” shall mean, collectively, the deeds of trust, trust deeds, hypothecs and mortgages made by the Loan Parties in favor or for the benefit of the Collateral Agent on behalf of the Secured Parties creating and evidencing a Lien on a Mortgaged Property in form and substance reasonably satisfactory to the Collateral Agent, and any other mortgages executed and delivered pursuant to Section 4.02, 6.11 or 6.13.

“**Multiemployer Plan**” shall mean any multiemployer plan as defined in Section 4001(a)(3) of ERISA subject to the provisions of Title IV of ERISA to which a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates is an “employer” as defined in Section 3(5) of ERISA.

“**Net Proceeds**” shall mean:

(a) 100% of the cash proceeds actually received by the Restricted Group (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise and including casualty insurance settlements and condemnation and similar awards, but in each case only as and when received) from any Disposition or Casualty Event, net of (i) attorneys’ fees, accountants’ fees, investment banking fees, survey costs, title insurance premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, required debt payments and required payments of other obligations that are secured by the applicable asset or property (including without limitation principal amount, premium or penalty, if any, interest and other amounts) (other than pursuant to the Loan Documents or any Permitted Second Priority Refinancing Debt), other expenses and brokerage, consultant and other fees actually incurred in connection therewith, (ii) in the case of any Disposition or Casualty Event by a non-wholly owned Restricted Subsidiary, the pro rata portion of the Net Proceeds thereof (calculated without regard to this clause (ii)) attributable to minority interests and not available for distribution to or for the account of the Borrower or any wholly owned Restricted Subsidiary as a result thereof, (iii) taxes paid or reasonably estimated to be payable as a result thereof (*provided* that, if the amount of any such estimated taxes exceeds the amount of taxes actually required to be paid in cash in respect of such Disposition or Casualty Event, the aggregate amount of such excess shall constitute Net Proceeds at the time such taxes are actually paid), and (iv) the amount of any reasonable reserve established in accordance with GAAP against any adjustment to the sale price or any liabilities (other than any taxes deducted pursuant to clause (i) above) (x) related to any of the applicable assets and (y) retained by any member of the Restricted Group including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations (however, the amount of any subsequent reduction of such reserve (other than in connection with a payment in respect of any such liability) shall be deemed to be Net Proceeds of such Disposition or Casualty Event occurring on the date of such reduction); *provided* that, if no Default exists and the Borrower shall deliver a certificate of a Responsible Officer of the Borrower to the Administrative Agent promptly following receipt of any such proceeds setting forth the Borrower’s good faith intention to use any portion of such proceeds to acquire, maintain, develop, construct, improve, upgrade or repair assets useful in the business of the Borrower or its Restricted Subsidiaries or to make Permitted Acquisitions or any acquisition permitted hereunder of all or substantially all the assets of, or all the Equity Interests (other than directors’ qualifying shares) in, a Person or division or line of business of a Person (or any subsequent investment made in a Person, division or line of business previously acquired), in each case within 12 months of such receipt, such portion of such proceeds shall not constitute Net Proceeds except to the extent not, within 12 months of such receipt, so used or contractually committed with a third party that is not an Affiliate to be so used (it being understood that if any portion of such proceeds are not so used within such 12-month period but within such 12-month period are contractually committed with a third party that is not an Affiliate to be used, then upon the termination of such contract or if such Net

Proceeds are not so used within the later of such 12-month period and 180 days from the entry into such contractual commitment, such remaining portion shall constitute Net Proceeds as of the date of such termination or expiry without giving effect to this proviso; it being understood that such proceeds shall constitute Net Proceeds notwithstanding any investment notice if there is a Default or Event of Default under Section 8.01(a), 8.01(f) or 8.01(g) at the time of a proposed reinvestment unless such proposed reinvestment is made pursuant to a binding commitment with a third party that is not an Affiliate entered into at a time when no Default or Event of Default under Section 8.01(a), 8.01(f) or 8.01(g) was continuing; provided that no proceeds realized in a single transaction or series of related transactions shall constitute Net Proceeds unless (x) such proceeds shall exceed \$3,500,000 and (y) the aggregate net proceeds exceed \$12,000,000 in any fiscal year (and thereafter only net cash proceeds in excess of such amount shall constitute Net Proceeds under this clause (a)), and

(b) 100% of the cash proceeds from the incurrence, issuance or sale by any member of the Restricted Group of any Indebtedness, net of all taxes paid or reasonably estimated to be payable as a result thereof and fees (including investment banking fees and discounts), commissions, costs and other expenses, in each case incurred in connection with such issuance or sale; *provided* that, if the amount of any estimated taxes exceeds the amount of taxes actually required to be paid in cash, the aggregate amount of such excess shall constitute Net Proceeds at the time such taxes are actually paid.

For purposes of calculating the amount of Net Proceeds, fees, commissions and other costs and expenses payable to any member of the Restricted Group shall be disregarded.

“**Non-Consenting Lender**” has the meaning set forth in Section 3.07(b).

“**Not Otherwise Applied**” shall mean, with reference to any amount of net proceeds of any transaction or event, that such amount (a) was not required to be applied to prepay the Loans pursuant to Section 2.13(a) or to prepay the First Lien Term Loans pursuant to Section 2.13(a) of the First Lien Credit Agreement, (b) was not previously applied in determining the permissibility of a transaction under the Loan Documents where such permissibility was (or may have been) contingent on receipt of such amount or utilization of such amount for a specified purpose, including, without limitation, pursuant to Section 7.02(n)(ii), 7.06(h) or 7.13(a)(iv), (c) was not previously applied to effect a transaction, to make a payment under Section 7.06(k) or to make a payment under any Loan Document or any First Lien Loan Documents, and (d) did not constitute the proceeds of any Specified Equity Contribution (as defined in the First Lien Credit Agreement).

“**Note**” shall mean a Term Note.

“**Notes Redemption**” shall mean the occurrence of either (1) all of the outstanding 8.00% Senior Secured Notes due 2016, 11.00%/11.75% Senior PIK Toggle Notes due 2015 and 8.00% Senior PIK Exchangeable Notes (the “**Exchangeable Notes**”) due 2017 of Symbion, Inc. (collectively, the “**Existing Symbion Notes**”) will be redeemed in full on the Closing Date in accordance with the terms thereof or (2) irrevocable notice for the redemption or repayment of the Existing Symbion Notes will be given and all Existing Symbion Notes shall be satisfied and discharged on the Closing Date in accordance with the terms thereof.

“**Obligations**” shall mean all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party and its Restricted Subsidiaries arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest, fees and expenses that accrue after the commencement by or against any Loan Party or Restricted Subsidiary of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding (or would accrue but for the operation of applicable Debtor Relief Laws), regardless of whether such interest, fees or expenses are allowed or allowable claims in such proceeding. Without limiting the generality of the foregoing, the Obligations of the Loan Parties under the Loan Documents (and of their Restricted Subsidiaries to the extent they have obligations under the Loan Documents) (i) include (a) the obligation (including guarantee obligations) to pay principal, premium, interest, reimbursement obligations, charges, expenses, fees, Attorney Costs, indemnities and other amounts payable by any Loan Party under any Loan Document and (b) the obligation of any Loan Party to reimburse any amount in respect of any of the foregoing that any Agent or Lender, in its sole discretion, may elect to pay or advance on behalf of such Loan Party and (ii) shall not include any Excluded Swap Obligations.

“**OFAC**” shall have the meaning assigned to such term in the definition of “Blocked Person”.

“**OID**” shall have the meaning assigned to such term in Section 2.19(b).

“**Organization Documents**” shall mean (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“**Original Term Loan Maturity Date**” shall have the meaning assigned to such term in the definition of “Term Loan Maturity Date”.

“**Other Commitments**” shall mean Other Term Loan Commitments.

“**Other Loans**” shall mean Other Term Loans.

“**Other Taxes**” shall have the meaning assigned to such term in Section 3.01(b).

“**Other Term Loan Commitments**” shall mean one or more Classes of term loan commitments hereunder that result from a Refinancing Amendment entered into after the Closing Date.

“Other Term Loans” shall mean one or more Classes of Term Loans that result from a Refinancing Amendment entered into after the Closing Date.

“Participant Register” shall have the meaning assigned to such term in Section 10.04(f).

“PBGC” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Perfection Certificate” shall mean a certificate in the form of Exhibit II to the Security Agreement or any other form reasonably approved by the Collateral Agent, as the same shall be supplemented from time to time.

“Permitted Acquisition” shall have the meaning assigned to such term in Section 7.02(i).

“Permitted Business” shall mean (i) any business engaged in by the Borrower or any of its Restricted Subsidiaries on the Closing Date, and (ii) any business or other activities that are reasonably similar, ancillary, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which the Borrower and its Restricted Subsidiaries are engaged on the Closing Date.

“Permitted Holders” shall mean any of the Investors; *provided* that if the Management Stockholders own beneficially or of record more than 10% of the outstanding voting stock of Holdings in the aggregate at any time, for purposes of any determination of Permitted Holders (including pursuant to the definition of “Change of Control”) at such time, the Management Stockholders shall be deemed to hold 10% of the outstanding voting stock of Holdings at such time.

“Permitted Holdings Debt” means unsecured Indebtedness of Holdings (A) that is not subject to any Guarantee by any Subsidiary of Holdings, (B) that will not mature until after the date that is 91 days after the then Latest Maturity Date in effect on the date of issuance or incurrence thereof and (C) that is not subject to mandatory redemption, repurchase, prepayment or sinking fund obligation (other than customary AHYDO Catch-Up Payments and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and a customary acceleration right after an event of default) prior to the date that is 91 days after the then Latest Maturity Date.

“Permitted Junior Debt” shall mean unsecured Indebtedness incurred by the Borrower in the form of one or more series of unsecured notes or loans; *provided* that (i) if constituting Subordinated Indebtedness, (A) such Indebtedness (including any Guarantee thereof) is subordinated to the Obligations on terms customary for high yield subordinated debt securities or otherwise reasonably satisfactory to the Administrative Agent and (B) the Obligations at all times constitute “designated senior debt” (or comparable term) under the documents governing such Indebtedness, (ii) such Indebtedness does not mature or have scheduled amortization or payments of principal and is not subject to mandatory redemption, repurchase, prepayment or sinking fund obligation (except customary AHYDO Catch-Up Payments and customary asset sale or change of control provisions and customary acceleration rights after an event of default), in each case prior to the date that is 91 days after the then Latest Maturity Date (*provided* that such Indebtedness may be incurred in the form of a customary “bridge” or other interim credit

facility intended to be refinanced or replaced with long-term indebtedness so long as, subject only to customary conditions the failure of which to be satisfied would otherwise result in an Event of Default, it would either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of this clause (ii), (iii) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor and (iv) the other terms and conditions of such Indebtedness (excluding pricing, fees, rate floors and optional prepayment or redemption terms) are customary market terms for Indebtedness of such type and, in any event are substantially identical to, or, when taken as a whole, are no more restrictive on the Borrower and the Restricted Subsidiaries than the terms and conditions applicable to the Facilities (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Facilities), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the requirement of this clause (iv) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees).

“Permitted Payment Restriction” means any encumbrance or restriction (each, a “restriction”) on the ability of any Restricted Subsidiary to pay dividends or make any other distributions on its Equity Interests to the Borrower or a Restricted Subsidiary, which restriction would not materially impair the Borrower’s ability to make scheduled payments of cash interest and to make required principal payments on the Loans as determined in good faith by a Responsible Officer of the Borrower, whose determination shall be conclusive.

“Permitted Refinancing” shall mean, with respect to any Person, any modification, refinancing, refunding, renewal, replacement or extension of any Indebtedness of such Person; *provided* that (a) the original aggregate principal amount (or accreted value, if applicable) does not exceed the aggregate principal amount (or accreted value, if applicable) of the Indebtedness so modified, refinanced, refunded, renewed, replaced or extended except (i) by an amount equal to accrued but unpaid interest, premiums and fees payable by the terms of such Indebtedness and reasonable fees, expenses, original issue discount and upfront fees incurred in connection with such modification, refinancing, refunding, renewal, replacement or extension and (ii) by an amount equal to any existing available commitments unutilized thereunder, (b) other than with respect to a Permitted Refinancing in respect of Indebtedness permitted pursuant to Section 7.03(e) or Section 7.03(aa), the Indebtedness resulting from such modification, refinancing, refunding, renewal, replacement or extension has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended and (c) if such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is Indebtedness permitted pursuant to Section 7.03(b), 7.03(t) or 7.03(u), or is otherwise a Junior Financing, (i) to the extent such Indebtedness being modified, refinanced, refunded, renewed, replaced or extended is subordinated in right of payment or in lien priority to the Obligations, the Indebtedness resulting from such modification, refinancing,

refunding, renewal, replacement or extension is subordinated in right of payment or in lien priority, as applicable, to the Obligations on terms at least as favorable to the Lenders as those contained in the documentation governing the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, (ii) the other terms and conditions (including, if applicable, as to collateral and as to intercreditor agreements but excluding as to subordination, pricing, fees, rate floors and optional prepayment or redemption terms) of any such modified, refinanced, refunded, renewed, replaced or extended Indebtedness, taken as a whole, are not materially less favorable to the Loan Parties than the terms and conditions of the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, taken as a whole (*provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower have determined in good faith that such terms and conditions satisfy the foregoing requirement shall be conclusive evidence that such terms and conditions satisfy the foregoing requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees)), (iii) the obligors (including any guarantors) in respect of the Indebtedness resulting from such modification, refinancing, refunding, renewal, replacement or extension shall not include any Person other than the obligors (including any guarantors) of the Indebtedness being modified, refinanced, refunded, renewed, replaced or extended, (iv) in the case of any Credit Agreement Refinancing Indebtedness, the Permitted Refinancing shall constitute Credit Agreement Refinancing Indebtedness and (v) in the case of any intercompany Indebtedness, each obligee in respect of the Permitted Refinancing shall be the Borrower or a Restricted Subsidiary. When used with respect to any specified Indebtedness, **“Permitted Refinancing”** shall mean the Indebtedness incurred to effectuate a Permitted Refinancing of such specified Indebtedness.

“Permitted Repricing Amendment” shall have the meaning set forth in Section 10.08(b).

“Permitted Second Priority Refinancing Debt” shall mean any secured Indebtedness incurred by the Borrower in the form of one or more series of second lien secured note securities; *provided* that (i) such Indebtedness may only be secured by assets consisting of Collateral on a pari passu basis (but without regard to the control of remedies) with the Obligations and may not be secured by any assets other than the Collateral, (ii) such Indebtedness constitutes Credit Agreement Refinancing Indebtedness, (iii) such Indebtedness has a maturity date no earlier than the maturity date of the Refinanced Debt and a Weighted Average Life to Maturity equal to or greater than the Refinanced Debt, (iv) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor, (v) the other terms and conditions of such Indebtedness (excluding pricing, fees and optional prepayment or redemption terms) are customary market terms for securities of such type and, in any event, are substantially identical to, or when taken as a whole, are not more favorable to the investors providing such securities than the terms and conditions of the applicable Refinanced Debt (except with respect to any terms (including covenants) and conditions contained in such Indebtedness that are applicable only after the then Latest Maturity Date) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is

also added for the benefit of the Loans that are secured by second-priority Liens on the Collateral and remain outstanding after the incurrence or issuance of such Indebtedness), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the requirement of this clause (v) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees), (vi) the security agreements relating to such Indebtedness are substantially the same as or more favorable to the Loan Parties than the applicable Collateral Documents (with such differences as are reasonably satisfactory to the Administrative Agent) and (vii) a Senior Representative acting on behalf of the holders of such Indebtedness shall have become party to or otherwise subject to the provisions of the Intercreditor Agreement and the Second Lien Intercreditor Agreement; *provided* that, if such Indebtedness is the initial Permitted Second Priority Refinancing Debt incurred by the Borrower, then the Borrower, Holdings, the Subsidiary Guarantors, the Collateral Agent and the Senior Representative for such Indebtedness shall have executed and delivered the Second Lien Intercreditor Agreement. Permitted Second Priority Refinancing Debt will include any Registered Equivalent Notes issued in exchange therefor.

“Permitted Third Priority Refinancing Debt” shall mean secured Indebtedness incurred by the Borrower in the form of one or more series of third lien secured notes or second lien secured loans; *provided* that (i) such Indebtedness may only be secured by assets consisting of Collateral on a junior lien basis to the Obligations and the obligations in respect of any Permitted Second Priority Refinancing Debt, and may not be secured by any assets other than the Collateral, (ii) such Indebtedness constitutes Credit Agreement Refinancing Indebtedness, (iii) such Indebtedness has a maturity date no earlier than the maturity date of the Refinanced Debt and a Weighted Average Life to Maturity equal to or greater than the Refinanced Debt and, in the case of any notes, does not have any scheduled amortization or payments of principal (other than customary AHYDO Catch-Up Payments and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) prior to the then Latest Maturity Date, (iv) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor, (v) the other terms and conditions of such Indebtedness (excluding pricing, fees, rate floors and optional prepayment or redemption terms) are customary market terms for Indebtedness of such type and, in any event, are substantially identical to, or when taken as a whole, are not more favorable to the investors or lenders providing such Indebtedness than the terms and conditions of the applicable Refinanced Debt (except with respect to any terms (including covenants) and conditions contained in such Indebtedness that are applicable only after the then Latest Maturity Date) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Loans that are secured by a second-priority Lien on the Collateral and remain outstanding after the incurrence or issuance of such Indebtedness), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and

conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower have determined in good faith that such terms and conditions satisfy the requirement of this clause (v) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees), (vi) the security agreements relating to such Indebtedness reflect the second lien nature of the security interests and are otherwise substantially the same as or more favorable to the Loan Parties than the applicable Collateral Documents (with such differences as are reasonably satisfactory to the Administrative Agent) and (vii) a Senior Representative acting on behalf of the holders of such Indebtedness shall have become party to or otherwise subject to the provisions of the Intercreditor Agreement and the Third Lien Intercreditor Agreement; *provided* that, if such Indebtedness is the initial Permitted Third Priority Refinancing Debt incurred by the Borrower, then the Borrower, Holdings, the Subsidiary Guarantors, the Collateral Agent and the Senior Representative for such Indebtedness shall have executed and delivered the Third Lien Intercreditor Agreement. Permitted Third Priority Refinancing Debt will include any Registered Equivalent Notes issued in exchange therefor.

“Permitted Unsecured Refinancing Debt” shall mean unsecured Indebtedness incurred by one or both Borrower in the form of one or more series of unsecured notes or unsecured loans; *provided* that (i) such Indebtedness constitutes Credit Agreement Refinancing Indebtedness, (ii) such Indebtedness has a maturity date no earlier than the maturity date of the Refinanced Debt and a Weighted Average Life to Maturity equal to or greater than the Refinanced Debt and, in the case of any notes, does not have any scheduled amortization or payments of principal (other than customary AHYDO Catch-Up Payments and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) prior to the then Latest Maturity Date, (iii) such Indebtedness is not at any time guaranteed by any Person that is not a Guarantor, (iv) such Indebtedness (including any guarantee thereof) is not secured by any Lien on any property or assets and (v) the other terms and conditions of such Indebtedness (excluding pricing, fees, rate floors and optional prepayment or redemption terms) are customary market terms for Indebtedness of such type and, in any event, are substantially identical to, or when taken as a whole, are not more favorable to the investors or lenders providing such Indebtedness than the terms and conditions of the applicable Refinanced Debt (except with respect to any terms (including covenants) and conditions contained in such Indebtedness that are applicable only after the then Latest Maturity Date) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Indebtedness, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Loans that remain outstanding after the incurrence or issuance of such Indebtedness), *provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that the Borrower have determined in good faith that such terms and conditions satisfy the requirement of this clause (v) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees). Permitted Unsecured Refinancing Debt will include any Registered Equivalent Notes issued in exchange therefor.

“**Person**” shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“**Plan**” shall mean any employee pension benefit plan within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA and in respect of which a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates is, or if such plan were terminated would under Section 4069 of ERISA be deemed to be, or within the six year period immediately preceding the date hereof was, a “contributing sponsor” as defined in Section 4001(a)(13) of ERISA or an “employer” as defined in Section 3(5) of ERISA.

“**Platform**” shall have the meaning assigned to such term in Section 10.01(c).

“**Pledged Notes**” means any promissory note issued to the Borrower or a Subsidiary Guarantor that is pledged to the Collateral Agent under the Collateral Documents and is a “Pledged Security” under the Security Agreement.

“**Prime Rate**” shall mean, for any day, the prime rate published in The Wall Street Journal for such day; *provided that*, if *The Wall Street Journal* ceases to publish for any reason such rate of interest, “**Prime Rate**” shall mean the prime lending rate as set forth on the Bloomberg page PRIMBB Index (or successor page) for such day (or such other service as determined by the Administrative Agent from time to time for purposes of providing quotations of prime lending interest rates); each change in the Prime Rate shall be effective on the date such change is effective. The prime rate is not necessarily the lowest rate charged by any financial institution to its customers.

“**Pro Forma Balance Sheet**” shall have the meaning set forth in Section 5.05(a)(i).

“**Pro Forma Basis**” shall mean, with respect to compliance with any test or covenant or calculation of any ratio hereunder, the determination or calculation of such test, covenant or ratio (including in connection with Specified Transactions) in accordance with Section 1.09.

“**Pro Forma Financial Statements**” shall have the meaning set forth in Section 5.05(a)(i).

“**Pro Rata Share**” shall mean, with respect to each Lender at any time a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitments (or, if Commitments have been terminated, the principal amount of the Loans) under the applicable Facility or Facilities of such Lender at such time and the denominator of which is the amount of the aggregate Commitments (or, if the Commitments have been terminated, the principal amount of the Loans) under the applicable Facility or Facilities at such time.

“**Projections**” shall have the meaning set forth in Section 6.01(c).

“Promissory Note” shall mean a promissory note substantially in the form of Exhibit E-2, or such other form as shall be approved by the Administrative Agent.

“Public Lender” shall have the meaning assigned to such term in Section 10.01.

“Qualified Equity Interests” shall mean any Equity Interests that are not Disqualified Equity Interests.

“Qualified IPO” shall mean the issuance by Holdings or any direct or indirect parent thereof of its common Equity Interests in an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8) pursuant to an effective registration statement filed with the U.S. Securities and Exchange Commission in accordance with the Securities Act (whether alone or in connection with a secondary public offering).

“Qualified Restricted Subsidiary” means any Restricted Subsidiary that satisfies each of the following requirements: (1) except for Permitted Payment Restrictions, there are no consensual restrictions, directly or indirectly, on the ability of such Restricted Subsidiary to pay dividends or make distributions to the holders of its Equity Interests; (2) the Equity Interests of such Restricted Subsidiary consist solely of (A) Equity Interests owned by the Borrower, its Qualified Restricted Subsidiaries and Subsidiary Guarantors, (B) Equity Interests owned by Strategic Investors and (C) directors’ qualifying shares; and (3) the primary business of such Restricted Subsidiary is a Permitted Business.

“Real Property” shall mean, collectively, all right, title and interest (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned or leased by any Person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

“Refinanced Debt” shall have the meaning assigned to such term in the definition of “Credit Agreement Refinancing Indebtedness”.

“Refinancing Amendment” shall mean an amendment to this Agreement executed by each of (a) the Borrower and the Guarantors, (b) the Administrative Agent, (c) each Additional Lender that will make an Other Loan pursuant to such Refinancing Amendment and (d) each existing Lender that agrees to provide any portion of the Credit Agreement Refinancing Indebtedness being incurred pursuant thereto, in accordance with Section 2.20.

“Refinancing Facilities” shall have the meaning assigned to such term in Section 2.20.

“Refinancing Term Facility” shall have the meaning assigned to such term in Section 2.20.

“Register” shall have the meaning assigned to such term in Section 10.04(d).

“Registered Equivalent Notes” shall mean, with respect to any notes originally issued in a Rule 144A or other private placement transaction under the Securities Act of 1933, substantially identical notes (having the same Guarantees) issued in a dollar-for-dollar exchange therefor pursuant to an exchange offer registered with the SEC.

“**Regulation T**” shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“**Regulation U**” shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“**Rejection Notice**” shall have the meaning assigned to such term in Section 2.13(d).

“**Related Fund**” shall mean, with respect to any Lender that is a fund or commingled investment vehicle that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“**Related Parties**” shall mean, with respect to any specified Person, such Person’s Affiliates and the respective directors, trustees, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“**Release**” shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or from, within or upon any building, structure, facility or fixture.

“**Reportable Event**” shall mean any of the events set forth in Section 4043(c) of ERISA or the regulations issued thereunder, other than events for which the 30-day notice period has been waived with respect to a Plan.

“**Request for Credit Extension**” shall mean a request by the Borrower in accordance with the terms of Section 2.03 and substantially in the form of Exhibit C, or such other form as shall be approved by the Administrative Agent.

“**Required Class Lenders**” shall mean, at any time, subject to the provisions of Section 10.04(l), with respect to one or more Facilities, Lenders having outstanding Loans and unused Commitments under such Facility representing more than 50% of the sum of all outstanding Loans and unused Commitments of such Facility; *provided* that the Loans and unused Commitments held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Class Lenders.

“**Required Lenders**” shall mean, at any time, subject to the provisions of Section 10.04(l), Lenders having Loans and unused Commitments representing more than 50% of the sum of all outstanding Loans and unused Commitments at such time; *provided* that, the Loans and unused Commitments held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

“**Responsible Officer**” shall mean the chief executive officer, president, vice president, chief financial officer, treasurer, assistant treasurer, director of treasury or other similar officer of a Loan Party and, as to any document delivered on the Closing Date, any secretary or assistant

secretary of such Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed by the recipient of such document to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed by the recipient of such document to have acted on behalf of such Loan Party.

“Restricted Cash” shall mean, without duplication, cash and Cash Equivalents (a) held by the Borrower and its Restricted Subsidiaries to the extent use thereof for application to the payment of Indebtedness is prohibited by law or contract, (b) listed as “restricted” on the consolidated balance sheet of the Borrower and its Restricted Subsidiaries, (c) that is contractually restricted from being distributed to the Borrower or (d) that is required to be contributed to the Indemnity Escrow Account.

“Restricted Group” shall mean, collectively, the Borrower and the Borrower’s Restricted Subsidiaries.

“Restricted Payment” shall mean any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interest of Holdings, the Borrower or any Restricted Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such Equity Interest of Holdings, the Borrower or any Restricted Subsidiary, or on account of any return of capital to Holdings’, the Borrower’s or a Restricted Subsidiary’s stockholders, partners or members (or the equivalent Persons thereof).

“Restricted Subsidiary” shall mean any Subsidiary of the Borrower other than an Unrestricted Subsidiary.

“Retained Percentage” shall mean, with respect to any Excess Cash Flow Period (a) 100% minus (b) the Applicable ECF Percentage with respect to such Excess Cash Flow Period.

“S&P” shall mean Standard & Poor’s Ratings Service, or any successor thereto.

“SEC” shall mean the Securities and Exchange Commission or any Governmental Authority that is the successor thereto.

“Second Lien Intercreditor Agreement” shall mean a “*pari passu*” intercreditor agreement among the Collateral Agent and one or more Senior Representatives for holders of Permitted Second Priority Refinancing Debt or Incremental Equivalent Debt that is secured on a *pari passu* basis with the Obligations, in each case in form and substance reasonably satisfactory to the Collateral Agent.

“Secured Parties” shall have the meaning assigned to such term in the Security Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“**Security Agreement**” shall mean a Security Agreement substantially in the form of Exhibit D.

“**Security Agreement Supplement**” shall have the meaning assigned to such term in the Security Agreement.

“**Senior Representative**” shall mean, with respect to any series of Permitted Second Priority Refinancing Debt or Permitted Third Priority Refinancing Debt, the trustee, administrative agent, collateral agent, security agent or similar agent under the indenture or agreement pursuant to which such Indebtedness is issued, incurred or otherwise obtained, as the case may be, and each of their successors in such capacities.

“**Senior Secured Leverage Ratio**” shall mean, as of any date, the ratio of (a) Consolidated Total Net Debt as of such date that is secured by a Lien on any Collateral to (b) Consolidated EBITDA for the Test Period applicable as of such date.

“**Specified Debt Fund**” shall mean any bona fide debt fund or an investment vehicle that is engaged in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course of business and with respect to which H.I.G. Capital, LLC and investment vehicles managed or advised by H.I.G. Capital, LLC that are not engaged primarily in making, purchasing, holding or otherwise investing in commercial loans, bonds and similar extensions of credit in the ordinary course do not make investment decisions for such Person.

“**Specified Merger Agreement Representations**” shall mean such of the representations and warranties made by or with respect to the Company and its Subsidiaries in the Merger Agreement as are material to the interests of the Lenders or the Lead Arrangers, but only to the extent that the Borrower (or its affiliate) has the right to terminate its obligations under the Merger Agreement (or the right not to consummate the Acquisition pursuant to the Merger Agreement) as a result of a breach of such representations and warranties.

“**Specified Representations**” shall mean those representations and warranties made by the Loan Parties in Sections 5.01(a) (with respect to organizational existence only), 5.01(b)(ii), 5.02(a) (with respect to the execution, delivery, and performance of the Loan Documents), 5.02(b)(i) (with respect to the execution, delivery, and performance of the Loan Documents, the incurrence of Indebtedness hereunder and thereunder and the granting of the guarantees and the security interests in respect hereof and thereof), 5.02(b)(iii) (except with respect to any violation to the extent that such violation would not reasonably be expected to result in a Company Material Adverse Effect), 5.04, 5.13, 5.17, 5.18, 5.19(a) and 5.20; *provided*, that to the extent any of the foregoing representations and warranties as they apply to the Company and its subsidiaries is qualified by or subject to “Material Adverse Effect”, the definition thereof with respect to the Company and its subsidiaries shall be “Company Material Adverse Effect”.

“**Specified Subsidiary**” shall mean (i) each wholly owned Domestic Subsidiary of the Borrower listed on Schedule 1.01(b) and (ii) any Qualified Restricted Subsidiary that is a wholly owned Domestic Subsidiary of the Borrower formed or acquired after the Closing Date if a Responsible Officer of the Borrower represents in writing to the Administrative Agent that the Borrower intends in good faith to syndicate the Equity Interests of such Qualified Restricted

Subsidiary to Strategic Investors; provided that any Specified Subsidiary shall cease to be a Specified Subsidiary if the Borrower at any time no longer intends to syndicate the Equity Interests of such Qualified Restricted Subsidiary to Strategic Investors or the Borrower has opted for it to satisfy the Collateral and Guarantee Requirement.

“**Specified Transaction**” shall mean any Investment that results in a Person becoming a Restricted Subsidiary or an Unrestricted Subsidiary, any Permitted Acquisition, any Disposition that results in a Restricted Subsidiary ceasing to be a Subsidiary of the Borrower, any Investment constituting an acquisition of assets constituting a business unit, line of business or division of another Person or any Disposition of a business unit, line of business or division of the Borrower or a Restricted Subsidiary, in each case consummated after the Closing Date and whether by merger, consolidation, amalgamation or otherwise, and any incurrence or repayment of Indebtedness, Restricted Payment, or Incremental Term Loan, in each case, that by the terms of this Agreement requires a financial ratio or test to be calculated on a “Pro Forma Basis”.

“**Sponsor**” shall mean H.I.G. Capital, LLC and any of its Affiliates and funds or partnerships managed or advised by H.I.G. Capital, LLC or any of its Affiliates but not including, however, any portfolio company of any of the foregoing.

“**Sponsor Management Agreement**” shall mean that certain Management and Investment Advisory Services Agreement, dated as of December 24, 2009, by and among the Borrower, each of Borrower’s direct or indirect subsidiaries listed on the signature pages thereto and Bayside Capital, Inc., a Florida corporation, as amended through the Closing Date and as may be further amended, supplemented or otherwise modified in accordance with its respective terms, but only to the extent that any such further amendment, supplement or modification does not, directly or indirectly, increase the obligation of Holdings or any of its Affiliates to make any payments thereunder.

“**SPV**” shall have the meaning assigned to such term in Section 10.04(i).

“**Statutory Reserves**” shall mean, for any day during any Interest Period for any Eurodollar Borrowing, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained, during such Interest Period under regulations issued from time to time (including “Regulation D,” issued by the Board of Governors of the Federal Reserve Bank of the United States (the “**Reserve Regulations**”) by member banks of the United States Federal Reserve System in New York City with deposits exceeding one billion Dollars against Eurocurrency funding liabilities (currently referred to as “Eurocurrency liabilities” (as such term is used in Regulation D))). Eurodollar Borrowings shall be deemed to constitute Eurodollar liabilities and to be subject to such reserve requirements without benefit of or credit for proration, exceptions or offsets which may be available from time to time to any Lender under the Reserve Regulations.

“**Strategic Investors**” shall mean physicians, hospitals, health systems, other healthcare providers, other healthcare companies and other similar strategic joint venture partners which joint venture partners are actively involved in the day-to-day operations of providing surgical care, anesthesia or related services, or, in the case of physicians, that have retired therefrom, individuals who are former owners or employees of surgical care facilities purchased by the Borrower or any of its Restricted Subsidiaries or Persons owned, controlled or managed by individual physicians, and consulting firms that receive common Equity Interests as consideration for consulting services performed or for cash invested.

“**Subordinated Indebtedness**” shall mean any Indebtedness that is, or is required to be, subordinated in right of payment to the Obligations.

“**Subsidiary**” of a Person shall mean a corporation, partnership, joint venture, limited liability company or other business entity of which (i) a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned or (ii) the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “**Subsidiary**” or to “**Subsidiaries**” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“**Subsidiary Guarantor**” shall mean any Guarantor other than Holdings. The Subsidiary Guarantors as of the Closing Date are set forth on Schedule 1.01(a).

“**Successor Borrower**” shall have the meaning assigned to such term in Section 7.04(d).

“**Swap Contract**” shall mean (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “**Master Agreement**”), including any such obligations or liabilities under any Master Agreement.

“**Swap Termination Value**” shall mean, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender)

“**Syndication Date**” shall have the meaning assigned to such term in the Commitment Letter.

“**Tax Group**” shall have the meaning assigned to such term in Section 7.06(i)(iii).

“**Taxes**” shall have the meaning assigned to such term in Section 3.01(a).

“**Term Borrowing**” shall mean a Borrowing comprised of Term Loans.

“**Term Facility**” shall mean the Initial Term Loans, the Extended Term Loans, the Incremental Term Loans or the Other Term Loans, as the context may require.

“**Term Lender**” shall mean a Lender with a Term Loan Commitment or an outstanding Term Loan.

“**Term Loan Commitment**” shall mean, with respect to each Lender, the commitment, if any, of such Lender to make a Term Loan hereunder, expressed as an amount representing the maximum principal amount of the Term Loan to be made by such Lender hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to (i) assignments by or to such Lender pursuant to an Assignment and Acceptance, (ii) an Incremental Amendment, (iii) a Refinancing Amendment or (iv) an Extension Amendment. The initial amount of each Lender’s Term Loan Commitment is set forth on Schedule 2.01 under the caption “Term Loan Commitment” or, otherwise, in the Assignment and Acceptance, Incremental Amendment or Refinancing Amendment pursuant to which such Lender shall have assumed its Term Loan Commitment, as the case may be. The initial aggregate amount of the Term Loan Commitments as of the Closing Date is \$490,000,000.

“**Term Loan Extension**” shall have the meaning assigned to such term in Section 2.21(a).

“**Term Loan Extension Offer**” shall have the meaning assigned to such term in Section 2.21(a).

“**Term Loan Maturity Date**” shall mean (i) with respect to the Initial Term Loans borrowed on the Closing Date that have not been extended pursuant to Section 2.21, November 3, 2021 (the “**Original Term Loan Maturity Date**”), (ii) with respect to any tranche of Extended Term Loans, the final maturity date as specified in the applicable Extension Amendment, (iii) with respect to any Other Term Loans, the final maturity date as specified in the applicable Refinancing Amendment and (iv) with respect to any Incremental Term Loans, the final maturity date as specified in the applicable Incremental Amendment; *provided that*, if any such day is not a Business Day, the applicable Term Loan Maturity Date shall be the Business Day immediately succeeding such day.

“**Term Loans**” shall mean the Initial Term Loans, Extended Term Loans, Incremental Term Loans and Other Term Loans.

“**Term Note**” shall mean a promissory note of the Borrower payable to any Term Lender or its registered assigns, in substantially the form of Exhibit I hereto, evidencing the aggregate Indebtedness of the Borrower to such Term Lender resulting from the Term Loans made by such Term Lender.

“**Test Period**” shall mean, for any date of determination under this Agreement, the most recent period as of such date of four consecutive fiscal quarters of the Restricted Group for which financial statements have been delivered (or were required to have been delivered) pursuant to Section 6.01(a) or 6.01(b), as applicable.

“**Third Lien Indebtedness**” shall mean any Incremental Equivalent Debt that is secured on a junior basis to the Obligations on the Collateral, and any Permitted Refinancing thereof, so long as such Indebtedness is subject to the Intercreditor Agreement and the Third Lien Intercreditor Agreement.

“**Third Lien Intercreditor Agreement**” shall mean a “junior lien” intercreditor agreement among the Collateral Agent and one or more Senior Representatives for holders of Permitted Third Priority Refinancing Debt or Incremental Equivalent Debt that is secured on a junior basis to the Obligations, in each case in form and substance reasonably satisfactory to the Collateral Agent and the Borrower.

“**Threshold Amount**” shall mean \$46,000,000.

“**Total Assets**” shall mean the total assets of the Borrower and its Restricted Subsidiaries on a consolidated basis as shown on the most recent consolidated balance sheet of the Borrower required to be delivered pursuant to Section 6.01(a) or (b) (or if prior to the first time such a consolidated balance sheet is so required to be delivered, on the most recent consolidated balance sheet of the Borrower and its Restricted Subsidiaries that is then internally available).

“**Total Leverage Ratio**” shall mean, as of any date, the ratio of (a) Consolidated Total Net Debt as of such date to (b) Consolidated EBITDA for the Test Period applicable as of such date.

“**tranche**” shall have the meaning assigned to such term in Section 2.21(a).

“**Transaction Expenses**” shall mean any fees or expenses incurred or paid by Sponsor, any direct or indirect parent of Holdings, Holdings, the Borrower or any of their respective Subsidiaries in connection with the Transactions (including expenses in connection with close-out fees in connection with the termination of hedging transactions, if any, and payments to officers, employees and directors as change of control payments, severance payments, special or retention bonuses and charges for repurchase or rollover of, or modifications to, stock options and/or restricted stock), this Agreement, the other Loan Documents and the First Lien Loan Documents, including any upfront fees or ticking fees incurred pursuant to the terms of the Fee Letter.

“**Transactions**” shall mean, collectively, (a) the consummation of the Acquisition and the Merger and the other transactions contemplated thereby on the Closing Date, (b) the execution and delivery by the Loan Parties of the Loan Documents to which they are a party and the making of the Borrowings hereunder on the Closing Date, (c) the execution and delivery by the Loan Parties of the First Lien Loan Documents to which they are a party and the making of

the First Lien Term Loans thereunder and the issuance of letters of credit thereunder on the Closing Date, (d) the repayment of all amounts due or outstanding under or in respect of, and the termination of, certain existing third party Indebtedness, including the Existing Credit Agreements, on the Closing Date, (e) the Notes Redemption and (f) the payment of the Transaction Expenses.

“**Transferred Guarantor**” shall have the meaning assigned to such term in Section 11.10.

“**Transformative Acquisition**” shall mean any acquisition by Holdings, the Borrower or any Restricted Subsidiary that is either (a) not permitted hereunder immediately prior to the consummation of such acquisition or (b) if permitted hereunder immediately prior to the consummation of such acquisition, would not provide Holdings, the Borrower and the Restricted Subsidiaries with adequate flexibility hereunder for the continuation and/or expansion of their consolidated operations following such consummation, as determined by the Borrower acting in good faith.

“**Type**”, when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term “**Rate**” shall mean the Adjusted LIBO Rate and the Alternate Base Rate.

“**Unaudited Financial Statements**” shall mean each of the (i) unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries for the fiscal quarter ended June 30, 2014 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Borrower and its consolidated subsidiaries and (ii) unaudited consolidated balance sheet of Symbion, Inc. and its consolidated subsidiaries for the fiscal quarter ended June 30, 2014 and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows of Symbion, Inc. and its consolidated subsidiaries.

“**Uniform Commercial Code**” or “**UCC**” shall mean the Uniform Commercial Code as the same may from time to time be in effect in the State of New York or the Uniform Commercial Code (or similar code or statute) of another jurisdiction, to the extent it may be required to apply to any item or items of Collateral.

“**United States**” and “**U.S.**” shall mean the United States of America.

“**United States Tax Compliance Certificate**” shall have the meaning assigned to such term in Section 3.01(d).

“**Unrestricted Subsidiary**” shall mean any Subsidiary of the Borrower designated by the board of directors of the Borrower as an Unrestricted Subsidiary pursuant to Section 6.14 subsequent to the Closing Date.

“**USA PATRIOT Act**” shall mean The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“Weighted Average Life to Maturity” shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing: (i) the sum of the products obtained by multiplying (a) the amount of each then remaining scheduled installment, sinking fund, serial maturity or other required scheduled payments of principal, including payment at final scheduled maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (ii) the then outstanding principal amount of such Indebtedness; *provided* that, for purposes of determining the Weighted Average Life to Maturity of any Refinanced Debt or any Indebtedness that is being modified, refinanced, refunded, renewed, replaced or extended (the **“Applicable Indebtedness”**), the effects of any prepayments made on such Applicable Indebtedness prior to the date of the applicable modification, refinancing, refunding, renewal, replacement or extension shall be disregarded.

“wholly owned” shall mean, with respect to a Subsidiary of a Person, a Subsidiary of such Person all of the outstanding Equity Interests of which (other than (x) director’s qualifying shares and (y) shares issued to foreign nationals to the extent required by applicable Law) are owned by such Person and/or by one or more wholly owned Subsidiaries of such Person.

“Withdrawal Liability” shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. *Other Interpretive Provisions.* With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words “herein,” “hereto,” “hereof” and “hereunder” and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term “including” is by way of example and not limitation.

(iv) The term “documents” includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”; and the word “through” means “to and including.”

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(e) The word “or” is not exclusive.

(f) For purposes of determining compliance with any one of Sections 7.01, 7.02, 7.03, 7.05, 7.06, 7.08, 7.09 and 7.13, in the event that any Lien, Investment, Indebtedness, Disposition, Restricted Payment, affiliate transaction, Contractual Obligation or prepayment of Indebtedness meets the criteria of more than one of the categories of transactions permitted pursuant to any clause of such Section, such transaction (or portion thereof) at any time shall be permitted under one or more of such clauses as determined by the Borrower in its sole discretion at such time.

Section 1.03. *Accounting Terms.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein.

Section 1.04. *Rounding.* Any financial ratios required to be maintained by the Borrower pursuant to this Agreement (or required to be satisfied in order for a specific action to be permitted under this Agreement) shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05. *References to Agreements, Laws, Etc..* Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

Section 1.06. *Times of Day.* Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

Section 1.07. *Timing of Payment of Performance.* Except as otherwise expressly provided herein, when the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment (other than as described in the definition of Interest Period) or performance shall extend to the immediately succeeding Business Day.

Section 1.08. *Cumulative Credit Transactions.* If more than one action occurs on any given date the permissibility of the taking of which is determined hereunder by reference to the amount of the Cumulative Credit immediately prior to the taking of such action, the permissibility of the taking of each such action shall be determined independently and in no event may any two or more such actions be treated as occurring simultaneously.

Section 1.09. *Pro Forma Calculations.*

(a) Notwithstanding anything to the contrary herein, financial ratios and tests, including the Total Leverage Ratio and the Senior Secured Leverage Ratio, and compliance with covenants determined by reference to Consolidated EBITDA and Total Assets shall be calculated in the manner prescribed by this Section 1.09; *provided* that, notwithstanding anything to the contrary in Section 1.09(b), (c) or (d), when calculating the Senior Secured Leverage Ratio for purposes of the Applicable ECF Percentage of Excess Cash Flow, the events described in this Section 1.09 that occurred subsequent to the end of the applicable Test Period shall not be given pro forma effect.

(b) For purposes of calculating the Total Leverage Ratio, the Senior Secured Leverage Ratio or Consolidated EBITDA, Specified Transactions (and the incurrence or repayment of any Indebtedness in connection therewith) that have been made (i) during the applicable Test Period or (ii) subsequent to such Test Period and prior to or simultaneously with the event for which the calculation of any such ratio is made shall be calculated on a Pro Forma Basis assuming that all such Specified Transactions (and any increase or decrease in Consolidated EBITDA and the component financial definitions used therein attributable to any Specified Transaction) had occurred on the first day of the applicable Test Period. If since the beginning of any applicable Test Period any Person that subsequently became a Restricted Subsidiary or was merged, amalgamated or consolidated with or into the Borrower or any of its Restricted Subsidiaries since the beginning of such Test Period shall have made any Specified Transaction that would have required adjustment pursuant to this Section 1.09, then the Total Leverage Ratio, the Senior Secured Leverage Ratio and Consolidated EBITDA shall be calculated to give *Pro Forma* effect thereto in accordance with this Section 1.09.

(c) Whenever pro forma effect is to be given to a Specified Transaction, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Borrower and may include, for the avoidance of doubt, the amount of cost savings, operating expense reductions, operating improvements and synergies related to such Specified Transaction projected by the Borrower in good faith to be realized as a result of specified actions taken, committed to be taken or expected to be taken (calculated on a pro forma basis as though such cost savings, operating expense reductions, operating improvements and synergies had been realized on the first day of the applicable EBITDA Determination Period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of such EBITDA Determination Period) relating to such Specified Transaction, net of the amount of actual benefits realized during such EBITDA Determination Period from such actions; *provided* that (A) such amounts are reasonably identifiable and factually supportable in the good faith determination of the Borrower, (B) such actions are taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken no later than 24 months after the date of such Specified Transaction, and (C) no amounts shall be added back in computing Consolidated EBITDA pursuant to this Section 1.09(c) to the extent duplicative of any amounts that are otherwise added back in computing Consolidated EBITDA, whether through a pro forma adjustment or otherwise, with respect to such EBITDA Determination Period. Notwithstanding the foregoing, (A) all pro forma adjustments under this Section 1.09(c) shall not, taken together with those added pursuant to clause (a)(viii) of the definition of "Consolidated EBITDA", increase Consolidated EBITDA by more than 35% for any Test Period (calculated prior to giving effect to any addback pursuant to this Section 1.09(c) or clause (a)(viii) of the definition of "Consolidated EBITDA"), (B) any cost savings, operating expense reductions,

operating improvements or synergies to be realized in such Test Period shall not be added back in computing the Applicable ECF Percentage and (C) no pro forma adjustments under this Section 1.09(c) shall be made in respect of the Transactions (the foregoing not being intended to limit the operation of clause (a) (viii) of the definition of “Consolidated EBITDA”).

(d) In the event that the Borrower or any Restricted Subsidiary incurs (including by assumption or guarantees) or repays (including by redemption, repayment, retirement or extinguishment) any Indebtedness included in the calculations of the Total Leverage Ratio and the Senior Secured Leverage Ratio, as the case may be (in each case, other than Indebtedness incurred or repaid under any revolving credit facility in the ordinary course of business for working capital purposes and not incurred in reliance on Section 7.03(v)), (i) during the applicable Test Period or (ii) subsequent to the end of the applicable Test Period and prior to or simultaneously with the event for which the calculation of any such ratio is made, then the Total Leverage Ratio and the Senior Secured Leverage Ratio shall be calculated giving pro forma effect to such incurrence or repayment of Indebtedness, to the extent required, as if the same had occurred on the last day of the applicable Test Period in the case of each of the Total Leverage Ratio and the Senior Secured Leverage Ratio. Interest on a Capitalized Lease shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Borrower to be the rate of interest implicit in such Capitalized Lease in accordance with GAAP. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a London interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Borrower or Restricted Subsidiary may designate. For the avoidance of doubt, in giving pro forma effect to the incurrence of any Indebtedness the cash remaining on the balance sheet for purposes of calculating Consolidated Total Net Debt after giving effect to such incurrence and the application of the proceeds thereof shall be determined without regard to the proceeds of such Indebtedness.

(e) In connection with any action being taken solely in connection with a Limited Condition Transaction, for purposes of:

(i) determining compliance with any provision of this Agreement which requires the calculation of any financial ratio or test, including of the Senior Secured Leverage Ratio or the Total Leverage Ratio (and, for the avoidance of doubt, any financial ratio set forth in Section 2.19(a)); or

(ii) testing availability under baskets set forth in this Agreement (including baskets measured as a percentage of Consolidated EBITDA or Total Assets);

in each case, at the option of the Borrower (the Borrower’s election to exercise such option in connection with any Limited Condition Transaction, an “**LCT Election**”), the date of determination of whether any such action is permitted hereunder shall be deemed to be the date the definitive agreements for such Limited Condition Transaction are entered into or the date the irrevocable notices for such Limited Condition Transaction are delivered, as applicable (the “**LCT Test Date**”), and if, after giving pro forma effect to the Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the

most recent Test Period ending prior to the LCT Test Date, the Borrower would have been permitted to take such action on the relevant LCT Test Date in compliance with such ratio, test or basket, such ratio, test or basket shall be deemed to have been complied with. For the avoidance of doubt, if the Borrower has made an LCT Election and any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date are exceeded as a result of fluctuations in any such ratio, test or basket, including due to fluctuations in Consolidated EBITDA or Total Assets of the Borrower or the Person subject to such Limited Condition Transaction, at or prior to the consummation of the relevant transaction or action, such baskets, tests or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Borrower has made an LCT Election for any Limited Condition Transaction, then in connection with any calculation of any ratio, test or basket availability with respect to the incurrence of Indebtedness or Liens, the making of Restricted Payments, the making of any permitted investment, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Borrower, the prepayment, redemption, purchase, defeasance or other satisfaction of Indebtedness (a “**Subsequent Transaction**”) following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the date that the definitive agreement or irrevocable notice for such Limited Condition Transaction is terminated or expires without consummation of such Limited Condition Transaction, for purposes of determining whether such Subsequent Transaction is permitted under this Agreement, any such ratio, test or basket shall be required to be satisfied on a Pro Forma Basis (i) assuming such Limited Condition Transaction and other transactions in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) have been consummated and (ii) assuming such Limited Condition Transaction and other transactions in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) have not been consummated.

(f) Whenever any provision of this Agreement requires a specified Senior Secured Leverage Ratio or Total Leverage Ratio on a Pro Forma Basis in connection with any action to be taken hereunder, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance or such Senior Secured Leverage Ratio or Total Leverage Ratio.

Section 1.10. *Certain Accounting Matters.* Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, (a) without giving effect to any election under Statement of Financial Accounting Standards 159 or Accounting Standards Codification 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any of its Restricted Subsidiaries at “fair value”, as defined therein; (b) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof; and (c) treating Unrestricted Subsidiaries as if they were not consolidated with any other member of the Restricted Group and otherwise eliminating all accounts of Unrestricted Subsidiaries. For the avoidance of doubt, the principal amount of any non-interest bearing Indebtedness or other

discount security constituting Indebtedness at any date shall be the principal amount thereof that would be shown on a consolidated balance sheet of the Restricted Group dated such date prepared in accordance with GAAP, except as expressly set forth in clauses (a) and (b) of the immediately preceding sentence.

Section 1.11. *Classification of Loans and Borrowings.* For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., an “Initial Term Loan”) or by Type (e.g., a “Eurodollar Loan”) or by Class and Type (e.g., a “Eurodollar Term Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Term Borrowing”) or by Type (e.g., a “Eurodollar Borrowing”) or by Class and Type (e.g., a “Eurodollar Term Borrowing”).

Section 1.12. *Currency Equivalents Generally.*

(a) For purposes of determining compliance with Sections 7.01, 7.02 and 7.03 with respect to any amount of Indebtedness or Investment in a currency other than Dollars, no Default shall be deemed to have occurred solely as a result of changes in rates of currency exchange occurring after the time such Indebtedness or Investment is incurred (so long as such Indebtedness or Investment, at the time incurred, made or acquired, was permitted hereunder).

(b) For purposes of determining the Senior Secured Leverage Ratio and the Total Leverage Ratio, amounts denominated in a currency other than Dollars will be converted to Dollars at the currency exchange rates used in preparing the Borrower’s financial statements corresponding to the Test Period with respect to the applicable date of determination and will, in the case of Indebtedness, reflect the currency translation effects, determined in accordance with GAAP, of Swap Contracts permitted hereunder for currency exchange risks with respect to the applicable currency in effect on the date of determination of the Dollar equivalent of such Indebtedness.

Section 1.13. *Excluded Swap Obligations.*

(a) Notwithstanding any provision of this Agreement or any other Loan Document, no Guarantee by any Loan Party under any Loan Document shall include a Guarantee of any Excluded Swap Obligation and no Collateral provided by any Loan Party shall secure any Excluded Swap Obligation. In the event that any payment is made by, or any collection is realized from, any Loan Party for which there are Excluded Swap Obligations, or from any Collateral provided by such Loan Party, the proceeds thereof shall be applied to pay the Obligations of such Loan Party on a ratable basis determined without giving effect to such Excluded Swap Obligations and each reference in this Agreement or any other Loan Document to the ratable application of such amounts as among the Obligations or any specified portion of the Obligations that would otherwise include such Excluded Swap Obligations shall be deemed so to provide.

(b) Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under Article 11 and the Loan Documents in respect of Swap Obligations (*provided, however*, that each Qualified ECP Guarantor shall only be liable under this Section 1.13 for the maximum amount of

such liability that can be hereby incurred without rendering its obligations under this Section 1.13, or otherwise under the Guaranty, as it relates to such Loan Party, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until its Guaranty under Article 11 is released. Each Qualified ECP Guarantor intends that this Section 1.13 constitute, and this Section 1.13 shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

(c) The following terms shall for purposes of this Section 1.13 have the meanings set forth below:

“**Commodity Exchange Act**” shall mean the Commodity Exchange Act (7 U.S. C. § et seq.), as amended from time to time, and any successor statute.

“**Excluded Swap Obligation**” shall mean, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason not to constitute an “eligible contract participant” as defined in the Commodity Exchange Act at the time the Guarantee of such Guarantor becomes effective with respect to such related Swap Obligation.

“**Swap Obligation**” shall mean, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“**Qualified ECP Guarantor**” shall mean, in respect of any Swap Obligation, each Loan Party that has total assets exceeding \$10,000,000 at the time such Swap Obligation is incurred or such other person as constitutes an ECP under the Commodity Exchange Act or any regulations promulgated thereunder.

ARTICLE 2

THE CREDITS

Section 2.01. *Commitments.* Subject to the terms and conditions and relying upon the representations and warranties set forth herein, each Term Lender agrees, severally and not jointly, to make a Term Loan to the Borrower on the Closing Date in a principal amount not to exceed its Term Loan Commitment. Amounts repaid or prepaid in respect of Term Loans may not be reborrowed.

Section 2.02. *Loans.*

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; *provided* that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of \$500,000 and not less than \$1,000,000 (except, with respect to any Incremental Term Loans or Other Term Loans, to the extent otherwise provided in the applicable Incremental Amendment or Refinancing Amendment) or (ii) equal to the remaining available balance of the applicable Commitments.

(b) Subject to Sections 2.08, 3.02 and 3.04, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of the Lender to make such Loan and the Borrower to repay such Loan to such Lender in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; *provided* that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than seven Eurodollar Borrowings in the aggregate outstanding hereunder at any one time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate from time to time not later than 12:00 noon, New York City time, and the Administrative Agent shall promptly credit the amounts so received to an account as directed by the Borrower in the applicable Request for Credit Extension maintained with the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders within two Business Days.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with Section 2.02(c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, each of such Lender and the Borrower severally agrees to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower to but excluding the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, a rate *per annum* equal to the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

Section 2.03. *Borrowing Procedure.* To request a Term Borrowing, the Borrower shall deliver, by hand delivery or facsimile (or transmit by other electronic transmission, if arrangements for doing so have been approved in writing by the Administrative Agent), a duly completed and executed Request for Credit Extension to the Administrative Agent (i) in the case of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing (or, in the case of the initial extension of credit on the Closing Date, one Business Day before) or (ii) in the case of an ABR Borrowing, not later than 1:00 p.m., New York City time, on the date of the proposed Borrowing. Each Request for Credit Extension for a Term Loan shall be irrevocable and shall specify the following information in compliance with Section 2.02: (a) the aggregate amount of such Borrowing; (b) the date of such Borrowing, which shall be a Business Day; (c) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; (d) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of "Interest Period"; e) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.02(c) and (f) if and to the extent required under Section 4.01, that the conditions set forth in clauses (a) and (b) of Section 4.01 are satisfied as of the date of the notice.

If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. Promptly following receipt of a Request for Credit Extension in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.04. *Evidence of Debt; Repayment of Loans.*

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Term Lender, the principal amount of each Term Loan of such Term Lender as provided in Section 2.11 (or, in the case of Extended Term Loans, Incremental Term Loans or Other Term Loans, as provided for in the applicable Extension Offer, Incremental Amendment or Refinancing Amendment).

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type and Class thereof and, if applicable, the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to Sections 2.04(b) and 2.04(c) shall be *prima facie* evidence of the existence and amounts of the obligations therein recorded; *provided* that the failure of any Lender or the Administrative Agent to maintain such

accounts or any error therein shall not in any manner affect the obligations of the Borrower and the other Loan Parties to pay, and perform, the Obligations in accordance with the Loan Documents. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such entries, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(e) Any Lender by written notice to the Borrower (with a copy to the Administrative Agent) may request that Loans of any Class made by it hereunder be evidenced by a Note. In such event, the Borrower shall promptly (and, in all events, within five Business Days of receipt of such written notice) prepare, execute and deliver to such Lender a Note payable to the order of such Lender (or, if requested by such Lender, to such Lender's registered assigns in accordance with Section 10.04). Thereafter, the Loans evidenced by such Note and the interest thereon shall at all times (including after any assignment of all or part of such interests pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.05. *Fees.*

(a) [Reserved].

(b) Administrative Agent Fees. The Borrower agrees to pay to the Administrative Agent, for its own account, the administrative fees set forth in the Fee Letter and such other fees payable in the amounts and at the times specified therein (the "**Administrative Agent Fees**").

(c) [Reserved].

(d) Payment of Fees. All Fees shall be paid on the dates due, in immediately available funds in Dollars, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the Fees shall be refundable under any circumstances.

Section 2.06. *Interest on Loans.*

(a) Subject to the provisions of Section 2.07, the Loans comprising each ABR Borrowing shall bear interest at a rate *per annum* equal to the Alternate Base Rate plus the Applicable Margin in effect from time to time.

(b) Subject to the provisions of Section 2.07, the Loans comprising each Eurodollar Borrowing shall bear interest at a rate *per annum* equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin in effect from time to time.

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to Section 2.07 (including interest on past due interest) and all interest accrued but unpaid on or after the Term Loan Maturity Date, as applicable, shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to clause (a) of the definition of the Alternate Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day); *provided* that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.16, bear interest for one day. The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent in accordance with the provisions of this Agreement and such determination shall be conclusive absent manifest error. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any Bankruptcy Proceeding.

Section 2.07. *Default Interest.* After the occurrence and during the continuance of a Default under Section 8.01(a) or an Event of Default under Section 8.01(f) or 8.01(g), the Borrower shall pay interest on past due amounts owing by it hereunder at a fluctuating interest rate *per annum* at all times, after as well as before judgment, equal to (a) in the case of principal, at the rate otherwise applicable to such Loan pursuant to Section 2.06 plus 2.00% *per annum* and (b) in all other cases, at a rate *per annum* (computed on the basis of the actual number of days elapsed over a year of 360 days at all times) equal to the rate that would be applicable to an ABR Loan plus 2.00% *per annum*, and such interest shall be payable on demand.

Section 2.08. *Alternate Rate of Interest.* If prior to the commencement of any Interest Period for a Eurodollar Borrowing, (a) the Administrative Agent determines (which determination shall be final and conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period or (b) the Administrative Agent is advised in writing by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period, then the Administrative Agent shall give written notice thereof to the Borrower and the Lenders as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Request for Credit Extension requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 2.09. *Termination and Reduction of Commitments.*

(a) The Term Loan Commitments for the Initial Term Loans in effect on the Closing Date shall automatically terminate upon the making of the Initial Term Loans on the Closing Date.

(b) The Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce any Class of Commitments; *provided* that each partial reduction of any Class of Commitments shall be in an amount that is an integral multiple of \$1,000,000 and in a minimum amount of \$2,000,000.

(c) The Borrower shall notify the Administrative Agent in writing of any election to terminate or reduce the Commitments under Section 2.09(b) at least three Business Days prior to the effective date of such termination or reduction (which effective date shall be a Business Day), specifying such election and the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.09 shall be irrevocable; *provided* that the Borrower may rescind or postpone any notice of termination or reduction of the Commitments if such termination or reduction would have resulted from a refinancing, which refinancing shall not be consummated or otherwise shall be delayed. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

Section 2.10. *Conversion and Continuation of Borrowings.*

(a) Each Term Borrowing initially shall be of the Type specified in the applicable Request for Credit Extension and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Request for Credit Extension. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.10. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding anything to the contrary, no Borrower shall be entitled to request any conversion or continuation that, if made, would result in more than seven Eurodollar Borrowings outstanding hereunder at any one time.

(b) To make an election pursuant to this Section 2.10, the Borrower shall deliver, by hand delivery or facsimile (or transmit by other electronic transmission if arrangements for doing so have been approved in writing by the Administrative Agent), a duly completed and executed Interest Election Request to the Administrative Agent not later than the time that a Request for Credit Extension would be required under Section 2.03 if the Borrower were requesting a Term Borrowing of the Type resulting from such election to be made on the effective date of such election. Each Interest Election Request shall be irrevocable.

(c) Each Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, or if outstanding Borrowings are being combined, allocation to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

- (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
- (iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
- (iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period";

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If an Interest Election Request with respect to a Eurodollar Borrowing is not timely delivered prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, the Administrative Agent or the Required Lenders may require, by notice to the Borrower, that (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.11. *Repayment of Term Borrowings.*

(a) The Borrower shall repay to the Administrative Agent for the ratable account of the applicable Term Lenders, on the Term Loan Maturity Date for the Initial Term Loans, the aggregate principal amount of all Initial Term Loans outstanding on such date, together with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment. The Borrower shall repay Incremental Term Loans, Extended Term Loans and Other Term Loans in such amounts and on such date or dates as shall be specified therefor in the applicable Incremental Amendment, Term Loan Extension Offer or Refinancing Amendment.

(b) To the extent not previously paid in full in cash, all Term Loans (including, for avoidance of doubt, Term Loans that are not Initial Term Loans) shall be due and payable on the applicable Term Loan Maturity Date, together with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment.

(c) Reserved.

(d) All repayments pursuant to this Section 2.11 shall be subject to Section 3.05, but shall otherwise be without premium or penalty.

Section 2.12. *Voluntary Prepayments.*

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, upon at least three Business Days' prior written or fax notice (or telephone notice promptly confirmed by written or fax notice) in the case of Eurodollar Loans, or written or fax notice (or telephone notice promptly confirmed by written or fax notice) at least one Business Day prior to the date of prepayment in the case of ABR Loans, to the Administrative Agent before 12:00 noon, New York City time; *provided, however*, that each partial prepayment shall be in an amount that is an integral multiple of \$500,000 and not less than \$1,000,000.

(b) Except as may otherwise be set forth in any Term Loan Extension Offer, any Refinancing Amendment or any Incremental Amendment, voluntary prepayments of Term Loans pursuant to this Section 2.12 shall be applied ratably to each Class of Term Loans then outstanding.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein; *provided, however*, that if such prepayment is in connection with a refinancing, then the Borrower may condition such notice on the effectiveness of such refinancing (*provided* that the provisions of Section 3.05 shall apply to any prepayment that is not made as a result of the failure of such condition). All prepayments under this Section 2.12 shall be subject to Section 2.12(d) (to the extent applicable) and Section 3.05 but otherwise shall be without premium or penalty. All prepayments under this Section 2.12 shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment.

(d) In the event that (i) the Borrower voluntarily prepays any Term Loans pursuant to Section 2.12(a) (including, for avoidance of doubt, any prepayment made in connection with any refinancing, replacement or substitution of any Term Loans), (ii) the Borrower is required to make any prepayment of Term Loans pursuant to Section 2.13(a)(iii) or (iii) the Term Loans are mandatorily assigned by a Lender that fails to consent to an amendment requiring the consent of all (or all affected) Lenders, the Borrower shall pay to the Administrative Agent, for the ratable account of each Lender holding any Term Loan (A) on or prior to the first anniversary of the Closing Date, a prepayment of 103% of the aggregate principal amount of the Term Loans prepaid or assigned, (B) on or prior to the date that is two years after the Closing Date but after the first anniversary of the Closing Date, a prepayment of 102% of the aggregate principal amount of the Term Loans prepaid or assigned, (C) on or prior to the date that is three years after the Closing Date but after the second anniversary of the Closing Date, a prepayment of 101% of the aggregate principal amount of the Term Loans prepaid or assigned and (D) after the third anniversary of the Closing Date, a prepayment of 100% of the aggregate principal amount of the Term Loans prepaid or assigned.

Section 2.13. *Mandatory Prepayments.*

(a) (i) Subject to clause (iv) of this Section 2.13(a), within five Business Days after the earlier of (x) 90 days after the end of each Excess Cash Flow Period and (y) the date on which financial statements have been delivered pursuant to Section 6.01(a) (commencing with the Excess Cash Flow Period ending December 31, 2014) and the related Compliance Certificate has been delivered pursuant to Section 6.02(a), the Borrower shall cause to be prepaid an aggregate principal amount of Term Loans in an amount equal to (A) the Applicable ECF Percentage of Excess Cash Flow, if any, for the Excess Cash Flow Period covered or required to have been covered by such financial statements minus (B) without duplication of any amount deducted from Consolidated Net Income in calculating Excess Cash Flow for such period, all voluntary prepayments of principal of First Lien Indebtedness to the extent secured by the Collateral on a pari passu or senior basis to the Obligations and, in the case of the First Lien Revolving Loans (to the extent accompanied by a permanent commitment reduction) Term Loans, Incremental Equivalent Debt (to the extent secured by the Collateral on a pari passu basis with the Initial Term Loans) and Permitted Second Priority Refinancing Debt during such Excess Cash Flow Period (including any voluntary prepayments or buybacks of Term Loans made pursuant to Section 10.04(m) or First Lien Term Loans made pursuant to Section 10.04(m) of the First Lien Credit Agreement, in each case, in an amount equal to (x) the discounted amount actually paid in respect of the principal amount of such Term Loans or First Lien Term Loans, as applicable (y) if the amount actually paid in respect of the principal amount of such Term Loans or First Lien Term Loans, as applicable is greater than par, the par amount) to the extent such prepayments are funded with Internally Generated Cash.

(ii) Subject to clause (iv) of this Section 2.13(a), if (1) any member of the Restricted Group Disposes of any property or assets (other than any Disposition of any property or assets permitted by Section 7.05(a), 7.05(b), 7.05(c), 7.05(d), 7.05(e), 7.05(g), 7.05(h), 7.05(l), 7.05(m) (except to the extent such property is subject to a Mortgage), 7.05(n) or 7.05(o)), or (2) any Casualty Event occurs, which results in the realization or receipt by any member of the Restricted Group of Net Proceeds, the Borrower shall cause to be prepaid on or prior to the date which is 10 Business Days after the date of the realization or receipt by any member of the Restricted Group of such Net Proceeds an aggregate principal amount of Term Loans in an amount equal to 100% of all Net Proceeds realized or received; *provided* that, if at the time that any such prepayment would be required, the Borrower is required to offer to repurchase Incremental Equivalent Debt that is secured on a pari passu basis with the Initial Term Loans or Permitted Second Priority Refinancing Debt (or any Permitted Refinancing thereof that is secured on a pari passu basis with the Initial Term Loans) pursuant to the terms of the documentation governing such Indebtedness with the net proceeds of such Disposition or Casualty Event (such Incremental Equivalent Debt, Permitted Second Priority Refinancing Debt (or Permitted Refinancing thereof) required to be offered to be so repurchased, “**Other Applicable Indebtedness**”), then the Borrower may apply such Net Proceeds on a pro rata basis (determined on the basis of the aggregate outstanding principal amount of the Term Loans and Other Applicable Indebtedness at such time; *provided* that the portion of such Net Proceeds allocated to the Other Applicable Indebtedness shall not exceed the amount of such Net Proceeds required to be allocated to the Other Applicable Indebtedness pursuant to the terms thereof, and the remaining amount, if any, of such Net Proceeds shall be allocated to the Term Loans in accordance with the terms hereof) to the prepayment of the Term Loans and to the repurchase of Other Applicable Indebtedness, and the amount of prepayment of the Term Loans that would have otherwise been required pursuant to this Section 2.13(a)(ii) shall be reduced

accordingly; *provided, further*, that to the extent the holders of Other Applicable Indebtedness decline to have such indebtedness repurchased (after giving effect to any requirement under the documentation for such Other Applicable Indebtedness to offer such declined payments to other holders of such Other Applicable Indebtedness prior to making such proceeds available to the Borrower), the declined amount shall promptly (and in any event within 10 Business Days after the date of such rejection) be applied to prepay the Term Loans in accordance with the terms hereof.

(iii) Subject to clause (iv) of this Section 2.13(a), if any member of the Restricted Group incurs or issues any Indebtedness after the Closing Date (other than Indebtedness permitted under Section 7.03 (other than clause (i) of Section 7.03(t) or clause (i) of Section 7.03(u)), the Borrower shall cause to be prepaid an aggregate principal amount of Term Loans in an amount equal to 100% of all Net Proceeds received therefrom on or prior to the date which is five Business Days after (or, in the case of Credit Agreement Refinancing Indebtedness, on the date of) the receipt by any member of the Restricted Group of such Net Proceeds.

(iv) Anything contained herein to the contrary notwithstanding, no mandatory prepayments of the Term Loans will be required prior to the First Lien Termination Date, except for any mandatory prepayment made, to the extent otherwise required to be paid hereunder, with Net Proceeds or Excess Cash Flow, as the case may be, consisting of amounts rejected by (A) lenders under the First Lien Credit Agreement, (B) lenders under any First Lien Incremental Equivalent Debt or (C) the holders of any Permitted Refinancing of Indebtedness described under the foregoing clauses (A) or (B), in each case constituting First Lien Indebtedness pursuant to equivalent provisions of the credit documents governing such Permitted Refinancing.

(b) Except as may otherwise be set forth in any Term Loan Extension Offer, any Refinancing Amendment or any Incremental Amendment, each prepayment of Term Loans pursuant to Section 2.13(a) shall be applied ratably to each Class of Term Loans then outstanding; *provided* that any prepayment of Term Loans pursuant to the parenthetical in Section 2.13(a)(iii) shall be applied solely to each applicable Class of Refinanced Debt.

(c) With respect to each Class of Term Loans, each prepayment pursuant to Section 2.13(a) shall be paid to the Lenders in accordance with their respective Pro Rata Shares, subject to Section 2.13(d). For the avoidance of doubt, this Section 2.13(c) is applicable to any prepayment made with the Net Proceeds of Indebtedness permitted under clause (i) of Section 7.03(t) or clause (i) of Section 7.03(u).

(d) The Borrower shall notify the Administrative Agent in writing of any mandatory prepayment of Term Loans required to be made pursuant to Section 2.13(a) at least three Business Days prior to the date of such prepayment. Each such notice shall specify the date of such prepayment and provide a reasonably detailed calculation of the amount of such prepayment. The Administrative Agent will promptly notify each applicable Lender of the contents of the Borrower's prepayment notice and of such Lender's Pro Rata Share or other applicable share of the prepayment. Each Term Lender may reject all of its Pro Rata Share or other applicable share of any mandatory prepayment (such declined amounts, the "**Declined**")

Proceeds) of Term Loans required to be made pursuant to Section 2.13(a) by providing written notice (each, a **“Rejection Notice”**) to the Administrative Agent and the Borrower no later than 5:00 p.m., New York City time, one Business Day after the date of such Lender’s receipt of notice from the Administrative Agent regarding such prepayment; *provided* that, for the avoidance of doubt, no Lender may reject any prepayment made (x) with proceeds of Indebtedness permitted under clause (i) of Section 7.03(t) or clause (i) of Section 7.03(u) or (y) pursuant to Section 2.13(a)(iii). If a Term Lender fails to deliver a Rejection Notice to the Administrative Agent within the time frame specified above, any such failure will be deemed an acceptance of the total amount of such mandatory prepayment of Term Loans unless the Borrower and the Administrative Agent agree to an extension of time for such failure to be corrected. Any Declined Proceeds shall be retained by the Borrower.

(e) *Funding Losses, Etc.* All prepayments under this Section 2.13 shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment and shall be made together with, in the case of any such prepayment of a Eurodollar Loan on a day prior to the last day of an Interest Period therefor, any amounts owing in respect of such Eurodollar Loan pursuant to Section 3.05. All prepayments under Section 2.13(a)(iii) shall be subject to Section 2.12(d) (to the extent applicable). Notwithstanding any of the other provisions of Section 2.13(a), so long as no Event of Default shall have occurred and be continuing, if any prepayment of Eurodollar Loans is required to be made under Section 2.13(a) prior to the last day of the Interest Period therefor, the Borrower may, in its sole discretion, deposit the amount of any such prepayment otherwise required to be made thereunder (including accrued interest to the last day of such Interest Period) into a Cash Collateral Account until the last day of such Interest Period, at which time the Administrative Agent shall be authorized (without any further action by or notice to or from the Borrower or any other Loan Party) to apply such amount to the prepayment of such Loans in accordance with this Section 2.13. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall also be authorized (without any further action by or notice to or from the Borrower or any other Loan Party) to apply such amount to the prepayment of the outstanding Loans in accordance with Section 2.13(a).

(f) *Foreign Dispositions; Foreign Excess Cash Flow.* Notwithstanding any other provisions of this Section 2.13, (A) to the extent that any of or all the Net Proceeds of any Disposition by a Foreign Subsidiary (**“Foreign Disposition”**) or Excess Cash Flow attributable to Foreign Subsidiaries are prohibited or delayed by applicable local law from being repatriated to the United States, the portion of such Net Proceeds or Excess Cash Flow so affected will not be required to be applied to repay Term Loans at the times provided in this Section 2.13 but may be retained by the applicable Foreign Subsidiary so long, but only so long, as the applicable local law will not permit repatriation to the United States (the Borrower hereby agrees to cause the applicable Foreign Subsidiary to promptly take all actions required by the applicable local law to permit such repatriation), and once such repatriation of any of such affected Net Proceeds or Excess Cash Flow is permitted under the applicable local law, such repatriation will be immediately effected and such repatriated Net Proceeds or Excess Cash Flow will be promptly (and in any event not later than two Business Days after such repatriation) applied (net of additional taxes payable or reserved against as a result thereof) to the repayment of the Term Loans pursuant to this Section 2.13 and (B) to the extent that the Borrower has determined in good faith that repatriation of any of or all the Net Proceeds of any Foreign Disposition or

Foreign Subsidiary Excess Cash Flow would cause material adverse tax consequences to the Borrower, such Net Proceeds or Excess Cash Flow so affected may be retained by the applicable Foreign Subsidiary; *provided* that, in the case of this clause (B), on or before the date on which any such Net Proceeds so retained would otherwise have been required to be applied to reinvestments or prepayments pursuant to Section 2.13(a) or any such Excess Cash Flow would have been required to be applied to prepayments pursuant to Section 2.13(a), the Borrower applies an amount equal to such Net Proceeds or Excess Cash Flow to such reinvestments or prepayments, as applicable, as if such Net Proceeds or Excess Cash Flow had been received by or was attributable to the Borrower rather than such Foreign Subsidiary, less the amount of additional taxes that would have been payable or reserved against if such Net Proceeds or Excess Cash Flow had been repatriated (or, if less, the Net Proceeds or Excess Cash Flow that would be calculated if received by such Foreign Subsidiary).

Section 2.14. *Pro Rata Treatment.*

(a) Subject to the express provisions of this Agreement which require, or permit, differing payment to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders and except as required under Section 3.02, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each reduction of the Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders of the applicable Class in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans); *provided* that the provisions of this Section 2.14 shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement, including (without limitation) in respect of any payment, assignment, sale or participation to Holdings or any of their respective Affiliates expressly permitted under Section 10.04. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole Dollar amount.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) *first*, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) *second*, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

Section 2.15. *Sharing of Setoffs.* If any Lender shall, by exercising any right of setoff or counterclaim (including pursuant to Section 10.06) or otherwise (including by exercise of its rights under the Collateral Documents), obtain payment in respect of any principal of or interest on any of its Term Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Term Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Term Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Term Loans;

provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this Section 2.15 shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Term Loans to any Eligible Assignee or participant, other than to Holdings or any of their respective Subsidiaries or any Affiliates thereof (as to which the provisions of this Section 2.15 shall apply). Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Legal Requirements, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation. If under applicable Insolvency Law any Secured Party receives a secured claim in lieu of a setoff or counterclaim to which this Section 2.15 applies, such Secured Party shall to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights to which the Secured Party is entitled under this Section 2.15 to share in the benefits of the recovery of such secured claim.

Section 2.16. *Payments.*

(a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees, or of amounts payable under Section 3.01, 3.04 or 3.05, or otherwise) on or before the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 1:00 p.m., New York City time), on the date when due, in immediately available funds, without setoff, deduction or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 520 Madison Avenue, New York, New York 10022 Attention: Surgery Partners Account Manager. The Administrative Agent shall distribute any such payments received by it for the account of any other person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, unless specified otherwise, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in Dollars.

(b) Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules or practices on interbank compensation.

(c) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.02(c), 2.16(b), 2.17(d), 2.17(e) or 10.05(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.17. [Reserved].

Section 2.18 *Defaulting Lenders*. Anything contained herein to the contrary notwithstanding, in the event that any Lender becomes a Defaulting Lender, then (i) during any Default Period (as defined below) with respect to such Defaulting Lender, such Defaulting Lender shall be deemed not to be a "Lender", and the amount of such Defaulting Lender's Term Loan Commitments and Term Loans shall be excluded for purposes of voting, and the calculation of voting, on any matters (including the granting of any consents or waivers) with respect to any of the Loan Documents, except that the amount of such Defaulting Lender's Term Loan Commitments and Term Loans shall be included for purposes of voting, and the calculation of voting, on the matters set forth in Section 10.02(b)(i) through 10.02(b)(ix) (including the granting of any consents or waivers) only to the extent that any such matter disproportionately affects such Defaulting Lender; and (ii) to the extent permitted by applicable Legal Requirements, until such time as the Default Excess (as defined below) with respect to such Defaulting Lender shall have been reduced to zero, (A) any voluntary prepayment of the Loans pursuant to Section 2.10(a) shall, if the Borrower so directs at the time of making such voluntary prepayment, be applied to the Loans of other Lenders in accordance with Section 2.10(a) as if such Defaulting Lender had no Loans outstanding, and (B) any mandatory prepayment of the Loans pursuant to Section 2.10 shall, if the Borrower so directs at the time of making such mandatory prepayment, be applied to the Loans (but not to the Loans of such Defaulting Lender) in accordance with Section 2.10, it being understood and agreed that the Borrower shall be entitled to retain any portion of any mandatory prepayment of the Loans that is not paid to such Defaulting Lender solely as a result of the operation of the provisions of this clause (B).

No amount of the Commitment of any Lender shall be increased or otherwise affected, and, except as otherwise expressly provided in Section 2.16(c), performance by the Borrower of its obligations under this Agreement and the other Loan Documents shall not be excused or otherwise modified, as a result of any Funding Default or the operation of Section 2.16(c). The rights and remedies against a Defaulting Lender under Section 2.16(c) are in addition to other rights and remedies that the Borrower may have against such Defaulting Lender with respect to any Funding Default and that the Administrative Agent or any Lender may have against such Defaulting Lender with respect to any Funding Default.

The Borrower may terminate the unused amount of the Commitment of a Defaulting Lender upon not less than 10 Business Days' prior notice to the Administrative Agent (which will promptly notify the Lenders thereof), and in such event the provisions of Section 2.14 will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts); *provided*, that such termination will not be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent or any non-Defaulting Lender may have against such Defaulting Lender.

Section 2.19. *Incremental Credit Extensions.*

(a) The Borrower may at any time or from time to time after the Syndication Date, by notice to the Administrative Agent (whereupon the Administrative Agent shall promptly make a copy of such notice available to each of the Lenders), request one or more additional tranches or, in consultation with the Administrative Agent, additions to an existing tranche of term loans (the “**Incremental Term Loans**”); *provided* that (i) after giving effect to the making of such Incremental Term Loans, the aggregate principal amount of all Incremental Term Loans incurred pursuant to this Section 2.19 (together with any Incremental Equivalent Debt incurred pursuant to Section 7.03(s) after the Closing Date, any First Lien Incremental Loans and any First Lien Incremental Equivalent Debt) shall not exceed (x) \$100,000,000 plus (y) an unlimited additional amount, so long as on a Pro Forma Basis after the incurrence of such Incremental Term Loans, the Senior Secured Leverage Ratio as of the last day of the most recently ended Test Period does not exceed 7.35:1.00 (it being understood that any Incremental Loan may be incurred under clause (y) regardless of whether there is capacity under clause (x)); *provided, further*, that the Borrower shall have delivered a certificate of a Responsible Officer to the effect set forth above, as applicable, together with reasonably detailed calculations demonstrating compliance with the above (which calculations shall, if made as of the last day of any fiscal quarter of the Borrower for which the Borrower has not delivered to the Administrative Agent the financial statements and Compliance Certificate required to be delivered by Section 6.01(a) or 6.01(b) and Section 6.02(a), respectively, be accompanied by a reasonably detailed calculation of Consolidated EBITDA for the relevant period); *provided, further*, that for purposes of the calculation of the Senior Secured Leverage Ratio used in determining the availability of Incremental Term Loans under this Section 2.19(a), any cash proceeds of any Incremental Term Loans will not be netted for purposes of determining compliance with the Senior Secured Leverage Ratio. Each tranche of Incremental Term Loans shall be in an aggregate principal amount that is not less than \$5,000,000 and shall be in an increment of \$1,000,000 (*provided* that such amount may be less than \$5,000,000 if such amount represents all remaining availability under the limit set forth in the preceding sentence).

(b) The following terms shall apply to any Incremental Term Loans established pursuant to an Incremental Amendment: (i) such Incremental Term Loans (A) shall rank *pari passu* in right of payment with all other Term Loans, (B) shall be secured by the Collateral on a *pari passu* or junior basis with all other Term Loans, (C) shall not be guaranteed by any person other than a Guarantor and (D) shall not be secured by any assets other than the Collateral, (ii) the maturity date of such Incremental Term Loans shall not be earlier than the Original Term Loan Maturity Date, (iii) [Reserved], (iv) any Incremental Term Loans may participate on a *pro rata* basis or on a less than *pro rata* basis (but not on a greater than *pro rata* basis) in any voluntary or mandatory prepayments hereunder, as specified in the applicable Incremental Amendment, (v) no scheduled amortization shall be applicable to any Incremental Term Loan, (vi) the applicable all-in yield relating to any Incremental Term Loans incurred pursuant to such Incremental Amendment (each facility thereunder, an “**Incremental Facility**”), if such Incremental Term Loans are secured on a *pari passu* basis with all other Term Loans, shall not

exceed the all-in yield applicable to the Initial Term Loans by more than 0.50% *per annum* unless the all-in yield applicable to the Initial Term Loans is increased so that the all-in yield applicable to the applicable Incremental Facility does not exceed the all-in yield applicable to the Initial Term Loans by more than 0.50% *per annum*; *provided* that, in determining the all-in yield applicable to the Initial Term Loans and the applicable Incremental Facility, (A) original issue discount (“**OID**”) or upfront fees (which shall be deemed to constitute like amounts of **OID**) payable by the Borrower to the Lenders of the Initial Term Loans or the applicable Incremental Facility in the primary syndication thereof shall be included (with **OID** being equated to interest based on an assumed four-year life to maturity or, if less, the remaining life to maturity of the applicable Incremental Facility), (B) structuring, arrangement, commitment or other similar fees, in each case not shared with all lenders providing the Initial Term Loans or the applicable Incremental Facility, shall be excluded and (C) if the Adjusted LIBO Rate in respect of such Incremental Facility includes a floor in excess of 1.00%, or the Alternate Base Rate in respect of such Incremental Facility includes a floor in excess of 2.00%, such excess shall be equated to interest margin for purposes of determining any increase to the applicable all-in yield under the Initial Term Loans and any increase in the all-in yield applicable to the Initial Term Loans required due to the application of such floor on any Incremental Facility shall be effected solely through an increase in (or implementation of, as applicable) such floor in respect of the Initial Term Loans, (vii) subject to clause (vi) above, any fees payable in connection with any such Incremental Term Loan shall be determined by the Borrower and the arrangers providing for such Incremental Term Loan and (viii) except as otherwise required or permitted above, all other terms of such Incremental Term Loans, if not consistent with the terms of the existing Term Loan, as the case may be, shall be reasonably satisfactory to the Administrative Agent (it being understood that, to the extent any financial maintenance covenant is added for the benefit of any Incremental Term Loan, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of each Term Loan); *provided* that any Incremental Term Loan Facility secured on a junior basis to all other Term Loans shall be subject to the Intercreditor Agreement and the Third Lien Intercreditor Agreement.

(c) Each notice from the Borrower pursuant to this Section 2.19 shall set forth (i) the requested amount and proposed terms of the relevant Incremental Term Loans and (ii) the date on which the relevant increase is requested to become effective. Incremental Term Loans may be made by any existing Lender (but no existing Lender shall have any obligation to make any Incremental Term Loan, except to the extent that it has agreed to do so pursuant to an Incremental Amendment) or by any other Additional Lender (the Term Lenders or Additional Lenders making such Incremental Term Loans, collectively, the “**Incremental Lenders**”). Commitments in respect of Incremental Term Loans shall become Commitments under this Agreement pursuant to an amendment (an “**Incremental Amendment**”) to this Agreement and, as appropriate, the other Loan Documents, executed by the Borrower, each Incremental Lender and the Administrative Agent. Subject to this Section 2.19, the Incremental Amendment shall be on the terms and pursuant to documentation to be determined by the Borrower and the Incremental Lenders providing the relevant Incremental Terms Loans. The effectiveness of any Incremental Amendment shall be subject to the satisfaction on the date thereof of each of the conditions set forth in Section 4.01 (and for purposes thereof, the making of the Incremental Term Loans shall be deemed to be a Request for Credit Extension) and, to the extent reasonably requested by the Administrative Agent, receipt by the Administrative Agent of customary legal

opinions, board resolutions and officers' certificates, in each case consistent with those delivered on the Closing Date under Section 4.02 (other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel's form of opinion reasonably satisfactory to the Administrative Agent), and customary reaffirmation agreements; *provided* that, with respect to any incurrence of an Incremental Facility to finance a Permitted Acquisition or other Investment permitted by this Agreement, the conditions to the availability or borrowing of such Incremental Facility set forth in clauses (a) and (b) of Section 4.01 may be waived by the Lenders holding a majority in principal amount under such Incremental Facility without the consent of any other Lender; *provided, further*, that the accuracy of the Specified Representations may not be waived without the consent of the Required Lenders. The Borrower will use the proceeds of the Incremental Term Loans for any purpose not prohibited by this Agreement. No Lender shall be obligated to provide any Incremental Term Loans unless it so agrees.

(d) Any Incremental Amendment may, without the consent of any Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the terms thereof, to the extent such terms are permitted under this Section 2.19. Notwithstanding the foregoing, each of the Administrative Agent and the Collateral Agent shall have the right (but not the obligation) to seek the advice or concurrence of the Required Lenders with respect to any matter contemplated by this Section 2.19 and, if either the Administrative Agent or the Collateral Agent seeks such advice or concurrence, it shall be permitted to enter into such amendments with the Borrower in accordance with any instructions actually received by such Required Lenders and shall also be entitled to refrain from entering into such amendments with the Borrower unless and until it shall have received such advice or concurrence; *provided, however*, that whether or not there has been a request by the Administrative Agent or the Collateral Agent for any such advice or concurrence, all such amendments entered into with the Borrower by the Administrative Agent or the Collateral Agent hereunder shall be binding and conclusive on the Lenders.

(e) This Section 2.19 shall supersede any provisions in Section 2.14, 2.15 or 10.08 to the contrary.

Section 2.20. *Refinancing Amendments.*

(a) At any time after the Closing Date, the Borrower may obtain, from any Lender or any Additional Lender, Credit Agreement Refinancing Indebtedness in respect of all or any portion of the Term Loans (each new term facility, a "**Refinancing Term Facility**" or "**Refinancing Facilities**") then outstanding under this Agreement (which for purposes of this Section 2.20(a) will be deemed to include any then outstanding Other Loans, Incremental Term Loans or Extended Term Loans), in the form of Other Loans or Other Commitments pursuant to a Refinancing Amendment; *provided* that (A) such Credit Agreement Refinancing Indebtedness will rank pari passu in right of payment and of security with the other Loans and Commitments hereunder, (B) such Credit Agreement Refinancing Indebtedness will have such pricing and optional prepayment terms as may be agreed by the Borrower and the Lenders thereof (*provided* that any Refinancing Term Facility may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments

hereunder, as specified in the applicable Refinancing Amendment), (C) such Credit Agreement Refinancing Indebtedness will have a maturity date later than the maturity date of, and will have a Weighted Average Life to Maturity that is not shorter than, the Loans or Commitments being refinanced, (D) subject to clauses (B) and (C) above, such Credit Agreement Refinancing Indebtedness will have terms and conditions (other than pricing, fees, rate floors and optional prepayment or redemption terms) that are substantially identical to, or less favorable to the lenders or investors providing such Credit Agreement Refinancing Indebtedness than, the Loans or Commitments being refinanced, (E) the proceeds of such Credit Agreement Refinancing Indebtedness shall be applied, substantially concurrently with the incurrence thereof, to the prepayment of outstanding Loans or Commitments being so refinanced, (F) if any such Refinancing Facility is secured, it shall not be secured by any assets other than the Collateral and (G) if any such Refinancing Facility is guaranteed, it shall not be guaranteed by any person other than the Guarantors; *provided, further*, that the terms and conditions applicable to such Credit Agreement Refinancing Indebtedness may provide for any additional or different financial or other covenants or other provisions that are agreed between the Borrower and the lenders thereof and applicable only during periods after the then Latest Maturity Date; *provided, further*, that to the extent any financial maintenance covenant is added for the benefit of a Refinancing Term Facility, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of Term Loans remaining outstanding after the incurrence or issuance of such Refinancing Term Facility. The effectiveness of any Refinancing Amendment shall be subject to the satisfaction on the date thereof of each of the conditions set forth in Section 4.01 (and for purposes thereof the incurrence of the Credit Agreement Refinancing Indebtedness shall be deemed to be a Request for Credit Extension) and, to the extent reasonably requested by the Administrative Agent, receipt by the Administrative Agent of customary legal opinions, board resolutions and officers' certificates, in each case consistent with those delivered on the Closing Date under Section 4.02 (other than changes to such legal opinions resulting from a change in law, change in fact or change to counsel's form of opinion reasonably satisfactory to the Administrative Agent), and customary reaffirmation agreements. Each Class of Credit Agreement Refinancing Indebtedness incurred under this Section 2.20(a) shall be in an aggregate principal amount that is (x) not less than \$20,000,000 and (y) an integral multiple of \$1,000,000 in excess thereof. The Administrative Agent shall promptly notify each Lender as to the effectiveness of each Refinancing Amendment.

(b) Each of the parties hereto hereby agrees that this Agreement and the other Loan Documents may be amended pursuant to a Refinancing Amendment, without the consent of any other Lenders, to the extent (but only to the extent) necessary to (i) reflect the existence and terms of the Credit Agreement Refinancing Indebtedness incurred pursuant thereto and (ii) effect such other amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.20, and the Required Lenders hereby expressly authorize the Administrative Agent to enter into any such Refinancing Amendment. Without limiting the foregoing, in connection with any Refinancing Amendment, the respective Loan Parties shall (at their expense) amend (and the Collateral Agent is hereby directed to amend) any Mortgage that has a maturity date prior to the Latest Maturity Date after giving effect to such Refinancing Amendment so that such maturity date is extended to the then Latest Maturity Date (or such later date as may be advised by local counsel to the Collateral Agent).

(c) This Section 2.20 shall supersede any provisions in Section 2.14, 2.15 or 10.08 to the contrary.

Section 2.21. *Extension of Loans.*

(a) Notwithstanding anything to the contrary in this Agreement, pursuant to one or more offers (each, a “**Term Loan Extension Offer**”) made from time to time by the Borrower to all Lenders of a Class of Term Loans with a like Term Loan Maturity Date on a pro rata basis (based on the aggregate outstanding principal amount of the respective Term Loans of such Class with the same Term Loan Maturity Date) and on the same terms to each such Term Lender, the Borrower may from time to time with the consent of any Term Lender that shall have accepted such offer extend the maturity date of any Term Loans and otherwise modify the terms of such Term Loans of such Term Lender pursuant to the terms of the relevant Extension Offer (including, without limitation, by increasing the interest rate or fees payable in respect of such Term Loans and/or modifying the amortization schedule in respect of such Term Loans) (each, a “**Term Loan Extension**”, and each group of Term Loans as so extended, as well as the group of original Term Loans not so extended, being a “**tranche**”; any Extended Term Loans shall constitute a separate tranche of Term Loans from the tranche of Term Loans from which they were converted and a separate Class of Term Loans), so long as the following terms are satisfied: (i) no Default shall exist at the time the notice in respect of an Extension Offer is delivered to the Term Lenders, and no Default shall exist immediately prior to or after giving effect to the effectiveness of any Extended Term Loans, (ii) except as to interest rates, fees, amortization, final maturity date, premium, required prepayment dates and participation in prepayments (which shall, subject to immediately succeeding clauses (iii), (iv) and (v), be determined by the Borrower and set forth in the relevant Extension Offer), the Term Loans of any Term Lender extended pursuant to any Extension (“**Extended Term Loans**”) shall have the same terms as the tranche of Term Loans subject to such Extension Offer, (iii) the final maturity date of any Extended Term Loans shall be no earlier than the then Latest Maturity Date and the amortization schedule applicable to Term Loans pursuant to Section 2.11(a) for periods prior to the Original Term Loan Maturity Date may not be increased, (iv) the Weighted Average Life to Maturity of any Extended Term Loans shall be no shorter than the remaining Weighted Average Life to Maturity of the Term Loans intended to be extended thereby, (v) any Extended Term Loans may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments hereunder, as specified in the applicable Extension Offer, (vi) if the aggregate principal amount of Term Loans (calculated on the face amount thereof) in respect of which Term Lenders shall have accepted the relevant Extension Offer shall exceed the maximum aggregate principal amount of Term Loans offered to be extended by the Borrower pursuant to such Extension Offer, then the Term Loans of such Term Lenders shall be extended ratably up to such maximum amount based on the respective principal amounts (but not to exceed actual holdings of record) with respect to which such Term Lenders have accepted such Extension Offer, (vii) all documentation in respect of such Extension shall be consistent with the foregoing, and (viii) any applicable Minimum Extension Condition shall be satisfied unless waived by the Borrower.

(b) [Reserved].

(c) With respect to all Extensions consummated by the Borrower pursuant to this Section 2.21, (i) such Extensions shall not constitute voluntary or mandatory payments or prepayments for purposes of Section 2.12, 2.13 or 2.15 and (ii) no Extension Offer is required to be in any minimum amount or any minimum increment; *provided* that the Borrower may at its election specify as a condition (a “**Minimum Extension Condition**”) to consummating any such Extension that a minimum amount (to be determined and specified in the relevant Extension Offer in the Borrower’s sole discretion and may be waived by the Borrower) of Loans or Commitments of any or all applicable Classes be tendered. The Administrative Agent and the Lenders hereby consent to the Extensions and the other transactions contemplated by this Section 2.21 (including, for the avoidance of doubt, payment of any interest, fees or premium in respect of any Extended Term Loans on such terms as may be set forth in the relevant Extension Offer) and hereby waive the requirements of any provision of this Agreement (including, without limitation, Sections 2.12, 2.13, 2.14 and 2.15) or any other Loan Document that may otherwise prohibit any such Extension or any other transaction contemplated by this Section 2.21.

(d) Each of the parties hereto hereby (A) agrees that this Agreement and the other Loan Documents may be amended to give effect to each Extension (an “**Extension Amendment**”), without the consent of any other Lenders, to the extent (but only to the extent) necessary to (i) reflect the existence and terms of the Extended Term Loans incurred pursuant thereto, (ii) modify the scheduled repayments set forth in Section 2.11 with respect to any Class of Term Loans subject to an Extension to reflect a reduction in the principal amount of the Term Loans thereunder in an amount equal to the aggregate principal amount of the Extended Term Loans amended pursuant to the applicable Extension (with such amount to be applied ratably to reduce scheduled repayments of such Term Loans required pursuant to Section 2.11), (iii) modify the prepayments set forth in Sections 2.12 and 2.13 to reflect the existence of the Extended Term Loans and the application of prepayments with respect thereto and (iv) effect such other amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and the Borrower, to effect the provisions of this Section 2.21, and the Required Lenders hereby expressly and irrevocably, for the benefit of all parties hereto, authorize the Administrative Agent to enter into any such Extension Amendment and (B) consent to the transactions contemplated by this Section 2.21 (including, for the avoidance of doubt, payment of interest, fees or premiums in respect of any Extended Term Loans on such terms as may be set forth in the relevant Extension Amendment). Without limiting the foregoing, in connection with any Extension, the respective Loan Parties shall (at their expense) amend (and the Collateral Agent is hereby directed to amend) any Mortgage that has a maturity date prior to the then Latest Maturity Date so that such maturity date is extended to the Latest Maturity Date after giving effect to such Extension (or such later date as may be advised by local counsel to the Collateral Agent).

(e) In connection with any Extension, the Borrower shall provide the Administrative Agent at least five Business Days’ (or such shorter period as may be agreed by the Administrative Agent) prior written notice thereof, and shall agree to such procedures, if any, as may be established by, or acceptable to, the Administrative Agent, in each case acting reasonably to accomplish the purposes of this Section 2.21.

(f) This Section 2.21 shall supersede any provisions in Section 2.14, 2.15 or 10.08 to the contrary.

ARTICLE 3
TAXES, INCREASED COSTS PROTECTION AND ILLEGALITY

Section 3.01. *Taxes.*

(a) Except as provided in this Section 3.01, any and all payments made by or on account of the Borrower or any Guarantor under any Loan Document to any Lender or any Agent shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, assessments, withholdings (including backup withholding), fees or similar charges imposed by any Governmental Authority including interest, penalties and additions to tax (collectively “**Taxes**”), excluding (i) Taxes imposed on or measured by net income, however denominated, and franchise (and similar) Taxes imposed on it in lieu of net income Taxes, in each case, imposed as a result of a Lender or Agent being organized under the laws of, having its principal office in, or relevant office for receiving payments from or on account of the Borrower or making funds available to or for the benefit of the Borrower located in, the jurisdiction imposing such Tax (or any political subdivision thereof), (ii) Taxes attributable to the failure by the relevant Lender or Agent to deliver the documentation required to be delivered pursuant to clause (d) of this Section 3.01, (iii) Taxes imposed by a jurisdiction as a result of any connection between such Lender or Agent and such jurisdiction other than any connection arising from executing, delivering, being a party to, engaging in any transactions pursuant to, performing its obligations under, or enforcing any Loan Document, (iv) any branch profits Taxes imposed by the United States or any similar Tax imposed by any other jurisdiction in which the Borrower or any Guarantor (as appropriate) is located, or in which the Agent’s or Lender’s principal office is located or in which its relevant office for receiving payments from or on account of the Borrower or making funds available to or for the benefit of the Borrower is located, (v) any U.S. federal withholding tax that is (or would be) required to be withheld on amounts payable hereunder pursuant to a law in effect at such time the Lender or Agent becomes a party to this Agreement (other than pursuant to an assignment request by the Borrower under Section 3.07), or designates a new office for receiving payments by or on account of the Borrower or making funds available to or for the benefit of the Borrower, except in each case to the extent such Lender (or its assignor, if any) was entitled at the time of designation of a new lending office (or assignment) to receive additional amounts with respect to such withholding tax pursuant to this Section 3.01 and (vi) any tax to the extent imposed as a result of a Lender or Agent’s (A) failure to comply with the applicable requirements of FATCA in such a way to reduce such tax to zero or (B) election under Section 1471(b)(3) of the Code (all such non-excluded Taxes imposed on such payments, being hereinafter referred to as “**Indemnified Taxes**”). If the Borrower, any Guarantor or other applicable withholding agent shall be required by any Laws to deduct any Indemnified Taxes or Other Taxes (as defined below) from or in respect of any sum payable under any Loan Document to any Agent or any Lender, (i) the applicable withholding agent shall deduct, and the sum payable by the Borrower or Guarantor shall be increased, as necessary, so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.01), such Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable withholding agent shall make such deductions, (iii) the applicable withholding agent shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment (or, if receipts or evidence are not available within 30 days, as soon as possible

thereafter), if the Borrower or any Guarantor is the applicable withholding agent, the applicable withholding agent shall furnish to such Agent or Lender (as the case may be) the original or a copy of a receipt evidencing payment thereof or other evidence acceptable to such Agent or Lender.

(b) In addition, the Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise, property, intangible or mortgage recording taxes, or charges or levies of the same character, imposed by any Governmental Authority, which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (including additions to tax, penalties and interest related thereto) excluding in each case, such amounts that result from an Agent or Lender's Assignment and Acceptance, grant of a Participation, transfer or assignment to or designation of a new applicable lending office or other office for receiving prepayments under any Loan Document (collectively, "**Assignment Taxes**") except for Assignment Taxes resulting from assignments or participations that are requested or required in writing by the Borrower (all such non-excluded taxes described in this Section 3.01(b) being hereinafter referred to as "**Other Taxes**").

(c) The Borrower and each Guarantor agree to indemnify each Agent and each Lender for (i) the full amount of Indemnified Taxes and Other Taxes paid by such Agent or Lender and (ii) any expenses arising therefrom or with respect thereto, provided such Agent or Lender, as the case may be, provides the Borrower with a written statement thereof setting forth in reasonable detail the basis and calculation of such amounts. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent) or by an Agent (on its own behalf or on behalf of a Lender) shall be conclusive absent manifest error.

(d) Each Lender and Agent shall, at such times as are reasonably requested by the Borrower or the Administrative Agent, provide the Borrower and the Administrative Agent with any documentation prescribed by Law certifying as to any entitlement of such Lender or Agent to an exemption from, or reduction in, withholding tax with respect to any payments to be made to such Lender under the Loan Documents. Each such Lender and Agent shall, whenever a lapse in time, a change in law, or change in circumstances renders any previously delivered documentation obsolete or inaccurate in any material respect, deliver promptly to the Borrower and the Administrative Agent updated or other appropriate documentation (including any new documentation reasonably requested by the applicable withholding agent) or promptly notify the Borrower and the Administrative Agent of its inability to do so. Unless the applicable withholding agent has received forms or other documents satisfactory to it indicating that payments under any Loan Document to or for a Lender are not subject to withholding tax or are subject to such Tax at a rate reduced by an applicable tax treaty, the Borrower, the Administrative Agent or other applicable withholding agent shall withhold amounts required to be withheld by applicable Law from such payments at the applicable statutory rate. Notwithstanding the foregoing, a Lender shall not be required to deliver any form pursuant to this clause (d) that such Lender is not legally able to deliver (other than the forms under Section 3.01(d)(i) below). Without limiting the foregoing:

(i) Each Lender and Agent that is a United States person (as defined in Section 7701(a)(30) of the Code) shall deliver to the Borrower and the Administrative Agent on or before the date on which it becomes a party to this Agreement two properly completed and duly signed original copies of Internal Revenue Service Form W-9 certifying that such Lender or Agent (as the case may be) is exempt from federal backup withholding; *provided, however*, that if such Lender or Agent is a disregarded entity for U.S. federal income tax purposes, it shall provide the appropriate withholding form of its owner (together with appropriate supporting documentation).

(ii) Each Lender and Agent that is not a United States person (as defined in Section 7701(a)(30) of the Code) shall deliver to the Borrower and the Administrative Agent on or before the date on which it becomes a party to this Agreement whichever of the following is applicable:

(A) two properly completed and duly signed original copies of Internal Revenue Service Form W-8BEN (or any successor forms) claiming eligibility for the benefits of an income tax treaty to which the United States is a party, and such other documentation as required under the Code,

(B) two properly completed and duly signed original copies of Internal Revenue Service Form W-8ECI (or any successor forms) and, in the case of an Agent that is not a United States person, a withholding certificate that satisfies the requirements of Treasury Regulation Sections 1.1441-1(b)(2)(iv) and 1.1441-1(e)(3)(v) as applicable to a U.S. branch that has agreed to be treated as a U. S. person for withholding tax purposes,

(C) in the case of a Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (A) a certificate substantially in the form of Exhibit G-1, G-2, G-3 or G-4, as applicable (any such certificate a “**United States Tax Compliance Certificate**”) and (B) two properly completed and duly signed original copies of Internal Revenue Service Form W-8BEN, or

(D) to the extent a Lender is not the beneficial owner (for example, where the Lender is a partnership, or is a participant holding a participation granted by a participating Lender), Internal Revenue Service Form W-8IMY (or any successor forms) of the Lender, accompanied by a Form W-8ECI, W-8BEN, United States Tax Compliance Certificate, Form W-9, Form W-8IMY or any other required information from each beneficial owner, as applicable (*provided* that, if one or more beneficial owners are claiming the portfolio interest exemption, the United States Tax Compliance Certificate may be provided by such Lender on behalf of such beneficial owner).

(E) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative

Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (E), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender and Agent shall deliver to the Borrower and the Administrative Agent two further original copies of any previously delivered form or certification (or any applicable successor form) on or before the date that any such form or certification expires or becomes obsolete or inaccurate and promptly after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower or the Administrative Agent, or promptly notify the Borrower and the Administrative Agent that it is unable to do so. Each Lender and Agent shall promptly notify the Administrative Agent at any time it determines that it is no longer in a position to provide any previously delivered form or certification to the Borrower or the Administrative Agent.

(e) Any Lender or Agent claiming any additional amounts payable pursuant to this Section 3.01 shall use its reasonable efforts to change the jurisdiction of its lending office (or take any other measures reasonably requested by the Borrower) if such a change or other measures would reduce any such additional amounts (or any similar amount that may thereafter accrue) and would not, in the sole determination of such Lender, result in any unreimbursed cost or expense or be otherwise materially disadvantageous to such Lender; provided that all costs relating to such change or other measures shall be borne by the Borrower.

(f) If any Lender or Agent determines, in its sole discretion, that it has received a refund in respect of any Indemnified Taxes or Other Taxes as to which indemnification or additional amounts have been paid to it by the Borrower or Guarantor pursuant to this Section 3.01, it shall promptly remit such refund to the Borrower or Guarantor, net of all out-of-pocket expenses of the Lender or Agent, as the case may be and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund net of any Taxes payable by any Agent or Lender on such interest); *provided* that the Borrower and Guarantors, upon the request of the Lender or Agent, as the case may be, agree promptly to return such refund (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such party in the event such party is required to repay such refund to the relevant Governmental Authority. Notwithstanding anything to the contrary in this paragraph (f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of such amount would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to Taxes that it deems confidential) to the Borrower or any other person.

(g) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes and Other Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes or Other Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.04(f) relating to the maintenance of a Participant Register and (iii) any Taxes excluded from the definition of Indemnified Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (g).

(h) Each party's obligations under this Section 3.01 shall survive any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

Section 3.02. *Illegality.* If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain or fund Eurodollar Loans, or to determine or charge interest rates based upon the LIBO Rate, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Loans or to convert ABR Loans to Eurodollar Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all applicable Eurodollar Loans of such Lender to ABR Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Loans to such day, or promptly, if such Lender may not lawfully continue to maintain such Eurodollar Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted and all amounts due, if any, in connection with such prepayment or conversion under Section 3.05. Each Lender agrees to designate a different lending office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

Section 3.03. [Reserved].

Section 3.04. *Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Loans.*

(a) If any Lender reasonably determines that as a result of the introduction of or any change in or in the interpretation of any Law, in each case after the Closing Date, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Eurodollar Loans, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this Section 3.04(a) any such increased costs or reduction in amount resulting from (i) Indemnified Taxes or Other Taxes covered by Section 3.01, or any Taxes excluded from the definition of Indemnified Taxes under exception (iii) thereof to the extent such Taxes are imposed on or measured by net income or profits or are franchise taxes (imposed in lieu of the foregoing taxes) or any Taxes excluded from the definition of Indemnified Taxes under exceptions (i), (ii), (iv), (v) or (vi) thereof or (ii) reserve requirements contemplated by Section 3.04(c) or reflected in the Adjusted LIBO Rate) and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligations to make any Loan) or to reduce the amount of any sum received or receivable by such Lender, then from time to time within 15 days after demand by such Lender setting forth in reasonable detail such increased costs (with a copy of such demand to the Administrative Agent given in accordance with Section 3.06), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender determines that the introduction of any Law regarding capital adequacy or liquidity or any change therein or in the interpretation thereof, in each case after the Closing Date, or compliance by such Lender (or its lending office) therewith, has the effect of reducing the rate of return on the capital of such Lender or any entity controlling such Lender as a consequence of its obligations hereunder (taking into consideration its policies with respect to capital adequacy and liquidity and its desired return on capital), then from time to time upon demand of such Lender setting forth in reasonable detail the charge and the calculation of such reduced rate of return (with a copy of such demand to the Administrative Agent given in accordance with Section 3.06), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender or controlling entity for such reduction within 15 days after receipt of such demand.

(c) Except to the extent already reflected in the Adjusted LIBO Rate, the Borrower shall pay to each Lender, (i) as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurodollar funds or deposits, additional interest on the unpaid principal amount of each applicable Eurodollar Loan of the Borrower equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive in the absence of manifest error), and (ii) as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of any Eurodollar Loans of the Borrower, such additional costs (expressed as a percentage *per annum* and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Commitment or Loan by such Lender (as determined by such Lender in good

faith, which determination shall be conclusive absent manifest error) which in each case shall be due and payable on each date on which interest is payable on such Loan; *provided* that the Borrower shall have received at least 15 days' prior notice (with a copy to the Administrative Agent) of such additional interest or cost from such Lender. If a Lender fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest or cost shall be due and payable 15 days from receipt of such notice.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 3.04 shall not constitute a waiver of its right to demand such compensation.

(e) If any Lender requests compensation under this Section 3.04, then such Lender will, if requested by the Borrower, use commercially reasonable efforts to designate another lending office for any Loan affected by such event; *provided* that such efforts are made on terms that, in the reasonable judgment of such Lender, cause such Lender and its lending office(s) to suffer no material economic, legal or regulatory disadvantage; *provided, further*, that nothing in this Section 3.04(e) shall affect or postpone any of the Obligations of the Borrower or the rights of such Lender pursuant to Section 3.04(a), 3.04(b), 3.04(c) or 3.04(d).

Section 3.05. *Funding Losses.* Upon written demand of any Lender (with a copy to the Administrative Agent) from time to time, which demand shall set forth in reasonable detail the basis for requesting such amount, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense actually incurred by it as a result of:

(i) any continuation or conversion of any Eurodollar Loan of the Borrower on a day prior to the last day of the Interest Period for such Loan, or any payment or prepayment of any Eurodollar Loan of the Borrower on a day prior to the last day of the Interest Period for such Loan; or

(ii) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Eurodollar Loan of the Borrower on the date or in the amount notified by the Borrower;

including, to the extent applicable, an amount equal to the excess, as reasonably determined by such Lender, of (1) its cost of obtaining funds for the Eurodollar Loan that is the subject of such event for the period from the date of such event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (2) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such event for such period, but excluding loss of anticipated profits or margin.

Section 3.06. *Matters Applicable to all Requests for Compensation.*

(a) Any Agent or any Lender claiming compensation under this Article 3 shall deliver a certificate to the Borrower setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Agent or such Lender may use any reasonable averaging and attribution methods.

(b) With respect to any Lender's claim for compensation under Section 3.01, 3.02 or 3.04, the Borrower shall not be required to compensate it for any amount incurred more than 180 days prior to the date that it notifies the Borrower of the event that gives rise to such claim; *provided* that, if the circumstance giving rise to such claim is retroactive, then such 180-day period referred to above shall be extended to include the period of retroactive effect thereof. If any Lender requests compensation by the Borrower under Section 3.04, the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue from one Interest Period to another any applicable Eurodollar Loan, or, if applicable, to convert ABR Loans into Eurodollar Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.06(c) shall be applicable); *provided* that such suspension shall not affect the right of such Lender to receive the compensation so requested.

(c) If the obligation of any Lender to make or continue any Eurodollar Loan, or to convert ABR Loans into Eurodollar Loans shall be suspended pursuant to Section 3.06(b) hereof, such Lender's applicable Eurodollar Loans shall be automatically converted into ABR Loans (or, if such conversion is not possible, repaid) on the last day(s) of the then current Interest Period(s) for such Eurodollar Loans (or, in the case of an immediate conversion required by Section 3.02, on such earlier date as required by Law) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.02 or 3.04 hereof that gave rise to such conversion no longer exist:

(i) to the extent that such Lender's Eurodollar Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's applicable Eurodollar Loans shall be applied instead to its ABR Loans; and

(ii) all Loans that would otherwise be made or continued from one Interest Period to another by such Lender as Eurodollar Loans shall be made or continued instead as ABR Loans (if possible), and all ABR Loans of such Lender that would otherwise be converted into Eurodollar Loans shall remain as ABR Loans.

(d) If any Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.02 or 3.04 hereof that gave rise to the conversion of any of such Lender's Eurodollar Loans pursuant to this Section 3.06 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans made by other Lenders under the applicable Facility are outstanding, if applicable, such Lender's ABR Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Loans under such Facility and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Commitments for the applicable Facility.

(e) Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall be deemed to have been adopted or made after the Closing Date, regardless of the date enacted or adopted.

Section 3.07. *Replacement of Lenders under Certain Circumstances.*

(a) If at any time (i) the Borrower becomes obligated to pay additional amounts or indemnity payments described in Section 3.01 or 3.04 as a result of any condition described in such Sections or any Lender ceases to make any Eurodollar Loans as a result of any condition described in Section 3.02 or Section 3.04 or (ii) any Lender becomes a Non-Consenting Lender or a Defaulting Lender, then the Borrower may, on 10 Business Days' prior written notice to the Administrative Agent and such Lender, (x) replace such Lender by causing such Lender to (and such Lender shall be obligated to) assign pursuant to Section 10.04(b) (with the assignment fee to be paid by the Borrower in such instance) (it being understood that any such assignment shall become effective only in accordance with Section 10.04(e)), all of its rights and obligations under this Agreement (in respect of any applicable Facility only in the case of clause (i) or, with respect to a Class vote, clause (ii)) to one or more Eligible Assignees; *provided* that neither the Administrative Agent nor any Lender shall have any obligation to the Borrower to find a replacement Lender or other such Person; *provided, further*, that (A) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments and (B) in the case of any such assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable Eligible Assignees shall have agreed to, and shall be sufficient (together with all other consenting Lenders) to cause the adoption of, the applicable departure, waiver or amendment of the Loan Documents; or (y) terminate the Commitment of such Lender and repay all Obligations of the Borrower owing to such Lender relating to the Loans and participations held by such Lender as of such termination date; *provided* that, in the case of any such termination of a Non-Consenting Lender such termination shall be sufficient (together with all other consenting Lenders) to cause the adoption of the applicable departure, waiver or amendment of the Loan Documents and such termination shall be in respect of any applicable Facility only in the case of clause (i) or, with respect to a Class vote, clause (ii);

(b) In the event that (i) the Borrower or the Administrative Agent has requested that the Lenders consent to a departure or waiver of any provisions of the Loan Documents or agree to any amendment thereto, (ii) the consent, waiver or amendment in question requires the agreement of each Lender, each affected Lender, each Lender with respect to a certain Class of Loans or each affected Lender with respect to a certain Class of Loans, in each case in accordance with Section 10.08, and (iii) the Required Lenders (in the case of a consent, waiver or amendment involving all Lenders or all affected Lenders of a certain Class, the Required Class Lenders) have agreed to such consent, waiver or amendment, then any Lender who does not agree to such consent, waiver or amendment shall be deemed a "**Non-Consenting Lender**".

(c) Any Lender being replaced pursuant to Section 3.07(a) above shall (i) execute and deliver an Assignment and Acceptance with respect to such Lender's applicable Commitment and outstanding Loans, and (ii) deliver any Notes evidencing such Loans to the Borrower or Administrative Agent. Pursuant to such Assignment and Acceptance, (A) the assignee Lender shall acquire all or a portion, as the case may be, of the assigning Lender's outstanding Loans, (B)

all obligations of the Borrower owing to the assigning Lender relating to the Loans and participations so assigned shall be paid in full by the assignee Lender to such assigning Lender concurrently with such Assignment and Acceptance and (C) upon such payment and, the assignment being recorded in the Register as provided in Section 10.04(e), the assignee Lender shall become a Lender hereunder and the assigning Lender shall cease to constitute a Lender hereunder with respect to such assigned Loans, Commitments and participations, except with respect to indemnification provisions under this Agreement, which shall survive as to such assigning Lender. In connection with any such replacement, if any such Non-Consenting Lender does not execute and deliver to the Administrative Agent a duly executed Assignment and Acceptance reflecting such replacement within five Business Days of the date on which the assignee Lender executes and delivers such Assignment and Acceptance to such Non-Consenting Lender, then such Non-Consenting Lender shall be deemed to have executed and delivered such Assignment and Acceptance without any action on the part of the Non-Consenting Lender.

(d) Notwithstanding anything to the contrary contained above, the Lender that acts as the Administrative Agent may not be replaced hereunder except in accordance with Article 9.

Section 3.08. *Survival*. All of the Borrower's obligations under this Article 3 shall survive termination of the Commitments and repayment of all other Obligations hereunder.

ARTICLE 4

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

Section 4.01. *All Credit Extensions After The Closing Date*. The obligation of each Lender to honor any request for a Credit Extension (other than (i) a Request for Credit Extension requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Loans and (ii) any Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c)) after the Closing Date is subject to the satisfaction (or waiver in accordance with Section 10.08) of the following conditions precedent:

(a) The representations and warranties set forth in Article 5 and in each other Loan Document shall be true and correct in all material respects on and as of the date of such Credit Extension with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date; *provided* that any such representation and warranty that is qualified by "materiality", "material adverse effect" or similar language shall be true and correct in all respects (after giving effect to such qualification therein) on and as of the date of such Credit Extension with the same effect as though made on and as of such date or such earlier date, as applicable.

(b) No Default shall exist or would result from such proposed Credit Extension or from the application of the proceeds therefrom.

(c) The Administrative Agent shall have received a request for a Credit Extension in accordance with the requirements hereof.

Each request for a Credit Extension (other than (i) a Request for Credit Extension requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Loans and (ii) any Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c)) submitted by the Borrower after the Closing Date shall be deemed to be a representation and warranty by Holdings and the Borrower that the conditions specified in clauses (a) and (b) of Section 4.01 have been satisfied on and as of the date of the applicable Credit Extension.

Section 4.02. *First Credit Extension.* Each Lender shall make the Credit Extensions to be made by it on the Closing Date subject only to the satisfaction (or waiver by the Lead Arrangers) of the following conditions precedent:

(a) The Administrative Agent shall have received the following, each properly executed by a Responsible Officer of the signing Loan Party, each dated as of the Closing Date:

(i) executed counterparts of this Agreement duly executed by the Borrower and each Guarantor; and

(ii) a Note executed by the Borrower in favor of each Lender that has requested a Note at least two Business Days in advance of the Closing Date.

(b) The Administrative Agent shall have received the properly executed Intercreditor Agreement by all parties party thereto.

(c) The Administrative Agent shall have received a request for a Credit Extension in accordance with the requirements hereof.

(d) The Administrative Agent shall have received, on behalf of itself, the Collateral Agent and the Lenders, an opinion of (i) Ropes & Gray LLP, counsel for the Loan Parties, and (ii) each local counsel for the Loan Parties listed on Schedule 4.02(d), in each case, dated the Closing Date and addressed to the Administrative Agent, the Collateral Agent and the Lenders and in customary form and substance, and Holdings and the Borrower hereby request such counsel to deliver such opinions.

(e) The Administrative Agent shall have received (i) a copy of the certificate or articles of incorporation or organization or certificate of formation, including all amendments thereto, of each Loan Party, certified, if applicable, as of a recent date by the Secretary of State of the state of its organization, and a certificate as to the good standing of each Loan Party as of a recent date, from such Secretary of State or similar Governmental Authority; (ii) a certificate of the Secretary or Assistant Secretary of each Loan Party dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws or operating (or limited liability company) agreement of such Loan Party as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the board of directors (or equivalent governing body) of such Loan Party authorizing the execution, delivery and performance of the Loan Documents to which such Loan Party is a party and, in the case of the Borrower, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation or organization or

certificate of formation of such Loan Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party; and (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above.

(f) (i) The Administrative Agent shall have received the results of (x) searches of the Uniform Commercial Code filings (or equivalent filings) and (y) judgment and tax lien searches, made with respect to each Loan Party in the states or other jurisdictions of formation of such Loan Party and with respect to such other locations and names listed on the Perfection Certificate, together with (in the case of clause (y)) copies of the financing statements (or similar documents) disclosed by such search and (ii) the Security Agreement and the Intellectual Property Security Agreement shall have been duly executed and delivered by each Loan Party that is to be a party thereto, together with (x) to the extent not delivered to the First Lien Administrative Agent, certificates, if any, representing the Equity Interests pledged by Holdings, the Borrower and the Subsidiary Guarantors accompanied by undated stock powers executed in blank and (y) documents and instruments to be recorded or filed that the Administrative Agent may deem reasonably necessary to satisfy the Collateral and Guarantee Requirement; *provided, however*, that, to the extent any Collateral (other than to the extent a Lien on such Collateral may be perfected by (1) the filing of a financing statement under the UCC in the office of the Secretary of State (or equivalent office in the relevant States) of the applicable jurisdiction of organization or (2) the delivery of stock certificates representing the Equity Interests of the Borrower and its wholly-owned Domestic Subsidiaries (other than any Subsidiary that conducts no business and has assets with a fair market value of less than \$1,000,000)) is not or cannot be perfected on the Closing Date after the Borrower's use of commercially reasonable efforts to do so, the perfection of security interests in such Collateral shall not constitute a condition precedent to the Credit Extensions on the Closing Date; *provided, further, however*, that the Borrower shall be required to deliver, or cause to be delivered, such documents and instruments or to take or cause to be taken such other actions as may be required to perfect such security interests within 90 days after the Closing Date (subject to extensions approved by the Administrative Agent in its reasonable discretion).

(g) The Administrative Agent shall have received a copy of the Merger Agreement (together with all exhibits, schedules, amendments, supplements and modifications thereto) and all certificates, opinions and other documents delivered thereunder, certified by a Responsible Officer of the Borrower as being complete. Prior to or substantially concurrently with the initial Credit Extension, the Acquisition (including the Merger) shall have been consummated in accordance with the Merger Agreement, but without giving effect to any amendments, waivers or consents that are materially adverse to the Lenders (in their capacity as such) without the prior written consent of the Lead Arrangers (such consent not to be unreasonably withheld or delayed); *provided* that any amendment or waiver that (i) reduces the aggregate purchase price for the Acquisition shall not be deemed to be materially adverse to the Lenders to the extent that any such reduction is applied ratably to reduce the Loans and/or the First Lien Term Loans or (ii) permits the Company and/or its subsidiaries to incur additional Indebtedness under the Merger Agreement shall be deemed to be materially adverse to the Lenders.

(h) (i) The Specified Merger Agreement Representations shall be true and correct in all material respects; (ii) the Specified Representations shall be true and correct in all material respects; *provided* that any Specified Representation that is qualified as to “materiality”, “material adverse effect” or similar language shall be true and correct in all respects; and (iii) the Administrative Agent shall have received a certificate from the chief executive officer, president or chief financial officer of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent, certifying as to the matters set forth in this Section 4.02(g).

(i) The Administrative Agent shall have received a solvency certificate, substantially in the form set forth in Exhibit H, from the chief financial officer or other officer with equivalent duties of Holdings, or in lieu thereof at the option of the Borrower, an opinion of a nationally recognized valuation firm as to the solvency (on a consolidated basis) of Holdings and its respective Subsidiaries as of the Closing Date.

(j) Prior to or substantially concurrently with the initial Credit Extension, (i) all principal, premium, if any, interest, fees and other amounts due or outstanding under the Existing Credit Agreements shall have been repaid, redeemed, discharged and terminated in full, and all commitments, security interests and guarantees (if any) in connection therewith shall have been terminated and released, in each case with evidence thereof reasonably satisfactory to the Administrative Agent, (ii) First Lien Term Loans having an aggregate principal amount of \$870,000,000 shall have been funded under the First Lien Credit Agreement and (iii) the Notes Redemption shall have occurred. Immediately after giving effect to the Transactions and the other transactions contemplated hereby, Holdings and its Subsidiaries (not including the Company and its Subsidiaries) shall not have any Indebtedness outstanding other than (a) Indebtedness outstanding under this Agreement, (b) First Lien Term Loans outstanding under the First Lien Credit Agreement in an aggregate principal amount not to exceed \$870,000,000 and (c) Indebtedness of the Borrower and its Subsidiaries (not including the Company and its Subsidiaries) set forth on Schedule 7.03(b); provided that the aggregate principal amount of the share of such Indebtedness attributable to the Borrower and the Guarantors shall not exceed \$15,000,000.

(k) The Administrative Agent shall have received, at least five days prior to the Closing Date, all documentation and other information about the Borrower and the Guarantors required under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act, that has been reasonably requested in writing at least 10 days prior to the Closing Date.

(l) The Lead Arrangers shall have received the Audited Financial Statements, the Unaudited Financial Statements and the Pro Forma Financial Statements.

(m) Except as set forth in the definitive disclosure schedules to the Merger Agreement, and only if the relevance of the disclosure as an exception to (or a disclosure for purposes of) this condition would be reasonably apparent to a reasonable person who has read that disclosure and this condition or as disclosed in the most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q of Symbion, Inc. filed before June 13, 2014 (other than any forward-looking disclosure contained in the “Forward Looking Statements” and “Risk Factors” sections of such documents and only if the relevance of the disclosure in such documents as an exception

to (or a disclosure for purposes of) this condition would be reasonably apparent on its face to a reasonable person who has read that disclosure and this condition), since December 31, 2013, there shall not have been any event, occurrence, development, state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect (as defined below) and (2) since June 13, 2014, there shall not have occurred a Company Material Adverse Effect.

For purposes hereof, “**Company Material Adverse Effect**” shall mean a material adverse effect on the business, assets, liabilities, financial condition or results of operations of the Company and the Company Subsidiaries, taken as a whole, except any such effect resulting from or arising in connection with (i) the Merger Agreement or the performance of the transactions contemplated thereby or any announcement thereof, or any facts or circumstances relating to Buyer, including the impact of any of the foregoing on the relationships, contractual or otherwise, of the Company with third parties, (ii) changes or conditions generally affecting any industry in which the Company or any Company Subsidiary operates, including changes in Federal Health Care Programs or other Third-Party Payor programs or plans or rates of reimbursement thereunder, (iii) changes in market or economic conditions generally (including changes in financial, banking and/or securities markets), (iv) changes in political or social conditions generally, including acts of war, sabotage or terrorism, or military actions, or any escalation or worsening thereof, (v) changes in Applicable Law or the interpretation thereof, (vi) changes in accounting requirements or principles under GAAP, (vii) any failure by the Company or any Company Subsidiary to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or any other financial or operating metrics for any period, provided that the underlying causes of such failure shall not be excluded by this clause (vii), (viii) actions taken or not taken by Buyer or any of its Affiliates (other than actions taken or not taken in the Ordinary Course of Business of Buyer and its Affiliates) or actions taken by the Company at the written request or with the written permission of Buyer, in each case, with the prior written consent of the Lead Arrangers or (ix) earthquakes, floods, hurricanes, tornadoes, natural disasters or other “acts of God” or (x) actions taken by the Company in connection with distributing, or causing to be distributed, any or all of the Cash of any Company Subsidiary to the Company, any wholly owned Company Subsidiary or the equityholders of the applicable Company Subsidiary; provided, further, that any event, circumstance, development, occurrence, change or effect referred to in clauses (ii) – (vi) and (ix) above may be taken into account in determining whether or not there has been or will be a “Company Material Adverse Effect” to the extent, but only to the extent, that the Company and the Company Subsidiaries, taken as a whole, are disproportionately affected thereby as compared to other participants in the industries or markets in which the Company and the Company Subsidiaries operate. All capitalized terms used in this definition of “Company Material Adverse Effect” have the meanings given to them in the Merger Agreement.

(n) Prior to or substantially concurrently with the Initial Credit Extension, the Administrative Agent and the Lead Arrangers shall have received all applicable fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced at least two Business Days prior to the Closing Date (except as otherwise reasonably agreed by the Borrower), reimbursement or payment of all costs and expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document on or prior to the Closing Date.

(o) The Administrative Agent shall have received evidence that the insurance required by Section 6.07 is in effect, together with endorsements naming the Collateral Agent, for the benefit of the Secured Parties, as additional insured and loss payee thereunder to the extent required under Section 6.07.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

Each of Holdings, the Borrower (it being understood that each reference in this Article 5 to the Borrower, to the Loan Parties or to any Loan Party shall be deemed to include a reference to the Company when made with reference to any time prior to the consummation of the Merger) and each of the Subsidiary Guarantors party hereto represents and warrants to the Administrative Agent, the Collateral Agent and each of the Lenders that:

Section 5.01. *Existence, Qualification and Power; Compliance with Laws.* Each Loan Party and each Restricted Subsidiary (a) is a Person duly organized or formed, validly existing and in good standing (where relevant) under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority to (i) own or lease its assets and carry on its business as currently conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder, (c) is duly qualified and in good standing (where relevant) under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, (d) is in compliance with all Laws, orders, writs and injunctions and (e) has all requisite governmental licenses, authorizations, consents and approvals to operate its business as currently conducted; except in each case, referred to in clause (a) (other than with respect to any Loan Party), (b)(i) (other than with respect to any Loan Party), (c), (d) or (e), to the extent that failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.02. *Authorization; No Contravention.* The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is a party, and the consummation of the Transactions, are within such Loan Party's corporate or other powers, (a) have been duly authorized by all necessary corporate or other organizational action, and (b) do not (i) contravene the terms of any of such Person's Organization Documents, (ii) conflict with or result in any breach or contravention of, or the creation of (or the requirement to create) any Lien under (other than as permitted by Section 7.01), or require any payment to be made under (x) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (y) any material order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject, or (iii) violate any material Law; except with respect to any conflict, breach or contravention or payment (but not creation of Liens) referred to in clause (ii)(x), to the extent that such conflict, breach, contravention or payment, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.03. *Governmental Authorization; Other Consents.* No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution,

delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, or for the consummation of the Transactions, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or maintenance of the Liens created under the Collateral Documents (including the priority thereof) or (d) the exercise by the Administrative Agent, the Collateral Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except for (i) filings and registrations necessary to perfect the Liens on the Collateral granted by the Loan Parties in favor of the Collateral Agent, for the benefit of the Secured Parties, (ii) the approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, taken, given or made and are in full force and effect (except to the extent not required to be obtained, taken, given or made or to be in full force and effect pursuant to the Collateral and Guarantee Requirement) and (iii) those approvals, consents, exemptions, authorizations or other actions, notices or filings, the failure of which to obtain or make, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5.04. *Binding Effect.* This Agreement and each other Loan Document has been duly executed and delivered by each Loan Party that is a party thereto. This Agreement and each other Loan Document constitutes a legal, valid and binding obligation of each such Loan Party, enforceable against each Loan Party that is a party thereto in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

Section 5.05. *Financial Statements; No Material Adverse Effect.*

(a) (i) The unaudited pro forma consolidated balance sheet of the Borrower and its Subsidiaries (including the Company and its Subsidiaries) as at the last day of the most recent fiscal quarter for which Unaudited Financial Statements have been delivered (including the notes thereto describing the pro forma adjustments) (the "**Pro Forma Balance Sheet**") and the unaudited pro forma consolidated statement of operations of the Borrower and its Subsidiaries (including the Company and its Subsidiaries) for the twelve months ended on the last day of the most recent fiscal quarter for which Unaudited Financial Statements have been delivered (together with the Pro Forma Balance Sheet, the "**Pro Forma Financial Statements**"), copies of which will be furnished to each Lender prior to the Closing Date, have been prepared giving effect (as if such events had occurred on such date or at the beginning of such periods, as the case may be) to the Transactions. The Pro Forma Financial Statements have been prepared in good faith, based on assumptions believed by Holdings to be reasonable as of the date of delivery thereof, and present fairly in all material respects on a Pro Forma Basis the estimated financial position of the Borrower and its Subsidiaries (including the Company and its consolidated Subsidiaries) as at the last day of the most recent fiscal quarter for which Unaudited Financial Statements have been delivered and their estimated results of operations for the periods covered thereby, assuming that the events specified in the preceding sentence had actually occurred at such date or at the beginning of the periods covered thereby.

(ii) The Audited Financial Statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries or, if applicable, the Company and its consolidated Subsidiaries as of the dates thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein.

(iii) The Unaudited Financial Statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries or, if applicable, the Company and its consolidated Subsidiaries as of the dates thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein.

(b) The forecasts of the consolidated statements of operations of the Restricted Group which have been furnished to the Administrative Agent prior to the Closing Date have been prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed to be reasonable at the time of preparation of such forecasts, it being understood that actual results may vary from such forecasts and that such variations may be material.

(c) Since the Closing Date, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) As of the Closing Date, no member of the Restricted Group has any Indebtedness or other obligations or liabilities, direct or contingent (other than (i) the liabilities reflected on Schedule 5.05, (ii) obligations arising under the Loan Documents, (iii) liabilities incurred in the ordinary course of business, and (iv) liabilities disclosed in the Pro Forma Financial Statements) that, either individually or in the aggregate, have had or could reasonably be expected to have a Material Adverse Effect.

Section 5.06. *Litigation.* There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of Holdings or the Borrower, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against any member of the Restricted Group or against any of their properties or revenues that, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.07. *Compliance With Laws; No Default.*

(a) No member of the Restricted Group is in default under or with respect to, or a party to, any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) No member of the Restricted Group or any of their respective properties or assets is in violation of, nor will the continued operation of their properties and assets as currently conducted violate, any law, rule or regulation (including any zoning, building, Environmental Law, ordinance, code or approval or any building permits) or any restrictions of record or agreements affecting the Mortgaged Property, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

Section 5.08. *Ownership of Property; Liens; Casualty Events.*

(a) Each member the Restricted Group has good record title to, or valid leasehold interests in, or easements or other limited property interests in, all its properties and assets (including all Mortgaged Property), free and clear of all Liens except for minor defects in title that do not materially interfere with its ability to conduct its business or to utilize such assets for their intended purposes and Liens permitted by Section 7.01 and except where the failure to have such title could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) As of the Closing Date, Section II.D of the Perfection Certificate dated the Closing Date contains a true and complete list of each Material Real Property owned by Holdings, the Borrower and its Subsidiaries.

(c) As of the Closing Date, except as otherwise disclosed in writing to the Collateral Agent, (i) no Loan Party has received any notice of, nor has any knowledge of, the occurrence (and still pending as of the Closing Date) or pendency or contemplation of any Casualty Event affecting all or any portion of a Mortgaged Property, and (ii) no Mortgage encumbers improved Mortgaged Property that is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards within the meaning of the Flood Laws unless Evidence of Flood Insurance has been delivered to the Collateral Agent.

Section 5.09. *Environmental Matters.* Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect:

(a) each Loan Party and each Restricted Subsidiary is and has been in compliance with all Environmental Laws, which includes timely obtaining and maintaining all applicable Environmental Permits required under such Environmental Laws to carry on the business and operations of the Loan Parties and the Restricted Subsidiaries;

(b) the Loan Parties and the Restricted Subsidiaries have not received notice alleging any Environmental Liability or proposing or seeking to revoke, modify or deny the renewal of any Environmental Permit required to be held by the Loan Parties or the Restricted Subsidiaries, and neither the Loan Parties nor the Restricted Subsidiaries have become subject to any Environmental Liability;

(c) there has been no Release, threatened Release, discharge or disposal of Hazardous Materials on, to, at, under or from any Real Property or facilities owned, operated or leased by any of the Loan Parties or the Restricted Subsidiaries, or, to the knowledge of the Borrower, Real Property formerly owned, operated or leased by any Loan Party or any Restricted Subsidiary or arising out of the conduct of the Loan Parties or the Restricted Subsidiaries that could, now or in the future, reasonably be expected to require investigation, remedial activity or corrective action or cleanup by or on behalf of any Loan Party or any Restricted Subsidiary or for which any Loan Party or Restricted Subsidiary reasonably could be expected to otherwise incur any Environmental Liability; and

(d) there are no facts, circumstances or conditions arising out of or relating to, and there are no pending or reasonably anticipated requirements under Environmental Law associated with, the operations of the Loan Parties or the Restricted Subsidiaries or any Real Property or facilities currently or previously owned, operated or leased by the Loan Parties or any Restricted Subsidiary that are known to or would reasonably be likely to require investigation, remedial activity or corrective action or cleanup by or on behalf of any Loan Party or any Restricted Subsidiary or that are known to or would reasonably be likely to result in the Borrower or any other Loan Party or Restricted Subsidiary incurring any Environmental Liability.

Section 5.10. *Taxes.* Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, each of the Loan Parties and their Subsidiaries have timely filed all tax returns required to be filed, and have paid all Taxes levied or imposed upon them or their properties, that are due and payable (including in their capacity as a withholding agent), except those which are being contested in good faith by appropriate proceedings diligently conducted if such contest shall have the effect of suspending enforcement or collection of such Taxes and for which adequate reserves have been provided in accordance with GAAP. There is no proposed Tax deficiency or assessment known to any Loan Party against any Loan Party or any Restricted Subsidiary that would, if made, individually or in the aggregate, have a Material Adverse Effect.

Section 5.11. *ERISA Compliance, Etc..*

(a) Except as could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, each Plan is in compliance with the applicable provisions of ERISA, the Code and other Federal or state Laws (and the regulations and published interpretations thereunder).

(b) As of the Closing Date, (i) other than those specifically disclosed on Schedule 5.11, there are no Plans or Multiemployer Plans, (ii) no Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates nor any predecessor thereof (A) has in the past six years sponsored, maintained or contributed to any Plan subject to Title IV of ERISA or (B) has in the past six years contributed or had any direct or indirect liability with respect to any Multiemployer Plan and (iii) no Loan Party or Subsidiary thereof sponsors, maintains or contributes to, or has or could have any direct or indirect liability with respect to, any Foreign Pension Plan.

(c) (i) No Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (ii) no Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (iii) no Loan Party, Restricted Subsidiary or any of their respective ERISA Affiliates has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA, except, with respect to each of the foregoing clauses of this Section 5.11(c), as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(d) The Plans of the Loan Parties and the Subsidiaries are funded to the extent required by Law or otherwise to comply with the requirements of any material Law applicable in the jurisdiction in which the relevant pension scheme is maintained, in each case, except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(e) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in Material Adverse Effect.

Section 5.12. *Subsidiaries.* As of the Closing Date (after giving effect to the Transactions), no Loan Party has any direct or indirect Subsidiaries other than those specifically disclosed in Schedule 5.12, and all of the outstanding Equity Interests owned by the Loan Parties (or a Subsidiary of any Loan Party) in such Subsidiaries have been validly issued and are fully paid and (if applicable) non-assessable and all Equity Interests owned by a Loan Party (or a Subsidiary of any Loan Party) in such Subsidiaries are owned free and clear of all Liens except (a) those created under the Collateral Documents and the First Lien Loan Documents and (b) any non-consensual Lien that is permitted under Section 7.01. As of the Closing Date, (i) Section I.A of the Perfection Certificate sets forth the name and jurisdiction of each Loan Party and (ii) Section II.A to the Perfection Certificate sets forth the ownership interest of Holdings, the Borrower and any other Subsidiary thereof in each Subsidiary, including the percentage of such ownership.

Section 5.13. *Margin Regulations; Investment Company Act.*

(a) No Loan Party or Restricted Subsidiary is engaged nor will it engage, principally, or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Borrowings will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation T, U or X.

(b) No member of the Restricted Group is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

Section 5.14. *Disclosure.* No confidential information memorandum, report, financial statement, certificate or other written information furnished by or on behalf of any Loan Party (other than projected financial information, pro forma financial information and information of a general economic or industry nature) to any Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) when taken as a whole contains or will contain any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein (when taken as a whole), in the light of the circumstances under which they were or will be made, not materially misleading. With respect to projected financial information and pro forma financial information, each of Holdings and the Borrower represents that such information was prepared in good faith based upon assumptions believed to be reasonable at the time of preparation; it being understood that such projections may vary from actual results and that such variances may be material.

Section 5.15. *Labor Matters*. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against the Borrower or any of its Restricted Subsidiaries pending or, to the knowledge of the Borrower, threatened in writing; and (b) hours worked by and payment made to employees of the Borrower or any of its Restricted Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Law dealing with such matters since January 1, 2010. Except as disclosed on Schedule 5.15, as of the Closing Date no Loan Party is a party to or bound by any collective bargaining agreement or any similar agreement. Except as disclosed on Schedule 5.15, to the knowledge of any Responsible Officer of any Loan Party, there is no union organizing effort underway relating to the employees of any Loan Party, and there is no petition seeking representation of the employees of the Company or any of its Subsidiaries pending. To the knowledge of any Responsible Officer of any Loan Party, the consummation of the transactions contemplated by the Loan Documents will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Loan Party is bound to the extent that such would be reasonably expected to result in a Material Adverse Effect.

Section 5.16. *Intellectual Property; Licenses, Etc.*

(a) Members of the Restricted Group own, license or possess the right to use all of the trademarks, service marks, trade names, domain names, copyrights, patents, patent rights, licenses, technology, software, know-how, trade secrets, database rights, design rights and other intellectual property rights (and all registrations and applications for registration of any of the foregoing) (collectively, “**IP Rights**”), in each case reasonably necessary for the conduct of their respective businesses as currently conducted, except to the extent that the failure to own, license or possess the right to use such IP Rights, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, and, such IP Rights do not conflict with the rights of any Person, except to the extent such conflicts, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All such IP Rights are valid and in full force and effect, except to the extent the failure of such IP Rights to be valid and in full force and effect could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(b) The conduct of the business of the Restricted Group does not infringe, misappropriate, dilute or otherwise violate any IP Rights held by any Person, except for such infringements, misappropriations, dilutions or violations, which, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. There is no claim, investigation, suit or proceeding pending or, to the knowledge of the Borrower, threatened in writing, against members of the Restricted Group (i) challenging the validity of any IP Rights held by any of them or (ii) alleging that their respective use of any IP Rights or the conduct of their respective businesses infringes, misappropriates, dilutes or otherwise violates the IP Rights of any other Person, in each case which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(c) As of the Closing Date, Section II.B of the Perfection Certificate contains a true and complete list of all patents, patent applications, registered trademarks, trademark applications, registered copyrights and copyright applications that are owned by members of the Restricted Group.

Section 5.17. *Solvency.* As of the date hereof, after giving effect to the consummation of the Transactions, including the making of the Loans under this Agreement and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis, exceeds, on a consolidated basis, their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the assets of Holdings and its Subsidiaries, on a consolidated basis, is greater than the amount that will be required to pay the probable liabilities, on a consolidated basis, of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) Holdings and its Subsidiaries, on a consolidated basis, are able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature; and (d) Holdings and its Subsidiaries, on a consolidated basis, are not engaged in, and are not about to engage in, business for which they have unreasonably small capital. For purposes of this Section 5.17, the amount of any contingent liability at any time shall be computed as the amount that would reasonably be expected to become an actual and matured liability.

Section 5.18. *Subordination of Junior Financing.* (a) The Obligations are “Senior Debt,” “Senior Indebtedness,” “Guarantor Senior Debt” or “Senior Secured Financing” (or any comparable term) under, and as defined in, any Junior Financing Documentation in respect of any Junior Financing that is, or is required by this Agreement to be, Subordinated Indebtedness, (b) the Obligations are “Second Lien Debt,” or “Second Lien Indebtedness” (or any comparable term) under, and as defined in, the documentation evidencing any First Lien Indebtedness and (c) the Obligations are “First Lien Debt,” “First Lien Indebtedness,” “Second Lien Debt,” or “Second Lien Indebtedness” (or any comparable term), in each case, under, and as defined in, the documentation evidencing any Third Lien Indebtedness or Permitted Third Priority Refinancing Debt (except to the extent *pari passu* or junior in priority to the Third Lien Indebtedness or Third Priority Refinancing Debt pursuant to the terms hereof).

Section 5.19. *Collateral Documents.*

(a) *Valid Liens.* Each Collateral Document (other than the Mortgages) is, or on execution and delivery thereof by the parties thereto will be, effective to create in favor of the Collateral Agent for the benefit of the Secured Parties, legal, valid and enforceable Liens on, and security interests in, the Collateral described therein to the extent intended to be created thereby and (i) when financing statements and other filings in appropriate form are filed in the offices of their jurisdiction of organization listed in Section I.A of the Perfection Certificate and (ii) upon the taking of possession or control by the Collateral Agent (or, prior to the First Lien Termination Date, the First Lien Administrative Agent pursuant to the Intercreditor Agreement) of such Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Collateral Agent (or, prior to the First Lien Termination Date, the First Lien Administrative Agent pursuant to the Intercreditor Agreement) to the extent possession or control by the Collateral Agent is required by the

Security Agreement), the Liens created by the Collateral Documents (other than the Mortgages) shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors in such Collateral, in each case prior and superior in right to any other person, other than Liens expressly permitted by Section 7.01 (other than Liens securing First Lien Indebtedness, Permitted Third Priority Refinancing Debt or any Permitted Refinancing thereof that are intended to be junior to the Liens of the Collateral Documents)..

(b) *PTO Filing; Copyright Office Filing.* When the Security Agreement or a short form thereof is properly filed in the United States Patent and Trademark Office and the United States Copyright Office, to the extent such filings may perfect such interests, the Liens created by such Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in Patents and Trademarks (each as defined in the Security Agreement) registered or applied for with the United States Patent and Trademark Office or Copyrights (as defined in such Security Agreement) registered or applied for with the United States Copyright Office, as the case may be, in each case prior and superior in right to any other person, other than Liens expressly permitted by Section 7.01 (other than Liens securing Third Lien Indebtedness, Permitted Third Priority Refinancing Debt or any Permitted Refinancing thereof that are intended to be junior to the Liens of the Collateral Documents) (it being understood that subsequent recordings in the United States Patent and Trademark Office and the United States Copyright Office may be necessary to establish a Lien on registered Patents, Trademarks and Copyrights acquired by the grantors thereof after the Closing Date).

(c) *Mortgages.* Upon recording thereof in the appropriate recording office, each Mortgage is effective to create, in favor of the Collateral Agent, for its benefit and the benefit of the other Secured Parties, legal, valid and enforceable perfected Liens on, and a security interest in, all of the Loan Parties' right, title and interest in and to the Mortgaged Property thereunder and the proceeds thereof, subject only to Liens permitted hereunder, and when such Mortgage is filed in the offices specified in the local counsel opinion delivered with respect thereto in accordance with the provisions of Sections 6.11 and 6.13, such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Party to such Mortgage in the Mortgaged Property described therein and the proceeds thereof, in each case prior and superior in right to any other person, other than Liens expressly permitted by Section 7.01 (other than Liens securing Third Lien Indebtedness, Permitted Third Priority Refinancing Debt or any Permitted Refinancing thereof that are intended to be junior to the Liens of the Collateral Documents).

Notwithstanding anything herein (including this Section 5.19) or in any other Loan Document to the contrary, the Borrower nor any other Loan Party makes any representation or warranty as to (A) the effects of perfection or non-perfection, the priority or the enforceability of any pledge of or security interest in (other than with respect to those pledges and security interests made under the Laws of the jurisdiction of formation of the applicable Foreign Subsidiary) any Equity Interests of any Foreign Subsidiary, or as to the rights and remedies of the Agents or any Lender with respect thereto, under foreign Law, (B) the pledge or creation of any security interest, or the effects of perfection or non-perfection, the priority or the enforceability of any pledge of or security interest to the extent such pledge, security interest, perfection or priority is not required pursuant to the Collateral and Guarantee Requirement or (C) on the Closing Date and until required pursuant to Section 6.13 or 4.02(f), the effects of perfection or non-perfection, the priority or enforceability of any pledge or security interest to the extent not required on the Closing Date pursuant to Section 4.02(f).

Section 5.20. *Compliance with Anti-Terrorism and Corruption Laws.*

(a) To the extent applicable, the members of the Restricted Group are in compliance, in all material respects, with (i) the Trading with the Enemy Act and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V) and any other enabling legislation or executive order relating thereto, and (ii) the USA PATRIOT Act.

(b) No member of the Restricted Group nor, to the knowledge of Holdings or the Borrower, any director, officer, agent, employee or Affiliate of any member of the Restricted Group, (i) is a Blocked Person or (ii) is currently subject in any material respect to any U.S. sanctions administered by OFAC; and no member of the Restricted Group will use the proceeds of the Loans for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(c) No part of the proceeds of the Loans will be used by any member of the Restricted Group, directly or, to the knowledge of Holdings or the Borrower, indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 5.21. *Use of Proceeds.* The Borrower will use the proceeds of the Term Loans on the Closing Date, together with the proceeds of First Lien Revolving Loans on the Closing Date and the First Lien Term Loans to (a) pay a portion of the Aggregate Consideration and the Transaction Expenses and (b) refinance existing Indebtedness of the Borrower and its Subsidiaries and the Company and its subsidiaries (including accrued and unpaid interest and applicable premiums).

Section 5.22. *Insurance.* Holdings and each of its Subsidiaries is insured by financially sound and reputable insurance companies against such losses and risks and in such amounts as are customary for similarly situated Persons in the businesses in which they are engaged.

ARTICLE 6

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation (other than contingent indemnification obligations as to which no claim has been asserted) hereunder which is accrued or payable shall remain unpaid or unsatisfied then from and after the Closing Date, Holdings and the Borrower shall and shall (except in the case of the covenants set forth in Sections 6.01, 6.02, 6.03 and 6.15) cause each of their Restricted Subsidiaries to:

Section 6.01. *Financial Statements, Reports, Etc.*. Deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of the Restricted Group (beginning with the fiscal year ending December 31, 2014), (i) a consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of BDO USA, LLP or any other independent registered public accounting firm of nationally recognized standing, which report and opinion shall (x) be prepared in accordance with generally accepted auditing standards, (y) not be subject to qualifications or exceptions as to the scope of such audit and (z) be without a "going concern" disclosure or like qualification or exception (other than a disclosure, an exception or a qualification solely resulting from (1) the impending maturity of any Indebtedness, or (2) any prospective or actual default under the financial covenant set forth in Section 7.11 of the First Lien Credit Agreement) and (ii) a management's discussion and analysis of the financial condition and results of operations for such fiscal year, as compared to the previous fiscal year (including commentary on (x) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (y) the reasons for any significant variations from the figures for the corresponding period in the previous fiscal year);

(b) as soon as available, but in any event within (A) 75 days after the end of the fiscal quarter ended March 31, 2015 and (B) 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Restricted Group (commencing with the fiscal quarter ended June 30, 2015), a consolidated balance sheet of the Borrower, and its Subsidiaries as at the end of such fiscal quarter, and the related (x) consolidated statements of operations for such fiscal quarter and for the portion of the fiscal year then ended and (y) consolidated statements of cash flows for such fiscal quarter and the portion of the fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Borrower as fairly presenting in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes and (ii) a management's discussion and analysis of the financial condition and results of operations for such fiscal quarter and the then elapsed portion of the fiscal year, as compared to the comparable periods in the previous fiscal year (including commentary on (x) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (y) the reasons for any significant variations from the figures for the corresponding period in the previous quarter year);

(c) as soon as available, but in any event within 90 days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2014) of the Restricted Group, a reasonably detailed consolidated budget for the following fiscal year on a quarterly basis (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, the related consolidated statements of projected cash flows and projected income and a summary of the material underlying assumptions applicable thereto)

(collectively, the “**Projections**”), which Projections shall in each case be accompanied by a certificate of a Responsible Officer of each of the Borrower stating that such Projections have been prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed to be reasonable at the time of preparation of such Projections, it being understood that actual results may vary from such Projections and that such variations may be material; and

(d) simultaneously with the delivery of each set of consolidated financial statements referred to in Sections 6.01(a) and 6.01(b) above, the related consolidated financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) (which may be in footnote form only) from such consolidated financial statements.

Notwithstanding the foregoing, the obligations in Sections 6.01(a) and (b) above may be satisfied with respect to financial information of the Borrower and its Restricted Subsidiaries by furnishing within the time period specified in the applicable paragraph (A) the consolidated financial statements of any direct or indirect parents of the Borrower or (B) the Borrower’s or such entity’s Form 10-K or 10-Q, as applicable, filed with the SEC; *provided* that (i) to the extent such information relates to a direct or indirect parent of the Borrower, such information is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such direct or indirect parent(s), on the one hand, and the information relating to the Borrower and its Restricted Subsidiaries, on the other hand and (ii) to the extent such information is in lieu of information required to be provided under Section 6.01(a), such materials are, to the extent applicable, accompanied by a report and opinion of BDO USA, LLP or any other independent registered public accounting firm of nationally recognized standing, which report and opinion shall (x) be prepared in accordance with generally accepted auditing standards, (y) not be subject to qualifications or exceptions as to the scope of such audit and (z) be without a “going concern” disclosure or like qualification or exception (other than a disclosure, an exception or a qualification solely resulting from (1) the impending maturity of any Indebtedness, or (2) any prospective or actual default under the financial covenant set forth in Section 7.11 of the First Lien Credit Agreement).

Documents required to be delivered pursuant to Section 6.01(a), (b), (c) and (d) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower (or any direct or indirect parent of the Borrower) posts such documents, or provides a link thereto, on the website of the Borrower at <http://www.surgerypartners.com/>; or (ii) on which such documents are posted on the Borrower’s behalf on IntraLinks/IntraAgency or another relevant website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); *provided* that: (i) upon written request by the Administrative Agent, the Borrower shall deliver paper copies of such documents to the Administrative Agent for further distribution to each Lender until a written request to cease delivering paper copies is given by the Administrative Agent and (ii) the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Each Lender shall be solely responsible for timely accessing posted documents or requesting delivery of paper copies of such documents from the Administrative Agent and maintaining its copies of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the Compliance Certificates required by Section 6.02(a) to the Administrative Agent; *provided, however*, that if such Compliance Certificate is first delivered by electronic means, the date of such delivery by electronic means shall constitute the date of delivery for purposes of compliance with Section 6.02(a).

Without limiting the obligation to deliver an audit opinion pursuant to Section 6.01(a), solely with respect to the requirement in Sections 6.01(a) and (b) that comparisons in reasonable detail and in accordance with GAAP be delivered, financial statements for periods prior to the Closing Date (that are included as comparisons to financial statements for periods after the Closing Date) shall not be required to contain all recapitalization or purchase accounting adjustments relating to the Transactions to the extent it is not reasonably practicable to include any such adjustments in such financial statements.

Section 6.02. *Certificates; Other Information.* Deliver to the Administrative Agent for prompt further distribution to each Lender:

(a) no later than five days after the delivery of the financial statements referred to in Sections 6.01(a) and 6.01(b) (or the date on which such delivery is required), commencing with the first full fiscal quarter completed after the Closing Date, a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower;

(b) promptly after the same are publicly available, copies of all annual, regular, periodic and special reports and registration statements which Holdings, the Borrower or any member of the Restricted Group files with the SEC or with any Governmental Authority that may be substituted therefor (other than amendments to any registration statement (to the extent such registration statement, in the form it became effective, is delivered), exhibits to any registration statement and, if applicable, any registration statement on Form S-8) and in any case not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(c) promptly after the furnishing thereof, copies of any material requests or material notices received by any Loan Party or Restricted Subsidiary (other than in the ordinary course of business) or material statements or material reports furnished to any holder of Indebtedness or debt securities (other than in connection with any board observer rights) of any Loan Party or of any of its Restricted Subsidiaries pursuant to any Third Lien Indebtedness, any Junior Financing, any Permitted Unsecured Refinancing Debt, any Permitted Second Priority Refinancing Debt, any Permitted Third Priority Refinancing Debt, any Incremental Equivalent Debt or any Permitted Refinancing of any of the foregoing in each case in a principal amount in excess of the Threshold Amount and not otherwise required to be furnished to the Lenders pursuant to any clause of this Section 6.02;

(d) together with the delivery of each Compliance Certificate pursuant to Section 6.02(a), (i) in the case of annual Compliance Certificates only, a report setting forth the information required by sections of the Perfection Certificate describing the legal name and the jurisdiction of organization or formation of each Loan Party and the location of the chief executive office of each Loan Party or confirming that there has been no change in such information since the Closing Date or the date of the last such report, (ii) a description of each event, condition or circumstance during the last fiscal quarter covered by such Compliance Certificate requiring a mandatory prepayment under Section 2.13(a) and (iii) a list of each Subsidiary of the Borrower that identifies each Subsidiary as a Restricted or an Unrestricted Subsidiary and as a Loan Party or a non-Loan Party as of the date of delivery of such Compliance Certificate;

(e) promptly, such additional information regarding the business, legal, financial or corporate affairs of the Loan Parties or any of their respective Restricted Subsidiaries, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender through the Administrative Agent may from time to time reasonably request;

(f) promptly after the request by any Lender, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act;

(g) promptly after the receipt thereof by any member of the Restricted Group, a copy of any “management letter” received by any such Person from its certified public accountants and the management’s response thereto; and

(h) promptly following any request therefor by the Administrative Agent or any Lender, copies of (i) any documents described in Section 101(k) of ERISA that any Loan Party or respective ERISA Affiliates may request with respect to any Multiemployer Plan and (ii) any notices described in Section 101(l) of ERISA that any Loan Party or respective ERISA Affiliates may request with respect to any Plan or Multiemployer Plan; *provided* that, if any Loan Party or respective ERISA Affiliates have not requested such documents or notices from the administrator or sponsor of the applicable Plan or Multiemployer Plan, such Loan Party or respective ERISA Affiliates shall make a request for such documents or notices from such administrator or sponsor at the earliest date on which such Loan Party or ERISA Affiliate determines that it is commercially reasonable to so request, and shall provide copies of such documents and notices promptly after receipt thereof.

Each of Holdings, the Borrower and each Lender acknowledge that certain of the Lenders may be Public Lenders and, if documents or notices required to be delivered pursuant to this Section 6.02 or otherwise are being distributed through a Platform, any document or notice that Holdings or the Borrower, as applicable, has indicated contains material non-public information shall not be posted on that portion of the Platform designated for such Public Lenders. Each of Holdings and the Borrower agrees to clearly designate all information provided to the Administrative Agent by or on its behalf which is suitable to make available to Public Lenders. If Holdings or the Borrower has not indicated whether a document or notice delivered pursuant to this Section 6.02 contains material non-public information, the Administrative Agent reserves the right to post such document or notice solely on that portion of the Platform designated for Lenders who wish to receive material non-public information with respect to Holdings, its Subsidiaries and their securities.

Section 6.03. *Notices.* Promptly after a Responsible Officer of the Borrower or any Subsidiary Guarantor has obtained knowledge thereof, notify the Administrative Agent:

(a) of the occurrence of any Default or Event of Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect;

(c) of the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit, litigation or proceeding, whether at law or in equity by or before any Governmental Authority, (i) against any member of the Restricted Group that could reasonably be expected to result in a Material Adverse Effect or (ii) with respect to any Loan Document, and any material development with respect thereto;

(d) of the occurrence of any ERISA Event following the Closing Date that, alone or together with any other ERISA Events that have occurred following the Closing Date, could reasonably be expected to result in a Material Adverse Effect to a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates; and

(e) of the occurrence of any of the events described in Section 5.09 following the Closing Date that, alone or together with any other such events following the Closing Date, has resulted or could reasonably be expected to result in a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a written statement of a Responsible Officer of the Borrower (x) that such notice is being delivered pursuant to Section 6.03(a), (b), (c), (d) or (e) (as applicable) and (y) setting forth details of the occurrence referred to in Section 6.03(a), (b), (c), (d) or (e), as applicable, and stating what action the Borrower has taken and proposes to take with respect thereto.

Section 6.04. *Payment of Obligations.* Promptly pay, discharge or otherwise satisfy as the same shall become due and payable in the normal conduct of its business, (a) all of its Indebtedness and other obligations in accordance with their terms and (b) all its obligations and liabilities in respect of Taxes imposed upon it or upon its income or profits or in respect of its property, except, in the case of this clause (b), to the extent any such Tax is being contested in good faith and by appropriate proceedings for which appropriate reserves have been established in accordance with GAAP if such contest shall have the effect of suspending enforcement or collection of such Taxes and except, in the case of clauses (a) and (b), where the failure to pay, discharge or otherwise satisfy the same could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.05. *Preservation of Existence, Etc..*

(a) Preserve, renew and maintain in full force and effect its legal existence under the Laws of the jurisdiction of its organization except in a transaction permitted by Section 7.04 or Section 7.05 and (b) obtain, maintain, renew, extend and keep in full force and effect all rights (including IP Rights), privileges (including its good standing where applicable in the relevant jurisdiction), permits, licenses and franchises necessary or desirable in the normal conduct of its business, except, in the case of clause (a) (other than with respect to any Loan Party) or (b), to the extent that failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.06. *Maintenance of Properties.* Except if the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (a) maintain, preserve and protect all of its properties and equipment necessary in the operation of its business in good working order, repair and condition, ordinary wear and tear excepted and fire, casualty or condemnation excepted, and (b) make all necessary renewals, replacements, modifications, improvements, upgrades, extensions and additions thereof or thereto in accordance with prudent industry practice and in the normal conduct of its business.

Section 6.07. *Maintenance of Insurance.*

(a) *Generally.* Maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance reasonable and customary for similarly situated Persons engaged in the same or similar businesses as the Borrower and the Restricted Subsidiaries) as are customarily carried under similar circumstances by such other Persons.

(b) *Requirements of Insurance.* (A) Use commercially reasonable efforts to cause, not later than 30 days after the Closing Date (or such longer period as the Administrative Agent may agree in writing in its discretion), all insurance required pursuant to Section 6.07(a) (x) to provide (and to continue to provide at all times thereafter) that it shall not be canceled, modified or not renewed (i) by reason of nonpayment of premium upon not less than 10 days' prior written notice thereof to the Administrative Agent and the Collateral Agent (giving the Administrative Agent and the Collateral Agent the right to cure defaults in the payment of premiums) or (ii) for any other reason upon not less than 30 days' prior written notice thereof to the Administrative Agent and the Collateral Agent (the Borrower shall deliver a copy of the policy (and to the extent any such policy is cancelled or renewed, a renewal or replacement policy) or other evidence thereof to the Administrative Agent and the Collateral Agent, or insurance certificate with respect thereto) and (y) to name the Collateral Agent as additional insured on behalf of the Secured Parties (in the case of liability insurance) or loss payee (in the case of property insurance), as applicable (and to continue to so name the Collateral Agent at all times thereafter) and (B) in the case of all such property, casualty and business interruption insurance policies located in the United States, not later than 30 days after the Closing Date (or such longer period as the Administrative Agent may agree in writing in its discretion) cause such policies to be endorsed or otherwise amended to include a "standard" or "New York" lender's loss payable endorsement, in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent, which endorsement shall provide that, from and after the Closing Date, if the insurance carrier shall have received written notice from the Administrative Agent or the Collateral Agent of the occurrence of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to the Borrower or the Loan Parties under such policies directly to the Collateral Agent; cause all such policies to provide that neither the Borrower, the Collateral Agent, the Administrative Agent nor any other party shall be a coinsurer thereunder and to contain a "Replacement Cost Endorsement," without any deduction for depreciation, and such other provisions as the Administrative Agent or the Collateral Agent may reasonably (in light of a Default or a material development in respect of the insured Mortgaged Property) require from time to time to protect their interests.

(c) *Flood Insurance.* With respect to each Mortgaged Property, if at any time the area in which any building or other improvement is located is designated a “flood hazard area” in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), obtain flood insurance in such amount and with such deductible as is required to ensure compliance with the Flood Laws. Following the Closing Date, the Borrower shall deliver to the Collateral Agent annual renewals of the flood insurance policy or annual renewals of a force-placed flood insurance policy. In connection with any amendment to this Agreement pursuant to which any increase, extension, or renewal of Loans is contemplated, the Borrower shall cause to be delivered to the Collateral Agent for any Mortgaged Property, a Flood Determination Form, Borrower Notice and Evidence of Flood Insurance, as applicable.

(d) Carry and maintain commercial general liability insurance including the “broad form CGL endorsement” (or equivalent coverage) and coverage on an occurrence basis against claims made for personal injury (including bodily injury, death and property damage) and umbrella liability insurance against any and all claims, in each case in amounts and against such risks as are customarily maintained by companies engaged in the same or similar industry operating in the same or similar locations naming the Collateral Agent as an additional insured, on forms reasonably satisfactory to the Collateral Agent.

(e) Notify the Administrative Agent and the Collateral Agent promptly whenever any separate insurance concurrent in form or contributing in the event of material loss with that required to be maintained under this Section 6.07 is taken out by the Borrower or another Loan Party; and promptly deliver to the Administrative Agent and the Collateral Agent a duplicate original copy of such policy or policies, or an insurance certificate with respect thereto.

Section 6.08. *Compliance with Laws.* Comply with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except if the failure to comply therewith could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.09. *Books and Records.* Maintain proper books of record and account, in which entries are made that are full, true and correct in all material respects and are in conformity with GAAP and which reflect all material financial transactions and matters involving the assets and business of any member of the Restricted Group.

Section 6.10. *Inspection Rights.* Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants (subject to such accountants’ customary policies and procedures), all at the reasonable expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; *provided* that, excluding any such visits and inspections during the continuation of an Event of Default, (x) only the Administrative Agent on behalf of the Lenders may exercise rights of the Administrative Agent and the Lenders under this Section 6.10 and (y) the Administrative Agent shall not exercise such rights more often than two times during any calendar year and only one such time shall be at the Borrower’s expense; *provided, further*, that when an Event of Default

exists, the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and upon reasonable advance notice. The Administrative Agent and the Lenders shall give the Borrower the opportunity to participate in any discussions with the Borrower's independent public accountants.

Section 6.11. *Additional Collateral; Additional Guarantors.* At the Borrower's expense, take all action necessary or reasonably requested by the Administrative Agent or the Collateral Agent to ensure that the Collateral and Guarantee Requirement continues to be satisfied, including:

(a) Upon (x) the formation or acquisition of any new direct or indirect wholly-owned Domestic Subsidiary (in each case, other than an Excluded Subsidiary) by the Borrower, (y) the designation in accordance with Section 6.14 of any existing direct or indirect wholly-owned Domestic Subsidiary as a Restricted Subsidiary or (z) any wholly-owned Domestic Subsidiary that is an Excluded Subsidiary ceasing to be an Excluded Subsidiary:

(i) as soon as practicable, but in any event within 60 days after such formation, acquisition, designation or other event, or such longer period as the Administrative Agent may agree in writing in its discretion:

(A) causing each such Domestic Subsidiary to duly execute and deliver to the Administrative Agent or the Collateral Agent (as appropriate) (I) joinders to this Agreement as Guarantors, Security Agreement Supplements, Intellectual Property Security Agreements, a counterpart of the Global Intercompany Note and other security agreements and documents (including, with respect to such Mortgages, the documents listed in Section 6.13(d)), as reasonably requested by and in form and substance reasonably satisfactory to the Administrative Agent (consistent with the Mortgages, Security Agreement, Intellectual Property Security Agreements and other security agreements in effect on the Closing Date), in each case granting Liens required by the Collateral and Guarantee Requirement and (II) joinders to the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement and any other applicable subordination or intercreditor agreement, in each case in form and substance reasonably satisfactory to the Administrative Agent;

(B) causing each such Domestic Subsidiary (and the parent of each such Domestic Subsidiary that is a Loan Party) to deliver to the Collateral Agent (or, prior to the First Lien Termination Date, the First Lien Administrative Agent pursuant to the Intercreditor Agreement) any and all certificates representing Equity Interests (to the extent certificated) and intercompany notes (to the extent certificated) that are required to be pledged pursuant to the Collateral and Guarantee Requirement, accompanied by undated stock powers or other appropriate instruments of transfer executed in blank;

(C) taking and causing each such Restricted Subsidiary and each direct or indirect parent of such Restricted Subsidiary to take whatever action (including the recording of Mortgages, the filing of UCC financing statements and the delivery of stock and membership interest certificates) as may be necessary in the reasonable opinion of the Collateral Agent to vest in the Collateral Agent (or in any representative of the Collateral Agent designated by it) valid and perfected Liens to the extent required by the Collateral and Guarantee Requirement, and to otherwise comply with the requirements of the Collateral and Guarantee Requirement;

(ii) if reasonably requested by the Administrative Agent or the Collateral Agent, as soon as available but in any event within 45 days after such request (or such longer period as the Administrative Agent may agree in writing in its discretion), delivering to the Administrative Agent a signed copy of an opinion, addressed to the Administrative Agent, the Collateral Agent and the Lenders, of counsel for the Loan Parties reasonably acceptable to the Administrative Agent as to such matters set forth in this Section 6.11(a) as the Administrative Agent may reasonably request;

(iii) as promptly as practicable after the request therefor by the Administrative Agent or Collateral Agent, delivering to the Collateral Agent with respect to each Mortgaged Property, any existing surveys, title reports, abstracts or environmental assessment reports, to the extent available and in the possession or control of the Borrower; *provided, however*, that there shall be no obligation to deliver to the Collateral Agent any existing environmental assessment report whose disclosure to the Collateral Agent would require the consent of a Person other than the Borrower or its Subsidiaries, where, despite the commercially reasonable efforts of the Borrower to obtain such consent, such consent cannot be obtained; and

(iv) if reasonably requested by the Administrative Agent or the Collateral Agent, as soon as available but in any event within 60 days after such request (or such longer period as the Administrative Agent may agree in writing in its discretion), delivering to the Collateral Agent any other items necessary from time to time to satisfy the Collateral and Guarantee Requirement with respect to the validity, perfection, existence and priority of security interests with respect to property of any Guarantor acquired after the Closing Date and subject to the Collateral and Guarantee Requirement, but not specifically covered by the preceding clauses (i), (ii) or (iii) or clause (b) below.

(b) As soon as is practicable, but in any event not later than 120 days after the acquisition by any Loan Party of Material Real Property that is required to be provided as Collateral pursuant to the Collateral and Guarantee Requirement (or such longer period as the Administrative Agent may agree in writing in its discretion), which Material Real Property would not be automatically subject to another Lien pursuant to pre-existing Collateral Documents, causing such property to be subject to a Lien and Mortgage in favor of the Collateral Agent for the benefit of the Secured Parties and taking, or causing the relevant Loan Party to take, such actions as shall be necessary or reasonably requested by the Administrative Agent or the Collateral Agent to grant and perfect or record such Lien, in each case to the extent required by, and subject to the limitations and exceptions of, the Collateral and Guarantee Requirement and to otherwise comply with the requirements of the Collateral and Guarantee Requirement.

(c) Always ensuring (x) that the Obligations and the Guaranty are secured by a second-priority security interest in all of the Equity Interests of the Borrower and all Equity Interests directly held by the Borrower or any Subsidiary Guarantor in any Restricted Subsidiary, subject to the limitations and exceptions of the Collateral and Guarantee Requirement and (y) that no Foreign Subsidiary or Domestic Subsidiary that is a disregarded entity for U.S. Federal income tax purposes and substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries issues any non-voting Equity Interests after the Closing Date.

Section 6.12. *Compliance with Environmental Laws.* Except, in each case, to the extent that the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, comply, and take all reasonable actions to cause all lessees and other Persons operating or occupying its properties to comply, with all applicable Environmental Laws and Environmental Permits; obtain and renew all Environmental Permits necessary for its operations and properties; and, in each case to the extent the Loan Parties or the Restricted Subsidiaries are required by Environmental Laws, conduct any investigation, remedial or other corrective action necessary to address Hazardous Materials at any property or facility in accordance with applicable Environmental Laws.

Section 6.13. *Further Assurances and Post-Closing Conditions.*

(a) Deliver each document set forth on Schedule 6.13(a) within the time limit specified therein (subject to extensions approved by the Administrative Agent in its reasonable discretion).

(b) Take each action set forth on Schedule 6.13(b) during the time period specified therein.

(c) Within 90 days after the Closing Date (subject to extensions approved by the Administrative Agent in its reasonable discretion), deliver all documents and instruments required to perfect the security interest of the Collateral Agent in the Collateral free of any other pledges, security interests or mortgages, except Liens expressly permitted hereunder, to the extent required pursuant to the Collateral and Guarantee Requirement.

(d) Promptly upon reasonable request by the Administrative Agent or the Collateral Agent (i) correct any material defect or error that may be discovered in the execution, acknowledgment, filing or recordation of any Collateral Document or other document or instrument relating to any Collateral, and (ii) do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, certificates, assurances and other instruments as the Administrative Agent or the Collateral Agent may reasonably request from time to time in order to carry out more effectively the purposes of the Loan Documents and to cause the Collateral and Guarantee Requirement to be and remain satisfied. If the Administrative Agent or the Collateral Agent reasonably determines that it is required by applicable Law to have appraisals prepared in respect of each Mortgaged Property of any Loan Party subject to a Mortgage, the Borrower shall cooperate with the Administrative Agent and/or Collateral Agent, as applicable, in obtaining such appraisals and shall pay all costs and expenses relating thereto.

Section 6.14. *Designation of Subsidiaries.* (a) Any Borrower may at any time after the Closing Date designate any Restricted Subsidiary of the Borrower as an Unrestricted Subsidiary or any Unrestricted Subsidiary as a Restricted Subsidiary; *provided* that (i) immediately before and after such designation, no Default shall have occurred and be continuing, (ii) no Subsidiary may be designated as an Unrestricted Subsidiary or continue as an Unrestricted Subsidiary if it is a “Restricted Subsidiary” for the purpose of any Junior Financing, any Third Lien Indebtedness, any Incremental Equivalent Debt, any Credit Agreement Refinancing Indebtedness or any Permitted Refinancing of any of the foregoing, or any other Indebtedness then outstanding in excess of the Threshold Amount, (iii) no Restricted Subsidiary may be designated an Unrestricted Subsidiary if it was previously designated an Unrestricted Subsidiary and (iv) no Subsidiary may be designated as an Unrestricted Subsidiary if, after giving pro forma effect to such designation, the Total Leverage Ratio would exceed 7.70:1.00. The designation of any Subsidiary as an Unrestricted Subsidiary after the Closing Date shall constitute an Investment by the Borrower therein at the date of designation in an amount equal to the fair market value of the aggregate investment therein of the Borrower and its Subsidiaries (as applicable) investment therein. The designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute (i) the incurrence at the time of designation of any Investment, Indebtedness or Liens of such Subsidiary existing at such time and (ii) a return on any Investment by the Borrower in Unrestricted Subsidiaries pursuant to the preceding sentence in an amount equal to the lesser of (x) the fair market value at the date of such designation of the Borrower’s or its Subsidiary’s (as applicable) Investment in such Subsidiary and (y) the amount of the Investment originally made in respect of the designation of such Subsidiary as an Unrestricted Subsidiary.

(b) If, at any time, a Restricted Subsidiary would fail to meet the requirements set forth in the definition of “Qualified Restricted Subsidiary”, it will thereafter cease to be a Qualified Restricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary that is not a Qualified Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 7.03, an Event of Default shall be deemed to have occurred and be continuing. A Responsible Officer of the Borrower may at any time designate any Restricted Subsidiary to not be a Qualified Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by such Qualified Restricted Subsidiary of any outstanding Indebtedness of such Restricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 7.03 and (2) no Default or Event of Default would be in existence upon or following such designation. In the event (x) a Restricted Subsidiary fails to meet the requirements to be a Qualified Restricted Subsidiary or (y) a Responsible Officer designates a Qualified Restricted Subsidiary not to be a Restricted Subsidiary, then all Investments in such Subsidiary since the Effective Date shall consequently reduce applicable basket amounts hereunder. The Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth any such designation as a condition precedent to such designation.

(c) Except to the extent restricted pursuant to any Permitted Payment Restrictions, cause each Qualified Restricted Subsidiary to declare and pay regular monthly, quarterly, semiannual or annual dividends or distributions to the holders of its Equity Interests in an amount equal to substantially all of the available cash flow of such Qualified Restricted Subsidiary for such period as determined in good faith by the board of directors of such

Qualified Restricted Subsidiary, subject to fiduciary duties applicable to such board of directors and such ordinary and customary reserves and other amounts as, in the good faith judgment of such individuals, may be necessary so that the business of such Qualified Restricted Subsidiary may be properly and advantageously conducted at all times, including amounts for operations, Capital Expenditures and debt service of such Qualified Restricted Subsidiary.

Section 6.15. *Maintenance of Ratings*. Use commercially reasonable efforts to maintain (i) a private corporate rating from S&P and a private corporate family rating from Moody's, in each case in respect of the Company and (ii) a private rating from S&P and Moody's with respect to the "Initial Term Loans".

Section 6.16. *Use of Proceeds*. Use the proceeds of the Loans only for the purposes set forth in Section 5.21.

Section 6.17. *Lender Conference Call*. Host a conference call with representatives of the Administrative Agent and the Lenders once during each fiscal year of the Borrower upon reasonable prior notice to be held at such time as reasonably designated by the Borrower (in consultation with the Administrative Agent), at which conference call shall be discussed the financial results of the previous fiscal quarter and the year-to-date financial condition of the Restricted Group; provided, so long as no Event of Default shall have occurred and be continuing, that the Borrower will not be required to hold a second, separate call for the Administrative Agent and the Lenders as long as the Administrative Agent and the Lenders are provided access to any such call held pursuant to Section 6.17 of the First Lien Credit Agreement.

ARTICLE 7 NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder or any Loan or other Obligation (other than contingent indemnification obligations as to which no claim has been asserted) hereunder which is accrued or payable shall remain unpaid or unsatisfied then from and after the Closing Date:

Section 7.01. *Liens*. The Borrower shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens created pursuant to any Loan Document;

(b) Liens existing on the Closing Date and listed on Schedule 7.01(b); *provided* that (i) the Lien does not extend to any additional property other than (A) after-acquired property that is affixed or incorporated into the property covered by such Lien and (B) proceeds and products thereof, and (ii) such Lien does not secure any obligation other than those it secured on the Closing Date or, to the extent constituting Indebtedness, any Permitted Refinancing of the Indebtedness secured thereby on the Closing Date;

(c) Liens for taxes, assessments or governmental charges that are not overdue for a period of more than 30 days and are not otherwise delinquent or that are being contested in good faith and by appropriate actions, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(d) statutory or common law Liens of landlords, sublandlords, carriers, warehousemen, mechanics, materialmen, repairmen, construction contractors or other like Liens, or other customary Liens (other than in respect of Indebtedness) in favor of landlords, in each case arising in the ordinary course of business that secure amounts not overdue for a period of more than 30 days or if more than 30 days overdue, that are being contested in good faith and by appropriate actions, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(e) (i) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation (other than any Lien imposed pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or a violation of Section 436 of the Code) and (ii) pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to the Borrower or any of its Restricted Subsidiaries;

(f) deposits to secure the performance of bids, trade contracts, governmental contracts and leases (in the case of each of the foregoing, other than for Indebtedness for borrowed money), statutory obligations, surety, stay, customs and appeal bonds, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations), in each case incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions (including zoning restrictions), encroachments, protrusions and other similar encumbrances and minor title defects affecting Real Property that do not in the aggregate materially interfere with the ordinary conduct of the business of the Restricted Group, taken as a whole, and any exceptions on the Mortgage Policies issued on the Closing Date in connection with the Mortgaged Properties;

(h) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.01(h);

(i) leases, licenses, subleases or sublicenses granted to others in the ordinary course of business which do not (i) interfere in any material respect with the business of the Restricted Group, taken as a whole or (ii) secure any Indebtedness;

(j) Liens (i) in favor of customs and revenue authorities arising as a matter of Law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business or (ii) on specific items of inventory or other goods and proceeds thereof of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or such other goods in the ordinary course of business;

(k) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection and (ii) arising in the ordinary course of business in favor of a banking or other financial institution arising as a matter of Law or under customary general terms and conditions encumbering deposits or other funds maintained with a financial institution (including the right of set-off) and that are within the general parameters customary in the banking industry or arising pursuant to such banking institutions general terms and conditions;

(l) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Sections 7.02(i) and 7.02(n) or, to the extent related to any of the foregoing, Section 7.02(r), in each case to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to Dispose of any property in a Disposition permitted under Section 7.05, in each case, solely to the extent such Investment or Disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(m) Liens (i) in favor of the Borrower or a Restricted Subsidiary on assets of a Restricted Subsidiary that is not a Loan Party securing Indebtedness permitted under Section 7.03(b) and (ii) in favor of the Borrower or any Subsidiary Guarantor;

(n) any interest or title (and all encumbrances and other matters affecting such interest or title) of a lessor, sublessor, licensor or sublicensor under leases, subleases, non-exclusive licenses or non-exclusive sublicenses entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business; *provided* that no such lease or sublease shall constitute a Capitalized Lease;

(o) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business permitted by this Agreement;

(p) Liens deemed to exist in connection with Investments in repurchase agreements permitted under Section 7.02(a);

(q) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;

(r) Liens that are customary contractual rights of set-off (i) relating to the establishment of depository relations with banks in the ordinary course of business and not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of the Borrower or any of its Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Borrower or any of its Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of the Borrower or any of its Restricted Subsidiaries in the ordinary course of business;

(s) Liens solely on any cash earnest money deposits made by the Borrower or any of its Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;

(t) ground leases in respect of Real Property on which facilities owned or leased by the Borrower or any of its Restricted Subsidiaries are located;

(u) Liens (including any interest or title (and all encumbrances and other matters affecting such interest or title) of a lessor or sublessor under Capitalized Leases) securing Indebtedness permitted under Section 7.03(e); *provided* that (i) such Liens are created within 270 days of the acquisition, construction, repair, lease or improvement, as applicable, of the property subject to such Liens, (ii) such Liens do not at any time encumber property (except for replacements, additions and accessions to such property) other than the property financed by such Indebtedness and the proceeds and products thereof and customary security deposits and (iii) with respect to Capitalized Leases, such Liens do not at any time extend to or cover any assets (except for replacements, additions and accessions to such assets) other than the assets subject to such Capitalized Leases and the proceeds and products thereof and customary security deposits; *provided* that individual financings of equipment provided by one lender may be cross collateralized to other financings of equipment provided by such lender;

(v) Liens on property (i) of any Foreign Subsidiary that is not a Loan Party and (ii) that does not constitute Collateral, which Liens secure Indebtedness of the applicable Foreign Subsidiary permitted under Section 7.03;

(w) Liens existing on property at the time of its acquisition or existing on the property of any Person at the time such Person becomes a Restricted Subsidiary (other than by designation as a Restricted Subsidiary pursuant to Section 6.14), in each case after the Closing Date (other than Liens on the Equity Interests of any Person that becomes a Restricted Subsidiary); *provided* that (i) such Lien was not created in contemplation of such acquisition or such Person becoming a Restricted Subsidiary, (ii) such Lien does not extend to or cover any other assets or property (other than the proceeds or products thereof and other than after-acquired property subjected to a Lien securing Indebtedness and other obligations incurred prior to such time and which Indebtedness and other obligations are permitted hereunder that require, pursuant to their terms at such time, a pledge of after-acquired property, it being understood that such requirement shall not be permitted to apply to any property to which such requirement would not have applied but for such acquisition), and (iii) the Indebtedness secured thereby is permitted under Section 7.03(g);

(x) (i) zoning, building, entitlement and other land use regulations by Governmental Authorities with which the normal operation of the business complies, and (ii) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of the Restricted Group, taken as a whole;

(y) Liens arising from precautionary Uniform Commercial Code financing statements or similar filings;

(z) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(aa) any Lien created or assumed in reliance on Section 7.01(u) or 7.01(w) notwithstanding that the obligation secured thereby shall have been modified, replaced, renewed or extended; *provided* that (i) the Lien does not extend to any additional property other than (A) after-acquired property that is affixed or incorporated into the property covered by such Lien when it was initially created or assumed and (B) proceeds and products thereof, and (ii) such Lien does not secure any obligation other than those it secured on the date such Lien was initially created or assumed or, to the extent constituting Indebtedness, any Permitted Refinancing of the Indebtedness secured thereby on the date such Lien was initially created or assumed;

(bb) other Liens with respect to property or assets of the Borrower or any of its Restricted Subsidiaries securing obligations in an aggregate principal amount outstanding at any time not to exceed \$57,500,000;

(cc) Liens on the Collateral securing Incremental Equivalent Debt incurred pursuant to Section 7.03(s); *provided* that such Liens shall be subject to the Intercreditor Agreement and the Second Lien Intercreditor Agreement or the Third Lien Intercreditor Agreement, as applicable;

(dd) Liens on the Collateral securing Permitted Second Priority Refinancing Debt or Permitted Third Priority Refinancing Debt and any Permitted Refinancing of the foregoing; *provided* that (x) any such Liens securing any Permitted Refinancing in respect of Permitted Second Priority Refinancing Debt are subject to the Intercreditor Agreement and the Second Lien Intercreditor Agreement and (y) any such Liens securing any Permitted Refinancing in respect of Permitted Third Priority Refinancing Debt are subject to the Intercreditor Agreement and the Third Lien Intercreditor Agreement;

(ee) Liens on the Equity Interests of any joint venture entity consisting of a transfer restriction, purchase option, call or similar right of a third party joint venture partner;

(ff) Liens arising by operation of law in the United States under Article 2 of the UCC in favor of a reclaiming seller of goods or buyer of goods;

(gg) Liens on specific items of inventory or other goods and the proceeds thereof securing such Person's obligations in respect of documentary letters of credit or banker's acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or goods, in each case in the ordinary course of business;

(hh) deposits of cash with the owner or lessor of premises leased and operated by the Borrower or any of its Subsidiaries to secure the performance of the Borrower's or such Subsidiary's obligations under the terms of the lease for such premises, in each case in the ordinary course of business; and

(ii) Liens securing Indebtedness incurred pursuant to Section 7.03(aa) (including Indebtedness arising in respect of any Secured Cash Management Services Obligation or in respect of any Secured Hedge Agreement, each as defined in the First Lien Credit Agreement); *provided* that, in each case, such Liens are subject to the terms of the Intercreditor Agreement.

Section 7.02. *Investments*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, make or hold any Investments, except:

(a) Investments by the Restricted Group in assets that were Cash Equivalents when such Investment was made;

(b) loans or advances to officers, directors and employees of any Loan Party or any of its Restricted Subsidiaries (i) for reasonable and customary business-related travel, entertainment, relocation and analogous ordinary business purposes, (ii) in connection with such Person's purchase of Equity Interests of Holdings or any direct or indirect parent thereof directly from such issuing entity (*provided* that the amount of such loans and advances shall be contributed to the Borrower in cash as common equity) and (iii) for any other purposes not described in the foregoing clauses (i) and (ii); *provided* that the aggregate principal amount of loans and advances outstanding at any time under this Section 7.02(b) shall not exceed \$13,800,000;

(c) Investments (i) by the Borrower or any Restricted Subsidiary in any Loan Party (other than Holdings), (ii) by any Restricted Subsidiary that is neither a Loan Party nor a Qualified Restricted Subsidiary in any other Restricted Subsidiary that is neither a Loan Party nor a Qualified Restricted Subsidiary and (iii) by any Loan Party or any Qualified Restricted Subsidiary in a Restricted Subsidiary that is neither a Loan Party nor a Qualified Restricted Subsidiary or in any joint venture; *provided* that the aggregate amount of Investments at any time outstanding under this clause (iii), together with the aggregate consideration for Permitted Acquisitions made by Loan Parties or Qualified Restricted Subsidiaries pursuant to Section 7.02(i) of assets that are not (or do not become) owned by a Loan Party or a Qualified Restricted Subsidiary or of Equity Interests in Persons that do not become Loan Parties or Qualified Restricted Subsidiaries upon consummation of such Permitted Acquisition, shall not exceed the greater of (x) \$115,000,000 and (y) 8.625% of Total Assets;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business;

(e) Investments consisting of (i) the creation or assumption of Liens in accordance with Section 7.01, (ii) the incurrence or assumption of Indebtedness in accordance with Section 7.03 (other than 7.03(d)), (iii) the acquisition of assets resulting from the consummation of a merger, dissolution, liquidation or consolidation in accordance with Section 7.04 (other than Section 7.04(c), 7.04(d), 7.04(e) or 7.04(g)), (iv) the acquisition of assets resulting from the consummation of a Disposition in accordance with Section 7.05(h), 7.05(m) or 7.05(n), (v) the acquisition of assets received as Restricted Payments made in accordance with Section 7.06 (other than Section 7.06(e) or 7.06(i)(iv)), (vi) the acquisition of assets received as payments in respect of Indebtedness made in accordance with Section 7.13 and (vii) contributions to the Indemnity Escrow Account satisfying the requirements under Section 7.06(c);

(f) Investments (i) existing or contemplated on the Closing Date and set forth on Schedule 7.02(f) and any modification, replacement, renewal or extension thereof and (ii) existing on the Closing Date by the Borrower or any Restricted Subsidiary in any Restricted Subsidiary and any modification, replacement, renewal or extension thereof; *provided* that, in the case of clauses (i) and (ii), the amount of the original Investment is not increased except by the terms of such original Investment as set forth on Schedule 7.02(f) or as otherwise permitted by this Section 7.02 (and in such case made in reliance on another paragraph of this Section 7.02 so permitting such modification, replacement, renewal or extension thereof);

(g) Investments in Swap Contracts permitted under Section 7.03;

(h) promissory notes and other non-cash consideration received in connection with Dispositions permitted by Section 7.05;

(i) any acquisition by the Borrower, any other Loan Party or any Qualified Restricted Subsidiary of all or substantially all the assets of or of Equity Interests in, a Person or division, business unit or line of business of a Person (or any subsequent investment made in a Person, division, business unit or line of business previously acquired in a Permitted Acquisition), in each case in a single transaction or series of related transactions, if (i) no Event of Default shall have occurred and be continuing or would result therefrom; (ii) immediately after giving effect to such acquisition or investment and any related transactions, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than the Total Leverage Ratio then permitted under Section 7.11 of the First Lien Credit Agreement (regardless of whether then in effect) as of the last day of the most recently ended Test Period; (iii) to the extent required by the Collateral and Guarantee Requirement, (A) the property, assets and businesses acquired in such purchase or other acquisition shall constitute Collateral and (B) any such newly created or acquired Subsidiary (other than an Excluded Subsidiary) shall become a Guarantor, in each case, to the extent required by and in accordance with Section 6.11; (iv) the businesses acquired in such purchase or other acquisition shall be in compliance with Section 7.07; and (v) in the case of a purchase or other acquisition in an aggregate principal amount in excess of \$11,500,000, the Borrower shall have delivered to the Administrative Agent a certificate of a Responsible Officer of the Borrower certifying that the conditions set forth in the preceding clauses (i) through (iv) have been satisfied (any such acquisition consummated under this Section 7.02(i), a “**Permitted Acquisition**”); *provided* that the aggregate consideration (other than consideration consisting of Equity Interests (other than Disqualified Equity Interests) in Holdings or any direct or indirect parent thereof) for Permitted Acquisitions made by Loan Parties or Qualified Restricted Subsidiaries pursuant to this Section 7.02(i) of assets that are not (or do not become) owned by a Loan Party or a Qualified Restricted Subsidiary or of Equity Interests in Persons that do not become Loan Parties or Qualified Restricted Subsidiaries upon consummation of such Permitted Acquisition, together with any Investments under Section 7.02(c)(iii) then outstanding, shall not exceed the greater of (x) \$115,000,000 at any time outstanding and (y) 8.625% of Total Assets;

(j) Investments made to effect the Transactions;

(k) Investments in the ordinary course of business consisting of UCC Article 3 endorsements for collection or deposit and UCC Article 4 customary trade arrangements with customers consistent with past practices;

(l) Investments (including debt obligations and Equity Interests) received in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of delinquent obligations of, or other disputes with, customers and suppliers arising in the ordinary course of business or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;

(m) loans and advances to Holdings in lieu of and not in excess of the amount of (after giving effect to any other loans, advances or Restricted Payments in respect thereof) Restricted Payments permitted to be made to Holdings in accordance with Section 7.06(g), 7.06(h) or 7.06(i);

(n) other Investments (including for Permitted Acquisitions) in an aggregate amount at any time outstanding under this clause (n) not to exceed the sum of (i) \$28,750,000 and (ii) the Cumulative Credit immediately prior to the time of the making of such Investment, provided that the aggregate amount of such Investment shall be specified in a written notice of a Responsible Officer of the Borrower delivered to the Administrative Agent on the date of such Investment and calculating in reasonable detail the amount of Cumulative Credit immediately prior thereto and the amount thereof elected to be so applied; *provided* that no Event of Default shall have occurred and be continuing or would result from the making of any such Investment;

(o) advances of payroll payments to employees in the ordinary course of business;

(p) Investments to the extent that payment for such Investments is made solely with Equity Interests (other than Disqualified Equity Interests) of Holdings (or any direct or indirect parent of Holdings);

(q) Investments of a Restricted Subsidiary acquired after the Closing Date pursuant to a Permitted Acquisition or of a corporation merged or amalgamated or consolidated into the Borrower or merged, amalgamated or consolidated with a Restricted Subsidiary, in each case in accordance with this Section 7.03 and Section 7.04 after the Closing Date to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(r) Investments made by any Restricted Subsidiary that is not a Loan Party to the extent such Investments are financed with the proceeds received by such Restricted Subsidiary from an Investment in such Restricted Subsidiary made pursuant to Section 7.02(c)(iii), 7.02(i), 7.02(n) or 7.02(t);

(s) Guarantees by the Borrower or any Subsidiary Guarantor of operating leases (other than Capitalized Leases) or of other obligations that do not constitute Indebtedness, in each case, which leases or other obligations are entered into in the ordinary course of business; and

(t) Investments in Qualified Restricted Subsidiaries or a Person that is not a Qualified Restricted Subsidiary but will in each case be a Qualified Restricted Subsidiary upon such Investment; *provided*, that the aggregate amount of all such Investments at any time outstanding shall not exceed the greater of (x) \$115,000,000 and (y) 8.625% of Total Assets; *provided, further*, that to the extent any such Investment is a loan or advance made by a Loan Party, it shall be evidenced by pledged notes pledged in accordance with the Collateral and Guarantee Requirement.

If any Person in which an Investment is made pursuant to clause 7.02(c)(iii) or 7.02(n)(i) thereafter becomes a Qualified Restricted Subsidiary or is merged or consolidated into or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Borrower, a

Subsidiary Guarantor or a Qualified Restricted Subsidiary, then such Investment may, at the option of the Borrower, thereafter be deemed to have been made pursuant to clause (c)(ii) or clause (t) above (as applicable) to the extent permitted thereunder at such time and not be accounted for under clause 7.02(c)(iii) or 7.02(n)(i).

Section 7.03. *Indebtedness*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party under the Loan Documents;

(b) (i) Indebtedness outstanding on the Closing Date and listed on Schedule 7.03(b) and any Permitted Refinancing thereof and (ii) intercompany Indebtedness outstanding on the Closing Date and any Permitted Refinancing thereof; *provided* that (x) any intercompany Indebtedness shall be evidenced by an Intercompany Note and (y) any intercompany Indebtedness of any Loan Party owed to any Person that is not a Loan Party shall be unsecured and subordinated to the Obligations pursuant to the subordination provisions contained in an Intercompany Note;

(c) Guarantees by any member of the Restricted Group in respect of Indebtedness of the Borrower or any Restricted Subsidiary of the Borrower otherwise permitted hereunder; *provided* that (i) no Guarantee by Holdings or any Restricted Subsidiary of any Indebtedness of a Loan Party (including any Third Lien Indebtedness, any Junior Financing, any Incremental Equivalent Debt, any Permitted Second Priority Refinancing Debt, any Permitted Third Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt or any Permitted Refinancing of any of the foregoing) shall be permitted unless such guaranteeing party shall have also provided a Guarantee of the Obligations on the terms set forth herein and (ii) if the Indebtedness being Guaranteed is Junior Financing that is, or is required by this Agreement to be, Subordinated Indebtedness, such Guarantee shall be subordinated to the Guarantee of the Obligations on terms at least as favorable to the Lenders as those contained in the subordination of such Junior Financing;

(d) Indebtedness (other than Indebtedness permitted under Section 7.03(b)) of the Borrower or any Restricted Subsidiary owing to any Loan Party or any other Restricted Subsidiary to the extent constituting an Investment permitted by Section 7.02; *provided* that (x) all such Indebtedness shall be evidenced by an Intercompany Note and (y) all such Indebtedness of any Loan Party owed to any Person that is not a Loan Party shall be unsecured and subordinated to the Obligations pursuant to the subordination provisions contained in an Intercompany Note;

(e) (i) Attributable Indebtedness and other Indebtedness of the Borrower or any Restricted Subsidiary (including Capitalized Leases) financing an acquisition, construction, repair, replacement, lease or improvement of a fixed or capital asset incurred prior to or within 270 days after the acquisition, lease or improvement of the applicable asset in an aggregate amount (together with any Permitted Refinancings thereof) not to exceed \$86,250,000 at any time outstanding, and (ii) Attributable Indebtedness of the Borrower or any Restricted Subsidiary arising out of sale-leaseback transactions permitted by Section 7.05(m) and any Permitted Refinancing thereof;

(f) Indebtedness in respect of Swap Contracts designed to hedge against the Borrower's or any Restricted Subsidiary's exposure to interest rates (including Swap Contracts entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise)), foreign exchange rates or commodities pricing risks incurred in the ordinary course of business and not for speculative purposes;

(g) (A) Indebtedness (i) of any Restricted Subsidiary assumed in connection with any Permitted Acquisition, provided that such Indebtedness is not incurred in contemplation of such Permitted Acquisition, or (ii) of the Borrower or any Restricted Subsidiary incurred to finance a Permitted Acquisition; provided that (w) in the case of clauses (i) and (ii), all such Indebtedness is unsecured (except for (A) Liens permitted by Section 7.01(w) and (B) Liens permitted by Section 7.01(bb)), (x) in the case of clauses (i) and (ii), both immediately prior and after giving effect thereto, (1) no Event of Default shall exist or result therefrom (other than a Permitted Acquisition made pursuant to a legally binding commitment entered into at a time when no Event of Default exists or would result therefrom), and (2) immediately after giving effect to the assumption or incurrence of such Indebtedness, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than the Total Leverage Ratio then permitted under Section 7.11 of the First Lien Credit Agreement (regardless of whether then in effect with the numerator of such ratio multiplied by 1.15) as of the last day of the most recently ended Test Period, it being understood that, as a condition precedent to the assumption or incurrence of such Indebtedness, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance), and (y) in the case of any Indebtedness incurred under clause (ii), such Indebtedness matures after, and does not require any scheduled amortization or other scheduled payments of principal (other than customary AHYDO Catch-Up Payments, and customary offers to repurchase and prepayment events upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) prior to, the then Latest Maturity Date; *provided* that such Indebtedness may be incurred in the form of a customary "bridge" or other interim credit facility intended to be refinanced or replaced with long-term indebtedness so long as, subject only to customary conditions the failure of which to be satisfied would otherwise result in an Event of Default, it would either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of this clause (y) and (B) any Permitted Refinancing thereof;

(h) Indebtedness representing deferred compensation to employees of any member of the Restricted Group incurred in the ordinary course of business and other obligations and liabilities arising under employee benefit plans in the ordinary course of business;

(i) Indebtedness consisting of unsecured promissory notes issued by any member of the Restricted Group to current or former officers, managers, consultants, directors and employees, their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of Holdings or any direct or indirect parent of Holdings permitted by Section 7.06;

(j) Indebtedness incurred by the Borrower or any of its Restricted Subsidiaries in a Permitted Acquisition, any other Investment expressly permitted hereunder or any Disposition expressly permitted hereunder, in each case, constituting indemnification obligations or obligations in respect of purchase price (including earnouts) or other similar adjustments;

(k) Indebtedness consisting of obligations of the Borrower or any of its Restricted Subsidiaries under deferred compensation or other similar arrangements incurred by such Person in connection with the Transactions, and Permitted Acquisitions or any other Investment expressly permitted hereunder;

(l) Indebtedness in respect of treasury, depository, credit card, debit card and cash management services or automated clearinghouse transfer of funds, overdraft or any similar services incurred in the ordinary course of business;

(m) Indebtedness of the Borrower or any Subsidiary Guarantors, in an aggregate principal amount at any time outstanding not to exceed \$57,500,000;

(n) Indebtedness consisting of the financing of insurance premiums or take-or-pay obligations contained in supply arrangements that do not constitute Guarantees, in each case, in the ordinary course of business;

(o) Indebtedness incurred by the Borrower or any of its Restricted Subsidiaries in respect of letters of credit, bank guarantees, bankers' acceptances or similar instruments issued or created in the ordinary course of business and not in connection with the borrowing of money, including in respect of workers compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness incurred in the ordinary course of business with respect to reimbursement-type obligations regarding workers compensation claims; *provided* that any reimbursement obligations in respect thereof are reimbursed within 30 days following the incurrence thereof (or within such longer period as is permitted without interest or other charges under the benefit plan which reimbursement is to be made under);

(p) obligations in respect of performance, bid, appeal and surety bonds and performance and completion guarantees and similar obligations provided by the Borrower or any of its Restricted Subsidiaries or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case in the ordinary course of business or consistent with past practice and not in connection with the borrowing of money or Swap Contracts;

(q) Indebtedness (including in the form of Capital Leases and/or letters of credit) in an aggregate principal amount at any time outstanding not to exceed \$17,250,000 to finance the construction of a hospital in Great Falls, Montana;

(r) Indebtedness assumed in connection with Approved Acquisitions in an aggregate principal amount at any time outstanding not to exceed \$3,450,000;

(s) (A) Indebtedness issued by the Borrower and in the form of one or more series of senior or subordinated notes or loans (which may be unsecured or secured on a junior lien basis or, in the case of notes only, a pari passu basis, in each case issued in a public offering, Rule

144A or other private placement or bridge facility in lieu of the foregoing, or senior or subordinated “mezzanine” debt (which may be in the form of loans or notes and limited to being secured solely on a junior lien basis) (the “**Incremental Equivalent Debt**”); *provided* that (i) such Incremental Equivalent Debt shall not be subject to the requirement set forth in clause (vi) of Section 2.19(b), (ii) such Incremental Equivalent Debt (A) shall not be guaranteed by any person other than a Guarantor, (B) shall not be secured by any assets other than the Collateral, (C) shall not have a Weighted Average Life to Maturity less than the remaining Weighted Average Life to Maturity of the then outstanding Initial Term Loans, (D) shall have a final maturity no earlier than the Original Term Loan Maturity Date (*provided* that such Incremental Equivalent Debt may be incurred in the form of a customary “bridge” or other interim credit facility intended to be refinanced or replaced with long-term indebtedness so long as, subject only to customary conditions the failure of which to be satisfied would otherwise result in an Event of Default, it would either be automatically converted into or required to be exchanged for permanent financing which satisfies the requirements of this clause (D)), (E) may participate on a pro rata basis or on a less than pro rata basis (but not on a greater than pro rata basis) in any voluntary or mandatory prepayments hereunder, (F) shall be subject to the Intercreditor Agreement and the Second Lien Intercreditor Agreement or the Third Lien Intercreditor Agreement, as applicable and (G) shall not be secured by any Liens except those Liens permitted under Section 7.01(cc), (iii) the other terms and conditions of such Incremental Equivalent Debt (excluding pricing, fees, rate floors and optional prepayment or redemption terms) shall be substantially identical to, or (taken as a whole) no more favorable to the lenders or holders providing such Incremental Equivalent Debt than, those applicable to the Term Loans (except for covenants or other provisions applicable only to periods after the latest final maturity date of the Term Loans then existing) (it being understood that to the extent any financial maintenance covenant is added for the benefit of such Incremental Equivalent Debt, no consent shall be required from the Administrative Agent or any Lender to the extent that such financial maintenance covenant is also added for the benefit of the Term Loans then outstanding) (*provided* that a certificate of a Responsible Officer delivered to the Administrative Agent at least five Business Days prior to the incurrence of such Incremental Equivalent Debt, together with a reasonably detailed description of the material terms and conditions of such Incremental Equivalent Debt or drafts of the documentation relating thereto, stating that the Borrower has determined in good faith that such terms and conditions satisfy the requirement of this clause (iii) shall be conclusive evidence that such terms and conditions satisfy such requirement unless the Administrative Agent notifies the Borrower within such five Business Day period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees)); and (iv) after giving effect to the incurrence of such Incremental Equivalent Debt, the aggregate principal amount of all Incremental Equivalent Debt (together with all Incremental Term Loans under Section 2.19(a), all First Lien Incremental Term Loans and all First Lien Incremental Equivalent Debt) shall not exceed (x) \$100,000,000 plus (y) an unlimited additional amount, so long as on a Pro Forma Basis after the incurrence of such Incremental Equivalent Debt, (A) if such Incremental Equivalent Debt ranks pari passu or junior in right of security with the Obligations on the Collateral, the Senior Secured Leverage Ratio as of the last day of the most recently ended Test Period does not exceed 7.35:1.00 and (B) if such Incremental Equivalent Debt is unsecured, the Total Leverage Ratio as of the last day of the most recently ended Test Period does not exceed 7.70:1.00 (it being understood that any Incremental Equivalent Debt may be incurred under clause (y) regardless of whether there is capacity under

clause (x) and (v) the Borrower shall have delivered a certificate of a Responsible Officer to the effect set forth in clause (C) above together with reasonably detailed calculations demonstrating compliance with clause (C) above (which calculations shall, if made as of the last day of any fiscal quarter of the Borrower for which the Borrower has not delivered to the Administrative Agent the financial statements and Compliance Certificate required to be delivered by Section 6.01(a) or 6.01(b) and Section 6.02(a), respectively, be accompanied by a reasonably detailed calculation of Consolidated EBITDA for the relevant period); *provided, further*, that for purposes of the calculation of the Total Leverage Ratio and the Senior Secured Leverage Ratio, as applicable, used in determining the availability of Incremental Equivalent Debt under this Section 7.03(s), any cash proceeds of Incremental Equivalent Debt will not be netted for purposes of determining compliance with the Total Leverage Ratio or the Senior Secured Leverage Ratio, as applicable and (B) any Permitted Refinancing of Incremental Equivalent Debt;

(t) (i) Permitted Unsecured Refinancing Debt of a Loan Party and (ii) any Permitted Refinancing thereof;

(u) (i) Permitted Second Priority Refinancing Debt and Permitted Third Priority Refinancing Debt, in each case of a Loan Party and (ii) any Permitted Refinancing thereof;

(v) (i) Permitted Junior Debt of a Loan Party; *provided* that (x) no Event of Default shall have occurred and be continuing at the time of the incurrence of such Indebtedness or would result therefrom and (y) immediately after giving effect to the incurrence of such Permitted Junior Debt, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than 7.70 to 1.00 (as of the last day of the most-recently ended Test Period, it being understood that, as a condition precedent to any such incurrence, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance, and that, solely for purposes of calculating the Total Leverage Ratio calculated on a Pro Forma Basis for this Section 7.03(v), the Test Period shall (if such period is later than the period that would otherwise apply pursuant to the definition of "Test Period") be the most recent period as of the date of determination of four consecutive fiscal quarters of the Borrower for which the Borrower has internal financial statements available and (ii) any Permitted Refinancing thereof;

(w) Indebtedness of Restricted Subsidiaries that are not Subsidiary Guarantors, in an aggregate principal amount at any time outstanding not to exceed \$40,250,000; *provided* that, notwithstanding the provisions of Section 7.03(c) or any other provision hereof, no Restricted Subsidiary that is not a Loan Party may Guarantee any Indebtedness of a Loan Party (including any Third Lien Indebtedness, any Junior Financing, any Incremental Equivalent Debt, any Permitted Second Priority Refinancing Debt, any Permitted Third Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt or any Permitted Refinancing of any of the foregoing);

(x) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in Sections 7.03(a) through 7.03(w) above or Sections 7.03(y) through (bb) below;

(y) Guarantees by the Borrower of Indebtedness of any Qualified Restricted Subsidiary and by any Qualified Restricted Subsidiary of Indebtedness of the Borrower or any other Qualified Restricted Subsidiary, provided that the Indebtedness so Guaranteed would have otherwise been permitted to be incurred by Borrower or the guaranteeing Qualified Restricted Subsidiary under another clause of this Section 7.03; and

(z) Indebtedness in respect of unsecured promissory notes issued to a Strategic Investor in connection with repurchases, redemptions or other acquisitions of Equity Interests permitted by Section 7.06(n) in an amount not to exceed \$57,500,000;

(aa) (i)(A) Indebtedness incurred under the First Lien Credit Agreement and (B) First Lien Incremental Equivalent Debt, in the case of this clause (i), in an aggregate outstanding principal amount not to exceed at any time (x) \$1,100,000,000 plus (y) the aggregate outstanding principal amount of First Lien Incremental Term Loans and First Lien Incremental Equivalent Debt permitted to be incurred under the First Lien Credit Agreement as in effect on the Closing Date, and (ii) any Permitted Refinancing in respect of any of the foregoing; and

(bb) Indebtedness under the Gari Note in an aggregate outstanding principal amount not to exceed at any time \$17,250,000, to the extent subordinated to the Obligations pursuant to the Gari Subordination Agreement.

For purposes of determining compliance with Section 7.03, in the event that an item of Indebtedness (or any portion thereof) at any time, whether at the time of incurrence or upon the application of all or a portion of the proceeds thereof or subsequently, meets the criteria of more than one of the categories of permitted Indebtedness described in Sections 7.03(a) through 7.03(bb) above, the Borrower, in its sole discretion, will classify and may subsequently reclassify such item of Indebtedness (or any portion thereof) in any one or more of the types of Indebtedness described in Sections 7.03(a) through 7.03(bb) and will only be required to include the amount and type of such Indebtedness in such of the above clauses as determined by the Borrower at such time. The Borrower will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in Sections 7.03(a) through 7.03(bb). Notwithstanding the foregoing or anything to the contrary contained in this Agreement, (a) Indebtedness incurred under the Loan Documents, any Incremental Commitments and any Incremental Loans shall only be classified as incurred under Section 7.03(a) and (b) any Permitted Refinancing of any Indebtedness incurred under Section 7.03(a), 7.03(t) or 7.03(u) may only be incurred, and shall only be classified as incurred, under Section 7.03(a), 7.03(t) or 7.03(u), respectively.

For purposes of determining compliance with any Dollar-denominated restriction on the creation, incurrence, assumption or existence of Indebtedness, the Dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided* that, if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (i) the

principal amount of such Indebtedness being refinanced plus (ii) the aggregate amount of fees, underwriting discounts, premiums (including tender premiums) and other costs and expenses (including original issue discount, upfront fees or similar fees) incurred in connection with such refinancing.

The accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, and the payment of interest or dividends in the form of additional Indebtedness, as the case may be, of the same class, accretion or amortization of original issue discount and increases in the amount of Indebtedness solely as a result of fluctuations in the exchange rate of currencies, will, in each case, not be deemed to be an incurrence of Indebtedness for purposes of this Section 7.03.

Section 7.04. *Fundamental Changes.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that:

(a) any Restricted Subsidiary may merge, amalgamate or consolidate with (i) the Borrower (including a merger, the purpose of which is to reorganize the Borrower into a new jurisdiction); *provided that* (w) no Event of Default exists or would result therefrom, (x) the Borrower shall be the continuing or surviving Person, (y) such transaction does not result in the Borrower ceasing to be organized under the laws of the United States, any State thereof or the District of Columbia and (z) such transaction does not have an adverse effect on the perfection or priority of the Liens granted under the Collateral Documents or (ii) one or more other Restricted Subsidiaries; *provided that*, in the case of this clause (ii), when such transaction involves a Loan Party, such Loan Party shall be the continuing or surviving Person except to the extent otherwise constituting an Investment permitted by Section 7.02 (other than Section 7.02(e));

(b) (i) any Restricted Subsidiary that is not a Loan Party may merge, amalgamate or consolidate with or into any other Restricted Subsidiary that is not a Loan Party and (ii) any Restricted Subsidiary may liquidate or dissolve or change its legal form if the Borrower determines in good faith that such action is in the best interest of the Borrower and its Restricted Subsidiaries and is not materially disadvantageous to the Lenders (it being understood that, in the case of any liquidation or dissolution of a Guarantor, such Guarantor shall transfer its assets to a Loan Party, and in the case of any change in legal form, a Restricted Subsidiary that is a Guarantor will remain a Guarantor (unless such Guarantor is otherwise permitted to cease being a Guarantor hereunder) and such transaction shall not have an adverse effect on the perfection or priority of the Liens granted under the Collateral Documents);

(c) the Borrower and any Restricted Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Restricted Subsidiary; *provided that*, if the transferor in such a transaction is the Borrower or a Guarantor, then (i) the transferee must be a Loan Party or (ii) to the extent constituting an Investment, such Investment must be a permitted Investment in or Indebtedness of a Restricted Subsidiary which is not a Loan Party in accordance with Sections 7.02 (other than Section 7.02(e)) and 7.03, respectively;

(d) so long as no Event of Default exists or would result therefrom, the Borrower may merge with any other Person; *provided* that (i) the Borrower shall be the continuing or surviving corporation or (ii) if the Person formed by or surviving any such merger or consolidation is not the Borrower (any such Person, the “**Successor Borrower**”), (A) the Successor Borrower shall be an entity organized or existing under the Laws of the United States, any state thereof or the District of Columbia and such transaction shall not have an adverse effect on the perfection or priority of the Liens granted under the Collateral Documents, (B) the Successor Borrower shall expressly assume all the obligations of the Borrower under this Agreement and the other Loan Documents to which the Borrower is a party pursuant to a supplement hereto or thereto in form reasonably satisfactory to the Administrative Agent, (C) each Guarantor, unless it is the other party to such merger or consolidation, shall have confirmed that its Guarantee shall apply to the Successor Borrower’s obligations under the Loan Documents, (D) each Guarantor, unless it is the other party to such merger or consolidation, shall have, by a supplement to the Security Agreement and other applicable Collateral Documents, confirmed that its obligations thereunder shall apply to the Successor Borrower’s obligations under the Loan Documents, (E) if requested by the Collateral Agent, each mortgagor of a Mortgaged Property, unless it is the other party to such merger or consolidation, shall have, by an amendment to or restatement of the applicable Mortgage (or other instrument reasonably satisfactory to the Collateral Agent), confirmed that its obligations thereunder shall apply to the Successor Borrower’s obligations under the Loan Documents, and (F) the Borrower shall have delivered to the Administrative Agent an officer’s certificate and an opinion of counsel, each stating that such merger or consolidation and such supplement to this Agreement or any Collateral Document comply with this Agreement; *provided, further*, that, if the foregoing conditions are satisfied, the Successor Borrower will succeed to, and be substituted for, the Borrower under this Agreement; *provided, further*, that the Borrower agrees to provide any documentation and other information about such Successor Borrower as shall have been reasonably requested in writing by any Lender through the Administrative Agent that is required by regulatory authorities or under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA Patriot Act;

(e) so long as no Event of Default exists or would result therefrom, any Restricted Subsidiary may merge with any other Person (other than Holdings or the Borrower) in order to effect an Investment permitted pursuant to Section 7.02 (other than Section 7.02(e)); *provided* that the continuing or surviving Person shall be a Restricted Subsidiary, which together with each of its Restricted Subsidiaries, shall have complied with the requirements of Section 6.11 to the extent required pursuant to the Collateral and Guarantee Requirement;

(f) the Borrower and its Restricted Subsidiaries may consummate the Merger, related transactions contemplated by the Merger Agreement (and documents related thereto) and the Transactions; and

(g) so long as no Event of Default exists or would result therefrom, any Restricted Subsidiary may effect a merger, dissolution, liquidation or consolidation, the purpose of which is to effect a Disposition permitted pursuant to Section 7.05 (other than Section 7.05(e)).

Section 7.05. *Dispositions*. The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, make any Disposition, except:

(a) (x) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business, (y) Dispositions in the ordinary course of business of property no longer used or useful in the conduct of the business of any member of the Restricted Group and (z) Dispositions to landlords of improvements made to leased real property pursuant to customary terms of leases entered into in the ordinary course of business;

(b) Dispositions of inventory and goods held for sale in the ordinary course of business and immaterial assets (considered in the aggregate) (including allowing any registrations or any applications for registration of any immaterial IP Rights to lapse or go abandoned in the ordinary course of business) in the ordinary course of business;

(c) Dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are promptly applied to the purchase price of such replacement property;

(d) Dispositions of property to the Borrower or any Restricted Subsidiary; *provided* that, if the transferor of such property is a Loan Party (i) the transferee thereof must be a Loan Party and if such property constitutes Collateral, it shall continue to constitute Collateral after such Disposition or (ii) if such transaction constitutes an Investment, such transaction is permitted under Section 7.02 (other than Section 7.02(e));

(e) to the extent constituting Dispositions, (i) the creation or assumption of Liens in accordance with Section 7.01 (other than Section 7.01(l)(ii)), (ii) the disposition of assets resulting from the consummation of a merger, dissolution, liquidation or consolidation in accordance with Section 7.04 (other than Section 7.04(g)) and (iii) the making of any Restricted Payment in accordance with Section 7.06 (other than Section 7.06(e));

(f) [Reserved];

(g) Dispositions of Cash Equivalents;

(h) leases, subleases, licenses or sublicenses (including the provision of software under an open source license), in each case in the ordinary course of business and which do not materially interfere with the business of any member of the Restricted Group;

(i) transfers of property subject to Casualty Events upon the receipt (where practical) of the Net Proceeds of such Casualty Event;

(j) Dispositions of property not otherwise permitted under this Section 7.05; *provided* that (i) at the time of such Disposition (other than any such Disposition made pursuant to a legally binding commitment entered into at a time when no Event of Default exists), no Event of Default shall exist or would result from such Disposition, (ii) any prepayment required to be made in connection with the receipt of Net Proceeds in respect of such Disposition pursuant to Section 2.13 shall be made in accordance therewith and (iii) with respect to any Disposition or series of related Dispositions pursuant to this Section 7.05(j) for a purchase price in excess of \$5,750,000, the Borrower or any of its Restricted Subsidiaries shall receive not less than 75% of such consideration in the form of cash or Cash Equivalents (in each case, free and clear of all Liens at the time received, other than nonconsensual Liens permitted by Section 7.01 and Liens

permitted by Sections 7.01(a), 7.01(f), 7.01(k), 7.01(p), 7.01(q), 7.01(cc) and 7.01(dd), clauses (i) and (ii) of Section 7.01(r), and Section 7.01(ii)); *provided, however*, that for the purposes of this clause (iii), the following shall be deemed to be cash: (A) any liabilities (as shown on the Restricted Group's most recent balance sheet provided hereunder or in the footnotes thereto) of the Borrower or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the payment in cash of the Obligations, that are assumed by the transferee with respect to the applicable Disposition and for which the members of the Restricted Group shall have been validly released by all applicable creditors in writing, (B) any securities received by the Borrower or the applicable Restricted Subsidiary from such transferee that are converted by the Borrower or such Restricted Subsidiary into cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days following the closing of the applicable Disposition, and (C) aggregate non-cash consideration received by the Borrower or the applicable Restricted Subsidiary having an aggregate fair market value (determined as of the closing of the applicable Disposition for which such non-cash consideration is received) not to exceed \$11,500,000 in the aggregate (net of any non-cash consideration converted into cash and Cash Equivalents);

(k) Dispositions listed on Schedule 7.05(k);

(l) Dispositions or discounts without recourse of accounts receivable in connection with the compromise or collection thereof in the ordinary course of business;

(m) Dispositions of property pursuant to sale-leaseback transactions; *provided* that (i) the fair market value of all property so Disposed of after the Closing Date shall not exceed \$57,500,000, (ii) the Borrower or its Restricted Subsidiaries, as applicable, shall receive not less than 75% of the consideration thereof in the form of cash or Cash Equivalents and (iii) if such sale-leaseback transaction results in a Capitalized Lease, such Capitalized Lease is permitted by Section 7.03 and any Lien made the subject of such Capitalized Lease is permitted by Section 7.01;

(n) any swap of assets in exchange for services or other assets in the ordinary course of business of comparable or greater value or usefulness to the business of the Borrower and the Subsidiaries as a whole, as determined in good faith by the management of the Borrower;

(o) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(p) Dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;

(q) the unwinding of any Swap Contract; and

(r) the sale of Equity Interests in a Qualified Restricted Subsidiary to a Strategic Investor in connection with the syndication or re-syndication of such Equity Interests in the ordinary course of business;

provided that any Disposition of any property pursuant to this Section 7.05 (except pursuant to Sections 7.05(a), 7.05(d), 7.05(e), 7.05(i), 7.05(p) and 7.05(q) and except for Dispositions from a Loan Party to any other Loan Party) shall be for no less than the fair market value of such property at the time of such Disposition. To the extent any Collateral is Disposed of as expressly permitted by this Section 7.05 to any Person other than a Loan Party, such Collateral shall be sold free and clear of the Liens created by the Loan Documents, and, if requested by the Borrower, upon the certification delivered to the Administrative Agent by the Borrower that such Disposition is permitted by this Agreement, the Administrative Agent or the Collateral Agent, as applicable, shall be authorized to take any actions deemed appropriate in order to effect the foregoing.

Section 7.06. *Restricted Payments.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, declare or make, directly or indirectly, any Restricted Payment, except:

(a) each Restricted Subsidiary may make Restricted Payments to the Borrower or any other Restricted Subsidiary (and, in the case of a Restricted Payment by a non-wholly owned Restricted Subsidiary, to the Borrower and any other Restricted Subsidiary and to each other owner of Equity Interests of such Restricted Subsidiary based on their relative ownership interests of the relevant class of Equity Interests);

(b) any member of the Restricted Group may declare and make dividend payments or other Restricted Payments payable solely in the Equity Interests (other than Disqualified Equity Interests) of such Person;

(c) any member of the Restricted Group may contribute, and may make Restricted Payments to Holdings or any direct or indirect parent thereof to contribute, on or prior to the 18-month anniversary of the Closing Date, to the Indemnity Escrow Account in an amount not to exceed \$20,000,000 in the aggregate in accordance with the terms of the Merger Agreement (and subject to the cap provided under the definition of "Closing Cash Amount" in the Merger Agreement), provided that (i) any contribution to the Indemnity Escrow Account shall not be funded with proceeds from Loans and (ii) at the time of each such contribution, a Responsible Officer of the Borrower shall provide a certificate stating that such Responsible Officer has no knowledge that the applicable contribution to the Indemnity Escrow Account is not being funded by cash constituting "Closing Cash" as defined in the Merger Agreement;

(d) Restricted Payments made on the Closing Date to consummate the Transactions;

(e) to the extent constituting Restricted Payments, the members of the Restricted Group may (i) make any Investment expressly permitted by any provision of Section 7.02 (other than Sections 7.02(e) and 7.02(m)), (ii) transfer assets in respect of the elimination of Equity Interests resulting from the consummation of a merger, dissolution, liquidation or consolidation in accordance with Section 7.04 or (iii) make transactions permitted by Section 7.08(e) or 7.08(j);

(f) repurchases of Equity Interests in any member of the Restricted Group deemed to occur upon exercise of stock options or warrants or the settlement or vesting of other equity awards if such Equity Interests represent a portion of the exercise price of, or tax withholdings with respect to, such options or warrants;

(g) any member of the Restricted Group may (i) pay (or make Restricted Payments to allow Holdings or any direct or indirect parent thereof to pay) for the repurchase, retirement or other acquisition or retirement for value of Equity Interests of Holdings or any direct or indirect parent thereof held by any present or former employee, officer, director or consultant thereof or any direct or indirect parent thereof or of the Borrower or any Restricted Subsidiary or (ii) make Restricted Payments in the form of distributions to allow Holdings or any direct or indirect parent thereof to pay principal or interest on promissory notes that were issued to any future, present or former employee, officer, director or consultant in lieu of cash payments for the repurchase, retirement or other acquisition or retirement for value of such Equity Interests or equity-based awards held by such Persons, in each case, upon the death, disability, retirement or termination of employment of any such Person or pursuant to any employee or director equity plan, employee or director stock option plan or any other employee or director benefit plan or any agreement (including any stock subscription or shareholder agreement) with any employee, director, officer or consultant of Holdings or any direct or indirect parent thereof or of the Borrower or any Restricted Subsidiary; *provided* that the aggregate amount of Restricted Payments made pursuant to this Section 7.06(g) and all loans and advances made pursuant to Section 7.02(m) made in lieu of any such permitted Restricted Payment shall not exceed \$11,500,000 in any fiscal year;

(h) the Borrower may make Restricted Payments to Holdings (the proceeds of which may be utilized by Holdings to make Restricted Payments) in an aggregate amount not to exceed the Cumulative Credit immediately prior to the time of the making of such Restricted Payment, provided that the aggregate amount of such Restricted Payment shall be specified in a written notice of a Responsible Officer of the Borrower delivered to the Administrative Agent on the date of such Restricted Payment and calculating in reasonable detail the amount of Cumulative Credit immediately prior thereto and the amount thereof elected to be so applied; *provided* that, with respect to any Restricted Payment made pursuant to this Section 7.06(h), no Event of Default has occurred and is continuing or would result therefrom.

(i) the Borrower may make Restricted Payments to Holdings or any direct or indirect parent thereof (without duplication):

(i) to pay (A) its operating expenses incurred in the ordinary course of business and other corporate overhead costs and expenses (including administrative, legal, accounting and similar expenses provided by third parties), which are reasonable and customary and incurred in the ordinary course of business and attributable to the ownership or operations of the Borrower and its Restricted Subsidiaries and (B) Transaction Expenses and any reasonable and customary indemnification claims made by directors or officers of such parent attributable to the ownership or operations of the Borrower and its Restricted Subsidiaries;

(ii) the proceeds of which shall be used by Holdings or any direct or indirect parent thereof to pay franchise taxes and other fees, taxes and expenses required to maintain its (or any of its direct or indirect parents') corporate or other organizational existence;

(iii) for any taxable period in which the Borrower and/or any of its Subsidiaries are a member of a consolidated or similar income tax group of which a direct or indirect parent of the Borrower is the common parent (a “**Tax Group**”), to pay federal, foreign, state and local income taxes of such Tax Group that are attributable to the taxable income of the Borrower and/or its Subsidiaries; *provided* that, for each taxable period, the amount of such payments made in respect of such taxable period in the aggregate shall not exceed the amount that the Borrower and its Subsidiaries would have been required to pay in respect of federal, foreign, state and local income taxes in the aggregate if such entities were the only members of a consolidated or similar income tax group of which the Borrower is the common parent (it being understood and agreed that if the Borrower or any Subsidiary pays any such federal, foreign, state or local income taxes directly to such taxing authority, that a Restricted Payment in duplication of such amount shall not be permitted to be made pursuant to this clause (iii)); *provided, further*, that the permitted payment pursuant to this clause (iii) with respect to any taxes of any Unrestricted Subsidiary for any taxable period shall be limited to the amount actually paid with respect to such period by such Unrestricted Subsidiary to the Borrower or its Restricted Subsidiaries for the purposes of paying such consolidated or similar taxes;

(iv) to finance any Investment that would be permitted to be made pursuant to Section 7.02 (if the recipient thereof is not Holdings, assuming that such recipient were subject to Section 7.02); *provided* that (A) such Restricted Payment shall be made substantially concurrently with the closing of such Investment and (B) Holdings or such parent shall, immediately following the closing thereof, cause (1) all property acquired (whether assets or Equity Interests) to be contributed to the Borrower or its Restricted Subsidiaries or (2) the merger (to the extent permitted in Section 7.04) of the Person formed or acquired into the Borrower or its Restricted Subsidiaries in order to consummate such Permitted Acquisition or Investment, in each case, in accordance with the requirements of Section 6.11;

(v) the proceeds of which shall be used to pay customary salary, bonus and other benefits payable to officers and employees of Holdings or any direct or indirect parent company of Holdings to the extent such salaries, bonuses and other benefits are attributable to the ownership or operation of the Borrower and its Restricted Subsidiaries;

(vi) the proceeds of which shall be used by Holdings to pay (or to make Restricted Payments to allow any direct or indirect parent thereof to pay) reasonable and customary fees and expenses (other than to Affiliates) related to any unsuccessful equity or debt offering by Holdings (or any direct or indirect parent thereof) not prohibited by this Agreement that is directly attributable to the operations of the Borrower and its Restricted Subsidiaries; and

(vii) the proceeds of which shall be used to make payments permitted under Sections 7.08(e), 7.08(h), 7.08(j) and 7.08(o) (but only to the extent such payments have not been and are not expected to be made by the Borrower or a Restricted Subsidiary);

(j) payments made or expected to be made by any member of the Restricted Group in respect of withholding or other payroll and other similar Taxes payable by any present or former employee, director, manager or consultant and any repurchases of Equity Interests in consideration of such payments including deemed repurchases in connection with the exercise of stock options or the vesting or settlement of other equity-based awards;

(k) after a Qualified IPO, (i) any Restricted Payment by the Borrower or any other direct or indirect parent of the Borrower to pay listing fees and other costs and expenses directly attributable to being a publicly traded company which are reasonable and customary and (ii) Restricted Payments of up to 6% *per annum* of the aggregate net proceeds received by (or contributed to the common equity of) the Borrower and its Restricted Subsidiaries from such Qualified IPO;

(l) Holdings and the Borrower may make cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Equity Interests of any member of the Restricted Group; *provided, however*, that any such cash payment shall not be for the purpose of evading the limitations of this Agreement;

(m) other Restricted Payments *provided* that (x) no Event of Default has occurred and is continuing or would result therefrom and (y) immediately after giving effect to the making of such Restricted Payment, the Total Leverage Ratio calculated on a Pro Forma Basis shall not be greater than 5.75 to 1.00 as of the last day of the most-recently ended Test Period (it being understood that, as a condition precedent to the making of such Restricted Payment, the Borrower shall deliver to the Administrative Agent a certificate of a Responsible Officer setting forth in reasonable detail the calculations demonstrating such compliance);

(n) the purchase, redemption or other acquisition or retirement for value of Equity Interests of a Qualified Restricted Subsidiary owned by a Strategic Investor if such purchase, redemption or other acquisition or retirement for value is made for consideration not in excess of the fair market value of such Equity Interests; and

(o) the Borrower may make payments with respect to the Gari Note in accordance with the Gari Subordination Agreement.

Section 7.07. *Change in Nature of Business; Organization Documents.*

(a) The Borrower shall not, nor shall the Borrower permit any of its Restricted Subsidiaries to, directly or indirectly, engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Restricted Subsidiaries on the Closing Date or any business reasonably related, complementary, synergistic or ancillary thereto or reasonable extensions thereof.

(b) The Borrower shall not, nor shall the Borrower permit any of its Restricted Subsidiaries to, agree to any amendment, restatement, supplement or other modification to, or waiver of any of its rights under, its Organization Documents to the extent any of the foregoing could reasonably be expected to be adverse in any material respect to the Lenders.

Section 7.08. *Transactions with Affiliates.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction of any kind with any of its Affiliates, whether or not in the ordinary course of business, other than (a) transactions among the Borrower and its Restricted Subsidiaries or any entity that becomes a Restricted Subsidiary as a result of such transaction, (b) on terms substantially no less favorable to the Restricted Group as would be obtainable by the Restricted Group at the time in a comparable arm's-length transaction with a Person other than an Affiliate, (c) the Transactions and the payment of fees and expenses (including Transaction Expenses) as part of or in connection with the Transactions, (d) the issuance of Equity Interests or equity based awards to any officer, director, employee or consultant of any member of the Restricted Group in connection with the Transactions, (e) the payment of management, monitoring, consulting, transaction and advisory fees (including termination fees) and related indemnities and expenses pursuant to the Sponsor Management Agreement, (f) Restricted Payments permitted under Section 7.06, (g) customary employment, consulting, retention and severance arrangements between the Restricted Group and their respective officers and employees in the ordinary course of business and transactions pursuant to stock option plans and employee benefit plans and similar arrangements in the ordinary course of business, (h) the payment of customary fees and reasonable out of pocket costs to, and customary indemnities provided on behalf of, directors, officers, employees and consultants of the Restricted Group (or any direct or indirect parent of Holdings) in the ordinary course of business to the extent attributable to the ownership or operation of the Restricted Group, (i) transactions pursuant to agreements in existence on the Closing Date and set forth on Schedule 7.08 (other than the Sponsor Management Agreement) or any amendment thereto to the extent such an amendment is not adverse to the Lenders in any material respect, (j) customary payments by the Borrower and any of its Restricted Subsidiaries to the Sponsor made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities (including in connection with acquisitions or divestitures), which payments are approved by the majority of the members of the board of directors or a majority of the disinterested members of the board of directors of the Borrower, in good faith, (k) payments by any member of the Restricted Group pursuant to any tax sharing agreements with any direct or indirect parent of Holdings to the extent attributable to the ownership or operation of the Restricted Group, but in an amount not exceeding the amount that the Borrower would be permitted to distribute under Section 7.06(i)(iii), (l) the issuance or transfer of Equity Interests (other than Disqualified Equity Interests) of Holdings to any Permitted Holder or to any former, current or future director, manager, officer, employee or consultant (or any Affiliate of any of the foregoing) of the Borrower, any of its Subsidiaries or any direct or indirect parent thereof to the extent not otherwise prohibited under this Agreement or resulting in an Event of Default, (m) any payments required to be made pursuant to the Merger Agreement, (n) any transactions with Affiliated Lenders contemplated hereunder and in accordance with the terms of, and in the manner provided by, this Agreement, (o) [Reserved] or (p) transactions between or among the Borrower and Qualified Restricted Subsidiaries to the extent consistent with past practices and made in the ordinary course of business.

Section 7.09. *Burdensome Agreements.* The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, enter into or permit to exist any Contractual Obligation (other than this Agreement or any other Loan Document) that limits the ability of (a) any Restricted Subsidiary that is not a Guarantor to make Restricted Payments to the Borrower or any Guarantor or to make or repay loans or advances to or otherwise transfer

assets to or make Investments in the Borrower or any Restricted Subsidiary that is a Guarantor or (b) any Loan Party to create, incur, assume or suffer to exist Liens on property of such Person to secure the Obligations; *provided* that the foregoing clauses (a) and (b) shall not apply to Contractual Obligations which (i) (x) exist on the Closing Date and (to the extent not otherwise permitted by this Section 7.09) are listed on Schedule 7.09 hereto and (y) to the extent Contractual Obligations permitted by clause (x) are set forth in an agreement evidencing Indebtedness, are set forth in any agreement evidencing any permitted modification, replacement, renewal, extension or refinancing of such Indebtedness so long as such modification, replacement, renewal, extension or refinancing does not expand the scope of such Contractual Obligation, (ii) are binding on a Restricted Subsidiary at the time such Restricted Subsidiary first becomes a Restricted Subsidiary, so long as such Contractual Obligations were not entered into solely in contemplation of such Person becoming a Restricted Subsidiary; *provided, further*, that this clause (ii) shall not apply to Contractual Obligations that are binding on a Person that becomes a Restricted Subsidiary pursuant to Section 6.14, (iii) represent Indebtedness of a Restricted Subsidiary which is not a Loan Party which is permitted by Section 7.03, (iv) arise in connection with any Disposition permitted by Section 7.04 or 7.05 and relate solely to the assets or Person subject to such Disposition, (v) are customary provisions in joint venture agreements and other similar agreements applicable to joint ventures permitted under Section 7.02 and applicable solely to such joint venture and are entered into in the ordinary course of business, (vi) are negative pledges and restrictions on Liens in favor of any holder of Indebtedness (other than any Junior Financing) permitted under Section 7.03 but solely to the extent any negative pledge relates to the property financed by such Indebtedness, (vii) are customary restrictions on leases, subleases, licenses or asset sale agreements otherwise permitted hereby so long as such restrictions relate only to the assets subject thereto, (viii) comprise restrictions imposed by any agreement governing secured Indebtedness permitted pursuant to Section 7.03(e) or 7.03(g) to the extent that such restrictions apply only to the property or assets securing such Indebtedness, (ix) are customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or any Restricted Subsidiary entered into in the ordinary course of business, (x) are customary provisions restricting assignment of any agreement entered into in the ordinary course of business, (xi) are restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business, (xii) arise in connection with cash or other deposits permitted under Sections 7.01 and 7.02 and limited to such cash or deposit, (xiii) arise under applicable law or any applicable rule, regulation or order, (xiv) comprise restrictions imposed by any agreement governing Indebtedness entered into after the Closing Date and permitted under Section 7.03 that are, taken as a whole, in the good faith judgment of the Borrower, no more restrictive with respect to the Borrower or any Restricted Subsidiary than customary market terms for Indebtedness of such type (and, in any event, are no more restrictive than the restrictions contained in this Agreement), so long as the Borrower shall have determined in good faith that such restrictions will not affect its obligation or ability to make any payments required hereunder and (xv) consist of Permitted Payment Restrictions in the Organization Documents of Qualified Restricted Subsidiaries.

Section 7.10. *[Reserved]*.

Section 7.11. *[Reserved]*.

Section 7.12. *Fiscal Year.* The Borrower shall not make any change in its fiscal year or fiscal quarters (it being understood that the Borrower's fiscal year ends on December 31 of each year, and that each of the first three fiscal quarters of each fiscal year of the Borrower ends on the March 31, June 30 and September 30, respectively); *provided, however,* that the Borrower may, upon written notice to the Administrative Agent, change its fiscal year and fiscal quarters to any other fiscal year (and any other fiscal quarters) reasonably acceptable to the Administrative Agent, in which case, the Borrower and the Administrative Agent will, and are hereby authorized by the Lenders to, make any adjustments to this Agreement that are necessary to reflect such changes.

Section 7.13. *Prepayments, Etc. of Indebtedness.*

(a) The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner (it being understood that payments of regularly scheduled principal and interest and prepayment events upon a change of control, asset sale or event of loss or customary AHYDO Catch-Up Payments, shall be permitted unless such payments violate any subordination terms of any Junior Financing Documentation) any Third Lien Indebtedness, any Junior Financing, any Permitted Third Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing, or make any payment in violation of the Intercreditor Agreement, any Third Lien Intercreditor Agreement or any subordination terms of any Junior Financing Documentation, except (i) any Permitted Refinancing permitted in respect thereof, (ii) the conversion of any Third Lien Indebtedness, Junior Financing or any Permitted Third Priority Refinancing Debt (or any Permitted Refinancing thereof) to Equity Interests (other than Disqualified Equity Interests) of Holdings or any of their direct or indirect parents, (iii) the prepayment of Indebtedness of the Borrower or any Restricted Subsidiary to the Borrower or any Restricted Subsidiary, to the extent not prohibited by the subordination provisions contained in the Intercompany Note evidencing such Indebtedness, and (iv) prepayments, redemptions, purchases, defeasances and other payments in respect of any Third Lien Indebtedness, Permitted Third Priority Refinancing Debt (or any Permitted Refinancing thereof) and Junior Financings prior to their scheduled maturity in an aggregate amount not to exceed the Cumulative Credit immediately prior to the time of the making of such payment, provided that the aggregate amount of such payment shall be specified in a written notice of a Responsible Officer of the Borrower delivered to the Administrative Agent on the date of such payment and calculating in reasonable detail the amount of Cumulative Credit immediately prior thereto and the amount thereof elected to be so applied; *provided* that no prepayment, redemption, purchase, defeasance or other payment shall be made pursuant to this clause (iv) if an Event of Default has occurred and is continuing or would result therefrom.

(b) The Borrower shall not, nor shall the Borrower permit any Restricted Subsidiary to, directly or indirectly, amend, modify, change, terminate or release in any manner materially adverse to the interests of the Lenders any term or condition of any Junior Financing Documentation or the documentation governing any Third Lien Indebtedness, Permitted Third Priority Refinancing Debt (or any Permitted Refinancing of any of the foregoing) (other than as a result of a Permitted Refinancing thereof) without the consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), unless otherwise permitted under the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement, or any other applicable subordination agreement, as applicable.

Section 7.14. *Permitted Activities*. Holdings shall not engage in any operating or business activities (other than to a *de minimis* extent) or have any material assets or liabilities; *provided* that, to the extent not otherwise prohibited under Article 7, the following shall be permitted: (i) its ownership of the Equity Interests of Borrower and activities incidental thereto, (ii) the maintenance of its legal existence (including the ability to incur fees, costs and expenses relating to such maintenance), (iii) the performance of its obligations with respect to the Loan Documents, the First Lien Loan Documents, any Incremental Equivalent Debt, any First Lien Incremental Equivalent Debt, any Permitted First Priority Refinancing Debt (as defined in the First Lien Credit Agreement), any Permitted Second Priority Refinancing Debt, any Permitted Third Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt, any Permitted Junior Debt and any Indebtedness permitted under Section 7.03(g)(A)(ii) to the extent such Indebtedness, with respect to Holdings, satisfies clauses (B) and (C) of the definition of “Permitted Holdings Debt” and, in each case, any Permitted Refinancing thereof, (iv) any public offering of its common stock or any other issuance or sale of its Equity Interests (other than Disqualified Equity Interests), (v) the incurrence of Permitted Holdings Debt, payment of dividends and making of contributions to the capital of the Borrower, (vi) participating in tax, accounting and other administrative matters as a member of their respective consolidated group, (vii) holding any cash or property (but not operating any property), (viii) providing indemnification to officers and directors and (ix) any activities incidental to the foregoing. Holdings shall not incur any Liens on Equity Interests of the Borrower other than Liens securing the Obligations and Liens permitted under Section 7.01(cc), 7.01(dd) and 7.01(ii) and Holdings shall not own any Equity Interests other than those of the Borrower.

ARTICLE 8
EVENTS OF DEFAULT AND REMEDIES

Section 8.01. *Events of Default*. Any of the following from and after the Closing Date shall constitute an event of default (an “**Event of Default**”):

(a) *Non-Payment*. Any Loan Party fails to pay (i) when and as required to be paid herein or in any other Loan Document, any amount of principal of any Loan, or (ii) within five Business Days after the same becomes due, any interest on any Loan or any other amount payable hereunder or with respect to any other Loan Document; or

(b) *Specific Covenants*. The Borrower or Holdings, fails to perform or observe any term, covenant or agreement contained in any of Sections 6.03(a), 6.05(a) (solely with respect to Holdings or the Borrower) or 6.13(a) or Article 7; or

(c) *Other Defaults*. Any Loan Party fails to perform or observe any other term, covenant or agreement (not specified in Section 8.01(a) or 8.01(b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days after receipt by the Borrower of written notice thereof from the Administrative Agent; or

(d) *Representations and Warranties.* Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document required to be delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) *Cross-Default.* (i) Any Loan Party or any Restricted Subsidiary (A) fails to make any payment after the applicable grace period with respect thereto, if any, (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness having an outstanding aggregate principal amount of not less than the Threshold Amount (other than First Lien Indebtedness), or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness (other than First Lien Indebtedness), or any other event occurs (other than, with respect to Indebtedness consisting of Swap Contracts, termination events or equivalent events pursuant to the terms of such Swap Contracts and not as a result of any other default thereunder by any Loan Party), the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity; provided that this clause (B) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness or (ii) any event or condition occurs that results in the acceleration of First Lien Indebtedness and all other amounts owing or payable in respect thereof; or

(f) *Insolvency Proceedings, Etc.* Any Loan Party or any Restricted Subsidiary institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator, administrator, administrative receiver or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) *Inability to Pay Debts; Attachment.* Any Loan Party or any Restricted Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of the Borrower and its Restricted Subsidiaries, taken as a whole, and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) *Judgments*. There is entered against any Loan Party or any Restricted Subsidiary a final judgment or order for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer has been notified of such judgment or order and has not denied coverage) and such judgment or order shall not have been satisfied, vacated, discharged or stayed or bonded pending an appeal for a period of 60 consecutive days; or

(i) *Invalidity of Loan Documents*. Any material provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder (including as a result of a transaction permitted under Section 7.04 or 7.05) or as a result of acts or omissions by the Administrative Agent or Collateral Agent or any Lender or the satisfaction in full of all the Obligations, ceases to be in full force and effect or legally valid, binding and enforceable against any party thereto (or against any Person on whose behalf any such party makes any covenants or agreements therein) (other than the Secured Parties); or any Loan Party contests in writing the validity or enforceability of any provision of any Loan Document or the validity or priority of a Lien as required by the Collateral Documents on a material portion of the Collateral; or any Loan Party denies in writing that it has any or further liability or obligation under any Loan Document (other than as a result of repayment in full of the Obligations), or purports in writing to revoke or rescind any Loan Document; or

(j) *Change of Control*. There occurs any Change of Control; or

(k) *Collateral Documents*. Any Collateral Document after delivery thereof pursuant to Section 4.02, 6.11 or 6.13 shall for any reason (other than pursuant to the terms hereof or thereof including as a result of a transaction permitted under Section 7.04 or 7.05) cease to create a valid and perfected Lien, with the priority required by the Collateral Documents on and security interest in any material portion of the Collateral purported to be covered thereby, subject to Liens permitted under Section 7.01, (i) except to the extent that any such perfection or priority is not required pursuant to the Collateral and Guarantee Requirement or results from the failure of the Administrative Agent or the Collateral Agent (or its agent, designee or bailee in accordance with the terms of the Intercreditor Agreement) to maintain possession of certificates actually delivered to it representing securities pledged under the Collateral Documents or to file Uniform Commercial Code continuation statements and (ii) except as to Collateral consisting of Real Property to the extent that such losses are covered by a lender's title insurance policy and such insurer has not denied coverage;

(l) *ERISA*. (i) An ERISA Event that occurs after the Closing Date and that, alone or together with any other ERISA Events that have occurred after the Closing Date, has resulted or could reasonably be expected to result in liability of a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates in an aggregate amount at any particular time that could reasonably be expected to have a Material Adverse Effect, or (ii) a Loan Party, any Restricted Subsidiary or any of their respective ERISA Affiliates fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its Withdrawal Liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount, that, alone or together with any other such failures to pay, has resulted or could reasonably be expected to result in a Material Adverse Effect; or

(m) *Junior Financing Documentation.* The subordination provisions set forth in any Junior Financing Documentation in respect of Junior Financing having an aggregate principal amount no less than the Threshold Amount shall, in whole or in part, cease to be effective or cease to be legally valid, binding and enforceable against any party thereto (or against any Person on whose behalf any such party makes any covenants or agreements therein), or otherwise not be effective to create the rights and obligations purported to be created thereunder.

Section 8.02. *Remedies Upon Event of Default.* If any Event of Default occurs and is continuing, the Administrative Agent may, and at the request of the Required Lenders shall, take any or all of the following actions:

- (i) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments shall be terminated;
- (ii) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable or accrued hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower and each other Loan Party; and
- (iii) exercise, or direct the Collateral Agent to exercise, on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable Law;

provided that, upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender, and without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower and each other Loan Party.

Section 8.03. *Exclusion of Immaterial Subsidiaries.* Solely for the purpose of determining whether a Default or an Event of Default has occurred under Section 8.01(f) or 8.01(g), any reference in any such clause to any Restricted Subsidiary or Loan Party shall be deemed not to include any Restricted Subsidiary (an “**Immaterial Subsidiary**”) affected by any event or circumstances referred to in any such clause that did not, as of the last day of the most recent completed fiscal quarter of the Borrower, have assets (other than intercompany accounts) with a fair market value in excess of 1% of the consolidated total assets of the Restricted Group as of such date and did not, as of the four quarter period ending on the last day of such fiscal quarter, have revenues exceeding 1% of the consolidated annual revenues of the Restricted Group for such period (it being agreed that all Restricted Subsidiaries affected by any event or circumstance referred to in any such clause shall be considered together, as a single consolidated Restricted Subsidiary, for purposes of determining whether the condition specified above is satisfied).

Section 8.04. *Application of Funds.* After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order (to the fullest extent permitted by mandatory provisions of applicable Law):

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (other than principal and interest, but including Attorney Costs payable under Section 10.05 and amounts payable under Article 3) payable to the Administrative Agent or the Collateral Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including Attorney Costs payable under Section 10.05 and amounts payable under Article 3), ratably among them in proportion to the amounts described in this clause *Second* payable to them;

Third, to payment of that portion of the Obligations constituting unpaid principal of, and accrued and unpaid interest on, the Term Loan, ratably among the Secured Parties in proportion to the respective amounts described in this clause *Third* payable to them;

Fourth, to the payment of all other Obligations of the Borrower that are due and payable to the Administrative Agent and the other Secured Parties on such date, ratably based upon the respective aggregate amounts of all such Obligations owing to the Administrative Agent and the other Secured Parties on such date; and

Last, the balance, if any, after all of the Obligations have been paid in full, to the Borrower or as otherwise required by Law.

Notwithstanding the foregoing, no amount received from any Guarantor shall be applied to any Excluded Swap Obligation of such Guarantor.

ARTICLE 9

THE ADMINISTRATIVE AGENT AND THE COLLATERAL AGENT

Section 9.01. *Appointment.*

(a) Each Lender hereby irrevocably designates and appoints each of the Administrative Agent and the Collateral Agent (for purposes of this Article 9, the Administrative Agent and the Collateral Agent are referred to collectively as the “**Agents**”) as an agent of such Lender under this Agreement and the other Loan Documents. Each Lender irrevocably authorizes each Agent, in such capacity, through its agents or employees, to take such actions on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are delegated to such Agent by the terms of this Agreement and the other Loan Documents, together with such actions and powers as are reasonably incidental thereto. Other than with respect to Section 9.05, the provisions of this Article 9 are solely for the benefit of the Agents and the Lenders, and no Loan Party shall have rights as a third party beneficiary of any such provisions. Without limiting the generality of the foregoing, the Agents are hereby expressly authorized to (i) execute any and all documents (including releases) with respect to the Collateral and any rights of the Secured Parties with respect thereto as contemplated by and in accordance with the provisions of this Agreement and the other Loan Documents and (ii)

negotiate, enforce or settle any claim, action or proceeding affecting the Lenders in their capacity as such, at the direction of the Required Lenders, which negotiation, enforcement or settlement will be binding upon each Lender. In performing its functions and duties hereunder, each Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Holdings, the Borrower or any of its respective Subsidiaries. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent or the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Each Lender irrevocably appoints each other Lender as its agent and bailee for the purpose of perfecting Liens (whether pursuant to Section 8-301(a)(2) of the UCC or otherwise), for the benefit of the Secured Parties, in assets in which, in accordance with the UCC or any other applicable Laws or regulations a security interest can be perfected by possession or control. Should any Lender (other than the Collateral Agent) obtain possession or control of any such Collateral, such Lender shall notify the Collateral Agent thereof, and, promptly following the Collateral Agent's request therefor, shall deliver such Collateral to the Collateral Agent or otherwise deal with such Collateral in accordance with the Collateral Agent's instructions. The Lenders hereby acknowledge and agree that the Collateral Agent may act, subject to and in accordance with the terms of the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement, and any other applicable intercreditor or subordination agreement as the collateral agent for the Lenders.

Section 9.02. *Agent in Its Individual Capacity.* Each Person serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the person serving as an Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, Holdings, the Borrower or any Subsidiary or Affiliate thereof as if it were not an Agent hereunder and without duty to account therefor to the Lenders.

Section 9.03. *Exculpatory Provisions.* No Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.08); *provided* that no Agent shall be required to take any action that, in its opinion or the opinion of its counsel, may expose such Agent to liability, if the Agent is not indemnified to its satisfaction, or that is contrary to any Loan Document or applicable Laws or regulations including, for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may

effect a foreclosure, modification or termination of property of a Defaulting Lender under any Debtor Relief Law, and (c) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose nor shall any Agent be liable for the failure to disclose, any information relating to Holdings, the Borrower or any Subsidiary or any Affiliate thereof that is communicated to or obtained by the person serving as such Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as any Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 10.08) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by a final and nonappealable judgment. No Agent shall be deemed to have knowledge of any Default unless and until written notice thereof describing such Default is given to such Agent by Holdings, the Borrower or a Lender, and no Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article 4 or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent. Each party to this Agreement acknowledges and agrees that the Administrative Agent may from time to time use one or more outside service providers for the tracking of all UCC financing statements (and/or other collateral related filings and registrations from time to time) required to be filed or recorded pursuant to the Loan Documents and the notification to the Administrative Agent, of, among other things, the upcoming lapse or expiration thereof, and that each of such service providers will be deemed to be acting at the request and on behalf of the Borrower and the other Loan Parties. No Agent shall be liable for any action taken or not taken by any such service provider. Neither any Agent nor any of its officers, partners, directors, employees or agents shall be liable to the Lenders for any action taken or omitted by any Agent under or in connection with any of the Loan Documents.

Section 9.04. *Reliance by Agent.* Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent, or otherwise authenticated by a proper Person. Each Agent may also rely upon any statement made to it orally or by telephone and believed by it to have been made by a proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, each Agent may presume that such condition is satisfactory to such Lender unless each Agent shall have received written notice to the contrary from such Lender prior to the making of such Loan. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other advisors selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or advisors.

Section 9.05. *Delegation of Duties.* Each Agent may perform any and all of its duties and exercise its rights and powers under this Agreement or under any other Loan Document by or through, or delegate any and all such rights and powers to, any one or more sub-agents appointed by such Agent; *provided, however,* that any such sub-agent receiving payments from the Loan Parties shall be a “U.S. person” and a “financial institution” within the meaning of Treasury Regulations Section 1.1441-1. Each Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties; *provided, however,* that any such sub-agent receiving payments from the Loan Parties shall be a “U.S. person” and a “financial institution” within the meaning of Treasury Regulations Section 1.1441-1. The exculpatory, indemnification and other provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply, without limiting the foregoing, to their respective activities in connection with the syndication of the Facilities provided for herein as well as activities as Agent. The Agents shall not be responsible for the negligence or misconduct of any sub-agent except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that such Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

Section 9.06. *Successor Agent.*

(a) Each Agent may resign as such at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with, unless an Event of Default under Section 8.01(a), 8.01(f) or 8.01(g) has occurred and is continuing, the approval of the Borrower (not to be unreasonably withheld or delayed), to appoint a successor Agent, which shall be a U.S. bank with an office in the United States to which all payments made by the Loan Parties hereunder shall be made. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent, which shall be a U.S. bank with an office in New York, New York or an Affiliate of such bank in the United States to which all payments made by the Loan Parties shall be made. If no successor Agent has been appointed pursuant to the immediately preceding sentence within 30 days after the date such notice of resignation was given by such Agent, such Agent’s resignation shall nevertheless thereupon become effective and the retiring (or retired) Agent shall be discharged from its duties and obligations under the Loan Documents, and the Required Lenders shall assume and perform all of the duties of the Agent hereunder and under any other Loan Document until such time, if any, as the Required Lenders appoint a successor Agent.

(b) Upon the acceptance of its appointment as an Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring (or retired) Agent shall be discharged from its duties and obligations under the Loan Documents. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After an Agent’s resignation hereunder, the provisions of this Article 9 and Section 10.05 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Section 9.07. *Non-Reliance on Agent and Other Lenders.* Each Lender acknowledges that it has, independently and without reliance upon any Agent, Lender or any of their respective Affiliates and based on such documents and information as it has deemed appropriate, conducted its own independent investigation of the financial condition and affairs of the Loan Parties and their Subsidiaries and made its own credit analysis and decision to enter into this Agreement. Each Lender further represents and warrants that it has reviewed the Confidential Information Memorandum and each other document made available to it on the Platform in connection with this Agreement and has acknowledged and accepted the terms and conditions applicable to the recipients thereof (including any such terms and conditions set forth, or otherwise maintained, on the Platform with respect thereto). Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender or any of their respective Affiliates and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Section 9.08. *Name Agent.* Notwithstanding any other provision of this Agreement or any provision of any other Loan Document, the parties hereto acknowledge that the Lead Arrangers are named as such for recognition purposes only, and in their capacities as such shall have no duties, responsibilities or liabilities with respect to this Agreement or any other Loan Document; it being understood and agreed that the Lead Arrangers shall be entitled to all indemnification and reimbursement rights in favor of the Agents provided herein and in the other Loan Documents. Without limitation of the foregoing, the Lead Arrangers in their capacities as such shall not, by reason of this Agreement or any other Loan Document, have any fiduciary relationship in respect of any Lender, Loan Party or any other Person.

Section 9.09. *Indemnification.* The Lenders severally agree to indemnify each Agent in its capacity as such and each of its Related Persons (to the extent not reimbursed by the Borrower or the Guarantors and without limiting the obligation of the Borrower or the Guarantors to do so), ratably according to their respective outstanding Loans and Commitments in effect on the date on which indemnification is sought under this Section 9.09 (or, if indemnification is sought after the date upon which all Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such outstanding Loans and Commitments as in effect immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, fines, penalties, actions, claims, suits, judgments, litigations, investigations, inquiries or proceedings, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent or Related Person in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein, the Transactions or any of the other transactions contemplated hereby or thereby or any action taken or omitted by such Agent or Related Person under or in connection with any of the foregoing (IN ALL CASES, WHETHER OR NOT CAUSED OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF ANY AGENT OR RELATED PERSON); *provided* that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, claims, suits, judgments, litigations, investigations, inquiries or proceedings, costs, expenses or disbursements that are found by a

final and nonappealable judgment of a court of competent jurisdiction to have directly resulted solely and directly from such Agent's or Related Party's, as the case may be, gross negligence or willful misconduct. The agreements in this Section 9.09 shall survive the payment of the Loans and all other amounts payable hereunder.

Section 9.10. *Withholding Taxes.* To the extent required by any applicable Law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any applicable withholding Tax. If the Internal Revenue Service or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold Tax from amounts paid to or for the account of any Lender because the appropriate form was not delivered or was not properly executed or because such Lender failed to notify the Administrative Agent of a change in circumstance which rendered the exemption from, or reduction of, withholding Tax ineffective or for any other reason, or if the Administrative Agent reasonably determines that a payment was made to a Lender pursuant to this Agreement without deduction of applicable withholding tax from such payment, such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as Tax or otherwise, including any penalties or interest and together with all expenses (including legal expenses, allocated internal costs and out-of-pocket expenses) incurred.

Section 9.11. *Lenders' Representations, Warranties and Acknowledgements.*

(a) Each Lender represents and warrants that it has made its own independent investigation of the financial condition and affairs of Holdings, the Borrower and its Subsidiaries in connection with the Credit Extensions hereunder and that it has made and shall continue to make its own appraisal of the creditworthiness of Holdings, the Borrower and its respective Subsidiaries. No Agent shall have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter, and no Agent shall have any responsibility with respect to the accuracy of or the completeness of any information provided to the Lenders. Each Lender acknowledges that no Agent or Related Person of any Agent has made any representation or warranty to it. Except for documents expressly required by any Loan Document to be transmitted by an Agent to the Lenders, no Agent shall have any duty or responsibility (either express or implied) to provide any Lender with any credit or other information concerning any Loan Party, including the business, prospects, operations, property, financial and other condition or creditworthiness of any Loan Party or any Affiliate of a Loan Party, that may come in to the possession of an Agent or any of its Related Persons.

(b) Each Lender, by delivering its signature page to this Agreement or an Assignment and Acceptance and funding its Loan, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be approved by any Agent, the Required Lenders or the Lenders, as applicable, on the Closing Date.

Section 9.12. *Collateral Documents and Guaranty.*

(a) *Agents under Collateral Documents and Guaranty.* Each Secured Party hereby further authorizes the Administrative Agent or the Collateral Agent, as applicable, on behalf of and for the benefit of the Secured Parties, to be the agent for and representative of the Secured Parties with respect to the Guaranty, the Collateral and the Loan Documents. Subject to Section 10.08, without further written consent or authorization from any Secured Party, the Administrative Agent or the Collateral Agent, as applicable, may execute any documents or instruments necessary to (i) in connection with a sale or disposition of assets permitted by this Agreement, release any Lien encumbering any item of Collateral that is the subject of such sale or other disposition of assets or to which the Required Lenders (or such other Lenders as may be required to give such consent under Section 10.08) have otherwise consented or (ii) release any Guarantor from the Guaranty pursuant to Section 11.10 or with respect to which the Required Lenders (or such other Lenders as may be required to give such consent under Section 10.08) have otherwise consented.

(b) *Right to Realize on Collateral and Enforce Guaranty.* Anything contained in any of the Loan Documents to the contrary notwithstanding, Holdings, the Borrower, the Administrative Agent, the Collateral Agent and each Secured Party hereby agree that (i) no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce the Guaranty, it being understood and agreed that all powers, rights and remedies hereunder and under any of the Loan Documents may be exercised solely by the Administrative Agent or the Collateral Agent, as applicable, for the benefit of the Secured Parties in accordance with the terms hereof and thereof and all powers, rights and remedies under the Collateral Documents may be exercised solely by the Collateral Agent for the benefit of the Secured Parties in accordance with the terms thereof, and (ii) in the event of a foreclosure or similar enforcement action by the Collateral Agent on any of the Collateral pursuant to a public or private sale or other disposition (including, without limitation, pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code), the Collateral Agent (or any Lender, except with respect to a "credit bid" pursuant to Section 363(k), Section 1129(b)(2)(a)(ii) or otherwise of the Bankruptcy Code,) may be the purchaser or licensor of any or all of such Collateral at any such sale or other disposition and the Collateral Agent, as agent for and representative of the Secured Parties (but not any Lender or Lenders in its or their respective individual capacities) shall be entitled, upon instructions from the Required Lenders, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such sale or disposition, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Collateral Agent at such sale or other disposition.

Section 9.13. *Release of Collateral and Guarantees, Termination of Loan Documents.*

(a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent and the Collateral Agent shall (in the case of clauses (i) and (iii) immediately below) automatically release any Lien on and shall take such actions as shall be required to (i) release its security interest in any Collateral subject to any Disposition permitted hereunder or under any other Loan Document to any Person other than a Person required to grant a Lien to the Administrative Agent or the Collateral Agent under the Loan Documents (or, if such transferee is a Person required to grant a Lien to the Administrative Agent or the Collateral Agent on such asset, at the option of the applicable Loan Party, such Lien on such asset may still be released in connection with the transfer so long as (x) the transferee grants a new Lien to the Administrative Agent or Collateral Agent on such asset substantially

concurrently with the transfer of such asset, (y) the transfer is between parties organized under the laws of different jurisdictions and at least one of such parties is a Foreign Subsidiary and (z) the priority of the new Lien is the same as that of the original Lien), and to release any guarantee obligations under any Loan Document of any person subject to such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents, (ii) subject to Section 10.08, release its security interest in any Collateral if the release of the Lien related to such Collateral is approved, authorized or ratified in writing by the Required Lenders, (iii) release its security interest in any Collateral if such Collateral is owned by a Guarantor, upon release of such Guarantor from its obligations under its Guaranty pursuant to Section 11.10, (iv) release or subordinate any Lien on any property granted to or held by the Administrative Agent or the Collateral Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(u) or 7.01(w) (in the case of Section 7.01(w), to the extent required by the terms of the obligations secured by such Liens) or (v) release any Guarantor from its obligations under the Guaranty as provided in Section 11.10.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations (other than contingent obligations not yet accrued or payable) have been paid in full and all Commitments have terminated or expired, upon request of the Borrower, the Administrative Agent shall (without notice to, or vote or consent of, any Lender) take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations provided for in any Loan Document. Any such release of guarantee obligations shall be deemed subject to the provision that such guarantee obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

(c) The Collateral Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Collateral Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Collateral Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

(d) *Administrative Agent May File Bankruptcy Disclosure and Proofs of Claim.* In case of the pendency of any proceeding under any Debtor Relief Laws relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(i) to file a verified statement pursuant to rule 2019 of the Federal Rules of Bankruptcy Procedure that, in its sole opinion, complies with such rule's disclosure requirements for entities representing more than one creditor;

(ii) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its respective agents and counsel and all other amounts due the Administrative Agent under Sections 2.03 and 10.05) allowed in such judicial proceeding; and

(iii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under this Agreement. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Administrative Agent, its agents and counsel, and any other amounts due the Administrative Agent under this Agreement out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Lenders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

ARTICLE 10 MISCELLANEOUS

Section 10.01. *Notices; Electronic Communications.* Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, as follows:

(a) if to Holdings, Borrower or any other Loan Party, to it at:

Surgery Center Holdings, Inc.
Attention of Teresa Sparks
40 Burton Hills Boulevard, Suite 500
Nashville, TN 37215
Office: 615.234.5916
Fax: 615.694.5140
Email: tsparks@symbion.com

With copy to:

H.I.G. Capital, LLC
Attention of Christopher Laitala
Address: H.I.G. Capital
600 Fifth Avenue
New York, NY 10020
Fax No. (212) 506-0559
Email: claitala@higcapital.com

and

Ropes & Gray LLP
Attention of Stefanie Birkmann
Address: 1211 Avenue of the Americas, New York, NY 10036-8704
Fax No. (646) 728-1851
Email: Stefanie.Birkmann@ropesgray.com

(b) if to the Administrative Agent or the Collateral Agent, to it at:

Jefferies Finance LLC
Attention of Account Officer – Surgery Partners
Address: 520 Madison Avenue, New York, NY 10022
Fax No. (212) 284-3444
Email: jfin.admin@jefferies.com

and

(c) if to a Lender, to it at its address (or fax number) set forth on Schedule 2.01 or in the Assignment and Acceptance, Incremental Amendment or Refinancing Amendment pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by fax or on the date five Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 10.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 10.01. As agreed to among Holdings, the Borrower, the Administrative Agent or the applicable Lenders from time to time, notices and other communications may also be delivered by e-mail to the e-mail address of a representative of the applicable Person provided from time to time by such Person. Unless the Administrative Agent otherwise prescribes, (A) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment); *provided that*, if such notice or other communication is not sent during the normal business hours of the recipient, such

notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (B) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (A) of notification that such notice or communication is available and identifying the website address therefor.

Each Loan Party hereby agrees, unless directed otherwise by the Administrative Agent or unless the e-mail address referred to below has not been provided by the Administrative Agent to such Loan Party, that it will, or will cause its Subsidiaries to, provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to the Loan Documents or to the Lenders under Article 6, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) is or relates to a request for a Credit Extension or a notice pursuant to Section 2.10, (ii) relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default under this Agreement or any other Loan Document or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any Borrowing or other extension of credit hereunder (all such non-excluded communications being referred to herein collectively as “**Communications**”), by transmitting the Communications in an electronic/soft medium that is properly identified in a format reasonably acceptable to the Administrative Agent to an e-mail address as directed by the Administrative Agent. In addition, each Loan Party agrees, and agrees to cause its Subsidiaries, to continue to provide the Communications to the Administrative Agent or the Lenders, as the case may be, in the manner specified in the Loan Documents but only to the extent requested by the Administrative Agent. Nothing in this Section 10.01 shall prejudice the right of any Agent, Lender or Loan Party to give any notice or other communication pursuant to this Agreement or any other Loan Document in any other manner specified in this Agreement or any other Loan Document or as any such Agent shall require.

Each Loan Party hereby acknowledges that (a) the Administrative Agent will make available to the Lenders materials and/or information provided by or on behalf of the Loan Parties hereunder (collectively, the “**Borrower Materials**”) by posting the Borrower Materials on IntraLinks or another similar electronic system (the “**Platform**”) and (b) certain of the Lenders may be “public-side” Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to Holdings (or any parent thereof) or the Borrower or any of its respective securities) (each, a “**Public Lender**”). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked “PUBLIC” which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof; (x) by marking Borrower Materials “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat the Borrower Materials as not containing any material non-public information with respect to Holdings (or any parent thereof) or the Borrower or any of its respective securities for purposes of United States federal and state securities laws (*provided, however*, that to the extent the Borrower Materials constitute Information, they shall be treated as set forth in Section 10.16); (y) all Borrower Materials marked “PUBLIC” are permitted to be made available through a portion of the Platform designated as “Public Investor;” and (z) the Administrative Agent shall be entitled to treat the Borrower Materials that are not marked “PUBLIC” as being suitable only

for posting on a portion of the Platform not marked as "Public Investor." Notwithstanding the foregoing, the following Borrower Materials shall be marked "PUBLIC", unless the Borrower notifies the Administrative Agent promptly that any such document contains material non-public information: (1) the Loan Documents, (2) financial statements and related documentation provided pursuant to Section 6.01(a) or 6.01(b) and (3) notification of changes in the terms of the Facilities.

Each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities laws, to make reference to Communications that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to Holdings (or any parent thereof) or the Borrower or any of its securities for purposes of United States Federal or state securities laws.

THE PLATFORM AND ANY APPROVED ELECTRONIC COMMUNICATIONS ARE PROVIDED "AS IS" AND "AS AVAILABLE". NEITHER THE ADMINISTRATIVE AGENT NOR ANY OF ITS RELATED PARTIES WARRANTS THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE ADEQUACY OF THE PLATFORM AND EACH EXPRESSLY DISCLAIMS LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS AND THE APPROVED ELECTRONIC COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS IS MADE BY THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PARTIES HAVE ANY LIABILITY TO ANY LOAN PARTY, ANY LENDER, ISSUING BANK OR ANY OTHER PERSON FOR DAMAGES OF ANY KIND, WHETHER OR NOT BASED ON STRICT LIABILITY AND INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF OR RELATED TO ANY LOAN PARTY'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET (INCLUDING THE PLATFORM), EXCEPT TO THE EXTENT THE LIABILITY OF ANY SUCH PERSON IS FOUND IN A FINAL NONAPPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH PERSON'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Loan Documents. Each Lender agrees that receipt of notice to it (as provided in the next sentence) specifying that the Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender for purposes of the Loan Documents. Each Lender agrees to

notify the Administrative Agent in writing (including by electronic communication) from time to time of its e-mail address to which the foregoing notice may be sent by electronic transmission and that the foregoing notice may be sent to such e-mail address. Nothing herein shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

Each Loan Party, each Lender and each Agent agrees that the Administrative Agent may, but shall not be obligated to, store any Approved Electronic Communications on the Platform in accordance with the Administrative Agent's customary document retention procedures and policies.

Section 10.02. *Survival of Agreement.* All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the reports, certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Agents and the Lenders and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by the Agents or the Lenders on their behalf or that any Agent or Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time of any Credit Extension, and shall continue in full force and effect as long as any Obligation is outstanding and so long as the Commitments have not expired or terminated. The provisions of Article 9 and Sections 3.01, 3.04, 3.05 and 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the Transactions and the other transactions contemplated hereby, the repayment of any of the Loans, the expiration or termination of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of any Agent or Lender.

Section 10.03. *Binding Effect.* This Agreement shall become effective when it shall have been executed by Holdings, the Borrower, each other Loan Party party hereto on the Closing Date, the Lenders, the Administrative Agent and the Collateral Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto.

Section 10.04. *Successors and Assigns.*

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, Holdings, the Administrative Agent, the Collateral Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) (i) Subject to the conditions set forth in Section 10.04(b)(ii) below, any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (each such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower; *provided* that no consent of the Borrower shall be required for (i) an assignment of all or a portion of the Term Loans to a Lender or to an Affiliate of a Lender or a Related Fund thereof, (ii) an assignment of all or a portion of the Term Loans prior to the completion of primary syndication of the Commitments and (iii) after the occurrence and during the continuance of an Event of Default under Section 8.01(a), 8.01(f) or 8.01(g), to any Eligible Assignee; *provided, further*, that the Borrower shall be deemed to have consented to any such assignment unless they shall have objected thereto by written notice to the Administrative Agent within 10 Business Days after having received written notice thereof; and

(B) the Administrative Agent.

(ii) Assignments shall be subject to the following additional conditions:

(A) the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall be in an integral multiple of, and not less than, \$1,000,000 in the case of Term Loan Commitments (or, in each case, if less, the entire remaining amount of such Lender's Commitment or Loans of the relevant Class); *provided* that simultaneous assignments by two or more Related Funds shall be combined for purposes of determining whether the minimum assignment requirement is met;

(B) the parties to each assignment shall (i) execute and deliver to the Administrative Agent an Assignment and Acceptance via an electronic settlement system acceptable to the Administrative Agent or (ii) if previously agreed with the Administrative Agent, manually execute and deliver to the Administrative Agent an Assignment and Acceptance, and, in each case, shall pay to the Administrative Agent a processing and recordation fee of \$3,500; *provided* that (x) simultaneous assignments by two or more Related Funds shall require the payment of a single processing and recordation fee of \$3,500 and (y) such processing and recordation fee may be waived or reduced in the sole discretion of the Administrative Agent; and

(C) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire (in which the assignee shall designate one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable Laws, including Federal and state securities laws) and all applicable tax forms.

Upon acceptance and recording pursuant to Section 10.04(e), from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05 and 10.05. Notwithstanding the foregoing or anything else to the contrary in this Agreement, each of the parties hereto acknowledges and agrees that the Administrative Agent (x) shall not have any responsibility or obligation to determine whether any Lender or any potential assignee Lender is a Disqualified Lender and (y) shall not have any liability with respect to any assignment or participation made to a Disqualified Lender.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and the outstanding balances of its Loans without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in clause (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of their obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is an Eligible Assignee legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement and the other Loan Documents, together with copies of the most recent financial statements referred to in Section 5.05 or delivered pursuant to Section 6.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, the Collateral Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Administrative Agent and the Collateral Agent, respectively, by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as a non-fiduciary agent of the Borrower in accordance with Treas. Reg. Section 5f.103-1(c), shall maintain at one of its offices in the United States a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of and the stated interest on the Loans owing to, each Lender pursuant to the

terms hereof from time to time (the “**Register**”). The entries in the Register shall be conclusive absent manifest error and the Borrower, the Administrative Agent, the Collateral Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder and the owner of the amounts owing to it under the Loan Documents as reflected in the Register for all purposes of the Loan Documents, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Collateral Agent and any Lender (with respect to its own interest only), at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 10.04(b), if applicable, and the written consent of the Administrative Agent and, if required, the Borrower, to such assignment and any applicable tax forms, the Administrative Agent shall promptly (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register. No assignment shall be effective unless it has been recorded in the Register as provided in this Section 10.04(e).

(f) Each Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other Persons in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided, however*, that (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other Persons shall be entitled to the benefit of the cost protection provisions contained in Sections 3.01, 3.04 and 3.05 to the same extent as if they were Lenders (but with respect to any particular participant, to no greater extent than the Lender that sold the participation to such participant and only if such participant has complied with the requirements of such provisions as if it were a Lender) and (iv) the Borrower, the Administrative Agent, the Collateral Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (*provided* that the agreement or instrument pursuant to which such Lender has sold a participation may provide that such Lender shall not agree to the following amendments without the consent of such participating bank or Person hereunder: amendments, modifications or waivers decreasing any fees payable to such participating bank or Person hereunder or the amount of principal of or the rate at which interest is payable on the Loans in which such participating bank or Person has an interest, extending any scheduled principal payment date or date fixed for the payment of fees, amortization, or interest on the Loans in which such participating bank or Person has an interest, increasing or extending the Commitments in which such participating bank or Person has an interest, releasing all or substantially all of the Guarantors (other than in connection with the sale of any such Guarantor in a transaction permitted by Section 7.05) or releasing all or substantially all of the Collateral) or changes in voting thresholds). To the extent permitted by law, each participating bank or other Person also shall be entitled to the benefits of Section 10.06 as though it were a Lender, provided such participating bank or other Person agrees to be subject to Section 2.15 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a

non-fiduciary agent of the Borrower in accordance with Treas. Reg. Section 5f.103-1(c), maintain a register on which it enters the name and address of each participant and the principal amounts (and interest thereon) and terms of each participant's interest in the Loans or other Obligations under this Agreement (the "**Participant Register**"). The entries in the Participant Register shall be conclusive absent manifest error, and the Borrower, the Lenders and each Agent shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement, notwithstanding notice to the contrary.

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; *provided* that (except during the initial syndication by the Lead Arrangers when customary confidentiality arrangements shall apply), prior to any such disclosure of information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 10.16.

(h) Any Lender may at any time pledge or assign all or any portion of its rights under this Agreement to secure extensions of credit to such Lender or in support of obligations owed by such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or other central bank having jurisdiction over such Lender; *provided* that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "**Granting Lender**") may grant to a special purpose funding vehicle (an "**SPV**"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPV to make any Loan, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and (iii) the Granting Lender shall for all purposes remain the Lender hereunder; *provided, further*, that nothing herein shall make the SPV a "Lender" for the purposes of this Agreement, obligate the Borrower or any other Loan Party or the Administrative Agent to deal with such SPV directly, obligate the Borrower or any other Loan Party in any manner to any greater extent than they were obligated to the Granting Lender, or increase costs or expenses of the Borrower. The making of a Loan by an SPV hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPV shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPV, it will not institute against, or join any other Person in instituting against, such SPV any bankruptcy, reorganization,

arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 10.04, any SPV may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPV to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPV.

(j) The Borrower shall not (except as expressly permitted by Section 7.04) assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent, the Collateral Agent and each Lender, and any attempted assignment or transfer by the Borrower without such consent shall be null and void.

(k) Any Lender may, at any time, assign all or a portion of its rights and obligations under this Agreement in respect of its Term Loans to any Affiliated Lender on a non-pro rata basis through (x) Dutch Auctions open to all Lenders on a pro rata basis in accordance with the Auction Procedures or (y) open market purchases, subject to the following limitations:

(i) each Affiliated Lender shall represent and warrant as of the date of any such purchase and assignment and as of any subsequent date on which such Affiliated Lender sells and assigns any portion of such Term Loans to another assignee, that neither the Sponsor nor any of its Affiliates nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its Subsidiaries or securities that has not been disclosed to the assigning or assignee Lender (other than because such assigning or assignee Lender does not wish to receive material non-public information with respect to Holdings, the Borrower and its Subsidiaries or securities) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material, to a Term Lender's decision to assign Term Loans to, or acquire Term Loans from, such Affiliated Lender or shall have delivered a written statement to the assigning Lender that such representation cannot be made;

(ii) each Affiliated Lender will acknowledge and agree that the Term Loans owned by it shall be non-voting under Sections 1126 and 1129 of the U.S. Bankruptcy Code in the event that any proceeding thereunder shall be instituted by or against the Borrower or any other Loan Party or, alternatively, to the extent that the foregoing non-voting designation is deemed unenforceable for any reason, each Affiliated Lender shall vote its interest as a Lender in such proceedings in the same proportion as the allocation of voting with respect to such matter by those Lenders who are not Affiliated Lenders;

(iii) Affiliated Lenders will not be entitled to receive, and will not receive, information provided solely to Lenders by the Administrative Agent or any Lender and will not be permitted to attend or participate in, and will not attend or participate in, meetings attended solely by the Lenders and the Administrative Agent, other than the right to receive notices of Borrowings, notices of prepayments and other administrative notices in respect of its Loans or Commitments required to be delivered to Lenders pursuant to Article 2; and

(iv) the aggregate principal amount of Term Loans held at any one time by Affiliated Lenders may not exceed 25% of the aggregate principal amount of all Term Loans (including any Incremental Term Loans and Other Term Loans) outstanding at such time under this Agreement.

For the avoidance of doubt, the limitations of the preceding clauses (i), (ii), (iii) and (iv) in the immediately preceding sentence shall not apply to assignments to Specified Debt Funds; *provided* that the aggregate principal amount of Term Loans held at any one time by Specified Debt Funds may not exceed 49% of the aggregate principal amount of all Term Loans (including any Incremental Term Loans and Other Term Loans) outstanding at such time under this Agreement. As a condition to the effectiveness of each assignment of Term Loans to an Affiliated Lender or a Specified Debt Fund, such Affiliated Lender or Specified Debt Fund, as the case may be, shall execute and deliver to the Administrative Agent an assignment agreement reasonably satisfactory to the Administrative Agent and shall provide written notice to the Administrative Agent confirming compliance with the requirements of this Section 10.04(k) and specifying the aggregate amount of Term Loans held by Affiliated Lenders and Specified Debt Funds after giving effect to such assignment.

Following the acquisition of any Term Loan by an Affiliated Lender, the Sponsor or any of its Related Parties may contribute such Term Loan to Holdings or any of its Subsidiaries for purposes of cancelling such Term Loan, which may include contribution (with the consent of the Borrower) to the Borrower (whether through any of its direct or indirect parent entities or otherwise) in exchange for debt or equity securities of such parent entity or the Borrower that are otherwise permitted by the Loan Documents to be issued by the Borrower or such parent entity at such time. Any Term Loan contributed to Holdings or any of its Subsidiaries shall be automatically and permanently cancelled immediately upon receipt by Holdings or such Subsidiary.

(l) Notwithstanding anything in Section 10.08 or the definition of “Required Lenders” or “Required Class Lenders” to the contrary, for purposes of determining whether the Required Lenders or Required Class Lenders have (i) consented (or not consented) to any amendment, modification, waiver, consent or other action with respect to any of the terms of any Loan Document or any departure by any Loan Party therefrom, or, subject to Section 10.08(e), any plan of reorganization pursuant to the U.S. Bankruptcy Code, (ii) otherwise acted on any matter related to any Loan Document, or (iii) directed or required the Administrative Agent, Collateral Agent or any Lender to undertake any action (or refrain from taking any action) with respect to or under any Loan Document, each Affiliated Lender shall be deemed to have voted its interest as a Lender without discretion in the same proportion as the allocation of voting with respect to such matter by Lenders who are not Affiliated Lenders; *provided* that no such amendment, modification, waiver, consent or other action shall deprive such Affiliated Lender of its share of any payments to which such Affiliated Lender is entitled under the Loan Documents without such Affiliated Lender providing its consent and the foregoing shall not apply to any plan of reorganization that would treat an Affiliated Lender in a disproportionately adverse manner as

compared to other Lenders, and in furtherance of the foregoing, (x) each Affiliated Lender agrees to execute and deliver to the Administrative Agent any instrument reasonably requested by the Administrative Agent to evidence the voting of its interest as a Lender in accordance with the provisions of this Section 10.04(l); *provided* that, if an Affiliated Lender fails to promptly execute such instrument such failure shall in no way prejudice any of the Administrative Agent's rights under this Section 10.04(l) and (y) the Administrative Agent is hereby appointed (such appointment being coupled with an interest) by each Affiliated Lender as such Affiliated Lender's attorney-in-fact, with full authority in the place and stead of such Affiliated Lender and in the name of such Affiliated Lender, from time to time in the Administrative Agent's discretion to take any action and to execute any instrument that the Administrative Agent may deem reasonably necessary to carry out the provisions of this Section 10.04(l); *provided* that the provisions of this Section 10.04(l) shall not apply to any Specified Debt Fund.

(m) So long as no Event of Default has occurred or is continuing or would result therefrom, any Lender may, at any time, assign all or a portion of its rights and obligations under this Agreement in respect of its Term Loans to Holdings or the Borrower on a non-pro rata basis solely through Dutch Auctions open to all Lenders on a pro rata basis in accordance with the Auction Procedures, subject to the following limitations and other provisions:

(i) Holdings and the Borrower shall represent and warrant as of the date of any such purchase and assignment that neither Holdings nor the Borrower nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its Subsidiaries or securities that has not been disclosed to the assigning Lender (other than because such assigning Lender does not wish to receive material non-public information with respect to Holdings, the Borrower and its Subsidiaries or securities) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material, to a Term Lender's decision to assign Term Loans to Holdings or the Borrower as applicable or shall have delivered a written statement to the assigning Lender that such representation cannot be made;

(ii) Holdings and the Borrower will not be entitled to receive, and will not receive, information provided solely to Lenders by the Administrative Agent or any Lender and will not be permitted to attend or participate in, and will not attend or participate in, meetings or conference calls attended solely by the Lenders and the Administrative Agent;

(iii) [Reserved].

(iv) any Term Loans purchased by Holdings or the Borrower shall be automatically and permanently cancelled immediately upon acquisition by Holdings or the Borrower;

(v) notwithstanding anything to the contrary contained herein (including in the definitions of "Consolidated Net Income" and "Consolidated EBITDA") any non-cash gains in respect of "cancellation of indebtedness" resulting from the cancellation of any Term Loans purchased by Holdings or the Borrower shall be excluded from the determination of Consolidated Net Income and Consolidated EBITDA; and

(vi) the cancellation of Term Loans in connection with a Dutch Auction shall not constitute a voluntary or mandatory prepayment for purposes of Section 2.12 or 2.13, but the face amount of Term Loans cancelled as provided for in clause (iv) above shall be applied on a pro rata basis to the remaining scheduled installments of principal due in respect of the applicable Class of Term Loans.

Section 10.05. *Expenses; Indemnity.*

(a) The Borrower and Holdings agree, jointly and severally, within 30 days of written demand therefor (i) if the Closing Date occurs, to pay or reimburse the Administrative Agent, the Collateral Agent and the Lead Arrangers for all reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, syndication and execution of this Agreement and the other Loan Documents, and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby (including all Attorney Costs which shall be limited to Latham & Watkins LLP (and one local counsel and one specialty counsel in each applicable jurisdiction for each group and, in the event of an actual or potential conflict of interest, one additional counsel of each type for each class of similarly situated parties)) and (ii) from and after the Closing Date, to pay or reimburse the Administrative Agent, the Collateral Agent, the Lead Arrangers and the Lenders for all reasonable and documented out-of-pocket costs and expenses incurred in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any legal proceeding, including any proceeding under any Debtor Relief Law, and including all respective Attorney Costs which shall be limited to Attorney Costs of one counsel to the Administrative Agent, the Collateral Agent, the Lead Arrangers, and the Lenders (and one local counsel and one specialty counsel in each applicable jurisdiction for each group and, in the event of any conflict of interest, one additional counsel of each type for each class of similarly situated parties)). The foregoing costs and expenses shall include all reasonable search, filing, recording and title insurance charges and fees related thereto, and other reasonable out-of-pocket expenses incurred by any Agent.

(b) Whether or not the transactions contemplated hereby are consummated, the Loan Parties shall, jointly and severally, indemnify and hold harmless the Administrative Agent, the Collateral Agent, each Lender, the Lead Arrangers, and their respective Affiliates and Controlling Persons, and the directors, officers, employees, partners, agents, trustees and other representatives of each of the foregoing (collectively the “**Indemnitees**”) from and against any and all losses, damages, claims, liabilities and expenses (including Attorney Costs which shall be limited to Attorney Costs of one counsel to the Administrative Agent, the Lead Arrangers and the Lenders (and, if reasonably necessary, one local counsel and one specialty counsel in each applicable jurisdiction and, in the event of any actual or potential conflict of interest, one additional counsel for each class of similarly situated parties)) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (i) the execution, delivery,

enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the Transactions or the other transactions contemplated thereby, (ii) any Commitment or Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials at, on, under or from any property or facility currently or formerly owned, leased or operated by the Loan Parties or any Subsidiary, or any Environmental Liability related in any way to any Loan Parties or any Subsidiary or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of an Indemnitee; *provided* that, notwithstanding the foregoing, such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, damages, claims, liabilities and expenses resulted from (x) the gross negligence, bad faith or willful misconduct of such Indemnitee or of any affiliate, director, officer, employee, counsel, agent or attorney-in-fact of such Indemnitee, as determined by the final non-appealable judgment of a court of competent jurisdiction, (y) a material breach of its obligations under the Loan Documents by such Indemnitee or by any Related Indemnified Person (as defined below) of such Indemnitee as determined by the final non-appealable judgment of a court of competent jurisdiction or (z) any dispute solely among the Indemnitees other than (1) any claim against an Indemnitee in its capacity or in fulfilling its role as Administrative Agent, Collateral Agent, Arranger or similar role and (2) any claim arising out of any act or omission of the Borrower or any of its Affiliates. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through IntraLinks or other similar information transmission systems in connection with this Agreement. In the case of a claim, investigation, litigation or other proceeding to which the indemnity in this Section 10.05 applies, such indemnity shall be effective whether or not such claim, investigation, litigation or proceeding is brought by any Loan Party, any Subsidiary of any Loan Party, any Loan Party's directors, stockholders or creditors or other Affiliates or an Indemnitee or any other Person, whether or not any Indemnitee is otherwise a party thereto and whether or not any of the transactions contemplated hereunder or under any of the other Loan Documents are consummated. For the avoidance of doubt, this paragraph shall not apply with respect to Taxes that are the subject of, or excluded from, Section 3.01. **"Related Indemnified Person"** of an Indemnitee means (1) any Controlling Person or Controlled Affiliate of such Indemnitee, (2) the respective directors, officers, or employees of such Indemnitee or any of its Controlling Persons or Controlled Affiliates and (3) the respective agents or representatives of such Indemnitee or any of its Controlling Persons or Controlled Affiliates, in the case of this clause (3), acting on behalf of or at the instructions of such Indemnitee, Controlling Person or such Controlled Affiliate; *provided* that each reference to a Controlled Affiliate in this sentence pertains to a Controlled Affiliate involved in the negotiation or syndication of this Agreement and the applicable Class of Loans or Commitments. For the avoidance of doubt, payments under this Section 10.05(b) shall be made to the Administrative Agent for the benefit of the relevant Indemnitee.

(c) To the extent that any Loan Party fails to pay any amount required to be paid by them to the Administrative, the Collateral Agent or any Related Party of the foregoing under Section 10.05(a) or (b), each Lender severally agrees to pay to the Administrative Agent, the

Collateral Agent or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Collateral Agent in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent or the Collateral Agent in connection with such capacity. For purposes hereof, a Lender's "*pro rata share*" shall be determined based upon its share of the sum of the outstanding Loans and unused Commitments at the time.

(d) To the extent permitted by applicable Law, (i) no Loan Party shall assert, and each hereby waives, any claim against any Indemnitee and (ii) no Indemnitee shall assert, and each hereby waives, any claim against any Loan Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions or any Loan or the use of the proceeds thereof (whether before or after the Closing Date); *provided* that this sentence shall not limit the indemnification obligations of any Loan Party (including in respect of any such damages incurred or paid by an Indemnitee to a third party and for any out-of-pocket expenses).

(e) The provisions of this Section 10.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent or any Lender. All amounts due under this Section 10.05 shall be payable within 10 Business Days after written demand therefor.

Section 10.06. *Right of Setoff.* In addition to any rights and remedies of the Lenders provided by Law, upon the occurrence and during the continuance of any Event of Default, each Lender and each of their respective Affiliates (and the Collateral Agent, in respect of any unpaid fees, costs and expenses payable hereunder) is authorized at any time and from time to time, without prior notice to any Loan Party, any such notice being waived by each Loan Party (on its own behalf and on behalf of each of its Subsidiaries), to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held by, and other indebtedness at any time owing by, such Lender or any such Affiliate or the Collateral Agent to or for the credit or the account of any Loan Party against any and all Obligations (other than, with respect to any Guarantor, Excluded Swap Obligations of such Guarantor) owing to such Lender or Affiliate or the Collateral Agent hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not the Collateral Agent or such Lender or Affiliate shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or Indebtedness. The Collateral Agent and each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set off and application made by such Lender; *provided* that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent, the Collateral Agent and each Lender under this Section 10.06 are in addition to other rights and remedies (including other rights of setoff) that the Administrative Agent, the Collateral Agent and such Lender may have at Law.

Section 10.07. *Governing Law.* THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

Section 10.08. *Waivers; Amendment.*

(a) No failure or delay of the Administrative Agent, the Collateral Agent or any Lender in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Collateral Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower or any other Loan Party therefrom shall in any event be effective unless the same shall be permitted by Section 10.08(b) or (c) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower or Holdings in any case shall entitle the Borrower or Holdings to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (x) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower, Holdings and the Required Lenders and (y) in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by each party thereto with the consent of the Required Lenders (*provided* that amendments to the Intercreditor Agreement, the Second Lien Intercreditor Agreement or the Third Lien Intercreditor Agreement shall require the agreement of the Loan Parties (or any of them) only to the extent required pursuant to the terms thereof); *provided, however*, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any fee or any interest on any Loan, or waive or excuse any such payment or any part thereof (other than with respect to any default interest), or decrease the amount of any fee or the rate of interest on any Loan (other than with respect to any default interest), without the prior written consent of each Lender directly adversely affected thereby (it being understood that (x) the waiver of (or amendment to the terms of) any mandatory prepayment of the Loans shall not constitute a postponement of any date scheduled for the payment of principal or interest and (y) any change to the definition of "Senior Secured Leverage Ratio" or "Total Leverage Ratio" or in the

component definitions thereof shall not constitute a reduction or forgiveness in any rate of interest), (ii) increase or extend the Commitment of any Lender without the prior written consent of such Lender (it being understood that a waiver of any condition precedent or of any Default, mandatory prepayment or mandatory reduction of the Commitments shall not constitute an extension or increase of any Commitment of any Lender), (iii) amend or modify the pro rata requirements of Section 2.13(b), Section 2.13(c) or Section 2.14, the provisions of Section 10.04(j) or the provisions of this Section 10.08 or release all or substantially all of the Guarantors (other than in connection with the sale of such Guarantors in a transaction permitted by Section 7.04 or 7.05 or as required pursuant to the Intercreditor Agreement) or all or substantially all of the Collateral (except as required pursuant to the Intercreditor Agreement), without the prior written consent of each Lender, (iv) change the provisions of any Loan Document in a manner that by its terms adversely affects the rights of Lenders holding Loans of one Class differently from the rights of Lenders holding Loans of any other Class without the prior written consent of the Required Class Lenders with respect to each adversely affected Class, (v) modify the protections afforded to an SPV pursuant to the provisions of Section 10.04(i) without the written consent of such SPV, (vi) reduce the percentage contained in the definition of the term "Required Lenders" without the prior written consent of each Lender (it being understood that, with the consent of the Required Lenders (if such consent is otherwise required), additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Lenders on substantially the same basis as on the Closing Date) or (vii) modify the definition of "Required Class Lenders" without the consent of the Required Class Lenders with respect to each Class of Loans; *provided, further*, that (w) no Lender consent is required to effect a Refinancing Amendment or an Incremental Amendment or an Extension (except as expressly provided in Section 2.19, 2.20 or 2.21, as applicable) or to effect any amendment expressly contemplated by Section 7.12, (x) in connection with an amendment that addresses solely a repricing transaction in which any tranche of Term Loans is refinanced with a replacement tranche of term loans bearing (or is modified in a manner such that the resulting term loans bear) a lower effective yield (a "**Permitted Repricing Amendment**"), only the consent of each Lender holding Term Loans subject to such permitted repricing transaction that will continue as a Lender in respect of the repriced tranche of Term Loans or modified Term Loans shall be required for such Permitted Repricing Amendment and (y) modifications to Section 2.14, 2.15 or any other provision requiring pro rata payments or sharing of payments in connection with (I) any buy back of Term Loans by Holdings or the Borrower pursuant to Section 10.04(m) or pursuant to any similar program that may in the future be permitted hereunder, (II) any Incremental Amendment or (III) any Extension, shall only require approval (to the extent any such approval is otherwise required) of the Required Lenders; *provided, further*, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Collateral Agent hereunder or under any other Loan Document without the prior written consent of the Administrative Agent or the Collateral Agent, as applicable.

(c) The Administrative Agent and the Borrower may amend any Loan Document to cure ambiguities or defects, correct administrative errors or omissions, or to effect administrative changes that are not adverse to any Lender. Notwithstanding anything to the contrary contained herein, such amendment shall become effective without any further consent of any other party to such Loan Document.

Notwithstanding the foregoing, no Lender consent is required to effect any amendment or supplement to the Intercreditor Agreement, any Second Lien Intercreditor Agreement, any Third Lien Intercreditor Agreement or any other intercreditor or subordination agreement required under this Agreement (i) that is for the purpose of adding the holders of Permitted Second Priority Refinancing Debt, Permitted Third Priority Refinancing Debt, Permitted Unsecured Refinancing Debt, Incremental Equivalent Debt or Third Lien Indebtedness (or, in each case, a Senior Representative with respect thereto) as parties thereto, as expressly contemplated by the terms of such Intercreditor Agreement, Second Lien Intercreditor Agreement, Third Lien Intercreditor Agreement or such other intercreditor or subordination agreement required under this Agreement, as applicable (it being understood that any such amendment or supplement may make such other changes to the applicable intercreditor agreement as, in the good faith determination of the Administrative Agent, are required to effectuate the foregoing and provided that such other changes are not adverse, in any material respect, to the interests of the Lenders) or (ii) that is expressly contemplated by any Intercreditor Agreement, Second Lien Intercreditor Agreement, Third Lien Intercreditor Agreement or other intercreditor or subordination agreement required under this Agreement; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder or under any other Loan Document without the prior written consent of the Administrative Agent.

Notwithstanding anything to the contrary contained in this Section 10.08, guarantees, collateral security documents and related documents executed by Subsidiaries in connection with this Agreement may be in a form reasonably determined by the Administrative Agent and may be, together with this Agreement, amended and waived with the consent of the Administrative Agent at the request of the Borrower without the need to obtain the consent of any other Lender if such amendment or waiver is delivered in order (i) to comply with local Law or (ii) to cause such guarantee, collateral security document or other document to be consistent with this Agreement and the other Loan Documents.

(d) Each Affiliated Lender (other than a Specified Debt Fund), solely in its capacity as a Term Lender, hereby agrees, and each assignment agreement relating to an assignment to such Affiliated Lender shall provide a confirmation that, if any Loan Party shall be subject to any voluntary or involuntary proceeding commenced under any Debtor Relief Laws (“**Bankruptcy Proceedings**”), (i) such Affiliated Lender shall not take any step or action in such Bankruptcy Proceeding to object to, impede, or delay the exercise of any right or the taking of any action by the Administrative Agent or the Collateral Agent (or the taking of any action by a third party that is supported by the Administrative Agent or the Collateral Agent) in relation to such Affiliated Lender’s claim with respect to its Loans (a “**Claim**”) (including objecting to any debtor-in-possession financing, use of cash collateral, grant of adequate protection, sale or disposition, compromise or plan of reorganization) so long as such Affiliated Lender is treated in connection with such exercise or action on the same or better terms as the other Term Lenders and (ii) with respect to any matter requiring the vote of Term Lenders during the pendency of a Bankruptcy Proceeding (including voting on any plan of reorganization), the Loans held by such Affiliated Lender (and any Claim with respect thereto) shall be deemed to be voted in accordance with Section 10.04(l), so long as such Affiliated Lender is treated in connection with the exercise of such right or taking of such action on the same or better terms as the other Lenders. For the avoidance of doubt, the Lenders and each Affiliated Lender (other than any Specified Debt Fund) agree and acknowledge that the provisions set forth in this Section 10.08(d), and the related provisions set forth in each assignment agreement relating to an assignment to such Affiliated

Lender, constitute a “subordination agreement” as such term is contemplated by, and utilized in, Section 510(a) of the Bankruptcy Code, and, as such, would be enforceable for all purposes in any case where a Loan Party has filed for protection under any Debtor Relief Law applicable to the Loan Party.

Section 10.09. *Interest Rate Limitation.* Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable Law (collectively the “**Charges**”), shall exceed the maximum lawful rate (the “**Maximum Rate**”) which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable Law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 10.09 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.10. *Entire Agreement.* This Agreement, the Fee Letter and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof. Any other previous agreements and understandings, oral or written, among the parties relating to the subject matter hereof are superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or any other Loan Document, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and thereto, their respective successors and assigns permitted hereby, Participants to the extent expressly provided in Section 10.04(f) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Collateral Agent and the Lenders) any legal or equitable rights, remedies, obligations or liabilities under or by reason of this Agreement or any other Loan Document.

Section 10.11. *WAIVER OF JURY TRIAL.* EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11.

Section 10.12. *Severability.* In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.13. *Counterparts.* This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10.03. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic imaging transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 10.14. *Headings.* Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or to be taken into consideration in interpreting, this Agreement.

Section 10.15. *Jurisdiction; Consent to Service of Process.*

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in such New York State court or, to the extent permitted by applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

(b) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 10.15(a). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in any action or proceeding arising out of or relating to any Loan Document in the manner provided for notices (other than facsimile or email) in Section 10.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by applicable Law.

Section 10.16. *Confidentiality.* Each of the Administrative Agent, the Collateral Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' officers, directors, employees and agents, including accountants, legal counsel and other advisors on a "need to know" basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential pursuant to the terms hereof), (b) to the extent requested by any regulatory authority or quasi-regulatory authority (such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or under the other Loan Documents or any suit, action or proceeding relating to the enforcement of its rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.16, to (i) any actual or prospective assignee of or participant in any of its rights or obligations under this Agreement and the other Loan Documents, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower or any Subsidiary or any of their respective obligations or (iii) any actual or prospective investor in an SPV, (g) with the consent of the Borrower, (h) on a confidential basis to (x) any rating agency in connection with rating the Borrower or its Subsidiaries or the Facility or (y) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the Facility or (i) to the extent such Information (x) is publicly available at the time of disclosure or becomes publicly available other than as a result of a breach of this Section 10.16 or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or any Subsidiary. For the purposes of this Section 10.16, "**Information**" shall mean all information received from the Borrower or Holdings and related to the Borrower or Holdings or their business, other than any such information that was available to the Administrative Agent, the Collateral Agent or any Lender on a nonconfidential basis prior to its disclosure by the Borrower or Holdings; *provided* that, in the case of Information received from the Borrower or Holdings after the Closing Date, such information is clearly identified at the time of delivery as confidential or is delivered pursuant to Section 6.01, 6.02 or 6.03 hereof. In addition, each Agent and each Lender may disclose the existence of this Agreement and the information about this Agreement to market data collectors, similar services providers to the lending industry, and service providers to the Agents and the Lenders in connection with the administration and management of this Agreement and the other Loan Documents. Any Person required to maintain the confidentiality of Information as provided in this Section 10.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord its own confidential information.

Section 10.17. *Lender Action.* Each Lender agrees that it shall not take or institute any actions or proceedings, judicial or otherwise, for any right or remedy against any Loan Party or any other obligor under any of the Loan Documents (including the exercise of any right of setoff, rights on account of any banker's lien or similar claim or other rights of self-help), or institute any actions or proceedings, or otherwise commence any remedial procedures, with respect to any Collateral or any other property of any such Loan Party, unless expressly provided for herein or in any other Loan Document, without the prior written consent of the Administrative Agent. The provisions of this Section 10.17 are for the sole benefit of the Lenders and shall not afford any right to, or constitute a defense available to, any Loan Party.

Section 10.18. *USA PATRIOT Act Notice*. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Loan Party that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name, address and taxpayer information number of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Loan Party in accordance with the USA PATRIOT Act.

Section 10.19. *Collateral And Guaranty Matters*. The Lenders irrevocably agree that the Administrative Agent and Collateral Agent may release or subordinate any Lien or release any Guarantor as contemplated by Section 9.13.

Upon request by the Administrative Agent or the Collateral Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's or the Collateral Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 10.19. The Administrative Agent or the Collateral Agent will (and each Lender irrevocably authorizes the Administrative Agent and the Collateral Agent to), at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as the Borrower may reasonably request to evidence the release or subordination of such item of Collateral from the assignment and security interest granted under the Collateral Documents, or to evidence the release of such Guarantor from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 10.19.

Section 10.20. *[Reserved]*.

Section 10.21. *Payments Set Aside*. To the extent that any payment by or on behalf of the Borrower or any other Loan Party is made to any Agent or any Lender, or any Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall, to the fullest extent possible under provisions of applicable Law, be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by any Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate *per annum* equal to the applicable Federal Funds Effective Rate from time to time in effect.

(a) In connection with all aspects of each transaction contemplated hereby, each Loan Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that (i) the facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower and its Affiliates, on the one hand, and the Agents, the Lead Arrangers and the Lenders, on the other hand, and the Borrower and its Affiliates are capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof), (ii) in connection with the process leading to such transaction, each of the Agents, the Lead Arrangers and the Lenders is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person, (iii) none of the Agents, the Lead Arrangers or the Lenders has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower or any of its Affiliates with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether any Agent or Lender has advised or is currently advising the Borrower or any of its Affiliates on other matters) and none of the Agents, the Lead Arrangers or the Lenders has any obligation to the Borrower or any of its Affiliates with respect to the financing transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents, (iv) the Agents, the Lead Arrangers, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from, and may conflict with, those of the Borrower and its Affiliates, and none of the Agents, the Lead Arrangers or the Lenders has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship and (v) the Agents, the Lead Arrangers and the Lenders have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Loan Parties have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate. Each Loan Party hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Agents, the Lead Arrangers and the Lenders with respect to any breach or alleged breach of agency or fiduciary duty under applicable Law relating to agency and fiduciary obligations.

(b) Each Loan Party acknowledges and agrees that each Lender, the Lead Arrangers and any affiliate thereof may lend money to, invest in, and generally engage in any kind of business with, any of the Borrower, Holdings, any Investor, any Affiliate thereof or any other person or entity that may do business with or own securities of any of the foregoing, all as if such Lender, the Lead Arrangers or Affiliate thereof were not a Lender or the Lead Arrangers (or an agent or any other person with any similar role under the Facilities) and without any duty to account therefor to any other Lender, the Lead Arrangers, Holdings, the Borrower, any Investor or any Affiliate of the foregoing. Each Lender, the Lead Arrangers and any affiliate thereof may accept fees and other consideration from Holdings, the Borrower, any Investor or any Affiliate thereof for services in connection with this Agreement, the Facilities, the Commitment Letter or otherwise without having to account for the same to any other Lender, the Lead Arrangers, Holdings, the Borrower, any Investor or any Affiliate of the foregoing.

Section 10.23. *Intercreditor Agreement.*

(a) The Administrative Agent is authorized to enter into the Intercreditor Agreement, and each of the parties hereto acknowledges that it has received a copy of the Intercreditor Agreement and that the Intercreditor Agreement is binding upon it. Each Lender (a) hereby agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and (b) hereby authorizes and instructs the Administrative Agent to enter into the Intercreditor Agreement and any amendments or supplements expressly contemplated thereby.

(b) The Administrative Agent is authorized to enter into each of the Intercreditor Agreement, the Second Lien Intercreditor Agreement and the Third Lien Intercreditor Agreement, and each of the parties hereto acknowledges that each such agreement shall be binding upon it. Each Lender (a) hereby consents to the intercreditor agreements in respect of the Collateral securing the Obligations on the terms set forth in each of the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement, and any other applicable subordination or intercreditor agreement, (b) hereby agrees that it will be bound by and will take no actions contrary to the provisions of each of the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement and each other applicable subordination or intercreditor agreement, and (c) hereby authorizes and instructs the Administrative Agent to enter into each of the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement and each other applicable subordination or intercreditor agreement, and, without the further consent, direction or other action of any Lender, to enter into any amendments or supplements thereto, in each case solely if the form of the agreement as so amended or supplemented would constitute the Intercreditor Agreement, the Second Lien Intercreditor Agreement, the Third Lien Intercreditor Agreement or any other applicable subordination or intercreditor agreement, as applicable, if being entered into as an original agreement.

(c) The provisions of this Section 10.23 are for the sole benefit of the Lenders and the Administrative Agent and shall not afford any right to, or constitute a defense available to, any Loan Party.

ARTICLE 11
GUARANTEE

Section 11.01. *The Guarantee.* Each Guarantor hereby jointly and severally with the other Guarantors guarantees, as a primary obligor and not as a surety to each Secured Party and their respective successors and assigns, the prompt payment in full when due (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of the principal of and interest (including any interest, fees, costs or charges that would accrue but for the provisions of (i) Title 11 of the United States Code after any bankruptcy or insolvency petition under Title 11 of the United States Code and (ii) any other Debtor Relief Laws, whether or not such items are allowed or allowable as a claim in any applicable proceeding) on the Loans

made by the Lenders to, and the Notes (if any) issued hereunder and held by each Lender of, the Borrower, and all other Obligations (excluding, with respect to any Guarantor, any Excluded Swap Obligations of such Guarantor) from time to time owing to the Secured Parties by any other Loan Party under any Loan Document, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the “**Guaranteed Obligations**”). The Guarantors hereby jointly and severally agree that if the Borrower or other Guarantor(s) shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantors will promptly pay the same in cash, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Section 11.02. *Obligations Unconditional.* The obligations of the Guarantors under Section 11.01 shall constitute a guaranty of payment and to the fullest extent permitted by applicable Law, are absolute, irrevocable and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the Guaranteed Obligations of the Borrower or any other Guarantor under this Agreement, any Notes issued under this Agreement, or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or Guarantor (except for payment in full). Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder which shall remain absolute, irrevocable and unconditional under any and all circumstances as described above:

- (a) at any time or from time to time, without notice to the Guarantors, to the extent permitted by Law, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;
- (b) any of the acts mentioned in any of the provisions of this Agreement or the Notes, if any, or any other agreement or instrument referred to herein or therein shall be done or omitted;
- (c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be amended in any respect, or any right under the Loan Documents or any other agreement or instrument referred to herein or therein shall be amended or waived in any respect or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;
- (d) any Lien or security interest granted to, or in favor of, any Secured Party or Agent as security for any of the Guaranteed Obligations shall fail to be perfected; or
- (e) the release of any other Guarantor pursuant to Section 11.10.

Section 11.03. *Certain Waivers, Etc.* The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and, to the extent permitted by Law, all notices whatsoever, and any requirement that any Secured Party exhaust any right, power or remedy or

proceed against the Borrower under this Agreement or the Notes issued hereunder, if any, or any other agreement or instrument referred to herein or therein, or against any other person under any other guarantee of, or security for, any of the Guaranteed Obligations. The Guarantors waive, to the extent permitted by Law, any and all notice of the creation, renewal, extension, waiver, termination or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by any Secured Party upon this Guarantee or acceptance of this Guarantee, and the Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee, and all dealings between the Borrower and the Secured Parties shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. This Guarantee shall be construed as a continuing, absolute, irrevocable and unconditional guarantee of payment without regard to any right of offset with respect to the Guaranteed Obligations at any time or from time to time held by Secured Parties, and the obligations and liabilities of the Guarantors hereunder shall not be conditioned or contingent upon the pursuit by the Secured Parties or any other person at any time of any right or remedy against the Borrower or against any other person which may be or become liable in respect of all or any part of the Guaranteed Obligations or against any collateral security or guarantee therefor or right of offset with respect thereto. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantors and the successors and permitted assigns thereof, and shall inure to the benefit of the Secured Parties, and their respective successors and permitted assigns, notwithstanding that from time to time during the term of this Agreement there may be no Guaranteed Obligations outstanding. Each Guarantor waives any rights and defenses that are or may become available to it by reason of §§ 2787 to 2855, inclusive, and §§ 2899 and 3433 of the California Civil Code. As provided in Section 10.07, the provisions of this Article 11 shall be governed by, and construed in accordance with, the laws of the State of New York. The foregoing waivers and the provisions hereinafter set forth in this Article 11 which pertain to California law are included solely out of an abundance of caution, and shall not be construed to mean that any of the above-referenced provisions of California law are in any way applicable to this Article 11, to any other provision of this Agreement or to the Obligations.

Section 11.04. *Reinstatement.* The obligations of the Guarantors under this Article 11 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower or other Loan Party in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

Section 11.05. *Subrogation; Subordination.* Each Guarantor hereby agrees that until the payment and satisfaction in full in cash of all Guaranteed Obligations and the expiration and termination of the Commitments of the Lenders under this Agreement it shall waive any claim and shall not exercise any right or remedy, direct or indirect, arising by reason of any performance by it of its guarantee in Section 11.01, whether by subrogation or otherwise, against the Borrower or any other Guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations. Any Indebtedness of any Loan Party to any Person that is not a Loan Party permitted pursuant to Section 7.03(b) or 7.03(d) shall be subordinated to such Loan Party's Obligations in the manner set forth in the Intercompany Note evidencing such Indebtedness.

Section 11.06. *Remedies*. The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of the Borrower under this Agreement and the Notes issued hereunder, if any, may be declared to be forthwith due and payable as provided in Section 8.02 (and shall be deemed to have become automatically due and payable in the circumstances provided in Section 8.02) for purposes of Section 11.01, notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 11.01.

Section 11.07. *Instrument for the Payment of Money*. Each Guarantor hereby acknowledges that the guarantee in this Article 11 constitutes an instrument for the payment of money, and consents and agrees that any Secured Party or Agent, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring a motion-action under New York CPLR Section 3213.

Section 11.08. *Continuing Guarantee*. The guarantee in this Article 11 is a continuing guarantee of payment, and shall apply to all Guaranteed Obligations whenever arising.

Section 11.09. *General Limitation on Guarantee Obligations*. In any action or proceeding involving any state corporate, limited partnership or limited liability company law, or any applicable state, federal or foreign bankruptcy, insolvency, reorganization or other Law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 11.01 would otherwise be held or determined to be void, voidable, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 11.01, then, notwithstanding any other provision to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Loan Party or any other person, be automatically limited and reduced to the highest amount (after giving effect to the right of contribution established in Section 11.11) that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

Section 11.10. *Release of Guarantors*. If, in compliance with the terms and provisions of the Loan Documents, (i) all or substantially all of the Equity Interests or property of any Subsidiary Guarantor are sold or otherwise transferred to a Person or Persons none of which is a Loan Party or (ii) any Subsidiary Guarantor becomes an Excluded Subsidiary (any such Subsidiary Guarantor, and any Subsidiary Guarantor referred to in clause (i), a “**Transferred Guarantor**”), such Transferred Guarantor shall, upon the consummation of such sale or transfer or other transaction, be automatically released from its obligations under this Agreement (including under Section 10.05 hereof) and its obligations to pledge and grant any Collateral owned by it pursuant to any Collateral Document and, in the case of a sale of all or substantially all of the Equity Interests of the Transferred Guarantor, the pledge of such Equity Interests to the Collateral Agent pursuant to the Collateral Documents shall be automatically released, and, so long as the Borrower shall have provided the Agents such certifications or documents as any Agent shall reasonably request, the Collateral Agent shall take such actions as are necessary to effect each release described in this Section 11.10 in accordance with the relevant provisions of the Collateral Documents; *provided* that no Guarantor shall be released as provided in this

paragraph if such Guarantor continues to be a guarantor in respect of any Third Lien Indebtedness, any Incremental Equivalent Debt, any Permitted Second Priority Refinancing Debt, any Permitted Third Priority Refinancing Debt, any Permitted Unsecured Refinancing Debt, any Junior Financing, or any Permitted Refinancing of any of the foregoing.

When all Commitments hereunder have terminated and all Loans or other Obligations hereunder which are accrued and payable have been paid or satisfied, this Agreement and the Guarantees made herein shall terminate with respect to all Obligations, except with respect to Obligations that expressly survive such repayment pursuant to the terms of this Agreement.

Section 11.11. *Right of Contribution.* Each Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 11.05. The provisions of this Section 11.11 shall in no respect limit the obligations and liabilities of any Subsidiary Guarantor to the Administrative Agent and the Secured Parties, and each Subsidiary Guarantor shall remain liable to the Administrative Agent and the Secured Parties for the full amount guaranteed by such Subsidiary Guarantor hereunder.

Section 11.12. *Additional Guarantor Waivers and Agreements.*

(a) Each Guarantor understands and acknowledges that if the Collateral Agent or any other Secured Party forecloses judicially or nonjudicially against any real property security for the Obligations, that foreclosure could impair or destroy any ability that such Guarantor may have to seek reimbursement, contribution, or indemnification from the Borrower or others based on any right such Guarantor may have of subrogation, reimbursement, contribution, or indemnification for any amounts paid by such Guarantor under the Guaranty. Each Guarantor further understands and acknowledges that in the absence of this Section 11.12, such potential impairment or destruction of such Guarantor's rights, if any, may entitle such Guarantor to assert a defense to this Guaranty based on Section 580d of the California Code of Civil Procedure as interpreted in *Union Bank v. Gradsky*, 265 Cal. App. 2d 40 (1968). By executing this Guaranty, each Guarantor freely, irrevocably, and unconditionally: (i) waives and relinquishes that defense and agrees that such Guarantor will be fully liable under this Guaranty even though the Collateral Agent or any other Secured Party may foreclose, either by judicial foreclosure or by exercise of power of sale, any deed of trust securing the Obligations; (ii) agrees that such Guarantor will not assert that defense in any action or proceeding which the Administrative Agent, the Collateral Agent or any other Secured Party may commence to enforce this Guaranty; (iii) acknowledges and agrees that the rights and defenses waived by such Guarantor in this Guaranty include any right or defense that such Guarantor may have or be entitled to assert based upon or arising out of any one or more of §§ 580a, 580b, 580d, or 726 of the California Code of Civil Procedure or § 2848 of the California Civil Code; and (iv) acknowledges and agrees that the Secured Parties are relying on this waiver in creating the Obligations, and that this waiver is a material part of the consideration which the Secured Parties are receiving for creating the Obligations.

(b) Each Guarantor waives all rights and defenses that such Guarantor may have because any of the Obligations is secured by real property. This means, among other things: (i) the Administrative Agent, the Collateral Agent and the other Secured Parties may collect from such Guarantor without first foreclosing on any real or personal property collateral pledged by the other Loan Parties; and (ii) if the Collateral Agent or any other Secured Party forecloses on any real property collateral pledged by the other Loan Parties: (A) the amount of the Obligations may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) the Administrative Agent, the Collateral Agent and the other Secured Parties may collect from such Guarantor even if the Secured Parties, by foreclosing on the real property collateral, have destroyed any right such Guarantor may have to collect from the Borrower. This is an unconditional and irrevocable waiver of any rights and defenses such Guarantor may have because any of the Obligations is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon § 580a, 580b, 580d, or 726 of the California Code of Civil Procedure.

(c) Each Guarantor waives any right or defense it may have at law or equity, including California Code of Civil Procedure §580a, to a fair market value hearing or action to determine a deficiency judgment after a foreclosure.

[SIGNATURES PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

BORROWER:

SURGERY CENTER HOLDINGS, INC.



By: _____
Name: Christopher Laitala
Title: President

HOLDINGS:

SP HOLDCO I, INC.



By: _____
Name: Christopher Laitala
Title: President

[Signature Page to Second Lien Credit Agreement]

SUBSIDIARY GUARANTORS:

ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.
APS OF BRADENTON, LLC
APS OF MERRITT ISLAND, LLC
BUSINESS IT SOLUTIONS OF TAMPA, INC.
LOGAN LABORATORIES, LLC
MIDWEST UNCUTS, INC.
NOVAMED, INC.
NOVAMED ALLIANCE, INC.
MEDICAL BILLING SOLUTIONS, LLC
NOVAMED MANAGEMENT SERVICES, LLC
NOVAMED ACQUISITION COMPANY, INC.
NOVAMED MANAGEMENT OF KANSAS CITY, INC.
NOVAMED OF BETHLEHEM, INC.
NOVAMED OF DALLAS, INC.
NOVAMED OF LEBANON, INC.
NOVAMED OF SAN ANTONIO, INC.
NOVAMED OF TEXAS, INC.
NOVAMED OF WISCONSIN, INC.
PATIENT EDUCATION CONCEPTS INC.
SAINT THOMAS COMPOUNDING LLC
REHABILITATION MEDICAL GROUP, INC.
SARASOTA ANESTHESIA SERVICES, LLC
SURGERY PARTNERS, LLC
SURGERY PARTNERS ACQUISITION COMPANY, INC.
SURGERY PARTNERS OF CORAL GABLES, LLC
SURGERY PARTNERS OF LAKE MARY, LLC
SURGERY PARTNERS OF LAKE WORTH, LLC
SURGERY PARTNERS OF MERRITT ISLAND, LLC
SURGERY PARTNERS OF MILLENIA, LLC
SURGERY PARTNERS OF NEW TAMPA, LLC
SURGERY PARTNERS OF PARK PLACE, LLC
SURGERY PARTNERS OF SARASOTA, LLC



By: _____
Name: Teresa F. Sparks
Title: Chief Financial Officer

[Signature Page to Second Lien Credit Agreement]

**SURGERY PARTNERS OF WESTCHASE, LLC
SURGERY PARTNERS OF WEST KENDALL, L.L.C.
TAMPA PAIN RELIEF CENTER, INC.
SURGERY PARTNERS OF SUNCOAST, LLC**



By: _____
Name: Teresa F. Sparks
Title: Chief Financial Officer

**SYMBION, INC.
SYMBION HOLDINGS CORPORATION
AMBULATORY RESOURCE CENTRES
INVESTMENT COMPANY, LLC
AMBULATORY RESOURCE CENTRES OF
WASHINGTON, INC.
AMBULATORY RESOURCE CENTRES OF
WILMINGTON, INC.
ARC DEVELOPMENT CORPORATION
ARC FINANCIAL SERVICES CORPORATION
ASC OF NEW ALBANY, LLC
AUSTIN SURGICAL HOLDINGS, LLC
LUBBOCK SURGICENTER, INC.
NEOSPINE SURGERY OF PUYALLUP, LLC
NEOSPINE SURGERY, LLC
PHYSICIANS SURGICAL CARE, INC.
PSC DEVELOPMENT COMPANY, LLC
PSC OPERATING COMPANY, LLC
SARC/ASHEVILLE, INC.
SARC/CIRCLEVILLE, INC.
SARC/FT. MYERS, INC.
SARC/GEORGIA, INC.
SARC/JACKSONVILLE, INC.
SARC/KENT, LLC
SARC/LARGO ENDOSCOPY, INC.
SARC/LARGO, INC.
SARC/PROVIDENCE, LLC**



By: _____
Name: Teresa F. Sparks
Title: Chief Financial Officer

[Signature Page to Second Lien Credit Agreement]

SARC/ST. CHARLES, INC.
SARC/VINCENNES, INC.
SMBI GREAT FALLS, LLC
SMBI HAVERTOWN, LLC
SMBI IDAHO, LLC
SMBI JACKSON, LLC
SMBI LHH, LLC
SMBI PORTSMOUTH, LLC
SMBI STLWSC, LLC
SMBIMS BIRMINGHAM, INC.
SMBIMS DURANGO, LLC
SMBIMS FLORIDA I, LLC
SMBIMS GREENVILLE, LLC
SMBIMS KIRKWOOD, LLC
SMBIMS ORANGE CITY, LLC
SMBIMS STEUBENVILLE, INC.
SMBIMS WICHITA, LLC
SMBISS BEVERLY HILLS, LLC
SMBISS CHESTERFIELD, LLC
SMBISS ENCINO, LLC
SMBISS IRVINE, LLC
SMBISS THOUSAND OAKS, LLC
SYMBION AMBULATORY RESOURCE CENTRES, INC.
SYMBION ANESTHESIA SERVICES, LLC
SYMBIONARC MANAGEMENT SERVICES, INC.
TEXARKANA SURGERY CENTER GP, INC.
UNIPHY HEALTHCARE OF JOHNSON CITY VI, LLC
UNIPHY HEALTHCARE OF MAINE I, INC.
VASC, INC.
VILLAGES SURGICENTER, INC.



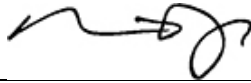
By:

Name: Teresa F. Sparks

Title: Chief Financial Officer

[Signature Page to Second Lien Credit Agreement]

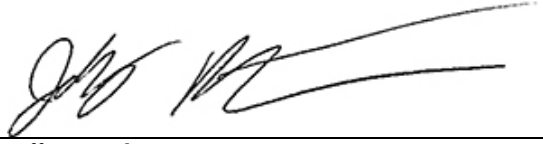
JEFFERIES FINANCE LLC,
as a Lender and as the Administrative Agent and
Collateral Agent



By: _____
Name: Brian Buoye
Title: Managing Director

[Signature Page to Second Lien Credit Agreement]

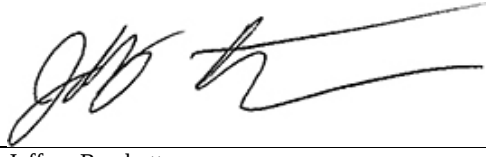
KKR CORPORATION LENDING LLC,
as a Lender



By: _____
Name: Jeffrey Rowbottom
Title: Authorized Signatory

[Signature Page to Second Lien Credit Agreement]

MCS CORPORATE LENDING LLC,
as a Lender

A handwritten signature in black ink, appearing to read 'JR', is written over a horizontal line.

By: _____
Name: Jeffrey Rowbottom
Title: Authorized Signatory

[Signature Page to Second Lien Credit Agreement]

SCHEDULES

| | |
|---------|--|
| 1.01(a) | Subsidiary Guarantors |
| 1.01(b) | Specified Subsidiaries |
| 2.01 | Lenders and Commitments |
| 4.02(d) | Local Counsel Opinions |
| 5.05 | Certain Liabilities |
| 5.11 | Plans or Multiemployer Plans |
| 5.12 | Subsidiaries and Other Equity Interests |
| 5.15 | Labor Matters |
| 6.13(a) | Certain Post-Closing Documents |
| 6.13(b) | Intellectual Property Post-Closing Matters |
| 7.01(b) | Existing Liens |
| 7.02(f) | Existing Investments |
| 7.03(b) | Existing Indebtedness |
| 7.05(k) | Dispositions |
| 7.08 | Transactions with Affiliates |
| 7.09 | Certain Contractual Obligations |

Subsidiary Guarantors

Surgery Partners:

Anesthesiology Professional Services, Inc.
APS of Bradenton, LLC
APS of Merritt Island, LLC
Business IT Solutions of Tampa, Inc.
Logan Laboratories, LLC
Midwest Uncuts, Inc.
NovaMed, Inc.
NovaMed Alliance, Inc.
Medical Billing Solutions, LLC
NovaMed Acquisition Company, Inc.
NovaMed Management Services, LLC
NovaMed Management of Kansas City, Inc.
Novamed of Bethlehem, Inc.
NovaMed of Dallas, Inc.
Novamed of Lebanon, Inc.
NovaMed of San Antonio, Inc.
NovaMed of Texas, Inc.
NovaMed of Wisconsin, Inc.
Patient Education Concepts Inc.
Saint Thomas Compounding LLC
Rehabilitation Medical Group, Inc.
Sarasota Anesthesia Services, LLC
Surgery Partners, LLC
Surgery Partners Acquisition Company, Inc.
Surgery Partners of Coral Gables, LLC
Surgery Partners of Lake Mary, LLC
Surgery Partners of Lake Worth, LLC
Surgery Partners of Merritt Island, LLC
Surgery Partners of Millenia, LLC
Surgery Partners of New Tampa, LLC
Surgery Partners of Park Place, LLC
Surgery Partners of Sarasota, LLC
Surgery Partners of Westchase, LLC
Surgery Partners of West Kendall, L.L.C.
Tampa Pain Relief Center, Inc.
Surgery Partners of Suncoast, LLC

Symbion:

Symbion, Inc.
Symbion Holdings Corporation
Ambulatory Resource Centres Investment Company, LLC

Ambulatory Resource Centres of Washington, Inc.
Ambulatory Resource Centres of Wilmington, Inc.
ARC Development Corporation
ARC Financial Services Corporation
ASC of New Albany, LLC
Austin Surgical Holdings, LLC
Lubbock SurgiCenter, Inc.
NeoSpine Surgery of Puyallup, LLC
NeoSpine Surgery, LLC
Physicians Surgical Care, Inc.
PSC Development Company, LLC
PSC Operating Company, LLC
SARC/Asheville, Inc.
SARC/Circleville, Inc.
SARC/Ft. Myers, Inc.
SARC/Georgia, Inc.
SARC/Jacksonville, Inc.
SARC/Kent, LLC
SARC/Largo Endoscopy, Inc.
SARC/Largo, Inc.
SARC/Providence, LLC
SARC/St. Charles, Inc.
SARC/Vincennes, Inc.
SMBI Great Falls, LLC
SMBI Havertown, LLC
SMBI Idaho, LLC
SMBI Jackson, LLC
SMBI LHH, LLC
SMBI Portsmouth, LLC
SMBI STLWSC, LLC
SMBIMS Birmingham, Inc.
SMBIMS Durango, LLC
SMBIMS Florida I, LLC
SMBIMS Greenville, LLC
SMBIMS Kirkwood, LLC
SMBIMS Orange City, LLC
SMBIMS Steubenville, Inc.
SMBIMS Wichita, LLC
SMBISS Beverly Hills, LLC
SMBISS Chesterfield, LLC
SMBISS Encino, LLC
SMBISS Irvine, LLC
SMBISS Thousand Oaks, LLC
Symbion Ambulatory Resource Centres, Inc.
Symbion Anesthesia Services, LLC
SymbionARC Management Services, Inc.

Texarkana Surgery Center GP, Inc.
UniPhy Healthcare of Johnson City VI, LLC
UniPhy Healthcare of Maine I, Inc.
VASC, Inc.
Village SurgiCenter, Inc.

Schedule 1.01(b)
Specified Subsidiaries

Surgery Partners:

NovaMed Surgery Center of North County, LLC

NovaMed Pain Management Center of New Albany, LLC¹

Symbion:

None.

¹ NovaMed Management Services, LLC temporarily purchased a 49% interest owned by physician partners in NovaMed Pain Management Center of New Albany, LLC. This results in NovaMed Management Services, LLC owning 100% of this entity for as short of a period as possible, after which, NovaMed Management Services, LLC will syndicate interests to other MDs.

Schedule 2.01
(Second Lien)

Term Loan Commitment

| <u>Lender</u> | <u>Commitment</u> |
|---------------------------|-------------------------|
| Jefferies Finance LLC | \$367,500,000.00 |
| KKR Corporate Lending LLC | \$ 88,004,000.00 |
| MCS Corporate Lending LLC | \$ 34,496,000.00 |
| <u>Total:</u> | <u>\$490,000,000.00</u> |

Address for Jefferies Finance LLC:

Jefferies Finance LLC
Attention of Account Officer – Surgery Partners
Address: 520 Madison Avenue, New York, NY 10022
Fax No. (212) 284-3444
Email: jfin.admin@jefferies.com

Address for KKR Corporate Lending LLC and MCS Corporate Lending LLC:

John Knox
9 West 5th Street
New York, NY 10019
Telephone: (212) 659-2022
Fax: (212) 271-9943
Email: John.knox@kk.com; kcmoperations@kk.com

Schedule 4.02(d)

Local Counsel Opinions

| <u>State</u> | <u>Counsel Information</u> |
|--------------|---|
| Florida | Gregg H. Fierman, Esq. McDermott Will & Emery LLP 333 Avenue of the Americas, 45th FL Miami, Florida 33131 305-347-6554 gfierman@mwe.com |
| Illinois | Kenneth D. Crews GoodSmith Gregg & Unruh LLP 150 S. Wacker Drive, Suite 3150, Chicago, IL 60606 312-322-1961 kcrews@ggulaw.com |
| Indiana | Thomas M. Hanahan Wooden & McLaughlin LLP One Indiana Square Suite 1800 Indianapolis, Indiana 46204 317-639-6151 thanahan@woodmclaw.com |
| Iowa | Thomas D. Johnson Brown, Winick, Graves, Gross, Baskerville, & Schoenebaum P.L.C. 666 Grand Avenue Suite 2000 Ruan Center Des Moines, IA 50309 515-242-2414 johnson@brownwinick.com |
| Missouri | Kevin Zeller HUSCH BLACKWELL LLP 190 Carondelet Plaza, Suite 600 St. Louis, MO 63105 816-983-8278 Kevin.Zeller@huschblackwell.com |
| Tennessee | Dustin Timblin Waller Lansden Dortch & Davis, LLP 511 Union Street, Suite 2700 Nashville, TN 37219 615-850-8068 dustin.timblin@wallerlaw.com |

William A. Lang (Bill)
McGuire, Craddock & Strother, P.C.
2501 N. Harwood Street, Ste. 1800
Dallas, TX 75201
214-954-6852
blang@mcsllaw.com

Schedule 5.05
Certain Liabilities

Surgery Partners:

None.

Symbion:

None.

Schedule 5.11
Plans or Multiemployer Plans

Surgery Partners:

Employee Benefit Plans

Surgery Partners 401(k) plan dated March 1, 2012

Multiemployer Plans

None

Symbion:

Employee Benefit Plans

1. Symbion, Inc. Supplemental Executive Retirement Plan, dated May 1, 2005
2. Symbion Holdings Corporation 2007 Equity Incentive Plan, as amended by the First Amendment dated January 23, 2012, and the award agreements entered into with respect to those stock options set forth on Section 3.06(b) of the Company Disclosure Schedule.
3. Symbion 401(k) Retirement Savings Plan, as amended
4. SymbionARC Management Services, Inc. Cafeteria Plan, dated January 1, 2014
5. Symbion SymbionARC Management Services, Inc. Welfare Benefit Plan (includes health, vision, dental, short-term disability, long-term disability, healthcare flexible spending, dependent care flexible spending), dated August 1, 2011
6. Employment Agreement, effective as of August 23, 2007, between Symbion, Inc. and Richard E. Francis, Jr.
7. Employment Agreement, effective as of August 23, 2007, between Symbion, Inc. and Clifford G. Adlerz.
8. Employment Agreement, dated January 1, 2011, between SymbionARC Management Services, Inc. and Brett Gosney
9. Employment Agreement, dated April 27, 2009, between Mountain View Hospital, LLC and James G. Adamson, as amended on February 15, 2010 and April 9, 2010
10. Symbion Inc. Corporate Key Management Incentive Plan

11. Symbion, Inc. Executive Change in Control Severance Plan and Summary Plan Description by and between Symbion, Inc. and the Eligible Employees set forth on Exhibit A attached thereto, as amended and restated November 1, 2013

12. Symbion Corporate Employee Handbook, dated January 1, 2014

13. Corporate Vacation Policy, dated February 1, 2014

14. In-Market Recruitment Incentive Plan

15. Group AVP/Director of Product Line Development Incentive Plan

Schedule 5.12

Subsidiaries and Other Equity Interests

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SP Holdco I, Inc. | Surgery Center Holdings, Inc. | Corp. | 100 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Anesthesia Management Services, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Anesthesiology Professional Services, Inc. | Corp. | 5,000 | 100% | 100% | 5 |
| Surgery Center Holdings, Inc. | APS of Bradenton, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | APS of Merritt Island, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | APS of Suncoast, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Armenia Ambulatory Surgery Center, LLC | LLC | Uncertificated | 97% | 97% | 1 |
| NovaMed Management of Kansas City, Inc. | Blue Ridge NovaMed, Inc. | Corp. | 293.645 | 53.4% | 100% | 18 |
| | | | 256.355 | 46.6% | | 17 |
| Surgery Center Holdings, Inc. | Business IT Solutions of Tampa, Inc. | Corp. | 1,000,000 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Logan Laboratories, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | MDN Acquisition Company, Inc. | Corp. | 100 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Medical Billing Solutions, LLC | LLC | 100 | 100% | 100% | 1 |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed, Inc. | Midwest Uncuts, Inc. | Corp. | 28,550 | 100% | 100% | 6 |
| Surgery Center Holdings, Inc. | NovaMed, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed Acquisition Company, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed Management Services, LLC | NovaMed Alliance, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed Management of Kansas City, Inc. | NovaMed Eye Surgery and Laser Center of St. Joseph, Inc. | Corp. | 30,000 | 100% | 100% | 3 |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of North County, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | NovaMed Management of Kansas City, Inc. | Corp. | 26,257 | 100% | 100% | 33 |
| NovaMed, Inc. | NovaMed Management Services, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | NovaMed of Bethlehem, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Dallas, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Laredo, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Lebanon, Inc. | Corp. | 100 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Louisville, Inc. | Corp. | 100 | 100% | 100% | 9 |
| NovaMed, Inc. | NovaMed of San Antonio, Inc. | Corp. | 1,000 | 100% | 100% | 2 |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed, Inc. | NovaMed of Texas, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| NovaMed, Inc. | NovaMed of Wisconsin, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | NPR Anesthesia Services, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed, Inc. | Patient Education Concepts Inc. | Co. | 1,000 | 100% | 100% | 2 |
| Anesthesiology Professional Services, Inc. | Sarasota Anesthesia Services, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Surgery Partners, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners Acquisition Company, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Surgery Center Holdings, Inc. | Surgery Partners of Coral Gables, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Lake Mary, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Lake Worth, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Merritt Island, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Millenia, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of New Tampa, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Orlando, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Surgery Partners of Park Place, LLC | LLC | 100 | 100% | 100% | 1 |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Surgery Center Holdings, Inc. | Surgery Partners of Sarasota, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of Suncoast, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| Surgery Center Holdings, Inc. | Surgery Partners of Westchase, LLC | LLC | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Surgery Partners of West Kendall, L.L.C. | L.L.C. | 100 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Tampa Pain Relief Center, Inc. | Corp. | 500 | 100% | 100% | 5 |
| NovaMed Management of Kansas City, Inc. | Blue Ridge Surgical Center, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Management Services, LLC | NMGK, Inc. | Corp. | 11,159 | 100% | 100% | 6 |
| NovaMed Management Services, LLC | NMI, Inc. | Corp. | 500 | 100% | 100% | 3 |
| NovaMed Management of Kansas City, Inc. | NMLO, Inc. | Corp. | 100 | 100% | 100% | 4 |
| NovaMed Management Services, LLC | NovaMed Surgery Center of River Forest, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | Laser and Outpatient Surgery, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of Cincinnati, LLC | LLC | Uncertificated | 100% | 100% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Management of Kansas City, Inc. | NovaMed Eye Surgery Center (Plaza), L.L.C. | L.L.C. | Uncertificated | 100% | 100% | N/A |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of Maryville, LLC | LLC | Uncertificated | 41% | 41% | N/A |
| NovaMed, Inc. | NovaMed Eyecare Research, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| NovaMed Management of Kansas City, Inc. | NovaMed Eye Surgery Center of Overland Park, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Management Services, LLC | NovaMed Pain Management Center of New Albany, LLC | LLC | Uncertificated | 100% | 51% | N/A |
| NovaMed Management Services, LLC | NovaMed Eye Surgery Center of New Albany, L.L.C. | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Baton Rouge, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Laredo, LP | LP | Uncertificated | 99% | 99% | N/A |
| NovaMed Management Services, LLC | NovaMed Surgery Center of Chattanooga, LLC | LLC | Uncertificated | 61% | 61% | N/A |
| NovaMed Management Services, LLC | NovaMed Surgery Center of Chicago-Northshore, LLC | LLC | Uncertificated | 66.5% | 66.5% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Cleveland, LLC | LLC | Uncertificated | 64.002% | 64.002% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Colorado Springs, LLC | LLC | Uncertificated | 60% | 60% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|-----------------------------------|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Dallas, LP | LP | Uncertificated | 62.6581% | 63.6371 | N/A |
| NovaMed of Dallas, Inc. | | | | .9790% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Jonesboro, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Madison, L.P. | L.P. | Uncertificated | 50.5% | 51% | N/A |
| NovaMed of Wisconsin, Inc. | | | | 0.5% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Orlando, LLC | LLC | Uncertificated | 61% | 61% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Nashua, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Oak Lawn, LLC | LLC | Uncertificated | 56% | 56% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Palm Beach, LLC | LLC | Uncertificated | 60% | 60% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of San Antonio, L.P. | L.P. | Uncertificated | 54% | 55% | N/A |
| NovaMed of San Antonio, Inc. | | | | 1% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Sandusky, LLC | LLC | Uncertificated | 60% | 60% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|------------------------------------|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of St. Peters, LLC | LLC | Uncertificated | 53% | 53% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Tyler, L.P. | L.P. | Uncertificated | 59% | 60% | N/A |
| NovaMed of Texas, Inc. | | | | 1% | | |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Warrensburg, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Whittier, LLC | LLC | Uncertificated | 55.8% | 55.8% | N/A |
| NovaMed Acquisition Company, Inc. | Surgery Center of Fremont, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | Surgery Center of Kalamazoo, LLC | LLC | Uncertificated | 61.925% | 61.925% | N/A |
| NovaMed Acquisition Company, Inc. | Surgery Center of Lebanon, LP | LP | Uncertificated | 64.1875% | 65.1875% | N/A |
| NovaMed of Lebanon, Inc. | | | | 1% | | |
| NovaMed Acquisition Company, Inc. | The Center for Specialized Surgery, LP | LP | Uncertificated | 62.2068% | 63.2068% | N/A |
| NovaMed of Bethlehem, Inc. | | | | 1% | | |
| Surgery Partners of Lake Mary, LLC | Lake Mary Surgery Center, L.L.C. | LLC | Uncertificated | 59.42% | 59.42% | N/A |
| Surgery Partners of Millenia, LLC | Millenia Surgery Center, L.L.C. | LLC | Uncertificated | 71.32% | 71.32% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Surgery Partners of Park Place, LLC | Park Place Surgery Center, L.L.C. | LLC | Uncertificated | 92.11% | 92.11% | N/A |
| Surgery Partners of Merritt Island, LLC | Space Coast Surgery Center LLLP | LLLP | Uncertificated | 55% | 55% | N/A |
| Surgery Partners of Coral Gables, LLC | PSHS Beta Partners, Ltd., d/b/a The Gables Surgical Center | Ltd. | Uncertificated | 87.76% | 87.76% | N/A |
| Surgery Partners of Westchase, LLC | Westchase Surgery Center, Ltd. | Ltd. | Uncertificated | 58.3% | 58.3% | N/A |
| Surgery Partners of West Kendall, LLC | ASC Gamma Partners, Ltd., d/b/a Miami Surgical Center | Ltd. | Uncertificated | 53.72% | 53.72% | N/A |
| APS of Bradenton LLC | Bradenton Anesthesia Services, LLC | LLC | Uncertificated | 50% | 50% | N/A |
| APS of Merritt Island, LLC | Space Coast Anesthesia Services, LLC | LLC | Uncertificated | 50% | 50% | N/A |
| Surgery Partners Acquisition Company, Inc. | Orange City Surgery Center, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| Anesthesiology Professional Services, Inc. | Orange City Anesthesia Services, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| Anesthesiology Professional Services, Inc. | Baton Rouge Anesthesia Services, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Denver, LLC | LLC | Uncertificated | 51% | 51% | N/A |

Surgery Partners

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|-------------------------------------|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| NovaMed Acquisition Company, Inc. | The Cataract Specialty Surgical Center, LLC | LLC | Uncertificated | 51% | 51% | N/A |
| Surgery Partners of Lake Worth, LLC | PSHS Alpha Partners, Ltd., d/b/a Lake Worth Surgery Center | Ltd. | Uncertificated | 87% | 87% | N/A |
| Surgery Partners of New Tampa, LLC | New Tampa Surgery Center Ltd. | Ltd. | Uncertificated | 56.03% | 56.03% | N/A |
| Surgery Partners of Sarasota, LLC | Sarasota Ambulatory Surgery Center, Ltd. | Ltd. | Uncertificated | 48.125% | 48.125% | N/A |
| Surgery Partners of Suncoast, LLC | Suncoast Specialty Surgery Center, LLLP | LLLP | Uncertificated | 25% | 25% | N/A |
| NovaMed Acquisition Company, Inc. | NovaMed Surgery Center of Bedford, LLC | LLC | Uncertificated | 67.33% | 67.33% | N/A |
| Surgery Center Holdings, Inc. | Saint Thomas Compounding, LLC | LLC | Uncertificated | 100% | 100% | N/A |
| NovaMed Alliance, Inc. | Nexus Vision Group, LLC | LLC | Uncertificated | 12.5% | 12.5% | N/A |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|-----------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SymbionARC Management Services, Inc. | SMBI Great Falls, LLC | LLC | 100 Units | 100% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SMBI Great Falls, LLC | Montana Health Partners, LLC | LLC | 50 Class B Units | 50% | 50% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBI STLWSC, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| UniPhy Healthcare of Maine I, Inc. | SMBI LHH, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SMBI Great Falls, LLC | Great Falls Clinic Surgery Center, L.L.C. | LLC | 560 Class B Units | 56% | 93% | Uncertificated |
| UniPhy Healthcare of Johnson City VI, LLC | | | 37 Class A Units | 37% | | |
| SMBI LHH, LLC | Lubbock Heart Hospital, LLC | LLC | 520 units | 58.28% | 58.28% | Uncertificated |
| SMBI STLWSC, LLC | St. Louis Women's Surgery Center, LLC | LLC | 585,070 Class B Units | 58.507% | 58.507% | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | ARC of Bellingham, L.P. | LP | Not designated | 77.47% | 77.47% | Uncertificated |
| Ambulatory Resource Centres of Washington, Inc. | | | | 2.00% | | |
| ARC of Bellingham, L.P. | Northwest Ambulatory Surgery Services, LLC | LLC | Not designated | 79.47% | None | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Ambulatory Resource Centres Investment Company, LLC | Ocala Surgery Center Realty, LLC | LLC | N/A | 51% | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | The Surgery Center of Ocala, LLC | LLC | N/A | 41% | 41% | Uncertificated |
| SARC/Provide nce, LLC | Ocean State Endoscopy Holdings, LLC | LLC | 45 Class B Units | 45% | 45% | Uncertificated |
| SymbionARC Management Services, Inc. | Symbion Anesthesia Services, LLC | LLC | N/A | 100% | 100% | Uncertificated |
| SMBI Havertown, LLC | Havertown Management Company, LLC | LLC | 48 Units | 48% | 48% | Uncertificated |
| SMBI Jackson, LLC | The Jackson Ophthalmology ASC, LLC | LLC | N/A | 20% | 20% | Uncertificated |
| Specialty Surgical Center of Irvine, LLC | Irvine Multi- Specialty Surgical Care, L.P. ² | LP | N/A | 56.45% | None | Uncertificated |
| Austin Surgical Holdings, LLC | Arise Healthcare System, LLC | LLC | N/A | 25% | 25% | Uncertificated |
| Symbion Holdings Corporation | Symbion, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| Surgery Center Holdings, Inc. | Symbion Holdings Corporation | Corp. | 1,000 | 100% | 100% | 40 |
| SymbionARC Management Services, Inc. | Ambulatory Resource Centres Investment Company, LLC | LLC | 100 | 100% | 100% | Uncertificated |

² To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| ARC Financial Services Corporation | Ambulatory Resource Centres of Florida, Inc. | Corp. | 100 | 100% | 100% | 2 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Massachusetts, Inc. | Corp. | 100 | 100% | 100% | 01 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Texas, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Washington, Inc. | Corp. | 100 | 100% | 100% | 1 |
| ARC Financial Services Corporation | Ambulatory Resource Centres of Wilmington, Inc. | Corp. | 100 | 100% | 100% | 001 |
| ARC Financial Services Corporation | ARC Development Corporation | Corp. | 1,000 | 100% | 100% | 3 |
| Symbion Ambulatory Resource Centres, Inc. | ARC Financial Services Corporation | Corp. | 1,000 | 100% | 100% | 2 |
| ARC Financial Services Corporation | ASC of Hammond, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SARC/Vincennes, Inc. | ASC of New Albany, LLC | LLC | 100 | 100% | 100% | Uncertificated |
| PSC Development Company, LLC | Austin Surgical Holdings, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| PSC Operating Company, LLC | Houston PSC - I, Inc. | Corp. | 1,000 | 100% | 100% | 3 |
| PSC Development Company, LLC | Lubbock SurgiCenter, Inc. | Corp. | 1,000 | 100% | 100% | 002 |

Symbion

| Debtor/Grantor | Issuer | Type of Organization | # of Shares Owned | Interest | % of Interest Pledged | Certificate No. (if uncertificated, please indicate so) |
|---|--|----------------------|-------------------|----------|-----------------------|---|
| Symbion Ambulatory Resource Centres, Inc. | MediSphere Health Partners Management of Tennessee, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Symbion Ambulatory Resource Centres, Inc. | MediSphere Health Partners - Oklahoma City, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SymbionARC Management Services, Inc. | NeoSpine Surgery, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| NeoSpine Surgery, LLC | SMBI Jackson, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| NeoSpine Surgery, LLC | NeoSpine Surgery of Puyallup, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| Symbion Ambulatory Resource Centres, Inc. | NSC Edmond, Inc. ³ | Corp. | 1,000 | 100% | 100% | 3 |
| Symbion, Inc. | Physicians Surgical Care, Inc. | Corp. | 1,000 | 100% | 100% | 127 |
| Symbion Ambulatory Resource Centres, Inc. | Premier Ambulatory Surgery of Duncanville, Inc. | Corp. | 100 | 100% | 100% | 4 |
| Physicians Surgical Care, Inc. | PSC Development Company, LLC | LLC | 50,000 | 100% | 100% | Uncertificated |
| Physicians Surgical Care, Inc. | PSC Operating Company, LLC | LLC | 1,000,000 | 100% | 100% | Uncertificated |
| PSC Development Company, LLC | PSC of New York, L.L.C. | LLC | 15,000 | 100% | 100% | Uncertificated |

³ To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|-----------------------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| ARC Financial Services Corporation | Quahog Holding Company, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/Asheville, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Circleville, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/DeLand, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Ft. Myers, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/FW, Inc. ⁴ | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Georgia, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Jacksonville, Inc. | Corp. | 100 | 100% | 100% | 2 |
| SymbionARC Management Services, Inc. | SARC/Kent, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/Knoxville, Inc. ⁵ | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Largo, Inc. | Corp. | 1,000 | 100% | 100% | 1 |

⁴ To be dissolved within 180 days of closing.

⁵ To be dissolved within 180 days of closing.

Symbion

| Debtor/Grantor | Issuer | Type of Organization | # of Shares Owned | Interest | % of Interest Pledged | Certificate No. (if uncertificated, please indicate so) |
|--------------------------------------|----------------------------------|----------------------|-------------------|----------|-----------------------|---|
| ARC Financial Services Corporation | SARC/Largo Endoscopy, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Metairie, Inc. ⁶ | Corp. | 1,000 | 100% | 100% | 1 |
| SymbionARC Management Services, Inc. | SARC/Providence, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/San Antonio, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SARC/Savannah, Inc. ⁷ | Corp. | 1,000 | 100% | 100% | 2 |
| ARC Financial Services Corporation | SARC/St. Charles, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Vincennes, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SARC/Worcester, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| SymbionARC Management Services, Inc. | SMBI Gresham, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBI Havertown, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| UniPhy Healthcare of Maine I, Inc. | SMBI Idaho, LLC | LLC | 100 | 100% | 100% | Uncertificated |

⁶ To be dissolved within 180 days of closing.

⁷ To be dissolved within 180 days of closing.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--------------------------------------|---------------------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SymbionARC Management Services, Inc. | SMBI Portsmouth, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SMBIMS Birmingham, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| SymbionARC Management Services, Inc. | SMBIMS Durango, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Florida I, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Greenville, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Kirkwood, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Novi, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBIMS Orange City, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| ARC Financial Services Corporation | SMBIMS Steubenville, Inc. | Corp. | 1,000 | 100% | 100% | 1 |
| ARC Financial Services Corporation | SMBIMS Tuscaloosa, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SymbionARC Management Services, Inc. | SMBIMS Wichita, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Beverly Hills, LLC | LLC | Not designated | 100% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SymbionARC Management Services, Inc. | SMBISS Chesterfield, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Encino, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Irvine, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SMBISS Thousand Oaks, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SymbionARC Management Services, Inc. | SSC Provider Network, LLC | LLC | 100 | 100% | 100% | Uncertificated |
| Symbion, Inc. | Symbion Ambulatory Resource Centres, Inc. | Corp. | 1,000 | 100% | 100% | 169 |
| ARC Financial Services Corporation | SymbionARC Management Services, Inc. | Corp. | 100 | 100% | 100% | 3 |
| SymbionARC Management Services, Inc. | SymbionARC Support Services, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| PSC Operating Company, LLC | Texarkana Surgery Center GP, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| Symbion, Inc. | UniPhy Healthcare of Johnson City VI, LLC | LLC | 1,000 | 100% | 100% | Uncertificated |
| Symbion, Inc. | UniPhy Healthcare of Maine I, Inc. | Corp. | 1,000 | 100% | 100% | 4 |
| Symbion, Inc. | UniPhy Healthcare of Memphis II, Inc. | Corp. | 1,000 | 100% | 100% | 4 |
| Symbion Ambulatory Resource Centres, Inc. | UniPhy Healthcare of Memphis III, LLC | LLC | Not designated | 100% | 100% | Uncertificated |

Symbion

| Debtor/Grantor | Issuer | Type of Organization | # of Shares Owned | Interest | % of Interest Pledged | Certificate No. (if uncertificated, please indicate so) |
|---|--------------------------------------|----------------------|---------------------|----------|-----------------------|---|
| Symbion Ambulatory Resource Centres, Inc. | UniPhy Healthcare of Memphis IV, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| SARC/St. Charles, Inc. | VASC, Inc. | Corp. | 1,000 | 100% | 100% | 100 |
| PSC Development Company, LLC | Village SurgiCenter, Inc. | Corp. | 1,000 | 100% | 100% | 2 |
| SMBIMS Durango, LLC | Animas Surgical Hospital, LLC | LLC | 154.8 Class B Units | 68.5% | 68.5% | Uncertificated |
| ARC Development Corporation | ARC of Georgia, LLC | LLC | 59 Units | 59% | None | Uncertificated |
| SARC/Georgia, Inc. | | | 2 Units | 2% | | |
| SymbionARC Management Services, Inc. | ARC Kentucky, LLC | LLC | 2 Units | 2% | 69.82% | Uncertificated |
| Symbion Ambulatory Resource Centres, Inc. | | | 59 Units | 67.82% | | |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| Ambulatory Resource Centres of Massachusetts, Inc. | ARC Worcester Center, L.P. | LP | 2 GP Units | 1.67% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 55.5 LP Units | 46.44% (LP) | | |
| SARC/Provide nce, LLC | Bayside Endoscopy Center, LLC | LLC | 750 Units | 75% | 75% | Uncertificated |
| SMBIMS Birmingham, Inc. | Birmingham Surgery Center, LLC | LLC | 59.67 Units | 59.67% | 59.67% | Uncertificated |
| SMBIMS Florida I, LLC | Cape Coral Ambulatory Surgery Center, LLC | LLC | 65 Units | 79.54% | None | Uncertificated |
| Cape Coral Ambulatory Surgery Center, LLC | Cape Coral Anesthesia Services, LLC | LLC | Not designated | 100% | None | Uncertificated |
| SMBISS Chesterfield, LLC | Chesterfield Spine Center, LLC | LLC | 55.5 Class B Units | 55.50% | 55.50% | Uncertificated |
| SMBIMS Wichita, LLC | Cypress Surgery Center, LLC | LLC | 395.1784 Units | 52.27% | 52.27% | Uncertificated |
| SARC/Jackson ville, Inc. | Jacksonville Beach Surgery Center, L.P. | LP | 2 GP Units | 2.04% | 79.59% | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 76 LP Units | 77.55% | | |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|---|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SARC/Largo Endoscopy, Inc. | Largo Endoscopy Center, L.P. | LP | 2 GP Units | 2.22% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 49 LP Units | 54.45% (LP) | | |
| SARC/Largo, Inc. | Largo Surgery, LLC | LLC | 51 Class A Units | 51% | 51% | Uncertificated |
| NeoSpine Surgery of Puyallup, LLC | NeoSpine Puyallup Spine Center, LLC | LLC | Not designated | 50% | 50% | Uncertificated |
| NeoSpine Surgery, LLC | NeoSpine Surgery of Bristol, LLC | LLC | Not designated | 56.18% | None | Uncertificated |
| ASC of New Albany, LLC | New Albany Outpatient Surgery, L.P. | LP | 60 GP Units | 74.07% (GP) | None | Uncertificated |
| | | | 8 LP Units | 9.88% (LP) | | |
| SARC/Asheville, Inc. | Orthopaedic Surgery Center of Asheville, L.P. | LP | 2 GP Units | 2% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 52 LP Units | 52% (LP) | | |
| PSC Operating Company, LLC | Physicians Medical Center, L.L.C. | LLC | 136.20 Class A Units | 54.04% | None | Uncertificated |
| SARC/Circleville, Inc. | Pickaway Surgical Center, Ltd. | Ltd. | 47 Units | 47% | 53% | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 6 Units | 6% | | |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|--|---|-----------------------------|---|---------------------|------------------------------|--|
| SMBI Portsmouth, LLC | Portsmouth, LLC | LLC | 75 Units | 75% Class B | 75% Class B | Uncertificated |
| Valley Ambulatory Surgery Center, L.P. | Recovery Care, L.P. | LP | Not designated | 99.9% (LP) | 99.9% (LP) | Uncertificated |
| SMBISS Encino, LLC | Specialty Surgical Center of Encino, LLC | LLC | 705.5 Units | 53.55% (Class B) | 53.55% (Class B) | Uncertificated |
| Specialty Surgical Center of Encino, LLC | Specialty Surgical Center of Encino, L.P. | LP | Not designated | 99% | 100% | Uncertificated |
| SMBISS Encino, LLC | | | | 1% | | |
| Specialty Surgical Center of Irvine, LLC | Specialty Surgical Center of Irvine, L.P. | LP | Not designated | 99% | 100% | Uncertificated |
| SMBISS Irvine, LLC | | | | 1% | | |
| SMBISS Irvine, LLC | Specialty Surgical Center of Irvine, LLC | LLC | 288.417 Units | 56.89% | 56.89% | Uncertificated |
| SMBIMS Kirkwood, LLC | Surgery Center Partners, LLC | LLC | 592.5 Units | 62.2% | 62.2% | Uncertificated |
| Texarkana Surgery Center GP, Inc. | Texarkana Surgery Center, L.P. | LP | 116.7432 Units (74.6716 GP units, 18.0716 B units & 24 C units) | 57.71% | None | Uncertificated |
| SARC/Georgia, Inc. | The Surgery Center, L.L.C. | LLC | 64.92 Units | 63.21% | 63.21% | Uncertificated |
| Valley Ambulatory Surgery Center, L.P. | Valley Medical Inn, L.P. | LP | Not designated | 99.9% | None | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|---|-----------------|------------------------------|--|
| Recovery Care, L.P. | | | | 0.1% | | |
| SMBIMS Steubenville, Inc. | Valley Surgical Center, Ltd. | Ltd. | 18.27 Class B Units | 34% | 34% | Uncertificated |
| PSC Operating Company, LLC | Village SurgiCenter, Limited Partnership | LP | 69.77 Units | 70.66% | None | Uncertificated |
| Village SurgiCenter, Inc. | | | 1 Unit | 1.01% | | |
| Ambulatory Resource Centres of Wilmington, Inc. | Wilmington Surgery Center, L.P. | LP | 2 Units | 2% (GP) | None | Uncertificated |
| Ambulatory Resource Centres Investment Company, LLC | | | 70 Units | 69.5% (LP) | | |
| NeoSpine Surgery, LLC | Boulder Spine Center, LLC | LLC | Not designated | 40.23% | 40.23% | Uncertificated |
| NeoSpine Surgery of Bristol, LLC | Bristol Spine Center, LLC | LLC | Not designated | 66.61% | None | Uncertificated |
| PSC Operating Company, LLC | CMMP Surgical Center, LLC | LLC | 39.9985 Class A, 1.3999 Class B units | 41.54% | 41.54% | Uncertificated |
| Orange City Surgical, LLC | DSC Anesthesia, LLC | LLC | Not designated | 100% | 100% | Uncertificated |
| NeoSpine Surgery, LLC | Honolulu Spine Center, LLC | LLC | Not designated | 41.75% | 41.75% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|--------------------------|-----------------|------------------------------|--|
| SARC/Kent, LLC | Kent, LLC | LLC | 450 Units | 45% | 45% | Uncertificated |
| SMBI Idaho, LLC | Mountain View Hospital, LLC | LLC | 12,049 Class B Units | 61.66% | 61.66% | Uncertificated |
| PSC Development Company, LLC | Northstar Surgical Center, L.P. | LP | 174.90 Units | 44.38% | None | Uncertificated |
| Lubbock Surgicenter, Inc. | | | | 1.01% | | |
| SMBIMS Orange City, LLC | Orange City Surgical, LLC | LLC | 68 Class B Units | 34% | 34% | Uncertificated |
| SARC/Ft. Myers, Inc. | Physicians Surgery Center, LLC | LLC | 41 Class A Units | 43.02% | None | Uncertificated |
| Physicians Medical Center, L.L.C. | PMCROS, L.L.C. (LA) | LLC | 110 Units | 55% | None | Uncertificated |
| SMBISS Beverly Hills, LLC | Specialty Surgical Center, LLC | LLC | 459.18 Class B Units | 25.98% | 25.98% | Uncertificated |
| Specialty Surgical Center, LLC | Specialty Surgical Center of Beverly Hills, L.P. | LP | Not designated | 99.24% | 100% | Uncertificated |
| SMBISS Beverly Hills, LLC | | | | .77% | | |
| Specialty Surgical Center of Thousand Oaks, LLC | Specialty Surgical Center of Thousand Oaks, L.P. | LP | Not designated | 99% | 100% | Uncertificated |
| SMBISS Thousand Oaks, LLC | | | | 1% | | |
| SMBI Havertown, LLC | Surgery Center of Pennsylvania, LLC | LLC | Not designated | 99.12% | 100% | Uncertificated |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|---|--|-----------------------------|---|-----------------|------------------------------|--|
| UniPhy Healthcare of Johnson City VI, LLC | | | | 0.88% | | |
| Austin Surgical Holdings, LLC | Surgical Hospital of Austin, L.P. | LP | 23 GP Units and 1102.667 LP units = 1,125,667 | 85.82% | 85.82% | Uncertificated |
| VASC, Inc. | Valley Ambulatory Surgery Center, L.P. | LP | Not Designated | 40% | None | Uncertificated |
| Symbion Ambulatory Resource Centres, Inc. | Ambulatory Surgery Center of Cool Springs, LLC | LLC | Not designated | 35.71% | 35.71% | Uncertificated |

Schedule 5.15

Labor Matters

Surgery Partners:

None

Symbion:

None

Schedule 6.13(a)

Certain Post-Closing Documents

None.

Intellectual Property Post-Closing Matters

None.

Schedule 7.01(b)

Existing Liens

Surgery Partners

| <u>Debtor</u> | <u>Secured Party</u> | <u>Collateral</u> |
|--|---|---------------------------------|
| Surgery Center Holdings, Inc. | Dex Imaging Inc. | Specific equipment |
| Surgery Center Holdings, Inc. | Receivables Advance | Specific equipment |
| Armenia Ambulatory Surgery Center, LLC | Olympus America Inc. | Specific equipment |
| Surgery Partners of Lake Mary, LLC | US Bancorp | Specific equipment |
| Surgery Partners of New Tampa, LLC | Alcon Laboratories, Inc. | Specific equipment |
| Tampa Pain Relief Center, Inc. | Leasing Associates of Barrington, Inc. | Viva-E Chemistry Analyzer |
| Tampa Pain Relief Center, Inc. | Leasing Associates of Barrington, Inc. | Viva Twin Chemistry Analyzer |
| NovaMed, Inc. | Alcon Laboratories, Inc. | Infiniti System |
| NovaMed Management Services, LLC | Alcon Laboratories, Inc. | Infiniti Vision System |

Blanket lien granted by NovaMed Surgery Center of Orlando, LLC ("NovaMed Orlando") in favor of New Traditions National Bank ("New Traditions"), to secure the loan, in the original principal amount of \$2,200,000, made by NovaMed Orlando in favor of New Traditions, and all related documents.

Liens granted by Suncoast Specialty Surgery Center, LLLP in connection with the following:

Promissory Note dated as of September 15, 2009, by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP.

Loan Agreement dated as of September 15, 2009, by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP.

Liens on specific equipment granted in connection with capital leases listed on Schedule 7.03(b) Existing Indebtedness

Liens on financed equipment in respect of equipment financing facilities listed on Schedule 7.03(b) and identified with an asterisk (*), Blanket Liens are identified with a double asterisk (**)

Symbion

| <u>Debtor/Grantor</u> | <u>Secured Party</u> | <u>Collateral:</u> | |
|-----------------------|---|---------------------------|--------------------|
| Symbion, Inc. | The Fifth Third Leasing Company | Specific equipment | |
| | The Fifth Third Leasing Company | Specific equipment | |
| | Fifth Third Bank (Tennessee) | Specific equipment | |
| | Fifth Third Bank (Tennessee) | Specific equipment | |
| | LaSalle National Leasing Corporation | Specific equipment | |
| | LaSalle National Leasing Corporation | Specific equipment | |
| | Johnson & Johnson Financial Corporation | Specific equipment | |
| | Winthrop Resources Corporation | Specific equipment | |
| | U.S. Bankcorp Equipment Finance, Inc. | Specific equipment | |
| | General Electric Capital Corporation | Specific equipment | |
| | U.S. Bank Equipment Finance, a Division of U.S. Bank National Association | Specific equipment | |
| | Village Surgicenter, Inc. | Stryker Sales Corporation | Specific equipment |

Liens on specific equipment granted in connection with capitalized leases listed on Schedule 7.03(b) Existing Indebtedness

Liens granted by non-Loan Parties in respect of notes payable to third parties of certain of Symbion's Restricted Subsidiaries listed on Schedule 7.03(b)

Liens granted by non-Loan Parties in favor of ARC Financial Services Corporation in respect of intercompany notes payable to ARC Financial Services Corporation from certain of Symbion's Restricted Subsidiaries listed on Schedule 7.02(f)

Liens granted by non-Loan Parties in connection with the following:

1. Credit Agreement by and between CMSC, LLC and Zions First National Bank dated August 27, 2014 (\$5,000,000).
2. Credit Agreement by and between Birmingham Surgery Center, LLC and Compass Bank dated June 27, 2012 (\$4,340,000).
3. Credit Agreement by and between Mountain View Hospital, LLC and Zions First National Bank dated March 15, 2013 (\$26,000,000).

4. Loan Agreement by and between Bayside Endoscopy Center, LLC and Capstar Bank dated December 20, 2013 (\$1,814,816).
5. Credit Agreement by and between Kent, LLC and Evolve Bank & Trust dated December 24, 2013 (\$1,642,012.57).
6. Credit Agreement by and between Chesterfield Spine Center, LLC and Evolve Bank & Trust dated January 3, 2014 (\$1,538,063.03).

Schedule 7.02(f)
Existing Investments

Surgery Partners:

Equity Investments:

Investments as set forth in Schedule 5.12

Promissory Notes

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Principal Amount of Instrument</u> | <u>Maturity Date</u> |
|-------------------------------|--|---------------------------------------|----------------------|
| Surgery Center Holdings, Inc. | ASC Gamma Partners, Ltd. d/b/a West Kendall Surgical Center | \$1,700,000 | 03/01/2023 |

Symbion:

Equity Investments:

Investments as set forth in Schedule 5.12

Promissory Notes

The intercompany indebtedness between ARC Financial Services Corporation, a Restricted Subsidiary and the legal entities reflected on the chart below with the ending balance as of June 30, 2014.

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Original Amount of Loan</u> | <u>Maturity Date</u> |
|------------------------------------|---|--------------------------------|----------------------|
| ARC Financial Services Corporation | Jacksonville Beach Surgery Center, L.P. | \$1,702,824.07 | December 31, 2014 |
| ARC Financial Services Corporation | ARC Worcester Center, L.P. | Up to \$2,850,000.00 | September 1, 2016 |
| ARC Financial Services Corporation | Bayside Endoscopy Center, LLC | \$128,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | Bayside Endoscopy Center, LLC | \$633,993.16 | December 31, 2014 |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Original Amount of Loan</u> | <u>Maturity Date</u> |
|------------------------------------|---|--------------------------------|----------------------|
| ARC Financial Services Corporation | Bristol Spine Center, LLC | \$1,654,804.33 | December 31, 2014 |
| ARC Financial Services Corporation | CMSC,LLC | \$1,647,124.09 | December 31, 2019 |
| ARC Financial Services Corporation | CMSC,LLC | \$350,000 | December 31, 2019 |
| ARC Financial Services Corporation | Honolulu Spine Center, LLC | \$5,232,443.27 | December 31, 2014 |
| ARC Financial Services Corporation | Jacksonville Beach Surgery Center, L.P. | \$1,239,337.07 | December 31, 2014 |
| ARC Financial Services Corporation | Largo Surgery, LLC | \$57,000.80 | January 1, 2015 |
| ARC Financial Services Corporation | Lubbock Heart Hospital, LLC | Up to \$1, 500,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | New Albany Outpatient Surgery, LP | Up to \$160,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | Northwest Ambulatory Surgery Services, LLC | \$1,337,033.26 | December 31, 2014 |
| ARC Financial Services Corporation | Physicians Surgery Center, LLC | \$322,000.00 | June 20, 2017 |
| ARC Financial Services Corporation | Pickaway Surgical Center, Ltd. | \$180,574.08 | May 20, 2017 |
| ARC Financial Services Corporation | Specialty Surgical Center of Encino, L.P. | Up to \$200,000.00 | December 31, 2014 |
| ARC Financial Services Corporation | Specialty Surgical Center of Encino, L.P. | \$89,869.54 | November 20, 2015 |
| ARC Financial Services Corporation | Specialty Surgical Center of Irvine, L.P. | \$111,472.08 | April 20, 2016 |

Symbion

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Original Amount of Loan</u> | <u>Maturity Date</u> |
|------------------------------------|----------------------------------|--------------------------------|----------------------|
| ARC Financial Services Corporation | The Surgery Center of Ocala, LLC | \$200,000 | December 31, 2014 |
| ARC Financial Services Corporation | Village Surgicenter, LP | \$121,929.00 | October 31, 2015 |
| ARC Financial Services Corporation | Pickaway Surgical Center, Ltd. | \$81,429.78 | August 31, 2017 |

Schedule 7.03(b)

Existing Indebtedness

Surgery Partners:

Securities Purchase Agreement dated as of May 4, 2011, among Borrower, THL Credit Opportunities, L.P., as agent for the purchasers and purchasers party thereto, as amended on April 11, 2013.

Intercompany Promissory Notes:

| Holder | Maker | Principal Amount | Date of Issuance | Maturity Date |
|-------------------------------|--|-------------------------|-------------------------|----------------------|
| Surgery Center Holdings, Inc. | ASC Gamma Partners, Ltd. d/b/a West Kendall Surgical Center | \$1,700,000 | 03/01/13 | 03/01/23 |

Promissory Note dated as of August 28, 2009, in the original principal amount of \$300,000 by and between Wachovia Bank, National Association and Space Coast Surgery Center, LLLP

Promissory Note dated as of November 19, 2008, in the original principal amount of \$150,000 by and between Wachovia Bank, National Association and Park Place Surgery Center, L.L.C.

Promissory Note dated as of September 15, 2009, in the original principal amount of \$475,000 by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP.**

Loan Agreement dated as of September 15, 2009, by and between USAmeribank and Suncoast Specialty Surgery Center, LLLP, with \$27,872 outstanding as of June 30, 2014.**

Indebtedness arising under the Amended and Restated Promissory Note dated September 13, 2013, in the original principal amount of \$2,200,000, made by NovaMed Surgery Center of Orlando, LLC (f/k/a NovaMed Surgery Center of Altamonte Springs, LLC) in favor of New Traditions National Bank, and all related documents and guarantees by NovaMed Surgery Center of Orlando, LLC in favor of New Traditions National Bank .**

Indebtedness arising under the Equipment Sale Agreement dated as of June 27, 2011 by and between Schneider GmbH & Co KG and NovaMed, Inc. in the original principal amount of \$306,264 (document # 1031012673).*

Indebtedness arising under the Promissory Note dated as of March 26, 2013, in the original principal amount of \$107,203 by NovaMed Surgery Center of St. Peters, LLC and Timothy G. Graven, D.O.

Indebtedness arising under a Note dated July 31, 2013, in the original principal amount of \$100,830, made by NovaMed Surgery Center of St. Peters, LLC in favor of Richard Helfrey, MD.

Indebtedness arising under a Note dated September 1, 2013, in the original principal amount of \$79,680, made by New Tampa Surgery Center, Ltd. in favor of Americorp Financial.*

Indebtedness arising under a Note dated December 20, 2013, in the original principal amount of \$165,000, made by NovaMed Surgery Center of Whittier, LLC in favor of William May, MD.

Indebtedness arising under a Note dated January 14, 2014, in the original principal amount of \$395,000, made by Laser and Outpatient Surgery Center, LLC in favor of Alcon.*

Indebtedness in connection with the following capital leases (*):

Debt outstanding pursuant to capital leases as of September 30, 2014: \$3,829,880

Master Lease Agreement dated as of October 16, 2008 by and between Banc of America Leasing & Capital, LLC and NovaMed, Inc. (agreement #19243-90000).

Lease Agreement dated September 29, 2009 by and between Stryker Finance, a division of Stryker Sales Corporation and New Tampa Surgery Center, Ltd. (agreement # 24999630).

Master Lease Agreement dated March 1, 2010, by and between De Lage Landen Financial Services, Inc. and PSHS Alpha Partners, Ltd. d/b/a Lake Worth Surgical Center, LLC.

Equipment Financing Lease dated as of July 28, 2010, by and between Alcon Laboratories Inc. and NovaMed Surgery Center of Nashua, LLC (contract # EQPO25OD- 00252 / Account # 006746).

Master Lease Agreement dated as of September 30, 2010, by and between Olympus America, Inc. and Millenia Surgery Center, L.L.C. (lease # 0009722), which ended in June 2013 but entered into new equipment financing under with master agreement in March 2014.

Short Form Lease Agreement dated October 6, 2010, by and between Stryker Finance, a division of Stryker Sales Corporation and New Tampa Surgery Center, Ltd. (lease agreement # 01239840).

Lease Agreement dated January 28, 2011 by and between Balboa Capital Corporation and Surgery Center Holdings, Inc. (lease # 159758-002).

Short Form Lease Agreement dated February 28, 2011, by and between Stryker Finance, a division of Stryker Sales Corporation and Surgery Center of Kalamazoo, LLC (agreement # 21239990).

Short Form Lease Agreement dated July 14, 2011 by and between Stryker Finance, a division of Stryker Sales Corporation and Suncoast Specialty Surgery Center, LLLP (agreement # 22240170).

Short Form Lease Agreement dated August 10, 2011 by and between Stryker Finance, a division of Stryker Sales Corporation and NovaMed Surgery Center of Dallas, LP (agreement # 22-4868).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and Surgery Center of Kalamazoo, LLC (agreement # 693900).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and Lake Mary Surgery Center, LLC (agreement # 694100).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and PSHS Alpha Partners, Ltd d/b/a Lake Worth Surgical Center, LLC (agreement # 693800).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and New Tampa Surgery Center, Ltd. (agreement # 694300).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and NovaMed Surgery Center of Orlando, LLC (agreement # 694200).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and PSHS Beta Partners, Ltd. d/b/a The Gables Surgical Center (agreement # 693700).

Financing and Security Agreement dated October 14, 2011 by and between Johnson & Johnson Finance Corporation and Westchase Surgery Center, Ltd. (agreement # 694000).

Master Lease Agreement dated November 16, 2011 by and between Olympus America, Inc and Orange City Surgery Center, LLC (agreement # 0010788).

Finance Agreement dated November 21, 2011 by and between General Electric Capital Corporation and NovaMed Surgery Center of Merrillville, LLC (agreement # 8707388-001).

Master Lease Agreement dated December 8, 2011 by and between De Lage Landen Financial Services, Inc and Logan Laboratories, LLC (contract # 25164803-01).

Lease Agreement dated December 29, 2011 by and between Karl Storz Capital, a Program of Medical Technology Finance Corporation and PSHS Alpha Partners, Ltd d/b/a Lake Worth Surgical Center, LLC.

Master Lease Agreement dated December 30, 2011 by and between Olympus America, Inc. and New Tampa Surgery Center, Ltd. (agreement # 0009893).

Equipment Lease dated January 10, 2012 by and between Stearns Bank N.A. Equipment Finance Division and NovaMed Surgery Center of Denver, LLC (lease # 1236970-1).

Equipment Financing Agreement dated January 25, 2012, by and between Alcon Laboratories, Inc. and Orange City Surgery Center, LLC.

Short Form Lease Agreement dated February 28, 2012 by and between Stryker Finance, a division of Stryker Sales Corporation and NovaMed Surgery Center of Cleveland, LLC (agreement # 21-5772).

Lease agreement dated April 12, 2012 by and between Bankers Leasing Company and Midwest Uncuts, Inc.(contract #46187PAK).

Lease agreement dated April 30, 2012 by and between General Electric Capital Corporation and NovaMed Surgery Center of Colorado Springs, LLC (contract # 8729957-001).

Short Form Rental Agreement dated May 14, 2012 by and between Stryker Finance, a division of Stryker Sales Corporation and Lake Mary Surgery Center, LLC (agreement # 22240587).

Lease agreement dated May 18, 2012 by and between De Lage Landen Financial Services, Inc. and NovaMed Surgery Center of Bedford, LLC (agreement # 25175546).

Equipment Financing Agreement dated August 12, 2012 by and between TCF Equipment Finance and NovaMed Surgery Center of Dallas, LP (agreement # 008-0623496-300).

Lease Agreement dated September 5, 2012 by and between Americorp Financial, LLC and NovaMed Surgery Center of Colorado Springs, LLC (lease # 1704802).

Equipment Financing Agreement dated September 20, 2012 by and between Alcon Laboratories, Inc. and Suncoast Specialty Surgery Center, LLLP (contract # EQP0256D-01134R).

Lease Agreement dated October 1, 2012 by and between Americorp Financial, LLC and NovaMed Surgery Center of Jonesboro, LLC (agreement # 1448803).

Master Lease Agreement dated October 26, 2012 by and between Olympus America, Inc. and NovaMed Surgery Center of Dallas, LP (agreement # 0012825).

Master Lease Schedule dated December 13, 2012 by and between De Lage Landen Financial Services, Inc. and Logan Laboratories, LLC (contract # 25164803-02).

Equipment Installment Agreement dated January 3, 2013 by and between Alcon Laboratories, Inc. and NovaMed, Inc. (contract # EQP0086D-03799).

Master Lease Schedule date January 15, 2013 by and between De Lage Landen Financial Services, Inc. and Logan Laboratories, LLC (contract # 25164803-03).

Equipment Finance Agreement dated February 14, 2013 by and between Americorp Financial, LLC and The Cataract Specialty Surgical Center, LLC (agreement # 1905801).

Business Lease Agreement dated February 22, 2013 by and between Heartland Business Credit and Logan Laboratories, LLC (lease # 26296.001).

Lease Agreement dated as of March 19, 2013 by and between Philips Medical Capital, LLC and Park Place Surgery Center, LLC (lease # 100672).

Lease Agreement dated as of May 1, 2010, by and between Tygris Commercial Finance-Everbank and Tampa Pain Relief Center, Inc.

Lease Agreement dated as of November 8, 2012, by and between Americorp and ASC Gamma Partners, Ltd. (d/b/a Miami Surgical Center f/k/a West Kendall Surgical Center).

Lease Agreement dated as of February 28, 2013, by and between GE Capital and The Cataract Specialty Surgical Center, LLC.

Lease Agreement dated as of March 1, 2013, by and between Phillips Medical Capital and Millenia Surgery Center, LLC.

Lease Agreement dated as of May 21, 2013, by and between De Lage Financial and NovaMed Surgery Center of Dallas, LP.

Equipment Financing Agreement dated as of January 1, 2013, by and between Alcon Laboratories and NovaMed Management Services, LLC (d/b/a Atlanta Eye Surgery Center).

Short Form Lease Agreement dated as of September 17, 2013, by and between Stryker and ASC Gamma Partners, Ltd. (d/b/a Miami Surgical Center f/k/a West Kendall Surgical Center).

Business Lease Agreement dated as of September 20, 2013, by and between Heartland and Logan Laboratories, LLC.

Master Lease Agreement dated as of December 27, 2013, by and between De Lage Financial and Logan Laboratories, LLC.

Lease Agreement dated as of February 27, 2014, by and between US Bank and NovaMed Eye Surgery Center of New Albany, LLC.

Equipment Lease Contract dated as of January 17, 2014, by and between Marlin Equipment and Space Coast Surgery Center, LLLP.

Master Lease Agreement dated as of March 26, 2014, by and between Olympus and Millenia Surgery Center, LLC.

Lease Agreement dated as of April 17, 2014, by and between GE Capitol and ASC Gamma Partners, Ltd. (d/b/a Miami Surgical Center f/k/a West Kendall Surgical Center).

Equipment Installment Agreement dated as of May 21, 2014, by and between Alcon Laboratories and Surgery Center of Kalamazoo, LLC.

Symbion:

1. Credit Agreement by and between CMSC, LLC and Zions First National Bank dated August 27, 2014 (\$5,000,000).
2. Credit Agreement by and between Birmingham Surgery Center, LLC and Compass Bank dated June 27, 2012 (\$4,340,000).
3. Credit Agreement by and between Mountain View Hospital, LLC and Zions First National Bank dated March 15, 2013 (\$26,000,000).
4. Loan Agreement by and between Bayside Endoscopy Center, LLC and Capstar Bank dated December 20, 2013 (\$1,814,816).
5. Credit Agreement by and between Kent, LLC and Evolve Bank & Trust dated December 24, 2013 (\$1,642,012.57).
6. Credit Agreement by and between Chesterfield Spine Center, LLC and Evolve Bank & Trust dated January 3, 2014 (\$1,538,063.03).
7. Promissory Note issued by PMCROS, L.L.C. to Synergy Bank, dated November 26, 2012 (\$1,495,825.83).

8. Promissory Note issued by Physicians Medical Center, L.L.C. to Synergy Bank, dated August 1, 2013 (\$1,687,897.24).
9. Promissory Note issued by PMCROS, L.L.C. to Synergy Bank, dated August 16, 2013 (\$1,167,108.39).
10. Irrevocable Standby Letter of Credit No. ZSB802976 in the aggregate amount up to \$10,000,000 issued by Zions Bank in favor of Mountain View-MPT Hospital, LLC, dated March 15, 2013.
11. Irrevocable Standby Letter of Credit No. 68034269 in the amount of \$300,000.00 issued by Bank of America, N.A. in favor of HR Acquisition I Corporation for the account of Chesterfield Spine Center, LLC
12. Promissory Note dated December 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Paul Dvirnak, M.D., as holder, in the principal amount of \$845,548.00.
13. Promissory Note dated December 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Loyd Lifton, M.D., as holder, in the principal amount of \$676,439.00.
14. Promissory Note dated November 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Randy Rice, M.D., as holder, in the principal amount of \$591,882.69.
15. Promissory Note dated November 1, 2013 by and between SMBIMS Durango, LLC, as maker, and Greg Stillwell, M.D., as holder, in the principal amount of \$507,328.02.
16. Indebtedness in the form of certain obligations of Symbion's Restricted Subsidiaries to third parties, as reflected in the chart below as of September 30, 2014.

Some of these obligations are guaranteed by Symbion, as indicated in the column labeled "Guarantee."

| Center | Legal Name | Type | Financer | Guarantee | Amount | Current | Long- Term | Total |
|------------------|--------------------------------------|---------------|--------------------------|-------------|-----------|-----------|------------|-----------|
| AL - BIRMINGHAM | Birmingham Surgery Center, LLC | NOTES PAYABLE | BBVA COMPASS | Ownership % | 4,340,000 | 1,002,210 | 1,200,203 | 2,202,413 |
| FL - ORANGE CITY | Orange City Surgical, LLC | NOTES PAYABLE | GE CAPITAL | 100% | 3,846,714 | 688,869 | 0 | 688,869 |
| FL - ORANGE CITY | Orange City Surgical, LLC | NOTES PAYABLE | GE CAPITAL | 100% | 133,836 | 26,942 | 53,975 | 80,917 |
| IL - ST CHARLES | Valley Ambulatory Surgery Center, LP | NOTES PAYABLE | Old Second National Bank | Ownership % | 633,796 | 282,770 | 0 | 282,770 |

| | | | | | | | | | |
|---------------------|---|---------------|-----------------------------|------------|-----------|---------|-----------|-----------|--|
| MO - CHESTERFIELD | Chesterfield Spine Center, LLC | NOTES PAYABLE | Evolve Bank | | | | | | |
| | | | | Ownership% | 1,538,063 | 773,301 | 263,831 | 1,037,133 | |
| RI - PROVIDENCE | Bayside Endoscopy Center, LLC | NOTES PAYABLE | Capstar Bank | | | | | | |
| | | | | Ownership% | 1,814,816 | 344,683 | 1,253,498 | 1,598,182 | |
| RI - EAST GREENWICH | Kent, LLC | NOTES PAYABLE | Evolve Bank | | | | | | |
| | | | | Ownership% | 1,642,013 | 538,914 | 759,467 | 1,298,381 | |
| RI - PORTSMOUTH | Portsmouth, LLC | NOTES PAYABLE | Evolve Bank | | | | | | |
| | | | | Ownership% | 336,287 | 110,370 | 155,540 | 265,911 | |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 178,822 | 37,484 | 39,382 | 76,866 | |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 404,107 | 84,359 | 96,216 | 180,576 | |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 59,183 | 11,983 | 24,689 | 36,671 | |
| CA - BRIGHTON WAY | Specialty Surgical Center, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE, INC. | N/A | 49,008 | 9,738 | 21,899 | 31,637 | |
| CA - WILSHIRE | Specialty Surgical Center, LP | NOTES PAYABLE | GE HEALTHCARE FINANCE | N/A | 78,270 | 15,921 | 28,843 | 44,763 | |
| CA - WILSHIRE | Specialty Surgical Center, LP | NOTES PAYABLE | Key Equipment Finance | N/A | 58,267 | 11,578 | 26,019 | 37,597 | |
| CA - ENCINO | Specialty Surgical Center of Encino, LP | NOTES PAYABLE | KeyBank | | | | | | |
| | | | | N/A | 59,851 | 11,848 | 27,703 | 39,550 | |
| CA - ENCINO | Specialty Surgical Center of Encino, LP | NOTES PAYABLE | KeyBank | | | | | | |
| | | | | N/A | 130,978 | 25,928 | 60,625 | 86,553 | |
| CA - IRVINE | Specialty Surgical Center of Irvine, LP | NOTES PAYABLE | KeyBank | | | | | | |
| | | | | N/A | 275,104 | 52,802 | 153,023 | 205,825 | |

| | | | | | | | | |
|--------------------|--|---------------|----------------------------------|-----|------------|---------|-----------|-----------|
| CA - IRVINE | Specialty Surgical Center of Irvine, LP | NOTES PAYABLE | KeyBank | N/A | 151,026 | 27,292 | 108,654 | 135,946 |
| CA - THOUSAND OAKS | Specialty Surgical Center of Thousand Oaks, LP | NOTES PAYABLE | KEY EQUIPMENT FINANCE | N/A | 2,580,695 | 518,735 | 1,005,823 | 1,524,558 |
| CA - THOUSAND OAKS | Specialty Surgical Center of Thousand Oaks, LP | NOTES PAYABLE | KEY EQUIPMENT FINANCE | N/A | 107,990 | 0 | 0 | 0 |
| FL - LARGO | Largo Surgery, LLC | NOTES PAYABLE | GE CAPITAL | N/A | 131,490 | 26,746 | 48,456 | 75,201 |
| FL - OCALA | The Surgery Center of Ocala, LLC | NOTES PAYABLE | KEY EQUIPMENT FINANCE | N/A | 127,540 | 11,441 | 0 | 11,441 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | DL Evans | N/A | 433,463 | 82,911 | 303,353 | 386,265 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | DL Evans | N/A | 4,930,253 | 0 | 4,602,758 | 4,602,758 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | CHANNING WAY PROPERTIES | N/A | 61,731 | 9,821 | 31,930 | 41,751 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | NOTES PAYABLE | Great America Financial Services | N/A | 45,312 | 8,268 | 29,446 | 37,714 |
| ID - IDAHO FALLS | Mountain View Hospital, LLC | REVOLVER | Zion's Bank | N/A | 26,000,000 | 600,000 | 1,700,000 | 2,300,000 |
| KS - WICHITA | Cypress Surgery Center, LLC | NOTES PAYABLE | ALCON | N/A | 43,000 | 9,551 | 14,017 | 23,568 |
| KS - WICHITA | Cypress Surgery Center, LLC | NOTES PAYABLE | COMMERCE BANK | N/A | 163,844 | 32,862 | 65,602 | 98,464 |
| LA - HOUMA | Physicians Medical Center, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,740,647 | 338,568 | 927,820 | 1,266,388 |
| LA - HOUMA | Physicians Medical Center, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,687,897 | 321,279 | 1,013,714 | 1,334,993 |
| LA - HOUMA PMCROS | PMCROS, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,495,826 | 521,705 | 89,804 | 611,509 |

| | | | | | | | | |
|---------------------------|--|------------------|-----------------------|-----|-----------|---------|---------|-----------|
| LA - HOUMA PMCROS | PMCROS, LLC | NOTES PAYABLE | SYNERGY BANK | N/A | 1,167,108 | 84,011 | 997,210 | 1,081,222 |
| MA - WORCESTER | ARC Worcester Center, LP | NOTES PAYABLE | ALCON | N/A | 96,000 | 19,883 | 26,290 | 46,172 |
| MA - WORCESTER | ARC Worcester Center, LP | NOTES PAYABLE | ALCON | N/A | 62,500 | 20,644 | 25,423 | 46,067 |
| MO - JEFFERSON CITY | CMMP Surgical Center, LLC | NOTES PAYABLE | CENTRAL BANK | N/A | 83,680 | 16,798 | 34,218 | 51,016 |
| MO - ST LOUIS | St Louis Women's Surgery Center, LLC | NOTES PAYABLE | Commerce Bank | N/A | 302,457 | 100,819 | 25,205 | 126,024 |
| MO - ST LOUIS | St Louis Women's Surgery Center, LLC | NOTES PAYABLE | MOBIN KHAN, MD | N/A | 17,001 | 3,060 | 6,120 | 9,180 |
| MT - GREAT FALLS HOSPITAL | CMSC, LLC | NOTES PAYABLE | Great Falls Clinic | N/A | 2,968,356 | — | 868,356 | 868,356 |
| TN - FRANKLIN | Ambulatory Surgery Center of Cool Springs, LLC | NOTES PAYABLE | Fifth Third Bank | N/A | 500,000 | 152,038 | 131,000 | 283,038 |
| TN - JACKSON | The Jackson Ophthalmology ASC, LLC | NOTES PAYABLE | Bancorp South | N/A | 596,327 | 151,794 | 0 | 151,794 |
| TN - JACKSON | The Jackson Ophthalmology ASC, LLC | NOTES PAYABLE | Commercial Bank | N/A | 147,428 | 44,019 | 131,187 | 175,206 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | GE HEALTHCARE | N/A | 633,566 | 147,056 | 51,114 | 198,170 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | GE HEALTHCARE | N/A | 216,341 | 47,866 | 20,890 | 68,756 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | PNC Bank | N/A | 741,702 | 139,128 | 524,192 | 663,320 |

| | | | | | | | | |
|--------------------|------------------------------|---------------|--------------------------|-----|-----------|----------|-----------|-----------|
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | PNC Bank | N/A | 3,740,010 | 734,382 | 2,002,207 | 2,736,590 |
| TX - LUBBOCK HEART | Lubbock Heart Hospital, LLC | NOTES PAYABLE | PNC Bank | N/A | 135,000 | 46,098 | — | 46,098 |
| TX - TEXARKANA | Texarkana Surgery Center, LP | NOTES PAYABLE | Commercial National Bank | N/A | 200,000 | 36878.35 | 163,122 | 200,000 |

17. Capital lease obligations of Symbion and certain of Symbion's Restricted Subsidiaries, as reflected in the chart below through September 30, 2014.

| LEASE TAG# | LOAN TYPE | LESSOR | CURRENT BALANCE | LONG-TERM BALANCE | TOTAL BALANCE |
|---|---------------|---------------------|-----------------|-------------------|---------------|
| Birmingham Surgery Center, LLC | | | | | |
| <u>AL-122-LEASE#1</u> | CAPITAL LEASE | BANK OF THE WEST | 26,451 | 25,433 | 51,884 |
| <u>AL-122-LEASE#2</u> | CAPITAL LEASE | BANK OF THE WEST | 68,625 | 84,308 | 152,933 |
| Specialty Surgical Center, LLC | | | | | |
| <u>CA-311-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 0 | 0 | 0 |
| <u>CA-311-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 0 | 0 | 0 |
| <u>CA-311-LEASE#3</u> | CAPITAL LEASE | DLL LEASING | 112,753 | 401,577 | 514,330 |
| Specialty Surgical Center, LP | | | | | |
| <u>CA-312-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 25,817 | 34,329 | 60,146 |
| <u>CA-312-LEASE#3</u> | CAPITAL LEASE | DLL LEASING | 9,452 | 28,372 | 37,823 |
| <u>CA-312-LEASE#4</u> | CAPITAL LEASE | DLL LEASING | 18,552 | 61,005 | 79,557 |
| <u>CA-312-LEASE#5</u> | CAPITAL LEASE | DLL | 45,443 | 191,444 | 236,887 |
| <u>CA-312-LEASE#6</u> | CAPITAL LEASE | DLL | 11,905 | 2,995 | 14,900 |
| Specialty Surgical Center of Encino, LP | | | | | |
| <u>CA-315-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 18,122 | 32,502 | 50,624 |
| <u>CA-315-LEASE#2</u> | CAPITAL LEASE | WELLS FARGO | 7,902 | 4,100 | 12,002 |
| <u>CA-315-LEASE#3</u> | CAPITAL LEASE | DLL | 29,271 | 111,657 | 140,928 |
| Specialty Surgical Center of Irvine, LP | | | | | |
| <u>CA-318-LEASE#1</u> | CAPITAL LEASE | WELLS FARGO FINANCE | 14,165 | 0 | 14,165 |
| <u>CA-318-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 24,955 | 47,106 | 72,061 |
| <u>CA-318-LEASE#3</u> | CAPITAL LEASE | DLL LEASING | 32,314 | 106,233 | 138,547 |
| Specialty Surgical Center of Thousand Oaks, LP | | | | | |

| | | | | | |
|--|---------------|------------------------|--------|---------|---------|
| <u>CA-321-LEASE#1</u> | CAPITAL LEASE | DLL | 26,721 | 107,230 | 133,951 |
| <u>CA-321-LEASE#2</u> | CAPITAL LEASE | DLL | 21,121 | 53,275 | 74,396 |
| Boulder Spine Center, LLC | | | | | |
| <u>CO-161-LEASE#1</u> | CAPITAL LEASE | WELLS FARGO LEASING | 21,649 | 0 | 21,649 |
| <u>CO-161-LEASE#2</u> | CAPITAL LEASE | DLL | 44,431 | 30,685 | 75,116 |
| Cape Coral Ambulatory Surgery Center, LLC | | | | | |
| <u>FL-405-LEASE#1</u> | CAPITAL LEASE | KINGSBRIDGE HEALTHCARE | 0 | 0 | 0 |
| Jacksonville Beach Surgery Center, LP | | | | | |
| <u>FL-191-LEASE#1</u> | CAPITAL LEASE | WELLS FARGO | 16,473 | 0 | 16,473 |
| <u>FL-191-LEASE#2</u> | CAPITAL LEASE | WELLS FARGO | 36,931 | 148,205 | 185,136 |
| Largo Surgery, LLC | | | | | |
| <u>FL-145-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 25,844 | 77,284 | 103,128 |
| Largo Endoscopy Center, LP | | | | | |
| <u>FL-420-LEASE#1</u> | CAPITAL LEASE | WELLS FARGO FINANCE | 24,069 | 0 | 24,069 |
| The Surgery Center of Ocala, LLC | | | | | |
| <u>FL-200-LEASE#1</u> | CAPITAL LEASE | GE Healthcare | 17,977 | 48,156 | 66,133 |
| <u>FL-200-LEASE#2</u> | CAPITAL LEASE | Stryker | 46,548 | 69,822 | 116,370 |
| <u>FL-200-LEASE#3</u> | CAPITAL LEASE | Stryker | 6,825 | 0 | 6,825 |
| <u>FL-200-LEASE#4</u> | CAPITAL LEASE | Stryker | 17,690 | 78,348 | 96,038 |
| ARC of Georgia, LLC | | | | | |
| <u>GA-240-LEASE#1</u> | CAPITAL LEASE | GE Capital | 24,080 | 81,919 | 105,998 |
| Surgery Center, LLC | | | | | |
| <u>GA-224-LEASE#2</u> | CAPITAL LEASE | SMITH & NEPHEW | 0 | 0 | 0 |
| <u>GA-224-LEASE#3</u> | CAPITAL LEASE | GE | 68,540 | 0 | 68,540 |
| <u>GA-224-LEASE#4</u> | CAPITAL LEASE | Alcon | 20,080 | 0 | 20,080 |
| Honolulu Spine Center, LLC | | | | | |
| <u>HI-215-LEASE#1</u> | CAPITAL LEASE | STRYKER | 9,988 | 0 | 9,988 |
| Cypress Surgery Center, LLC | | | | | |
| <u>KS-172-LEASE#2</u> | CAPITAL LEASE | 0 | 12,262 | 0 | 12,262 |
| <u>KS-172-LEASE#3</u> | CAPITAL LEASE | Bank of the West | 31,045 | 43,991 | 75,036 |
| <u>KS-172-LEASE#4</u> | CAPITAL LEASE | DLL | 30,501 | 135,252 | 165,753 |
| Physicians Medical Center, LLC | | | | | |
| <u>LA-182-LEASE#1</u> | CAPITAL LEASE | Phillips Medical | 14,393 | 92,875 | 107,268 |
| <u>LA-182-LEASE#2</u> | CAPITAL LEASE | Phillips Medical | 30,165 | 166,242 | 196,407 |

| | | | | | |
|--|---------------|---------------------------------|---------|---------|---------|
| St Louis Women's Surgery Center, LLC | | | | | |
| <u>MO-306-LEASE#1</u> | CAPITAL LEASE | DLL | 24,169 | 74,678 | 98,847 |
| <u>MO-306-LEASE#2</u> | CAPITAL LEASE | DLL | 37,006 | 118,869 | 155,875 |
| CMSC, LLC | | | | | |
| <u>MT-271-LEASE#1</u> | CAPITAL LEASE | Baytree National Bank and Trust | 0 | 0 | 0 |
| <u>MT-271-LEASE#2</u> | CAPITAL LEASE | Olympus | 33,652 | 50,787 | 84,439 |
| <u>MT-271-LEASE#3</u> | CAPITAL LEASE | GE HEALTHCARE | 22,881 | 36,978 | 59,859 |
| <u>MT-271-LEASE#4</u> | CAPITAL LEASE | GE HEALTHCARE | 26,311 | 55,011 | 81,323 |
| <u>MT-271-LEASE#5</u> | CAPITAL LEASE | DLL | 103,685 | 354,219 | 457,904 |
| [NOTE: OBLIGATIONS GUARANTEED BY THE COMPANY] | | | | | |
| <u>MT-271-LEASE#6</u> | CAPITAL LEASE | Barrington Inc | 19,427 | 72,612 | 92,039 |
| <u>MT-271-LEASE#7</u> | CAPITAL LEASE | DLL | 28,718 | 115,228 | 143,945 |
| Great Falls Clinic Surgery Center, LLC | | | | | |
| <u>MT-270-LEASE#1</u> | CAPITAL LEASE | GE HEALTHCARE | 18,836 | 9,892 | 28,728 |
| <u>MT-270-LEASE#2</u> | CAPITAL LEASE | DLL LEASING | 96,396 | 0 | 96,396 |
| <u>MT-270-LEASE#3</u> | CAPITAL LEASE | Wells Fargo | 37,449 | 0 | 37,449 |
| Wilmington Surgery Center, LP | | | | | |
| <u>NC-280-LEASE#1</u> | CAPITAL LEASE | OLYMPUS | 3,308 | 0 | 3,308 |
| South Shore Operating Company, LLC | | | | | |
| <u>NY-163-LEASE#1</u> | CAPITAL LEASE | DLL LEASING | 0 | 0 | 0 |
| <u>NY-163-LEASE#2</u> | CAPITAL LEASE | WELLS FARGO | 0 | 0 | 0 |
| <u>NY-163-LEASE#3</u> | CAPITAL LEASE | DLL | 0 | 0 | 0 |
| Village Surgicenter, LP | | | | | |
| <u>PA-247-LEASE#1</u> | CAPITAL LEASE | WELLS FARGO FINANCE | 9,887 | 0 | 9,887 |
| <u>PA-247-LEASE#2</u> | CAPITAL LEASE | STRYKER | 62,350 | 32,349 | 94,699 |
| <u>PA-247-LEASE#3</u> | CAPITAL LEASE | WELLS FARGO FINANCE | 13,108 | 0 | 13,108 |
| <u>PA-247-LEASE#4</u> | CAPITAL LEASE | Wells Fargo | 25,586 | 0 | 25,586 |
| <u>PA-247-LEASE#5</u> | DLL | Wells Fargo | 11,984 | 49,403 | 61,387 |
| <u>PA-247-LEASE#6</u> | DLL | Wells Fargo | 16,079 | 69,636 | 85,715 |
| Bayside Endoscopy Center, LLC | | | | | |
| <u>RI-102-LEASE#1</u> | CAPITAL LEASE | Olympus Financial | 152,984 | 216,222 | 369,206 |
| Kent, LLC | | | | | |
| <u>RI-107-LEASE#1</u> | CAPITAL LEASE | Olympus Financial | 108,708 | 163,591 | 272,300 |
| Portsmouth, LLC | | | | | |
| <u>RI-108-LEASE#1</u> | CAPITAL LEASE | Olympus Financial | 26,028 | 36,787 | 62,815 |

| | | | | | |
|--|---------------|------------------------|--------|---------|---------|
| Ocean State Endoscopy Holdings, LLC | | | | | |
| <u>RI-104-LEASE#1</u> | CAPITAL LEASE | Olympus | 73,988 | 231,594 | 305,582 |
| <u>RI-104-LEASE#2</u> | CAPITAL LEASE | Olympus | 5,901 | 18,471 | 24,371 |
| Northstar Surgical Center, LP | | | | | |
| <u>TX-132-LEASE#1</u> | CAPITAL LEASE | DLL | 13,397 | 52,762 | 66,159 |
| <u>TX-132-LEASE#2</u> | CAPITAL LEASE | DLL | 34,096 | 143,794 | 177,891 |
| Lubbock Heart Hospital, LLC | | | | | |
| <u>TX-135-LEASE#1</u> | CAPITAL LEASE | SIEMENS | 6,707 | 0 | 6,707 |
| Texarkana Surgery Center, LP | | | | | |
| <u>TX-199-LEASE#1</u> | CAPITAL LEASE | STRYKER FINANCE | 56,626 | 14,604 | 71,230 |
| <u>TX-199-LEASE#2</u> | CAPITAL LEASE | TRINITY VENDOR FINANCE | 25,118 | 39,084 | 64,202 |
| The Jackson Opthamology ASC, LLC | | | | | |
| <u>TN-415-LEASE#1</u> | CAPITAL LEASE | Alcon | 19,246 | 32,898 | 52,144 |
| <u>TN-415-LEASE#2</u> | CAPITAL LEASE | Key Equipment Finance | 10,532 | 26,832 | 37,364 |
| Neospine Puyallup Spine Center, LLC | | | | | |
| <u>WA-265-LEASE#1</u> | CAPITAL LEASE | STRYKER FINANCE | 7,218 | 624 | 7,842 |

Schedule 7.05(k)

Dispositions

Surgery Partners

None

Symbion

Sale of a 10% interest in Specialty Surgical Center of Encino, L.L.C. to the UCLA Health System.

Sale of interests in Orange City Surgical, LLC.

Schedule 7.08

Transactions with Affiliates

Surgery Partners:

None.

Symbion:

Agreement and Plan of Merger dated as of June 13, 2014 among Symbion Holdings Corporation, Surgery Center Holdings Inc., SCH Acquisition Corp. and Crestview Symbion Holdings, L.L.C.

On December 10, 2013, certain employees of Symbion, Inc. borrowed funds from the Company to pay the exercise price and applicable taxes payable in connection with the exercise of options to purchase the Company's common stock that were to expire in December 2013 and January 2014. Richard E. Francis, Jr., Clifford G. Adlerz and Teresa F. Sparks borrowed approximately \$223,731, \$174,157 and \$10,842, respectively, in connection with option exercises. Each loan is represented by a full recourse promissory note executed by the officer and bearing interest at a rate of 0.25% per annum (the applicable federal rate). Principal and interest on the notes is payable in three equal annual installments beginning December 10, 2014, with payment in full due on December 10, 2016. Payment and performance under the notes is secured by the shares of Company's common stock received upon exercise of the options exercised on December 10, 2013. The total amount of stockholders' notes outstanding at December 31, 2013 was \$485,000.

Schedule 7.09

Certain Contractual Obligations

Surgery Partners:

None.

Symbion:

None.

ADMINISTRATIVE QUESTIONNAIRE
SURGERY CENTER HOLDINGS, INC.

Agent Information

Jefferies Finance LLC
520 Madison Avenue
New York, NY 10022

Agent Closing Contact

Sabrina Ortiz
Tel: (212) 284-2107
Fax: (212) 284-3444
E-Mail: sabrina.ortiz@jefferies.com
Jfin.trades@jefferies.com

Agent Wire Instructions

Deutsche Bank Trust Company Americas
New York, NY
Routing Transit / ABA #: 021001033
Account Name: Global Loan Services
Account Number: 99907998
Ref: Surgery Partners

It is very important that **all** of the requested information be completed accurately and that this questionnaire be returned promptly. If your institution is sub-allocating its allocation, please fill out an administrative questionnaire for each legal entity.

Legal Name of Lender to appear in Documentation:

Signature Block Information: _____

- Signing Credit Agreement Yes No
- Coming in via Assignment Yes No

Type of Lender: _____

(Bank, Asset Manager, Broker/Dealer, CLO/CDO; Finance Company, Hedge Fund, Insurance, Mutual Fund, Pension Fund, Other Regulated Investment Fund, Special Purpose Vehicle, Other-please specify)

Lender Parent: _____

Lender Domestic Address

Lender Eurodollar Address

Contacts/Notification Methods: Borrowings, Paydowns, Interest, Fees, etc.

Primary Credit Contact

Secondary Credit Contact

Name: _____
Company: _____
Title: _____
Address: _____

Telephone: _____
Facsimile: _____
E-Mail Address: _____

Primary Operations Contact

Secondary Operations Contact

Name: _____
Company: _____
Title: _____
Address: _____

Lender's Domestic Wire Instructions

Bank Name: _____
ABA/Routing No.: _____
Account Name: _____
Account No.: _____
FFC Account Name: _____
FFC Account No.: _____
Attention: _____
Reference: _____

Tax Documents

NON-U.S. LENDER INSTITUTIONS:

I. Non-Flow Through Entities:

If your institution is organized outside of the United States for U.S. federal income tax purposes, and is the beneficial owner of the interest and other income it receives, you must, without limiting the obligations to deliver certain forms and documents under Section 3.01 of the Credit Agreement, complete one of the following three tax forms, as applicable to your institution: **a.) Form W-8BEN** (*Certificate of Foreign Status of Beneficial Owner*), **b.) Form W-8ECI** (*Income Effectively Connected to a U.S. Trade or Business*), or **c.) Form W-8EXP** (*Certificate of Foreign Government or Governmental Agency*).

A U.S. taxpayer identification number is required for any institution submitting Form W-8ECI. It is also required on Form W-8BEN for certain institutions claiming the benefits of a tax treaty with the U.S. Please refer to the instructions when completing the form applicable to your institution. In addition, please be advised that U.S. tax regulations do not permit the acceptance of faxed forms. **Two original copies of each applicable tax form must be submitted.**

II. Flow-Through Entities:

If your institution is organized outside the U.S., and is classified for U.S. federal income tax purposes as either a partnership, trust, qualified or non-qualified Intermediary, or other non-U.S. flow-through entity, an original **Form W-8IMY** (*Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding*) must, without limiting the obligations to deliver certain forms and documents under Section 3.01 of the Credit Agreement, be completed by the intermediary together with a withholding statement. Flow-through entities other than Qualified Intermediaries are required to include tax forms for each of the underlying beneficial owners.

Please refer to the instructions when completing this form. In addition, please be advised that U.S. tax regulations do not permit the acceptance of faxed forms. **Two original copies of each applicable tax form must be submitted.**

U.S. LENDER INSTITUTIONS:

If your institution is incorporated or organized within the United States, you must complete and return **Form W-9** (*Request for Taxpayer Identification Number and Certification*). **Please be advised that you must submit an original Form W-9.**

Pursuant to the Credit Agreement, the applicable tax forms and documents for your institution must be completed and returned on or prior to the date on which it becomes a party to the Credit Agreement. Failure to provide the proper tax form when requested may subject your institution to U.S. tax withholding.

[FORM OF] ASSIGNMENT AND ACCEPTANCE
(Standard)

This Assignment and Acceptance (the “**Assignment and Acceptance**”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert Name of Assignor*] (the “**Assignor**”) and [*Insert Name of Assignee*] (the “**Assignee**”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit and guarantees included in such facilities), and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “**Assigned Interest**”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: _____
- 3. Borrower: Surgery Center Holdings, Inc.
- 4. Administrative Agent: Jefferies Finance LLC, as the administrative agent under the Credit Agreement

5. Credit Agreement: The Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent.

6. Assigned Interest[s]:

| Facility Assigned | Aggregate Amount of Commitment/Loans for all Lenders | Amount of Commitment/Loans Assigned | Percentage Assigned of Commitment/Loans ¹ |
|---|--|-------------------------------------|--|
| [Initial] [Extended] [Incremental] [Other] Term Commitments/Loans | \$ | \$ | % |

[7. Trade Date: _____] ²

Effective Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

¹ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
² To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: _____
Name:
Title:

[NAME OF ASSIGNEE], as Assignee

By: _____
Name:
Title:

[Consented to and]³ Accepted:

JEFFERIES FINANCE LLC,
as Administrative Agent

By: _____
Name:
Title:

[Consented to:]⁴

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

³ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

⁴ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document (other than this Assignment and Acceptance), (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents (other than this Assignment and Acceptance) or any collateral thereunder, (iii) the financial condition of Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is not a Disqualified Lender, a Specified Debt Fund or an Affiliated Lender and it meets all the requirements of an Eligible Assignee under the Credit Agreement (subject to such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been afforded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.05 or Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vii) it is not a Defaulting Lender, (viii) if it is not already a Lender under the Credit Agreement, attached to the Assignment and Acceptance is an Administrative Questionnaire in the form provided by the Administrative Agent and (ix) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the Section 3.01 of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other

Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

[FORM OF] ASSIGNMENT AND ACCEPTANCE
(Specified Debt Funds/Affiliated Lenders)

This Assignment and Acceptance (the “**Assignment and Acceptance**”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert Name of Assignor*] (the “**Assignor**”) and [*Insert Name of Assignee*] (the “**Assignee**”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including without limitation any letters of credit and guarantees included in such facilities), and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the “**Assigned Interest**”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is a Lender, an Affiliate of a Lender or a Related Fund][and is an Affiliated Lender] ¹
3. Borrower: Surgery Center Holdings, Inc.

¹ Select as applicable

4. Administrative Agent: Jefferies Finance LLC, as the administrative agent under the Credit Agreement
5. Credit Agreement: The Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent.

6. Assigned Interest[s]:

| <u>Facility Assigned</u> | <u>Aggregate Amount of Commitment/Loans for all Lenders</u> | <u>Amount of Commitment/Loans Assigned</u> | <u>Percentage Assigned of Commitment/ Loans ²</u> |
|--------------------------|---|--|--|
| [Initial] [Extended] | \$ | \$ | % |
| [Incremental] | | | |
| [Other] Term | | | |
| Commitments/Loans | | | |

[7. Trade Date: _____]³

Effective Date: _____, 20____[TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

² Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

³ To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: _____
Name:
Title:

[NAME OF ASSIGNEE], as Assignee

By: _____
Name:
Title:

[Consented to and]⁴ Accepted:

JEFFERIES FINANCE LLC,
as Administrative Agent

By: _____
Name:
Title:

[Consented to:]⁵

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

⁴ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

⁵ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document (other than this Assignment and Acceptance), (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents (other than this Assignment and Acceptance) or any collateral thereunder, (iii) the financial condition of Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by Holdings, the Borrower, any of its respective Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is not a Disqualified Lender and it meets all the requirements of an Eligible Assignee under the Credit Agreement (subject to such consents, if any, as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been afforded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.05 or Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase the Assigned Interest, (vii) it is not a Defaulting Lender, (viii) if it is not already a Lender under the Credit Agreement, attached to the Assignment and Acceptance is an Administrative Questionnaire in the form provided by the Administrative Agent and (viii) attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the Section 3.01 of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it

shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

[A] [The [Assignor/Assignee] is an Affiliated Lender and hereby represents and warrants that, as of the date hereof, neither the Sponsor nor any of its Affiliates nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its respective Subsidiaries or the securities of any of the foregoing that has not been disclosed to the [Assignor/Assignee] (other than because such [Assignor/Assignee] does not wish to receive material non-public information with respect to Holdings, the Borrower and its respective Subsidiaries or the securities of any of the foregoing) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material to, a Lender's decision to assign Term Loans to, or to acquire Term Loans from, such Affiliated Lender.]¹

[B] [The [Assignor/Assignee] is an Affiliated Lender and cannot represent and warrant that, as of the date hereof, neither the Sponsor nor any of its Affiliates nor any of their respective directors or officers has any material non-public information with respect to Holdings, the Borrower or any of its respective Subsidiaries or the securities of any of the foregoing that has not been disclosed to the [Assignor/Assignee] (other than because such [Assignor/Assignee] does not wish to receive material non-public information with respect to Holdings, the Borrower and its respective Subsidiaries or the securities of any of the foregoing) prior to such date to the extent such information could reasonably be expected to have a material effect upon, or otherwise be material to, a Lender's decision to assign Term Loans to, or to acquire Term Loans from, such Affiliated Lender.]

[C] ² [The Assignee is [an Affiliated Lender/Specified Debt Fund] and hereby confirms that (a) the assignment of the Assigned Interest hereunder complies with Section 10.04(k) of the Credit Agreement and (b) after giving effect to such assignment, (i) the aggregate principal amount of Term Loans held by Affiliated Lenders shall be \$[_____], which represents [_] %³ of the total aggregate principal amount of the Term Loans, and (ii) the aggregate principal amount of Term Loans held by Specified Debt Funds shall be \$[_____], which represents [_] %⁴ of the total aggregate principal amount of the Term Loans.]

[D] [The Assignee is an Affiliated Lender and hereby acknowledges and agrees that the Term Loans owned by it shall be non-voting under Sections 1126 and 1129 of the U.S. Bankruptcy Code in the event that any proceeding thereunder shall be instituted by or against the Borrower or any other Loan Party or, alternatively, to the extent that the foregoing non-voting designation is deemed unenforceable for any reason, the Assignee shall vote its interest as a

¹ If the Assignor or Assignee is an Affiliated Lender, include either [A] or [B].

² If the Assignee is an Affiliated Lender or a Specified Debt Fund, paragraph [C] may be included in the assignment or delivered by the Assignee to the Administrative Agent in a second duly executed writing.

³ Many not exceed 25%

⁴ May not exceed 49%.

Lender in such proceedings in the same proportion as the allocation of voting with respect to such matter by those Lenders who are not Affiliated Lenders.]⁵

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

⁵ If the Assignee is an Affiliated Lender, include [D].

[FORM OF] REQUEST FOR CREDIT EXTENSION

To: Jefferies Finance LLC
 as Administrative Agent
 520 Madison Avenue
 New York, New York 10022
 Attention: Surgery Center Holdings, Inc. Account Manager

[Date]

Ladies and Gentlemen:

Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The undersigned Borrower hereby requests (select one):

- A Borrowing of new Loans _____
- A conversion of Loans made on _____
- A continuation of Eurodollar Loans made on _____

to be made on the terms set forth below:

- (A) Class of Borrowing ¹ _____
- (B) Date of Borrowing, conversion or continuation (which is a Business Day) _____
- (C) Principal amount² _____
- (D) Type of Loan ³ _____

¹ Initial Term Loan, Incremental Term Loan, Other Term Loan or Extended Term Loan.
² Borrowing minimum of \$1,000,000 and borrowings also allowed in whole multiples of \$500,000, in excess thereof (except, with respect to any Incremental Term Loans or Other Term Loans, to the extent otherwise provided in the applicable Incremental Amendment or Refinancing Amendment).

(E) Interest Period and the last day thereof⁴ _____

(F) Location and number of the Borrower's account to which proceeds of Borrowings are to be disbursed: _____

[The undersigned Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, on and as of the date of the Borrowing set forth above, the conditions to lending specified in Section 4.01 of the Credit Agreement will be satisfied as of the date of the Borrowing set forth above.]⁵

[The undersigned Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, on and as of the date of the Borrowing set forth above, (i) the conditions to lending specified in Sections 4.01(a) and 4.01(b) of the Credit Agreement will have been waived by the Lenders holding a majority in principal amount with respect to the applicable Incremental Facility pursuant to and in accordance with the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and (ii) the condition to lending specified in Section 4.01(a) of the Credit Agreement with respect to the accuracy of the Specified Representations will have been waived by the Required Lenders pursuant to and in accordance with the second proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement.]⁶

[The undersigned Borrower hereby represents and warrants to the Administrative Agent and the Lenders that, on and as of the date of the Borrowing set forth above, (i) the conditions to lending specified in Sections 4.01(a) and 4.01(b) of the Credit Agreement will have been waived by the Lenders holding a majority in principal amount with respect to the applicable Incremental Facility pursuant to and in accordance with the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and (ii) the condition to lending specified in Section 4.01(a) of the Credit Agreement, solely with respect to the accuracy of the Specified Representations, will be satisfied.]⁷

³ Specify Eurodollar or ABR.

⁴ Applicable for Eurodollar Borrowings/Loans only.

⁵ Insert bracketed language if the Borrower is making a Request for Credit Extension (other than (i) a Request for Credit Extension requesting only a conversion of Loans to the other Type, or a continuation of Eurodollar Loans and (ii) any Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement) after the Closing Date.

⁶ Insert bracketed language if the Borrower is making a Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and the Required Lenders have waived the accuracy of the Specified Representations pursuant to the second proviso to such sentence.

⁷ Insert bracketed language if the Borrower is making a Request for Credit Extension under an Incremental Facility pursuant to the first proviso to the third to last sentence of Section 2.19(c) of the Credit Agreement and the Required Lenders have not waived the accuracy of the Specified Representations pursuant to the second proviso to such sentence.

By: _____
Name:
Title:

FORM OF SECURITY AGREEMENT

See attached.

D-1

SECOND LIEN SECURITY AGREEMENT

dated as of

November 3, 2014

among

SP HOLDCO I, INC.,
as Holdings,

SURGERY CENTER HOLDINGS, INC.,
as the Borrower,

THE OTHER GRANTORS PARTY HERETO FROM TIME TO TIME,

and

JEFFERIES FINANCE LLC,
as Collateral Agent

Table of Contents

| | <u>Page</u> |
|--|-------------|
| ARTICLE I Definitions | 1 |
| Section 1.01. Credit Agreement and UCC | 1 |
| Section 1.02. Other Defined Terms | 2 |
| ARTICLE II Pledge of Securities | 7 |
| Section 2.01. Pledge | 7 |
| Section 2.02. Delivery of the Pledged Collateral | 8 |
| Section 2.03. Representations, Warranties and Covenants | 9 |
| Section 2.04. Certification of Limited Liability Company and Limited Partnership Interests | 11 |
| Section 2.05. Registration in Nominee Name; Denominations | 11 |
| Section 2.06. Voting Rights; Dividends and Interest | 11 |
| Section 2.07. Collateral Agent Not a Partner or Limited Liability Company Member | 13 |
| ARTICLE III Security Interests in Personal Property | 14 |
| Section 3.01. Security Interest | 14 |
| Section 3.02. Representations and Warranties | 17 |
| Section 3.03. Covenants | 18 |
| Section 3.04. Other Actions | 20 |
| ARTICLE IV Special Provisions Concerning Intellectual Property Collateral | 22 |
| Section 4.01. Grant of License to Use Intellectual Property | 22 |
| Section 4.02. Protection of Collateral Agent's Security | 23 |
| ARTICLE V Remedies | 24 |
| Section 5.01. Remedies Upon Default | 24 |
| Section 5.02. Application of Proceeds | 27 |
| Section 5.03. Medicare / Medicaid | 27 |
| ARTICLE VI Indemnity, Subrogation and Subordination | 28 |
| ARTICLE VII Miscellaneous | 28 |
| Section 7.01. Notices | 28 |
| Section 7.02. Waivers; Amendment | 29 |
| Section 7.03. Collateral Agent's Fees and Expenses; Indemnification | 29 |
| Section 7.04. Successors and Assigns | 30 |
| Section 7.05. Survival of Agreement | 30 |
| Section 7.06. Counterparts; Effectiveness; Several Agreement | 31 |
| Section 7.07. Severability | 31 |
| Section 7.08. Reserved | 31 |
| Section 7.09. Governing Law | 31 |
| Section 7.10. Waiver of Right to Trial by Jury | 32 |

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Section 7.11. Headings | 33 |
| Section 7.12. Security Interest Absolute | 33 |
| Section 7.13. Termination or Release | 33 |
| Section 7.14. Additional Restricted Subsidiaries | 34 |
| Section 7.15. Collateral Agent Appointed Attorney-in-Fact | 34 |
| Section 7.16. General Authority of the Collateral Agent | 35 |
| Section 7.17. Recourse; Limited Obligations | 35 |
| Section 7.18. Mortgages | 36 |
| Section 7.19. Intercreditor Agreement | 36 |

SCHEDULES

| | |
|--------------|---|
| Schedule I | - Pledged Equity; Pledged Debt |
| Schedule II | - Letter-of-Credit Rights; Commercial Tort Claims |
| Schedule III | - Intellectual Property |

EXHIBITS

| | |
|-------------|--|
| Exhibit I | - Form of Security Agreement Supplement |
| Exhibit II | - Form of Perfection Certificate |
| Exhibit III | - Form of Grant of Security Interest in Trademarks |
| Exhibit IV | - Form of Grant of Security Interest in Patents |
| Exhibit V | - Form of Grant of Security Interest in Copyrights |

SECOND LIEN SECURITY AGREEMENT, dated as of November 3, 2014 (this “**Agreement**”), among SP HOLDCO I, Inc., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Grantors party hereto from time to time and JEFFERIES FINANCE LLC, as collateral agent (in such capacity, including any successor thereto and assignee thereof, the “**Collateral Agent**”) for the Secured Parties (as defined below).

Reference is made to the Second Lien Credit Agreement, dated as of the date hereof (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the “Credit Agreement”), among Holdings, the Borrower, the other Guarantors party thereto from time to time, the Lenders, and Jefferies Finance LLC, as Administrative Agent and Collateral Agent.

The Lenders have agreed to extend credit to the Borrower subject to the terms and conditions set forth in the Credit Agreement. The obligations of the Lenders to extend such credit are conditioned upon, among other things, the execution and delivery of this Agreement by each Grantor. The Grantors are affiliates of one another, will derive substantial direct and indirect benefits from the extensions of credit to the Borrower pursuant to the Credit Agreement, and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Credit Agreement and UCC

(a) Capitalized terms used in this Agreement, including the preamble and the introductory paragraphs hereto, and not otherwise defined herein have the meanings specified in the Credit Agreement.

(b) As used herein, each of the following terms has the meaning specified in the UCC (as defined herein):

| <u>Term</u> | <u>UCC Section</u> |
|------------------------|----------------------|
| Certificated Security | 8-102 |
| Chattel Paper | 9-102 |
| Commercial Tort Claim | 9-102 |
| Control | 9-104, 8-106 & 9-106 |
| Commodity Contract | 9-102 |
| Commodity Intermediary | 9-102 |
| Deposit Account | 9-102 |
| Document | 9-102 |
| Entitlement Holder | 8-102 |
| Entitlement Order | 8-102 |
| Financial Asset | 8-102 & 103 |
| Fixtures | 9-102 |

| <u>Term</u> | <u>UCC Section</u> |
|-------------------------|--------------------|
| Goods | 9-102 |
| Instrument | 9-102 |
| Inventory | 9-102 |
| Investment Property | 9-102 |
| Letter-of-Credit Right | 9-102 |
| Location | 9-307 |
| Money | 1-201 |
| Proceeds | 9-102 |
| Promissory Note | 9-102 |
| Securities Account | 8-501 |
| Securities Intermediary | 8-102 |
| Security Entitlement | 8-102 |
| Supporting Obligations | 9-102 |
| Uncertificated Security | 8-102 |

(c) The rules of construction specified in Article 1 of the Credit Agreement also apply to this Agreement.

Section 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Accommodation Payment” has the meaning assigned to such term in Article VI.

“Account(s)” means “accounts” as defined in Section 9-102 of the UCC, and also means a right to payment of a monetary obligation, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, or (c) arising out of the use of a credit or charge card or information contained on or for use with the card.

“Account Debtor” means any Person who is or who may become obligated to any Grantor under, with respect to or on account of an Account.

“After-Acquired Intellectual Property” has the meaning assigned to such term in Section 4.02(d).

“Agreement” means this Security Agreement.

“Allocable Amount” has the meaning assigned to such term in Article VI. “Article 9 Collateral” has the meaning assigned to such term in Section 3.01(a).

“Bankruptcy Event of Default” means any Event of Default under Sections 8.01(f) or (g) of the Credit Agreement, provided that, for the purposes of this Agreement only and notwithstanding Section 8.03 of the Credit Agreement, in determining whether such an Event of Default has occurred, any reference in any such clause to any Restricted Subsidiary or Loan Party shall be deemed not to include any Immaterial Subsidiary

affected by any event or circumstances referred to in any such clause (it being agreed that all Restricted Subsidiaries affected by any event or circumstance referred to in any such clause shall be considered together, as a single consolidated Restricted Subsidiary, for purposes of determining whether they constitute an Immaterial Subsidiary).

“Blue Sky Laws” has the meaning assigned to such term in Section 5.01.

“Closing Date Grantor” has the meaning assigned to such term in Section 2.02 of this Agreement.

“Collateral” means the Article 9 Collateral and the Pledged Collateral; provided that all references to “Collateral” in Section 5.02 shall, unless the context requires otherwise, also refer to Mortgaged Properties.

“Collateral Account” means any cash collateral account established by a Grantor pursuant to, or in connection with, any Loan Document, which cash collateral account shall be maintained with, and under the sole dominion and control of, the Collateral Agent for the benefit of the relevant Secured Parties.

“Commercial Software License(s)” means any non-exclusive license of commercially available (on non-discriminatory pricing terms) computer software to a Grantor from a commercial software provider (e.g., “shrink-wrap”, “browse-wrap” or “click-wrap” software licenses) or a license of freely available computer software from a licensor of free or open source software.

“Copyright License” means any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned by any Grantor or that such Grantor otherwise has the right to license, or granting any right to any Grantor under any Copyright now or hereafter owned by any third party, and all rights of such Grantor under any such agreement.

“Copyrights” means all of the following now owned or hereafter acquired by or assigned to any Grantor: (a) all copyright rights in any work subject to the copyright laws of the United States or any other country or group of countries, whether as author, assignee, transferee or otherwise, whether registered or unregistered and whether published or unpublished, (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule III, (c) all rights and privileges arising under applicable Law with respect to such Grantor’s use of such copyrights, (d) all renewals and extensions thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to the foregoing, including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) all rights to sue for past, present or future infringements thereof.

“Credit Agreement” has the meaning assigned to such term in the preliminary statement of this Agreement.

“Domain Names” means all Internet domain names and associated URL addresses in or to which any Grantor now or hereafter has any right, title or interest.

“Equipment” means (x) any “equipment” as such term is defined in Article 9 of the UCC and shall also include, but shall not be limited to, all machinery, equipment, furnishings, appliances, furniture, fixtures, tools, and vehicles now or hereafter owned by any Grantor in each case, regardless of whether characterized as equipment under the UCC and (y) any and all additions, substitutions and replacements of any of the foregoing and all accessions thereto, wherever located, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefore, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

“First Priority Obligations Payment Date” has the meaning assigned to such term in the Intercreditor Agreement.

“General Intangibles” has the meaning provided in Article 9 of the UCC and shall in any event include all choses in action and causes of action and all other intangible personal property of every kind and nature (other than Accounts) now owned or hereafter acquired by any Grantor, as the case may be, including corporate or other business records, indemnification claims, contract rights (including rights under leases, whether entered into as lessor or lessee, Swap Contracts and other agreements), goodwill, registrations, franchises, tax refund claims and any letter of credit, guarantee, claim, security interest or other security held by or granted to any Grantor.

“Grant of Security Interest” means a Grant of Security Interest in certain Intellectual Property Collateral in the form of Exhibit III, IV or V attached hereto.

“Grantor” means Holdings, the Borrower and each other Guarantor.

“Intellectual Property” means all intellectual and similar property of every kind and nature now owned or hereafter acquired by any Grantor, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, confidential or proprietary technical and business information, know how, show how or other data or information, software, databases, all other proprietary information, including but not limited to Domain Names, and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

“Intellectual Property Collateral” means Collateral consisting of Intellectual Property.

“License” means any Patent License, Trademark License, Copyright License, Commercial Software License or other license or sublicense agreement granting rights under Intellectual Property to which any Grantor is a party, including those listed on Schedule III.

“Medicare” shall mean that government-sponsored benefits program under Title XVIII of the Social Security Act that provides for a health insurance system for eligible elderly and disabled individuals (Social Security Act of 1965, Title XVIII, P.L. 89-87 as amended; 42 U.S.C. § 1395 et seq.).

“Medicaid” shall mean that means-tested benefits program under Title XIX of the Social Security Act that provides federal grants to states for medical assistance based on specific eligibility criteria (Social Security Act of 1965, Title XIX, P.L. 89-87, as amended; 42 U.S.C. § 1396 et seq.).

“Patent License” means any written agreement, now or hereafter in effect, granting to any third party any right to develop, commercialize, import, make, have made, offer for sale, use or sell any invention on which a Patent, now or hereafter owned by any Grantor or that any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any such right with respect to any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

“Patents” means all of the following now owned or hereafter acquired by any Grantor: (a) all letters patent of the United States or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or the equivalent thereof in any other country or group of countries, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule III, (b) all rights and privileges arising under applicable Law with respect to such Grantor’s use of any patents, (c) all inventions and improvements described and claimed therein, (d) all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to any of the foregoing including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) rights to sue for past, present or future infringements thereof.

“Perfection Certificate” means a certificate substantially in the form of Exhibit II, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by any Responsible Officer of the Borrower.

“Pledged Collateral” has the meaning assigned to such term in Section 2.01.

“Pledged Debt” has the meaning assigned to such term in Section 2.01.

“Pledged Equity” has the meaning assigned to such term in Section 2.01.

“Pledged Securities” means any Promissory Notes, stock certificates or other Securities, certificates or Instruments now or hereafter included in the Pledged Collateral, including all Pledged Equity, Pledged Debt and all other certificates, instruments or other documents representing or evidencing any Pledged Collateral.

“Secured Credit Document” means each Loan Document.

“Secured Obligations” means the “Obligations” as defined in the Credit Agreement; it being acknowledged and agreed that the term “Secured Obligations” as used herein shall include each extension of credit under the Credit Agreement; provided that the Secured Obligations shall not include Excluded Swap Obligations (as defined in Section 1.13(c) of the Credit Agreement).

“Secured Parties” means the holders from time to time of the Secured Obligations.

“Securities Act” has the meaning assigned to such term in Section 5.01.

“Security” means a “security” as such term is defined in Article 8 of the UCC and, in any event, shall include any stock, shares, partnership interests, voting trust certificates, certificates of interest or participation in any profit sharing agreement or arrangement, options, warrants, bonds, debentures, notes, or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as “securities” or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing.

“Security Agreement Supplement” means an instrument substantially in the form of Exhibit I hereto.

“Security Interest” has the meaning assigned to such term in Section 3.01(a).

“Trademark License” means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned by any Grantor or that any Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

“Trademarks” means all of the following now owned or hereafter acquired by any Grantor: (a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, the goodwill of the business symbolized thereby or associated therewith, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule III, (b) all rights and privileges arising under applicable Law with respect to such Grantor’s use of any trademarks, (c) all extensions and renewals thereof and amendments thereto, (d) all income, fees, royalties, damages and payments now and hereafter due and/or payable with respect to any of the foregoing, including damages, claims and payments for past, present or future infringements thereof, (e) all rights corresponding thereto throughout the world and (f) all rights to sue for past, present and future infringements or dilutions thereof or other injuries thereto.

“UCC” means the Uniform Commercial Code as the same may from time to time be in effect in the State of New York; provided that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or

the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

"UFCA" has the meaning assigned to such term in Article VI.

"UFTA" has the meaning assigned to such term in Article VI.

ARTICLE II

Pledge of Securities

Section 2.01. Pledge. As security for the payment or performance, as the case may be, in full of the Secured Obligations, each Grantor hereby assigns and pledges to the Collateral Agent, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, for the benefit of the Secured Parties, a continuing security interest in, all of such Grantor's right, title and interest in, to and under (i) all Equity Interests held by it (including those Equity Interests listed on Schedule I) and any other Equity Interests obtained in the future by such Grantor and the certificates representing all such Equity Interests (the "Pledged Equity"); provided that (A) the Pledged Equity shall not include more than 65% of any class of voting Equity Interests of (x) each Foreign Subsidiary and (y) each Domestic Subsidiary that is a disregarded entity for U.S. federal income tax purposes substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries, (B) the Pledged Equity shall not include the Equity Interests of any Subsidiary that conducts no business and has assets with a fair market value of less than \$2,000,000 if the Borrower elects to exclude such Equity Interests from the Pledged Equity and (C) the Pledged Equity shall not include Margin Stock or Equity Interests in any joint venture or in any Subsidiary that is not a wholly owned Restricted Subsidiary of the Borrower (but shall include Proceeds thereof), but only to the extent that the creation of a security interest in such Equity Interests is prohibited or restricted by the Organization Documents of such joint venture or Subsidiary or by any contractual restriction contained in any agreement with third party holders of other Equity Interests in such joint venture or Subsidiary which holders are not Affiliates of the Borrower (except to the extent any such prohibition or restriction is deemed ineffective under the UCC or other applicable Law); (ii)(A) the Promissory Notes and any Instruments evidencing indebtedness owned by it listed opposite the name of such Grantor on Schedule I and (B) any Promissory Notes and Instruments evidencing indebtedness obtained in the future by such Grantor (collectively, the Promissory Notes and Instruments referred to in clauses (A) and (B), the "Pledged Debt"); (iii) all other property that may be delivered to and held by the Collateral Agent pursuant to the terms of this Section 2.01; (iv) subject to Section 2.06, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon the conversion of, and all other Proceeds received in respect of, the securities referred to in clauses (i), (ii) and (iii) above; (v) subject to Section 2.06, all rights and privileges of such Grantor with respect to the securities and other property referred to in clauses (i), (ii), (iii) and (iv) above; and (vi) all Proceeds of, and Security Entitlements in respect of, any of the foregoing (the items referred to in clauses (i) through (vi) above being collectively referred to as the "Pledged Collateral"). Notwithstanding the foregoing, if after the

date hereof any Grantor shall acquire any Equity Interest (1) in which a pledge is prohibited or restricted by applicable law or requires the consent of any Governmental Authority or third party, (2) to the extent a pledge of such Equity Interest would result in material adverse tax consequences as reasonably determined by the Borrower in consultation with the Administrative Agent or (3) in circumstances where the cost of obtaining a pledge of such Equity Interest exceeds the practical benefit to the Lenders afforded thereby as reasonably determined between the Borrower and the Collateral Agent, then such Equity Interest shall not be included in the Pledged Collateral.

TO HAVE AND TO HOLD the Pledged Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, for the benefit of the applicable Secured Parties, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

Section 2.02. Delivery of the Pledged Collateral

(a) On the Closing Date (in the case of any Grantor that grants a Lien on any of its assets hereunder on the Closing Date (each, a "Closing Date Grantor")) or on the date on which it signs and delivers its first Security Agreement Supplement (in the case of any other Grantor), each Grantor shall deliver or cause to be delivered to the Collateral Agent, for the benefit of the Secured Parties, any and all Pledged Securities (other than any Uncertificated Securities, but only for so long as such Securities remain uncertificated), subject, in the case of Promissory Notes and Instruments evidencing Indebtedness, to the extent such Pledged Securities are required to be delivered pursuant to Section 2.02(b). Thereafter, whenever such Grantor acquires any other Pledged Security (other than any Uncertificated Securities, but only for so long as such Uncertificated Securities remain uncertificated), such Grantor shall promptly deliver or cause to be delivered to the Collateral Agent such Pledged Security as Collateral hereunder, subject, in the case of Promissory Notes and Instruments evidencing Indebtedness, to the extent such Pledged Securities are required to be delivered pursuant to Section 2.02(b).

(b) Each Grantor will cause (i) all indebtedness of Holdings, the Borrower and each other Guarantor that, in each case, is owing to such Grantor to be evidenced by an Intercompany Note, (ii) such Intercompany Note to be pledged and delivered to the Collateral Agent pursuant to the terms hereof and (iii) any Indebtedness for borrowed money having an aggregate principal amount equal to or in excess of \$5,000,000 owed to such Grantor by any Person (other than the Borrower or a Restricted Subsidiary) to be evidenced by a duly executed Promissory Note that is pledged and delivered to the Collateral Agent, for the benefit of the applicable Secured Parties, pursuant to the terms hereof.

(c) Upon delivery to the Collateral Agent, (i) any Pledged Securities shall be accompanied by undated stock powers duly executed in blank or other instruments of transfer reasonably satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request and (ii) all other property comprising part of the Pledged Collateral shall be accompanied by proper instruments of assignment duly executed by the applicable Grantor and such other instruments or documents as the Collateral Agent may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing such Pledged Securities, which schedule shall be deemed to supplement Schedule I and be made a part hereof; provided that failure to attach any such schedule hereto shall not affect the validity of such pledge of such Pledged Securities. Each schedule so delivered shall supplement any prior schedules so delivered.

(d) Notwithstanding the foregoing, to the extent that any Closing Date Grantor does not or cannot deliver any Pledged Collateral (other than Pledged Collateral consisting of the Equity Interests of the Borrower or any wholly-owned Domestic Subsidiary of the Borrower) on the Closing Date notwithstanding its use of commercially reasonable efforts to do so, such Closing Date Grantor shall not be required to deliver such Pledged Collateral until the date that is 90 days following the Closing Date (or such longer period as the Collateral Agent may agree).

(e) The assignment, pledge and security interest granted in Section 2.01 are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Pledged Collateral.

Section 2.03. Representations, Warranties and Covenants

Each Grantor represents, warrants and covenants, as to itself and the other Grantors, to and with the Collateral Agent, for the benefit of the Secured Parties, that:

(a) Schedule I correctly sets forth, as of the Closing Date and as of each date on which a supplement to Schedule I is delivered pursuant to Section 2.02(c), the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Equity and includes all Equity Interests, Promissory Notes and Instruments required to be pledged hereunder in order to satisfy the Collateral and Guarantee Requirement;

(b) the Pledged Equity issued by the Borrower or a wholly owned Restricted Subsidiary and the Pledged Debt (solely with respect to Pledged Debt issued by a Person other than the Borrower or a wholly-owned Restricted Subsidiary of the Borrower, to the best of the Borrower's knowledge) have been duly and validly authorized and issued by the issuers thereof and (i) in the case of Pledged Equity (other than Pledged Equity consisting of limited liability company interests or partnership interests which, pursuant to the relevant organizational or formation documents, cannot be fully paid and non-assessable), are fully paid and nonassessable and (ii) in the case of Pledged Debt (solely with respect to Pledged Debt issued by a Person other than the Borrower or a wholly-owned Restricted Subsidiary of the Borrower, to the best of the Borrower's knowledge), are legal, valid and binding obligations of the issuers thereof, subject to applicable Debtor Relief Laws and general principles of equity;

(c) each Grantor (i) owns the Pledged Securities indicated on Schedule I as owned by such Grantor free and clear of all Liens, other than (A) Liens created by the Collateral Documents and (B) Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement, and (ii) will defend its title or interest thereto or therein against any and all Liens (other than the Liens permitted pursuant to this Section 2.03(c)), however, arising, of all Persons whomsoever;

(d) (i) except for (x) restrictions and limitations imposed by the Loan Documents or securities laws generally or Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement and (y) in the case of Pledged Equity of Persons that are not Subsidiaries, transfer restrictions that exist at the time of acquisition of Equity Interests in such Persons, and (ii) except as described in the Perfection Certificate, the Pledged Collateral is and will continue to be freely transferable and assignable, and none of the Pledged Collateral is or will be subject to any option, right of first refusal, shareholders agreement, charter or by-law provisions or contractual restriction of any nature that would prohibit, impair, delay or otherwise affect in any manner material and adverse to the Secured Parties the pledge of such Pledged Collateral hereunder, the sale or disposition thereof pursuant hereto or the exercise by the Collateral Agent of rights and remedies hereunder;

(e) each of the Grantors has the power and authority to pledge the Pledged Collateral pledged by it hereunder in the manner hereby done or contemplated;

(f) no consent or approval of any Governmental Authority, any securities exchange or any other Person was or is necessary to the validity and perfection of the pledge effected hereby (other than such as have been obtained and are in full force and effect);

(g) by virtue of the execution and delivery by the Grantors of this Agreement, when any Pledged Securities are delivered to the Collateral Agent in accordance with this Agreement, the Collateral Agent will obtain a legal, valid and, to the extent governed by the UCC, second-priority (subject to the provisions of the Intercreditor Agreement and any Liens permitted pursuant by Section 7.01 of the Credit Agreement other than Liens securing Third Lien Indebtedness, Permitted Third Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing) perfected lien upon and security interest in such Pledged Securities as security for the payment and performance of the Secured Obligations; and

(h) the pledge effected hereby is effective to vest in the Collateral Agent, for the benefit of the Secured Parties, the rights of the Collateral Agent in the Pledged Collateral as set forth herein.

Notwithstanding anything herein to the contrary, none of the Grantors shall be required: (i) other than in respect of Pledged Collateral constituting Certificated Securities, to perfect the security interests hereunder through "control" (including for the avoidance of doubt, to enter into any deposit account control agreement, securities account control agreement or any other control agreement with respect to any deposit account, securities account or any other Collateral that requires perfection by "control" other than the Collateral Account), (ii) to perfect by possession of Promissory Notes or any other Instruments evidencing an amount not in excess of \$5,000,000 and (iii) to take any actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction to create any security interests in assets located or titled outside of the U.S. or to perfect any security interest in such assets (it being understood that there shall be no security agreements or pledge agreements governed under the laws of any non-U.S. jurisdiction).

Section 2.04. Certification of Limited Liability Company and Limited Partnership Interests

Each Grantor acknowledges and agrees that, to the extent any interest in any limited liability company or limited partnership controlled by any Grantor and pledged under Section 2.01 is a “security” within the meaning of Article 8 of the UCC and is governed by Article 8 of the UCC, such interest shall be represented by a certificate. Each Grantor further acknowledges and agrees that, with respect to any interest in any limited liability company or limited partnership controlled on or after the date hereof by such Grantor and pledged hereunder that is not a “security” within the meaning of Article 8 of the UCC, such Grantor shall at no time elect to treat any such interest as a “security” within the meaning of Article 8 of the UCC, nor shall such interest be represented by a certificate, unless such election and such interest is thereafter represented by a certificate that is promptly delivered to the Collateral Agent pursuant to the terms hereof.

Section 2.05. Registration in Nominee Name; Denominations

If an Event of Default shall occur and be continuing and the Collateral Agent shall give the Borrower notice of its intent to exercise such rights, (a) the Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to cause each of the Pledged Securities to be transferred of record into the name of the Collateral Agent and (b) the Collateral Agent shall have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any purpose consistent with this Agreement; provided that, notwithstanding the foregoing, if a Bankruptcy Event of Default shall have occurred and be continuing, the Collateral Agent shall not be required to give the notice referred to above in order to exercise the rights described above. Each Grantor will promptly give to the Collateral Agent copies of any material notices received by it with respect to Pledged Securities registered in the name of such Grantor. Each Grantor will take any and all actions reasonably requested by the Collateral Agent to facilitate compliance with this Section 2.05.

Section 2.06. Voting Rights; Dividends and Interest

(a) Unless and until an Event of Default shall have occurred and be continuing and the Collateral Agent shall have notified the Borrower that the rights of the Grantors under this Section 2.06 are being suspended:

(i) Each Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Credit Agreement and the other Loan Documents; provided that such rights and powers shall not be exercised in any manner that could materially and adversely affect the rights inuring to a holder of any Pledged Securities or the rights and remedies of any of the Collateral Agent or the other Secured Parties under this Agreement, the Credit Agreement or any other Loan Document or the ability of the Secured Parties to exercise the same.

(ii) The Collateral Agent shall promptly execute and deliver to each Grantor, or cause to be executed and delivered to such Grantor, all such proxies, powers of attorney and other instruments as such Grantor may reasonably request in writing for the purpose of enabling such Grantor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to Section 2.06(a)(i), in each case as shall be specified in such request and be in form and substance reasonably satisfactory to the Collateral Agent.

(iii) Each Grantor shall be entitled to receive and retain any and all dividends, interest, principal and other distributions paid on or distributed in respect of the Pledged Securities, to the extent (and only to the extent) that such dividends, interest, principal and other distributions are permitted by, and otherwise paid or distributed in accordance with, the terms and conditions of the Credit Agreement, the other Loan Documents and applicable Laws; provided that any noncash dividends, interest, principal or other distributions that would constitute Pledged Equity or Pledged Debt, whether resulting from a subdivision, combination or reclassification of the outstanding Equity Interests of the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Pledged Collateral and, if received by any Grantor, shall not be commingled by such Grantor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and the applicable Secured Parties and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement reasonably requested by the Collateral Agent). So long as no Event of Default has occurred and is continuing, the Collateral Agent shall promptly deliver to each Grantor any Pledged Securities in its possession if requested to be delivered to the issuer thereof in connection with any exchange or redemption of such Pledged Securities.

(b) Upon the occurrence and during the continuance of an Event of Default, after the Collateral Agent shall have notified the Borrower of the suspension of the rights of the Grantors under Section 2.06(a)(iii), then all rights of any Grantor to dividends, interest, principal or other distributions that such Grantor is authorized to receive pursuant to Section 2.06(a)(iii) shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to receive and retain such dividends, interest, principal or other distributions. All dividends, interest, principal or other distributions received by any Grantor contrary to the provisions of this Section 2.06 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of such Grantor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsement reasonably requested by the Collateral Agent). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this Section 2.06(b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 5.02. After all Events of Default have been cured or waived and, other than in the case of a waiver of which the Collateral Agent is aware, the Borrower has delivered to the Collateral Agent a certificate executed by a Responsible Officer of the Borrower to such effect, the Collateral Agent shall promptly repay to each Grantor (without interest) all dividends, interest, principal or other distributions that such Grantor would otherwise be permitted to retain pursuant to the terms of Section 2.06(a)(iii) in the absence of an Event of Default and that remain in such account.

(c) Upon the occurrence and during the continuance of an Event of Default, after the Collateral Agent shall have notified the Borrower of the suspension of the rights of the Grantors under Section 2.06(a)(i), then all rights of any Grantor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to Section 2.06(a)(i), and the obligations of the Collateral Agent under Section 2.06(a)(ii), shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers; provided that, unless otherwise directed by the Required Lenders, the Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Grantors to exercise such rights. After all Events of Default have been cured or waived and, other than in the case of a waiver of which the Collateral Agent is aware, the Borrower has delivered to the Collateral Agent a certificate executed by a Responsible Officer of the Borrower to such effect, each Grantor shall have the exclusive right to exercise the voting and/or consensual rights and powers that such Grantor would otherwise be entitled to exercise pursuant to the terms of Section 2.06(a)(i), and the obligations of the Collateral Agent under Section 2.06(a)(ii) shall be reinstated.

(d) Any notice given by the Collateral Agent to the Borrower suspending the rights of the Grantors under Section 2.06(a)(i) shall be given in writing, (ii) may be given with respect to one or more of the Grantors at the same or different times, (iii) may suspend the rights of the Grantors under Section 2.06(a)(i) or (iii) in part without suspending all such rights (as specified by the Collateral Agent in its sole and absolute discretion) and without waiving or otherwise affecting the Collateral Agent's rights to give additional notices from time to time suspending other rights so long as an Event of Default has occurred and is continuing. Notwithstanding anything to the contrary contained in Section 2.06(a), (b) or (c), if a Bankruptcy Event of Default shall have occurred and be continuing, the Collateral Agent shall not be required to give any notice referred to in said Section in order to exercise any of its rights described in such Section, and the suspension of the rights of each of the Grantors under each such Section shall be automatic upon the occurrence of such Bankruptcy Event of Default and (iv) shall be given in accordance with the Intercreditor Agreement.

Section 2.07. Collateral Agent Not a Partner or Limited Liability Company Member

Nothing contained in this Agreement shall be construed to make the Collateral Agent or any other Secured Party liable as a member of any limited liability company or as a partner of any partnership and neither the Collateral Agent nor any other Secured Party by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a member of any limited liability company or as a partner in any partnership. The parties hereto expressly agree that, unless the Collateral Agent shall become the absolute owner of Pledged Equity consisting of a limited liability company interest or a partnership interest pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Collateral Agent, any other Secured Party, any Grantor and/or any other Person.

ARTICLE III

Security Interests in Personal Property

Section 3.01. Security Interest

(a) As security for the payment or performance, as the case may be, in full of the Secured Obligations, each Grantor hereby assigns and pledges to the Collateral Agent, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, for the benefit of the Secured Parties, a continuing security interest (the "Security Interest") in, all of such Grantor's right, title and interest in, to and under any and all of the following assets and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Article 9 Collateral"):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Documents;
- (iv) all Equipment;
- (v) all General Intangibles;
- (vi) all Instruments;
- (vii) all Inventory;
- (viii) all Investment Property;
- (ix) all books and records pertaining to the Article 9 Collateral;
- (x) all Goods Fixtures and other personal property of such Grantor, whether tangible or intangible and wherever located;
- (xi) all Money, cash, cash equivalents and Deposit Accounts;
- (xii) all Letter-of-Credit Rights described on Schedule II from time to time;
- (xiii) all Commercial Tort Claims described on Schedule II from time to time;
- (xiv) each Collateral Account, and all cash, Money, Securities and other investments deposited therein;
- (xv) all Supporting Obligations;

(xvi) all Security Entitlements in any or all of the foregoing;

(xvii) all Intellectual Property; and

(xviii) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing (including proceeds of all insurance policies) and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided that (i) any applications in the United States Patent and Trademark Office to register Trademarks or service marks on the basis of any Grantor's "intent to use" such Trademarks or service marks will not be deemed to be Collateral unless and until a "Statement of Use" or "Amendment to Allege Use" has been filed and accepted in the United States Patent and Trademark Office (solely to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such "intent to use" application under applicable federal law), whereupon such application shall be automatically subject to the security interest granted herein and deemed to be included in the Collateral and (ii) notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute a grant of a security interest in or a pledge of (A) more than 65% of any class of voting Equity Interests of any Foreign Subsidiary, (B) more than 65% of any class of voting Equity Interests of any Domestic Subsidiary that is a disregarded entity for U.S. federal income tax purposes substantially all of the assets of which consist of Equity Interests or Indebtedness of one or more Foreign Subsidiaries, (C) the Equity Interests of any Subsidiary that conducts no business and has assets with a fair market value of less than \$2,000,000 if the Borrower elects to exclude such Equity Interests from the Pledged Equity, (D) any specifically identified asset with respect to which (1) the grant of a security interest in such asset would result in material adverse tax consequences as reasonably determined by the Borrower in consultation with the Administrative Agent or (2) the cost of obtaining a security interest in such asset exceeds the practical benefit to the Lenders afforded thereby as reasonably determined between the Borrower and the Administrative Agent, (E) any particular asset, if the pledge thereof or the security interest therein is prohibited or restricted by applicable Law or would require, to the extent commercially reasonable efforts have been made to obtain the same, the consent of any Governmental Authority or third party to such pledge or security interest, unless such consent has been obtained, and so long as, in the case where such pledge or security interest is limited by contract, such limitation is otherwise permitted under the Credit Agreement, (F) Margin Stock and Equity Interests in any joint venture (with any party other than the Borrower or any Guarantor) or any Subsidiary that is not a wholly owned Restricted Subsidiary, other than Proceeds thereof, but only to the extent that the creation of a security interest in such Equity Interests is prohibited or restricted by the Organizational Documents of such joint venture or Subsidiary or by any contractual restriction contained in any agreement with third party holders of the other Equity Interests in such joint venture or Subsidiary which holders are not Affiliates of the Borrower (except to the extent any such prohibition or restriction is deemed ineffective under the UCC or other applicable Law), (G) any lease, license or agreement or any property subject to a purchase money security interest or similar arrangement to the extent that a grant of a security interest therein would violate or invalidate such lease, license or agreement or purchase money or similar arrangement or create a right of termination in favor of any other party thereto (other than the Borrower or any Guarantor) after giving effect to the applicable

anti-assignment provisions of the UCC or other applicable Law, other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under the UCC or other applicable Law notwithstanding such prohibition or restriction, (H) any governmental licenses or state or local franchises, charters and authorizations, to the extent security interests in such licenses, franchises, charters or authorizations are prohibited or restricted thereby (except to the extent such prohibition or restriction is rendered ineffective under the UCC), (except that cash Proceeds of dispositions thereof in accordance with applicable Law (including, without limitation, rules and regulations of any Governmental Authority) shall constitute Collateral), provided that Collateral shall include to the maximum extent permitted by applicable Law all rights incident or appurtenant to such licenses, property and assets (except to the extent any Lien on such asset in favor of the Collateral Agent requires consent, approval or authorization from any Governmental Authority) and the right to receive all Proceeds realized from the sale, assignment or transfer of such licenses, property and assets, (I) any fee-owned real property (but not any property located thereon that is not real property) that does not constitute Material Real Property and any leasehold interest in real property (but not any property located thereon that is not real property), (J) motor vehicles, airplanes and other assets subject to certificates of title, (K) Letter-of-Credit Rights of less than \$5,000,000 (other than to the extent consisting of supporting obligations that can be perfected solely by the filing of a UCC financing statement), (L) any Commercial Tort Claim in an amount (taking the greater of the aggregate claimed damages thereunder or the reasonably estimated value thereof) of less than \$5,000,000 and (M) the Indemnity Escrow Account and any amounts on deposit thereon. Each Grantor shall, if requested to do so by the Collateral Agent, use commercially reasonable efforts to obtain any such required consent that is reasonably obtainable with respect to Collateral which the Collateral Agent reasonably determines to be material.

(b) Each Grantor hereby irrevocably authorizes the Collateral Agent for the benefit of the Secured Parties at any time and from time to time to file in any relevant jurisdiction any financing statements or continuation statements (including fixture filings) with respect to the Collateral or any part thereof and amendments thereto that (i) indicate the Collateral as all assets or all personal property of such Grantor or words of similar effect and (ii) contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment, including (A) whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor and (B) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Collateral relates. Each Grantor agrees to provide such information to the Collateral Agent promptly upon request.

(c) The Security Interest is granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Article 9 Collateral.

(d) Each Grantor hereby further authorizes the Collateral Agent to file a Grant of Security Interest substantially in the form of Exhibit III, IV or V, as applicable, covering Intellectual Property Collateral with the United States Patent and Trademark Office or United States Copyright Office (or any successor office), as applicable, and such other documents as may be necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted by such Grantor hereunder, without the signature of such Grantor, and naming such Grantor, as debtor, and the Collateral Agent, as secured party.

Section 3.02. Representations and Warranties

Each Grantor represents and warrants, as to itself and the other Grantors, to the Collateral Agent, for the benefit of the Secured Parties, that:

(a) Each Grantor has good and valid rights (not subject to any Liens other than Liens permitted by Section 7.01 of the Credit Agreement) and/or good and marketable title in the Article 9 Collateral with respect to which it has purported to grant a Security Interest hereunder (which rights and/or title, are in any event, sufficient under Section 9-203 of the UCC), and has full power and authority to grant to the Collateral Agent the Security Interest in such Article 9 Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval that has been obtained.

(b) The Perfection Certificate has been duly executed and delivered to the Collateral Agent and the information set forth therein, including the exact legal name of each Grantor and its jurisdiction of organization, is correct and complete in all material respects as of the Closing Date. The UCC financing statements (including fixture filings, as applicable) prepared by the Collateral Agent based upon the information provided to the Collateral Agent in the Perfection Certificate for filing in each governmental, municipal or other office specified in Section I.A. of the Perfection Certificate (or specified by notice from the applicable Grantor to the Collateral Agent after the Closing Date in the case of filings, recordings or registrations required by Section 6.11 of the Credit Agreement), are all the filings, recordings and registrations (other than any filings required to be made in the United States Patent and Trademark Office, the United States Copyright Office in order to perfect the Security Interest in Article 9 Collateral consisting of Intellectual Property) that are necessary to establish a legal, valid and perfected security interest in favor of the Collateral Agent (for the benefit of the Secured Parties) in respect of all Article 9 Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration with respect to such Article 9 Collateral is necessary in any such jurisdiction, except as provided under applicable Law with respect to the filing of continuation statements. Each Grantor represents and warrants that, as of the Closing Date, fully executed Grants of Security Interest in the form attached as Exhibit III, IV or V, as applicable, containing a description of all Intellectual Property Collateral consisting of Patents (and Patents for which applications are pending), registered Trademarks (and Trademarks for which registration applications are pending) or registered Copyrights (and Copyrights for which registration applications are pending), as applicable, have been delivered to the Collateral Agent for recording by the United States Patent and Trademark Office or the United States Copyright Office, as applicable, pursuant to 35 U.S.C. § 261, 15 U.S.C. § 1060 or 17 U.S.C. § 205 and the regulations thereunder.

(c) The Security Interest constitutes (i) a legal and valid security interest in all the Article 9 Collateral securing the payment and performance of the Secured Obligations, (ii) subject to the filings described in Section 3.02(b), a perfected security interest in all Article 9 Collateral in which a security interest may be perfected by filing, recording or registering a financing statement in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the UCC and (iii) a security interest that shall be perfected in all Article 9 Collateral in which a security interest may be perfected upon the receipt and recording of the relevant Grants of Security Interest with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three month period (commencing as of the date hereof) pursuant to 35 U.S.C. § 261 or 15 U.S.C. § 1060 or the one month period (commencing as of the date hereof) pursuant to 17 U.S.C. § 205. The Security Interest is and shall be prior to any other Lien on any of the Article 9 Collateral, other than Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement (other than Liens securing Third Lien Indebtedness, Permitted Third Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing).

(d) The Article 9 Collateral is owned by the Grantors free and clear of any Lien, except for Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement. None of the Grantors has filed or consented to the filing of (i) any financing statement or analogous document under the UCC or any other applicable Laws covering any Article 9 Collateral, (ii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with the United States Patent and Trademark Office or the United States Copyright Office, or (iii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement.

(e) All (i) Commercial Tort Claims of each Grantor where the amount of damages claimed by such Grantor is in excess of \$5,000,000 and (ii) Letter-of-Credit Rights of in excess of \$5,000,000, in each case in existence on the date of this Agreement (or on the date upon which such Grantor becomes a party to this Agreement), are described on Schedule II hereto.

Section 3.03. Covenants

(a) The Borrower agrees to promptly (and in any event within 30 calendar days thereafter, other than in the case of a change in Location, in which case, five days prior written notice (or such later date as the Collateral Agent may agree in its reasonable discretion) shall be given to the Collateral Agent) notify the Collateral Agent in writing of any change (i) in the legal name of any Grantor, (ii) in the identity or type of organization or corporate structure of any Grantor, (iii) in the jurisdiction of organization of any Grantor, (iv) in the Location of any Grantor or (v) in the organizational identification number of any Grantor. The Grantors agree not to effect or permit any change referred to in the preceding sentence unless all filings, publications and registrations have been made (or will be made in a timely fashion) under the UCC or any other applicable Law that are required in order for the Collateral Agent to continue at all times following such change to have a valid, legal and first-priority (subject only to Liens expressly permitted pursuant to Section 7.01 of the Credit Agreement (other than Liens securing

Third Lien Indebtedness, Permitted Third Priority Refinancing Debt or any Permitted Refinancing of any of the foregoing)) perfected security interest in all Article 9 Collateral. In addition, if any Grantor does not have an organizational identification number on the Closing Date (or the date such Grantor becomes a party to this Agreement) and later obtains one, the Borrower shall promptly thereafter notify the Collateral Agent of such organizational identification number and shall take all actions reasonably satisfactory to the Collateral Agent to the extent necessary to maintain the security interests (and the priority thereof) of the Collateral Agent in the Collateral intended to be granted hereby fully perfected and in full force and effect.

(b) Subject to Section 3.03(h), each Grantor shall, at its own expense, take any and all commercially reasonable actions necessary to defend title to the Article 9 Collateral against all Persons and to defend the Security Interest of the Collateral Agent in the Article 9 Collateral and the priority thereof against any Lien not expressly permitted pursuant to Section 7.01 of the Credit Agreement.

(c) Each year, at the time of delivery of annual financial statements with respect to the preceding fiscal year pursuant to Section 6.01 of the Credit Agreement, the Borrower shall deliver to the Collateral Agent a certificate executed by a Responsible Officer of the Borrower setting forth the information required pursuant to Sections I.A., I.B., II.A.1., II.A.4., and II.D. of the Perfection Certificate or confirming that there has been no change in such information since the date of such certificate or the date of the most recent certificate delivered pursuant to this Section 3.03(c).

(d) Subject to Section 3.03(h), each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agent may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith; provided that no Grantor shall be required to comply with the Assignment of Claims Act, any similar provision of the laws of any other jurisdiction or any laws, rules or regulations applicable to the assignment of any receivables or contract rights governed by Medicare or Medicaid. If any amount payable under or in connection with any of the Article 9 Collateral (other than by a Loan Party) that equals or exceeds \$5,000,000 shall be or become evidenced by any Promissory Note or Instrument, such Promissory Note or Instrument shall be promptly pledged and delivered to the Collateral Agent, for the benefit of the Secured Parties, duly endorsed in a manner reasonably satisfactory to the Collateral Agent.

(e) At its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Article 9 Collateral and not permitted pursuant to Section 7.01 of the Credit Agreement, and may pay for the maintenance and preservation of the Article 9 Collateral to the extent any Grantor fails to do so as required by the Credit Agreement or this Agreement and within a reasonable period of time after the Collateral Agent has requested that it do so, and each Grantor jointly and severally agrees to reimburse the Collateral Agent within 10 days after demand for any payment made or any reasonable expense incurred by the Collateral Agent

pursuant to the foregoing authorization. Nothing in this Section 3.03(e) shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

(f) If at any time any Grantor shall take a security interest in any property of an Account Debtor or any other Person the value of which equals or exceeds \$5,000,000 to secure payment and performance of an Account, such Grantor shall promptly assign such security interest to the Collateral Agent for the benefit of the applicable Secured Parties. Such assignment need not be filed of public record unless necessary to continue the perfected status of the security interest against creditors of and transferees from the Account Debtor or other Person granting the security interest.

(g) Each Grantor (rather than the Collateral Agent or any Secured Party) shall remain liable (as between itself and any relevant counterparty) to observe and perform all the conditions and obligations to be observed and performed by it under each contract agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the Secured Parties from and against any and all liability for such performance.

(h) Notwithstanding anything herein to the contrary, none of the Grantors shall be required: (i) other than in respect of Pledged Collateral constituting Certificated Securities of wholly owned Restricted Subsidiaries directly owned by Holdings, the Borrower or any Grantor, to perfect the security interests hereunder through "control" (including for the avoidance of doubt, to enter into any deposit account control agreement, securities account control agreement or any other control agreement with respect to any deposit account, securities account or any other Collateral that requires perfection by "control" other than the Collateral Account), (ii) to complete any filings or other action with respect to the perfection of the security interests, including of any Intellectual Property, created hereby in any jurisdiction outside of the United States or any State thereof, (iii) to perfect by possession of Promissory Notes or any other Instruments, in each case evidencing indebtedness not in excess of \$5,000,000, and (iv) to take any actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction to create any security interests in assets located or titled outside of the United States or to perfect any security interest in such assets, including any Intellectual Property registered in any non-U.S. jurisdiction (it being understood that there shall be no security agreements or pledge agreements governed under the laws of any non-U.S. jurisdiction).

Section 3.04. Other Actions

Each Grantor agrees to promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable, or that the Collateral Agent may reasonably request from time to time, in order to further insure the attachment, perfection and priority of, and the ability of the Collateral Agent to enforce, the Security Interest and the security interest granted under Article II, in each case at such Grantor's own expense. Without limiting the generality of the foregoing, each Grantor shall take the following actions with respect to the following Article 9 Collateral:

(a) Instruments. If any Grantor shall at any time hold or acquire any Instruments constituting Collateral and evidencing an amount equal to or in excess of \$5,000,000, such Grantor shall forthwith endorse, assign and deliver the same to the Collateral Agent for the benefit of the applicable Secured Parties, accompanied by such instruments of transfer or assignment duly executed in blank or otherwise acceptable to the Collateral Agent as the Collateral Agent may from time to time reasonably request.

(b) Investment Property. Except to the extent otherwise provided in Article II or in Section 3.03(h), if any Grantor shall at any time hold or acquire any Certificated Securities, such Grantor shall forthwith endorse, assign and deliver the same to the Collateral Agent for the benefit of the applicable Secured Parties, accompanied by such instruments of transfer or assignment duly executed in blank as the Collateral Agent may from time to time reasonably request. If any Securities now or hereafter acquired by any Grantor are uncertificated and are issued to such Grantor or its nominee directly by the issuer thereof, upon the Collateral Agent's request and following the occurrence of an Event of Default, such Grantor shall promptly notify the Collateral Agent thereof and, at the Collateral Agent's request, pursuant to an agreement in form and substance satisfactory to the Collateral Agent, either (but only to the extent such Securities and other Investment Property constitute Collateral) (i) cause the issuer to agree to comply with instructions from the Collateral Agent as to such Securities, without further consent of any Grantor or such nominee, or (ii) arrange for the Collateral Agent to become the registered owner of the Securities. If any Securities, whether certificated or uncertificated, or other Investment Property are held by any Grantor or its nominee through a Securities Intermediary or Commodity Intermediary, upon the Collateral Agent's request and following the occurrence of an Event of Default, such Grantor shall promptly notify the Collateral Agent thereof and at the Collateral Agent's request and option, pursuant to an agreement in form and substance satisfactory to the Collateral Agent shall either (i) cause such Securities Intermediary or (as the case may be) Commodity Intermediary to agree to comply with Entitlement Orders or other instructions from the Collateral Agent to such Securities Intermediary as to such Security Entitlements, or (as the case may be) to apply any value distributed on account of any Commodity Contract as directed by the Collateral Agent to such Commodity Intermediary, in each case without further consent of any Grantor or such nominee, or (ii) in the case of Financial Assets or other Investment Property held through a Securities Intermediary, arrange for the Collateral Agent to become the Entitlement Holder with respect to such Investment Property, with the Grantor being permitted, only with the consent of the Collateral Agent, to exercise rights to withdraw or otherwise deal with such Investment Property. The Collateral Agent agrees with each of the Grantors that the Collateral Agent shall not give any such Entitlement Orders or instructions or directions to any such issuer, Securities Intermediary or Commodity Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by any Grantor, unless an Event of Default has occurred and is continuing. The provisions of this Section 3.04(b) shall not apply to any Financial Assets credited to a Securities Account for which the Collateral Agent is the Securities Intermediary.

(c) Commercial Tort Claims. If any Grantor shall at any time after the date of this Agreement acquire a Commercial Tort Claim in an amount (taking the greater of the aggregate claimed damages thereunder or the reasonably estimated value thereof) of \$5,000,000 or more, such Grantor shall promptly notify the Collateral Agent thereof in a writing signed by such Grantor and provide supplements to Schedule II describing the details thereof and shall grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest therein and in the proceeds thereof, all upon the terms of this Agreement.

Special Provisions Concerning Intellectual Property CollateralSection 4.01. Grant of License to Use Intellectual Property

Without limiting the provisions of Section 3.01 hereof or any other rights of the Collateral Agent as the holder of a Security Interest in any Intellectual Property Collateral, for the purpose of enabling the Collateral Agent to exercise rights and remedies under this Agreement at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Collateral Agent an irrevocable, nonexclusive license (exercisable without payment of rent, royalty or other compensation to the Grantors) to use, license or sublicense any of the Intellectual Property Collateral now owned or hereafter acquired by such Grantor, and wherever the same may be located (whether or not any license agreement by and between any Grantor and any other Person relating to the use of such Intellectual Property Collateral may be terminated hereafter), and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, provided, however, that any license granted by the Collateral Agent to a third party shall include reasonable and customary terms necessary to preserve the existence, validity, and value of the affected Intellectual Property Collateral, including, without limitation, provisions requiring the continuing confidential handling of trade secrets, requiring the use of appropriate notices and prohibiting the use of false notices, protecting Trademarks in the manner set forth below (it being understood and agreed that, without limiting any other rights and remedies of the Collateral Agent under this Agreement, any other Loan Document or applicable Law, nothing in the foregoing license grant shall be construed as granting the Collateral Agent rights in and to such Intellectual Property Collateral above and beyond (x) the rights to such Intellectual Property Collateral that each Grantor has reserved for itself and (y) in the case of Intellectual Property Collateral that is licensed to any such Grantor by a third party, the extent to which such Grantor has the right to grant a sublicense to such Intellectual Property Collateral hereunder). The use of such license by the Collateral Agent may only be exercised, at the option of the Collateral Agent, during the continuance of an Event of Default; provided that any license, sublicense or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default. In the event the license set forth in this Section 4.01 is exercised with regard to any Trademarks, then the following shall apply: (i) all goodwill arising from any licensed or sublicensed use of any Trademark shall inure to the benefit of the Grantor; (ii) the licensed or sublicensed Trademarks shall only be used in association with goods or services of a quality and nature consistent with the quality and reputation with which such Trademarks were associated when used by Grantor prior to the exercise of the license rights set forth herein; and (iii) at the Grantor's request and expense, licensees and sublicensees shall provide reasonable cooperation in any effort by the Grantor to maintain the registration or otherwise secure the ongoing validity and effectiveness of such licensed Trademarks, including, without limitation the actions and conduct described in Section 4.02 below. The license granted to the Collateral Agent herein shall be inapplicable to

any Commercial Software License that constitutes Intellectual Property Collateral to the extent the applicable Grantor is prohibited by written agreement from granting a license in such Commercial Software License to the Collateral Agent, except to the extent such prohibition is ineffective (or deemed ineffective) under the UCC or other applicable Law.

Section 4.02. Protection of Collateral Agent's Security.

(a) Except to the extent permitted by Section 4.02(f) below, or to the extent that failure to act could not reasonably be expected to have a Material Adverse Effect, with respect to registration or pending application of each item of its Intellectual Property Collateral for which such Grantor has standing to do so, each Grantor agrees to take, at its expense, all steps, including, without limitation, in the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other Governmental Authority located in the United States to (i) maintain the validity and enforceability of any registered Intellectual Property Collateral and maintain such Intellectual Property Collateral in full force and effect, and (ii) pursue the prosecution, registration and maintenance of each Patent, Trademark, or Copyright registration or application, now or hereafter included in such Intellectual Property Collateral of such Grantor, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other Governmental Authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings.

(b) Except to the extent permitted by Section 4.02(f) below, or to the extent that failure to act could not reasonably be expected to have a Material Adverse Effect, no Grantor shall do or permit any act or knowingly omit to do any act whereby any of its Intellectual Property Collateral may lapse, be terminated, or become invalid or unenforceable or placed in the public domain (or in case of a trade secret, lose its competitive value).

(c) Except to the extent permitted by Section 4.02(f) below, or to the extent that failure to act could not reasonably be expected to have a Material Adverse Effect, each Grantor shall take all steps to preserve and protect each item of its Intellectual Property Collateral, including, without limitation, maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks abide by the applicable license's terms with respect to the standards of quality.

(d) Each Grantor agrees that, should it obtain an ownership or other interest in any Intellectual Property Collateral after the Closing Date (the "After-Acquired Intellectual Property") (i) the provisions of this Agreement shall automatically apply thereto, and (ii) any such After-Acquired Intellectual Property and, in the case of Trademarks, the goodwill symbolized thereby, shall automatically become part of the Intellectual Property Collateral subject to the terms and conditions of this Agreement with respect thereto.

(e) Once every fiscal quarter of the Borrower, each Grantor shall sign and deliver to the Collateral Agent an appropriate Security Agreement Supplement and related Grant of Security Interest with respect to applications for registration or registrations of Intellectual Property Collateral (other than with respect to any Copyright that is not material to the business of the Grantors, taken as a whole) owned or exclusively licensed by it as of the last day of such fiscal quarter, to the extent that such Intellectual Property Collateral is not covered by any previous Security Agreement Supplement (and Grant of Security Interests) so signed and delivered by it. In each case, it will promptly cooperate as reasonably necessary to enable the Collateral Agent to make any necessary or reasonably desirable recordings with the U.S. Copyright Office or the U.S. Patent and Trademark Office, as appropriate

(f) Notwithstanding the foregoing provisions of this Section 4.02 or elsewhere in this Agreement, nothing in this Agreement shall prevent any Grantor from discontinuing the use or maintenance of any or its Intellectual Property Collateral, the enforcement of license agreements or the pursuit of actions against infringers, to the extent permitted by the Credit Agreement if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

(g) Upon and during the continuance of an Event of Default, each Grantor shall, if requested by the Collateral Agent, use its commercially reasonable efforts to obtain all requisite consents or approvals by the licensor of each License to effect the assignment of all such Grantor's right, title and interest thereunder to the Collateral Agent or its designee.

ARTICLE V

Remedies

Section 5.01. Remedies Upon Default

Upon the occurrence and during the continuance of an Event of Default, it is agreed that the Collateral Agent shall have the right to exercise any and all rights afforded to a secured party under this Agreement, the UCC or other applicable Law, and also may (i) require each Grantor to, and each Grantor agrees that it will at its expense and upon request of the Collateral Agent forthwith, assemble all or part of the Collateral as directed by the Collateral Agent and make it available to the Collateral Agent at a place and time to be designated by the Collateral Agent that is reasonably convenient to both parties; (ii) occupy any premises owned or, to the extent lawful and permitted, leased by any of the Grantors where the Collateral or any part thereof is assembled or located for a reasonable period in order to effectuate its rights and remedies hereunder or under law, without obligation to such Grantor in respect of such occupation; provided that the Collateral Agent shall provide the applicable Grantor with notice thereof prior to or promptly after such occupancy; (iii) exercise any and all rights and remedies of any of the Grantors under or in connection with the Collateral, or otherwise in respect of the Collateral; provided that the Collateral Agent shall provide the applicable Grantor with notice thereof prior to or promptly after such exercise; (iv) withdraw any and all cash or other Collateral from any Collateral Account and apply such cash and other Collateral to the payment of any and all Secured Obligations in the manner provided in Section 5.02 of this Agreement; (v) subject to the mandatory requirements of applicable Law and the notice requirements described below, sell

or otherwise dispose of all or any part of the Collateral securing the Secured Obligations at a public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate and (vi) with respect to any Intellectual Property Collateral, on demand, cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Intellectual Property Collateral by the applicable Grantors to the Collateral Agent, or license or sublicense, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any such Intellectual Property Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine, provided, however, that such terms shall include all terms and restrictions that are customarily required to ensure the continuing validity and effectiveness of the Intellectual Property Collateral at issue, such as, without limitation, notice, quality control and inurement provisions with regard to Trademarks, patent designation provisions with regard to patents, and copyright notices and restrictions or decompilation and reverse engineering of copyrighted software, and confidentiality protections for trade secrets. Each Grantor acknowledges and recognizes that (a) the Collateral Agent may be unable to effect a public sale of all or a part of the Collateral consisting of securities by reason of certain prohibitions contained in the Securities Act of 1933, 15 U.S.C. §77, (as amended and in effect, the "Securities Act") or the securities laws of various states (the "Blue Sky Laws"), but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof, (b) private sales so made may be at prices and upon other terms less favorable to the seller than if such securities were sold at public sales, (c) neither the Collateral Agent nor any other Secured Party has any obligation to delay sale of any of the Collateral for the period of time necessary to permit such securities to be registered for public sale under the Securities Act or the Blue Sky Laws, and (d) private sales made under the foregoing circumstances shall be deemed to have been made in a commercially reasonable manner. To the maximum extent permitted by Law, each Grantor hereby waives any claim against any Secured Party arising because the price at which any Collateral may have been sold at a private sale was less than the price that might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and does not offer such Collateral to more than one offeree. Upon consummation of any such sale, the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any sale of Collateral shall hold the property sold absolutely, free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by applicable Law) all rights of redemption, stay and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

To the extent notice of any sale is required by applicable law, the Collateral Agent shall give the applicable Grantors 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-611 of the UCC or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice

(if any) of such sale. The Collateral Agent may conduct one or more going out of business sales, in the Collateral Agent's own right or by one or more agents and contractors. Such sale(s) may be conducted upon any premises owned, leased, or occupied by any Grantor. The Collateral Agent and any such agent or contractor, in conjunction with any such sale, may augment the Inventory with other goods (all of which other goods shall remain the sole property of the Collateral Agent or such agent or contractor). Any amounts realized from the sale of such goods which constitute augmentations to the Inventory (net of an allocable share of the costs and expenses incurred in their disposition) shall be the sole property of the Collateral Agent or such agent or contractor and neither any Grantor nor any Person claiming under or in right of any Grantor shall have any interest therein. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable Law, private) sale made pursuant to this Agreement, any Secured Party may bid for or purchase, free (to the extent permitted by applicable Law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by applicable Law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes of determining the Grantors' rights in the Collateral, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Secured Obligations paid in full, provided, however, that such terms shall include all terms and restrictions that are customarily required to ensure the continuing validity and effectiveness of the Intellectual Property Collateral at issue, such as, without limitation, quality control and inurement provisions with regard to Trademarks, patent designation provisions with regard to patents, and copyright notices and restrictions or decompilation and reverse engineering of copyrighted software, and protecting the confidentiality of trade secrets. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court appointed receiver. Any sale pursuant to the provisions of this Section 5.01 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-610(b) of the UCC or its equivalent in other jurisdictions.

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) during the continuance of an Event of Default and after notice to the Borrower of its intent to exercise such rights (except in the case of a Bankruptcy Event of Default, in which case no such notice shall be required), for the purpose of (i) making, settling and adjusting claims in respect of Article 9 Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance, (ii) making all determinations and decisions with respect thereto and (iii) obtaining or maintaining the policies of insurance required by Section 6.07 of the Credit Agreement or to pay any premium in whole or in part relating thereto. All sums disbursed by the Collateral Agent in connection with this paragraph, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, within 10 days of demand, by the Grantors to the Collateral Agent and shall be additional Secured Obligations secured hereby.

By accepting the benefits of this Agreement and each other Collateral Document, the Secured Parties expressly acknowledge and agree that this Agreement and each other Collateral Document may be enforced only by the action of the Collateral Agent and that no other Secured Party shall have any right individually to seek to enforce or to enforce this Agreement or to realize upon the security to be granted hereby, it being understood and agreed that such rights and remedies may be exercised by the Collateral Agent for the benefit of the Secured Parties upon the terms of this Agreement and the other Collateral Documents.

Section 5.02. Application of Proceeds

The Collateral Agent shall apply the proceeds of any collection or sale of Collateral, including any Collateral consisting of cash, in accordance with the provisions of Section 8.04 of the Credit Agreement. The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof. It is understood and agreed that the Grantors shall remain jointly and severally liable to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the Secured Obligations.

Section 5.03. Medicare / Medicaid

The parties hereto understand and agree that the exercise of remedies hereunder with respect to accounts receivable from Medicare or Medicaid may be subject to applicable federal laws.

ARTICLE VI

Indemnity, Subrogation and Subordination

Upon payment by any Grantor of any Secured Obligations, all rights of such Grantor against the Borrower or any other Grantor arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior payment in full in cash of all the Secured Obligations (other than contingent indemnity obligations for then unasserted claims). If any amount shall erroneously be paid to any Grantor on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such indebtedness of any Grantor, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Collateral Agent to be credited against the payment of the Secured Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement and the other Loan Documents. Subject to the foregoing, to the extent that any Grantor (other than the Borrower) shall, under this Agreement or the Credit Agreement as a joint and several obligor, repay any of the Secured Obligations (an "Accommodation Payment"), then the Grantor making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Grantors in an amount equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Grantor's Allocable Amount and the denominator of which is the sum of the Allocable Amounts of all of the Grantors. As of any date of determination, the "Allocable Amount" of each Grantor shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Grantor hereunder and under the Credit Agreement without (a) rendering such Grantor "insolvent" within the meaning of Section 101 (31) of the Bankruptcy Code, Section 2 of the Uniform Fraudulent Transfer Act ("UFTA") or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (b) leaving such Grantor with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA, or (c) leaving such Grantor unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA, or Section 5 of the UFCA.

ARTICLE VII

Miscellaneous

Section 7.01. Notices

All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 10.01 of the Credit Agreement. All communications and notices hereunder to a Grantor other than the Borrower shall be given to it in care of the Borrower.

Section 7.02. Waivers; Amendment

(a) No failure or delay by the Collateral Agent in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by Section 7.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Collateral Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 10.08 of the Credit Agreement.

Section 7.03. Collateral Agent's Fees and Expenses; Indemnification

(a) The parties hereto agree that the Collateral Agent shall be entitled to reimbursement of its expenses incurred hereunder as provided in Section 10.05 of the Credit Agreement.

(b) Without limitation of its indemnification obligations under the other Loan Documents, each Grantor, jointly and severally, agrees to indemnify the Collateral Agent and the other Indemnitees (as defined in Section 10.05 of the Credit Agreement) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including Attorney Costs for any Indemnitee (which shall be limited to one counsel to the Indemnitees (and, if reasonably necessary, one local counsel and one specialty counsel in each applicable jurisdiction and, in the event of any actual or potential conflict of interest, one additional counsel for each class of similarly situated parties)), of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of this Agreement, the Collateral Documents or any other agreement, letter or instrument delivered in connection with the transactions contemplated hereby or the consummation of the transactions contemplated hereby or (b) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing or the Collateral, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of an Indemnitee; provided that, notwithstanding the foregoing, such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, damages, claims, liabilities and expenses resulted from (x) the gross negligence, bad faith or willful misconduct of such Indemnitee or of any affiliate, director, officer, employee, counsel, agent or attorney-in-fact of such Indemnitee, as determined by the final non-appealable judgment of a court of competent jurisdiction, (y) a material breach of its

obligations under this Agreement by such Indemnitee or by any Related Indemnified Person of such Indemnitee as determined by the final non-appealable judgment of a court of competent jurisdiction or (z) any dispute solely among the Indemnitees other than (1) any claim against an Indemnitee in its capacity or in fulfilling its role as Collateral Agent and (2) any claim arising out of any act or omission of the Borrower or any of its Affiliates. To the extent permitted by applicable Law, (i) no Grantor shall assert, and each hereby waives, any claim against any Indemnitee and (ii) no Indemnitee shall assert, and each hereby waives, any claim against any Grantor, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby; provided that this sentence shall not limit the indemnification obligations of any Grantor (including in respect of any such damages incurred or paid by an Indemnitee to a third party and for any out of pocket expenses). For the avoidance of doubt, this Section 7.03(b) shall not apply with respect to Taxes that are the subject of, or excluded from, Section 3.01 of the Credit Agreement.

(c) Any such amounts payable as provided hereunder shall be additional Secured Obligations secured hereby and by the other Collateral Documents. The provisions of this Section 7.03 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby, the repayment of any of the Secured Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Collateral Agent or any other Secured Party. All amounts due under this Section 7.03 shall be payable within 10 Business Days of written demand therefor.

Section 7.04. Successors and Assigns

Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective permitted successors and assigns. No Grantor or Grantors may assign any of its or their rights or obligations hereunder without the written consent of the Collateral Agent.

Section 7.05. Survival of Agreement

All covenants, agreements, representations and warranties made by the Grantors in the Loan Documents and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by any Lender or on its behalf and notwithstanding that the Collateral Agent or any Lender may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement, and shall continue in full force and effect until this Agreement is terminated as provided in Section 7.13 hereof or, with respect to the covenants, agreements, representations and warranties of any individual Grantor, until such Grantor is otherwise released from its obligations under this Agreement in accordance with Section 7.13(b).

Section 7.06. Counterparts; Effectiveness; Several Agreement

This Agreement may be executed by facsimile and in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic imaging transmission shall be as effective as delivery of a manually signed counterpart of this Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective permitted successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein or in the Collateral (and any such assignment or transfer shall be void) except as expressly contemplated by this Agreement and the Credit Agreement. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

Section 7.07. Severability

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 7.08. Reserved.

Section 7.09. GOVERNING LAW

(a) THIS AGREEMENT AND THE OTHER COLLATERAL DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER COLLATERAL DOCUMENT (EXCEPT, AS TO ANY OTHER COLLATERAL DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER COLLATERAL DOCUMENTS, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING SHALL BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY APPLICABLE LAW.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER COLLATERAL DOCUMENT IN ANY COURT REFERRED TO IN SECTION 7.09(B). EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY COLLATERAL DOCUMENT IN THE MANNER PROVIDED FOR NOTICES (OTHER THAN FACSIMILE OR EMAIL) IN SECTION 10.01 OF THE CREDIT AGREEMENT. NOTHING IN THIS AGREEMENT OR ANY OTHER COLLATERAL DOCUMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 7.10. WAIVER OF RIGHT TO TRIAL BY JURY

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY COLLATERAL DOCUMENT, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS

REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER COLLATERAL DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.10.

Section 7.11. Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

Section 7.12. Security Interest Absolute

All rights of the Collateral Agent hereunder, the Security Interest, the grant of a security interest in the Pledged Collateral and all obligations of each Grantor hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Secured Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Secured Obligations or (d) subject only to termination of a Guarantor's obligations hereunder in accordance with the terms of Section 11.10 of the Credit Agreement, but without prejudice to reinstatement rights under Section 11.04 of the Credit Agreement, any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Secured Obligations or this Agreement.

Section 7.13. Termination or Release

(a) This Agreement, the Security Interest and all other security interests granted hereby shall terminate pursuant to the terms of Section 9.13 of the Credit Agreement.

(b) A Subsidiary Guarantor shall automatically be released from its obligations hereunder and the Security Interest in the Collateral of such Subsidiary Guarantor shall be automatically released in the circumstances set forth in Section 9.13 of the Credit Agreement.

(c) The Security Interest in any Collateral shall be automatically released in the circumstances set forth in subclause (i) of Section 9.13(a) of the Credit Agreement or to the extent required pursuant to the terms of the Intercreditor Agreement.

(d) In connection with any termination or release pursuant to Section 7.13(a), (b), or (c), the Collateral Agent shall promptly execute and deliver to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 7.13 shall be without recourse to or warranty by the Collateral Agent.

(e) At any time that the respective Grantor desires that the Collateral Agent take any action described in Section 7.13(d), it shall, upon request of the Collateral Agent, deliver to the Collateral Agent an officer's certificate certifying that the release of the respective Collateral is permitted pursuant to Section 7.13(a), (b) or (c). The Collateral Agent shall have no liability whatsoever to any Secured Party as the result of any release of Collateral by it as permitted (or which the Collateral Agent in good faith believes to be permitted) by this Section 7.13.

Section 7.14. Additional Restricted Subsidiaries

Pursuant to Section 6.11 of the Credit Agreement, certain Restricted Subsidiaries of the Borrower that were not in existence on the date of the Credit Agreement are required to enter in this Agreement as Grantors upon becoming Restricted Subsidiaries. Upon execution and delivery by the Collateral Agent and a Restricted Subsidiary of a Security Agreement Supplement, such Restricted Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of any such instrument shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

Section 7.15. Collateral Agent Appointed Attorney-in-Fact

Each Grantor hereby appoints the Collateral Agent the true and lawful attorney-in-fact of such Grantor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof at any time after and during the continuance of an Event of Default, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right upon the occurrence and during the continuance of an Event of Default and upon and after delivery of notice by the Collateral Agent to the Borrower of its intent to exercise such rights (unless a Bankruptcy Event of Default has occurred and is continuing, in which case no such notice shall be required), with full power of substitution either in the Collateral Agent's name or in the name of such Grantor (except to the extent such action would be prohibited by applicable law with respect to Medicare and Medicaid accounts receivable) (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Collateral Agent or to a Collateral

Account and adjust, settle or compromise the amount of payment of any Account; (h) to make, settle and adjust claims in respect of Collateral under policies of insurance and to endorse the name of such Grantor on any check, draft, instrument or any other item of payment with respect to the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto; and (i) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct or that of any of their Affiliates, directors, officers, employees, counsel, agents or attorneys-in-fact (in each case, as determined by the final non-appealable judgment of a court of competent jurisdiction).

Section 7.16. General Authority of the Collateral Agent

By acceptance of the benefits of this Agreement and any other Collateral Documents, each Secured Party (whether or not a signatory hereto) shall be deemed irrevocably (a) to consent to the appointment of the Collateral Agent as its agent hereunder and under such other Collateral Documents, (b) to confirm that the Collateral Agent shall have the authority to act as the exclusive agent of such Secured Party for the enforcement of any provisions of this Agreement and such other Collateral Documents against any Grantor, the exercise of remedies hereunder or thereunder and the giving or withholding of any consent or approval hereunder or thereunder relating to any Collateral or any Grantor's obligations with respect thereto, (c) to agree that it shall not take any action to enforce any provisions of this Agreement or any other Collateral Document against any Grantor, to exercise any remedy hereunder or thereunder or to give any consents or approvals hereunder or thereunder except as expressly provided in this Agreement or any other Collateral Document and (d) to agree to be bound by the terms of this Agreement and any other Collateral Documents.

Section 7.17. Recourse; Limited Obligations

This Agreement is made with full recourse to each Grantor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of such Grantor contained herein, in the Credit Agreement and the other Secured Credit Documents and otherwise in writing in connection herewith or therewith, with respect to the Secured Obligations of each applicable Secured Party. It is the desire and intent of each Grantor and each applicable Secured Party that this Agreement shall be enforced against each Grantor to the fullest extent permissible under the Laws applied in each jurisdiction in which enforcement is sought. Notwithstanding anything to the contrary contained herein, and in furtherance of the foregoing, it is noted that if the obligations of any Guarantor under Section 11.01 of the Credit Agreement have been limited as expressly provided in Section 1.13 or 11.09 of the Credit Agreement, then such obligations shall be limited hereunder as and to the same extent provided therein.

Section 7.18. Mortgages.

In the event that any of the Collateral hereunder is also subject to a valid and enforceable Lien under the terms of a Mortgage and the terms thereof are inconsistent with the terms of this Agreement, then with respect to such Collateral, the terms of such Mortgage shall control in the case of Fixtures and Real Estate leases, letting and licenses of, and contracts, and agreements relating to the lease of, Real Estate, and the terms of this Agreement shall control in the case of all other Collateral.

Section 7.19. Intercreditor Agreement.

(a) Notwithstanding anything herein to the contrary, (i) the liens and security interests granted to the Collateral Agent pursuant to this Agreement are expressly subject and subordinate to the liens and security interests granted in favor of the First Priority Secured Parties (as defined in the Intercreditor Agreement), including liens and security interests granted to the Existing First Priority Representative (as defined in the Intercreditor Agreement), pursuant to or in connection with the First Priority Collateral Documents (as defined in the Intercreditor Agreement), and (ii) the exercise of any right or remedy by the Collateral Agent hereunder is subject to the limitations and provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of the Intercreditor Agreement shall govern.

(b) Notwithstanding anything herein or in any other Collateral Document to the contrary, the Collateral Agent acknowledges and agrees (i) that no Grantor shall be required to take or refrain from taking any action required to be taken by such Grantor pursuant to this Agreement or at the request of the Collateral Agent with respect to the Collateral if such action or inaction would be inconsistent with the terms of the Intercreditor Agreement and (ii) that the representations, warranties and covenants of each Grantor hereunder shall be deemed to be modified to the extent necessary to give effect to the foregoing clause (i).

(c) Notwithstanding anything herein to the contrary, to the extent this Agreement (or any other Loan Document) requires the delivery of, or control over, Collateral to be granted to the Collateral Agent at any time prior to the First Priority Obligations Payment Date, then delivery of such Collateral (or control with respect thereto, and any related approval or consent rights in connection with such delivery or control) shall instead be made to the First Priority Representative (as defined in the Intercreditor Agreement) (as bailee for the Collateral Agent in accordance with the Intercreditor Agreement), to be held in accordance with the applicable First Priority Documents (as defined in the Intercreditor Agreement) and subject to the Intercreditor Agreement, upon which any such delivery or control requirement shall be deemed satisfied hereunder. Furthermore, at all times prior to the First Priority Obligations Payment Date, the Collateral Agent is authorized by the parties hereto and by the Secured Parties (by their acceptance of the benefits of this Agreement) to effect transfers of Collateral at any time in its possession to the First Priority Representative under the applicable First Priority Documents in accordance with the terms of the Intercreditor Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

BORROWER:

SURGERY CENTER HOLDINGS, INC.,
a Delaware corporation

By: _____
Name:
Title:

HOLDINGS:

SP HOLDCO I, INC.,
a Delaware corporation

By: _____
Name:
Title:

[Signature Page to Second Lien Security Agreement]

GRANTORS:

ANESTHESIOLOGY PROFESSIONAL SERVICES, INC.

By: _____
Name: _____
Title: _____

APS OF BRADENTON, LLC

By: _____
Name: _____
Title: _____

APS OF MERRITT ISLAND, LLC

By: _____
Name: _____
Title: _____

BUSINESS IT SOLUTIONS OF TAMPA, INC.

By: _____
Name: _____
Title: _____

LOGAN LABORATORIES, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

MIDWEST UNCUTS, INC.

By: _____
Name: _____
Title: _____

NOVAMED, INC.

By: _____
Name: _____
Title: _____

NOVAMED ALLIANCE, INC.

By: _____
Name: _____
Title: _____

MEDICAL BILLING SOLUTIONS, LLC

By: _____
Name: _____
Title: _____

NOVAMED MANAGEMENT SERVICES, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

NOVAMED ACQUISITION COMPANY, INC.

By: _____
Name: _____
Title: _____

NOVAMED MANAGEMENT OF KANSAS CITY, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF BETHLEHEM, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF DALLAS, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF LEBANON, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

NOVAMED OF SAN ANTONIO, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF TEXAS, INC.

By: _____
Name: _____
Title: _____

NOVAMED OF WISCONSIN, INC.

By: _____
Name: _____
Title: _____

PATIENT EDUCATION CONCEPTS INC.

By: _____
Name: _____
Title: _____

SAINT THOMAS COMPOUNDING LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

REHABILITATION MEDICAL GROUP, INC.

By: _____
Name: _____
Title: _____

SARASOTA ANESTHESIA SERVICES, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS ACQUISITION COMPANY, INC.

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF CORAL GABLES, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

SURGERY PARTNERS OF LAKE MARY, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF LAKE WORTH, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF MERRITT ISLAND, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF MILLENIA, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF NEW TAMPA, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

SURGERY PARTNERS OF PARK PLACE, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF SARASOTA, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF WESTCHASE, LLC

By: _____
Name: _____
Title: _____

SURGERY PARTNERS OF WEST KENDALL, L.L.C.

By: _____
Name: _____
Title: _____

TAMPA PAIN RELIEF CENTER, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

SURGERY PARTNERS OF SUNCOAST, LLC

By: _____
Name: _____
Title: _____

SYMBION, INC.

By: _____
Name: _____
Title: _____

SYMBION HOLDINGS CORPORATION

By: _____
Name: _____
Title: _____

AMBULATORY RESOURCE CENTRES INVESTMENT
COMPANY, LLC

By: _____
Name: _____
Title: _____

AMBULATORY RESOURCE CENTRES OF
WASHINGTON, INC.

By: _____
Name: _____
Title: _____

AMBULATORY RESOURCE CENTRES OF
WILMINGTON, INC.

By: _____
Name: _____
Title: _____

ARC DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

ARC FINANCIAL SERVICES CORPORATION

By: _____
Name: _____
Title: _____

ASC OF NEW ALBANY, LLC

By: _____
Name: _____
Title: _____

AUSTIN SURGICAL HOLDINGS, LLC

By: _____
Name: _____
Title: _____

LUBBOCK SURGICENTER, INC.

By: _____
Name: _____
Title: _____

NEOSPINE SURGERY OF PUYALLUP, LLC

By: _____
Name: _____
Title: _____

NEOSPINE SURGERY, LLC

By: _____
Name: _____
Title: _____

PHYSICIANS SURGICAL CARE, INC.

By: _____
Name: _____
Title: _____

PSC DEVELOPMENT COMPANY, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

PSC OPERATING COMPANY, LLC

By: _____
Name: _____
Title: _____

SARC/ASHEVILLE, INC.

By: _____
Name: _____
Title: _____

SARC/CIRCLEVILLE, INC.

By: _____
Name: _____
Title: _____

SARC/FT. MYERS, INC.

By: _____
Name: _____
Title: _____

SARC/GEORGIA, INC.

By: _____
Name: _____
Title: _____

SARC/JACKSONVILLE, INC.

By: _____
Name: _____
Title: _____

SARC/KENT, LLC

By: _____
Name: _____
Title: _____

SARC/LARGO ENDOSCOPY, INC.

By: _____
Name: _____
Title: _____

SARC/LARGO, INC.

By: _____
Name: _____
Title: _____

SARC/PROVIDENCE, LLC

By: _____
Name: _____
Title: _____

SARC/ST. CHARLES, INC.

By: _____
Name: _____
Title: _____

SARC/VINCENNES, INC.

By: _____
Name: _____
Title: _____

SMBI GREAT FALLS, LLC

By: _____
Name: _____
Title: _____

SMBI HAVERTOWN, LLC

By: _____
Name: _____
Title: _____

SMBI IDAHO, LLC

By: _____
Name: _____
Title: _____

SMBI JACKSON, LLC

By: _____
Name: _____
Title: _____

SMBI LHH, LLC

By: _____
Name: _____
Title: _____

SMBI PORTSMOUTH, LLC

By: _____
Name: _____
Title: _____

SMBI STLWSC, LLC

By: _____
Name: _____
Title: _____

SMBIMS BIRMINGHAM, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

SMBIMS DURANGO, LLC

By: _____
Name: _____
Title: _____

SMBIMS FLORIDA I, LLC

By: _____
Name: _____
Title: _____

SMBIMS GREENVILLE, LLC

By: _____
Name: _____
Title: _____

SMBIMS KIRKWOOD, LLC

By: _____
Name: _____
Title: _____

SMBIMS ORANGE CITY, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

SMBIMS STEUBENVILLE, INC.

By: _____
Name: _____
Title: _____

SMBIMS WICHITA, LLC

By: _____
Name: _____
Title: _____

SMBISS BEVERLY HILLS, LLC

By: _____
Name: _____
Title: _____

SMBISS CHESTERFIELD, LLC

By: _____
Name: _____
Title: _____

SMBISS ENCINO, LLC

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

SMBISS IRVINE, LLC

By: _____
Name: _____
Title: _____

SMBISS THOUSAND OAKS, LLC

By: _____
Name: _____
Title: _____

SYMBION AMBULATORY RESOURCE CENTRES, INC.

By: _____
Name: _____
Title: _____

SYMBION ANESTHESIA SERVICES, LLC

By: _____
Name: _____
Title: _____

SYMBIONARC MANAGEMENT SERVICES, INC.

By: _____
Name: _____
Title: _____

[Signature Page to Second Lien Security Agreement]

TEXARKANA SURGERY CENTER GP, INC.

By: _____
Name: _____
Title: _____

UNIPHY HEALTHCARE OF JOHNSON CITY VI, LLC

By: _____
Name: _____
Title: _____

UNIPHY HEALTHCARE OF MAINE I, INC.

By: _____
Name: _____
Title: _____

VASC, INC.

By: _____
Name: _____
Title: _____

VILLAGE SURGICENTER, INC.

By: _____
Name: _____
Title: _____

JEFFERIES FINANCE LLC,
as Collateral Agent

By: _____

Name:

Title:

[Signature Page to Second Lien Security Agreement]

PLEDGED EQUITY; PLEDGED DEBT

EQUITY INTERESTS

| <u>Issuer</u> | <u>Number of Certificate</u> | <u>Registered Owner</u> | <u>Number and Class of Equity Interest</u> | <u>Percentage of Equity Interests</u> |
|---------------|------------------------------|-------------------------|--|---------------------------------------|
|---------------|------------------------------|-------------------------|--|---------------------------------------|

PROMISSORY NOTES

| <u>Issuer</u> | <u>Principal Amount as of the date of Issuance (or delivery)</u> | <u>Date of Promissory Note/Instrument</u> | <u>Maturity Date</u> |
|---------------|--|---|----------------------|
|---------------|--|---|----------------------|

COMMERCIAL TORT CLAIMS

LETTER-OF-CREDIT RIGHTS

INTELLECTUAL PROPERTY

U.S. COPYRIGHTS OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Copyrights are owned. List in numerical order by Registration No.]

U.S. Copyright Registrations

| <u>Title</u> | <u>Reg. No.</u> | <u>Author</u> |
|--------------|-----------------|---------------|
|--------------|-----------------|---------------|

Pending U.S. Copyright Applications for Registration

| <u>Title</u> | <u>Author</u> | <u>Class</u> | <u>Date Filed</u> |
|--------------|---------------|--------------|-------------------|
|--------------|---------------|--------------|-------------------|

PATENTS OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Patents are owned. List in numerical order by Patent No./Patent Application No.]

U.S. Patent Registrations

Title

Patent Numbers

Issue Date

U.S. Patent Applications

Title

Patent Numbers

Filing Date

TRADEMARKS OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Trademarks are owned. List in numerical order by trademark registration/application no.]

U.S. Trademark Registrations

Mark

Reg. Date

Reg. No.

U.S. Trademark Applications

Mark

Filing Date

Application No.

DOMAIN NAMES OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Domain Names are owned.]

Internet Domain Names

Country

Registration No. (or other
applicable identifier)

U.S. COPYRIGHT LICENSES¹ OWNED BY [NAME OR GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Copyright Licenses are owned.]

PATENT LICENSES² OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Patent Licenses are owned.]

TRADEMARK LICENSES³ OWNED BY [NAME OF GRANTOR]

[Make a separate page of Schedule III for each Grantor and state if no Trademark Licenses are owned.]

-
- 1 Excluding Commercial Software Licenses.
 - 2 Excluding Commercial Software Licenses.
 - 3 Excluding Commercial Software Licenses.

[FORM OF] SUPPLEMENT NO. ____ dated as of [•], to the Second Lien Security Agreement dated as of November 3, 2014, among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Grantors party thereto from time to time, and JEFFERIES FINANCE LLC, as collateral agent (in such capacity, including any successor thereto, the “**Collateral Agent**”) for the Secured Parties

A. Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), Surgery Center Holdings, Inc., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders, and Jefferies Finance LLC, as Administrative Agent and Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Security Agreement referred to therein.

C. The Grantors have entered into the Security Agreement in order to induce the Lenders to make Loans. Section 7.14 of the Security Agreement provides that additional Restricted Subsidiaries of the Borrower may become Grantors under the Security Agreement by execution and delivery of an instrument substantially in the form of this Supplement. The undersigned Restricted Subsidiary (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Security Agreement in order to induce the Lenders to make additional Loans and as consideration for Loans previously made.

Accordingly, the Collateral Agent and the New Subsidiary agree as follows:

Section 1. In accordance with Section 7.14 of the Security Agreement, the New Subsidiary by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof; provided that, to the extent that such representations and warranties specifically refer to an earlier date, they shall be true and correct in all respects as of such earlier date. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest in and lien on all of the New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Security Agreement) of the New Subsidiary. Each reference to a “Grantor” in the Security Agreement shall be deemed to include the New Subsidiary. The Security Agreement is hereby incorporated herein by reference.

Section 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as such enforceability may be limited by Debtor Relief Laws and by general principles of equity.

Section 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary and the Collateral Agent has executed a counterpart hereof. Delivery of an executed signature page to this Supplement by facsimile or electronic (including .pdf file) transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

Section 4. The New Subsidiary hereby represents and warrants that (a) set forth on Schedule I attached hereto is a true and correct schedule of the location of any and all Collateral of the New Subsidiary and (b) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of formation and the location of its chief executive office (or if different, its "location" as determined in accordance with Section 9-307 of the Uniform Commercial Code).

Section 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

Section 6. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

Section 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 8. All communications and notices hereunder shall be in writing and given as provided in Section 7.01 of the Security Agreement.

Section 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including all Attorney Costs of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary and the Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[NAME OF NEW SUBSIDIARY],

By: _____

Name:

Title:

Legal Name:

Jurisdiction of Formation:

Location of Chief Executive office:

JEFFERIES FINANCE LLC,
as Collateral Agent

By: _____

Name:

Title:

By: _____

Name:

Title:

FORM OF PERFECTION CERTIFICATE

In connection with a proposed transaction by and among Surgery Center Holdings, Inc. (the "Debtor") and Jefferies Finance LLC, as administrative agent (the "Administrative Agent"), the Debtor hereby certifies on behalf of itself and the other grantors specified below (the "Grantors") as follows:

I. CURRENT INFORMATION

A. Legal Names, Organizations, Jurisdictions of Organization and Organizational Identification Numbers. The full and exact legal name (as it appears in each respective certificate or articles of incorporation, limited liability membership agreement or similar organizational documents, in each case as amended to date or, for natural persons, the name as set forth on their valid driver's license issued by their state of residence), the type of organization (or if the Debtor or a particular Grantor is a natural person, please indicate so), the jurisdiction of organization (or formation, as applicable), and the organizational identification number (not tax i.d. number) of the Debtor and each other Grantor are as follows:

| <u>Name of Debtor/Grantor</u> | <u>Type of Organization (e.g. corporation, limited liability company, limited partnership)</u> | <u>Jurisdiction of Organization/Formation</u> | <u>Organizational Identification Number</u> |
|-------------------------------|--|---|---|
|-------------------------------|--|---|---|

B. Chief Executive Offices and Mailing Addresses. The chief executive office address (or the principal residence if the Debtor or a particular Grantor is a natural person) and the preferred mailing address (if different than chief executive office or residence) of the Debtor and each other Grantor are as follows:

Name of Debtor/Grantor

Address of Chief Executive Office
(or for natural persons, residence)

Mailing Address (if different than
CEO or residence)

C. Special Debtors and Former Article 9 Debtors. Except as specifically identified below none of the Grantors is: (i) a transmitting utility (as defined in Section 9-102(a)(80)), (ii) primarily engaged in farming operations (as defined in Section 9-102(a)(35)), (iii) a trust, (iv) a foreign air carrier within the meaning of the federal aviation act of 1958, as amended, (v) a branch or agency of a bank which bank is not organized under the law of the United States or any state thereof or (vi) located (within the meaning of Section 9-307) in the Commonwealth of Puerto Rico.

Name of Debtor/Grantor

Type of Special Grantor

D. Trade Names/Assumed Names.

Current Trade Names. Set forth below is each trade name or assumed name currently used by the Debtor or any other Grantor or by which the Debtor or any Grantor is known or is transacting any business:

Debtor/Grantor

Trade/Assumed Name

E. Changes in Names, Jurisdiction of Organization or Corporate Structure.

Except as set forth below, neither the Debtor nor any other Grantor has changed its name, jurisdiction of organization or its corporate structure in any way (e.g. by merger, consolidation, change in corporate form, change in jurisdiction of organization or otherwise) within the past five (5) years:

Debtor/Grantor

Date of Change

Description of Change

F. Prior Addresses.

Except as set forth below, neither the Debtor nor any other Grantor has changed its chief executive office, or principal residence if the Debtor or a particular Grantor is a natural person, within the past five (5) years:

Debtor/Grantor

Prior Address/City/State/Zip Code

G. Acquisitions of Equity Interests or Assets.

Except as set forth below, neither the Debtor nor any Grantor has acquired substantially all of the equity interests of another entity or substantially all the assets of another entity within the past five (5) years:

Debtor/Grantor

Date of Acquisition

Description of Acquisition including full legal name of seller and seller's jurisdiction of organization and seller's chief executive office

H. Corporate Ownership and Organizational Structure.

Attached as Exhibit A hereto is a true and correct chart showing the ownership relationship of the Debtor and all of its affiliates.

II. INFORMATION REGARDING CERTAIN COLLATERAL

A. Investment Related Property

1. Equity Interests. Set forth below is a list of all equity interests owned by the Debtor and each Grantor together with the type of organization which issued such equity interests (e.g. corporation, limited liability company, partnership or trust):

| <u>Debtor/Grantor</u> | <u>Issuer</u> | <u>Type of Organization</u> | <u># of Shares Owned</u> | <u>Interest</u> | <u>% of Interest Pledged</u> | <u>Certificate No. (if uncertificated, please indicate so)</u> |
|-----------------------|---------------|-----------------------------|--------------------------|-----------------|------------------------------|--|
|-----------------------|---------------|-----------------------------|--------------------------|-----------------|------------------------------|--|

2. Debt Securities & Instruments. Set forth below is a list of all debt securities and instruments owed to the Debtor or any other Grantor in the principal amount of greater than \$5,000,000:

| <u>Debtor/Grantor</u> | <u>Issuer of Instrument</u> | <u>Principal Amount of Instrument</u> | <u>Maturity Date</u> |
|-----------------------|-----------------------------|---------------------------------------|----------------------|
|-----------------------|-----------------------------|---------------------------------------|----------------------|

B. Intellectual Property. Set forth below is a list of all copyrights, patents, and trademark, all applications and licenses thereof and other intellectual property owned or used, or hereafter adopted, held or used, by the Debtor and each other Grantor:

1. Copyrights, Copyright Applications

| <u>Debtor/Grantor</u> | <u>Title</u> | <u>Status</u> | <u>Application/Registration No.</u> |
|-----------------------|--------------|---------------|-------------------------------------|
|-----------------------|--------------|---------------|-------------------------------------|

2. Patents, Patent Applications

| <u>Debtor/Grantor</u> | <u>Title</u> | <u>Filing Date/Issued Date</u> | <u>Status</u> | <u>Application/Registration No.</u> |
|-----------------------|--------------|--------------------------------|---------------|-------------------------------------|
|-----------------------|--------------|--------------------------------|---------------|-------------------------------------|

3. Trademarks, Trademark Applications

| <u>Debtor/Grantor</u> | <u>Title</u> | <u>Filing Date/Issued Date</u> | <u>Status</u> | <u>Application/ Registration No.</u> |
|-----------------------|--------------|--------------------------------|---------------|--------------------------------------|
|-----------------------|--------------|--------------------------------|---------------|--------------------------------------|

4. Intellectual Property Licenses

C. Tangible Personal Property in Possession of Warehousemen, Bailees and Other Third Parties. Except as set forth below, no persons (including, without limitation, warehousemen and bailees) other than the Debtor or any other Grantor have possession of any material amount (fair market value of \$5,000,000 or more) of tangible personal property of the Debtor or any other Grantor:

| <u>Debtor/Grantor</u> | <u>Address/City/State/Zip Code</u> | <u>County</u> | <u>Description of Assets and Value</u> |
|-----------------------|------------------------------------|---------------|--|
|-----------------------|------------------------------------|---------------|--|

D. Real Estate Related UCC Collateral

1. Fixtures. Set forth below are all the locations where the Debtor or any other Grantor owns any real property:

| <u>Debtor/Grantor</u> | <u>Address/City/State/Zip Code</u> | <u>County</u> | <u>Owned or Leased</u> |
|-----------------------|------------------------------------|---------------|------------------------|
|-----------------------|------------------------------------|---------------|------------------------|

2. "As Extracted" Collateral. Set forth below are all the locations where the Debtor or any other Grantor owns, leases or has an interest in any wellhead or minehead:

| <u>Debtor/Grantor</u> | <u>Address/City/State/Zip Code</u> | <u>County</u> |
|-----------------------|------------------------------------|---------------|
|-----------------------|------------------------------------|---------------|

3. Timber to be Cut. Set forth below are all locations where the Debtor or any other Grantor owns goods that are timber to be cut:

Debtor/Grantor

Address/City/State/Zip Code

County

IN WITNESS WHEREOF, this Certificate has been executed by the undersigned as of the date first written above.

SURGERY CENTER HOLDINGS, INC.

By: _____
Name: _____
Title: _____

SP HOLDCO I, INC.

By: _____
Name: _____
Title: _____

[GUARANTORS]

[FORM OF] GRANT OF SECURITY INTEREST
IN TRADEMARKS

This Grant of Security Interest in Trademarks, dated as of [____], 20[___] (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, this "Agreement"), is made by the entities identified as grantors on the signature pages hereto (collectively, the "Grantors") in favor of Jefferies Finance LLC, as collateral agent, (the "Collateral Agent").

THIS GRANT is made to secure the payment or performance, as the case may be, in full of the Secured Obligations, as such term is defined in the Second Lien Security Agreement among the Grantors, the other assignors from time to time party thereto and the Collateral Agent, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Second Lien Security Agreement").

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, the Grantors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms

Unless otherwise defined herein, terms defined in the Second Lien Security Agreement and used herein have the meaning given to them in the Second Lien Security Agreement.

SECTION 2. Grant of Security Interest in Trademark Collateral

SECTION 2.1. Each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in, all right, title or interest in, to or under any and all of the following assets

and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Trademark Collateral"):

(a) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos, other source or business identifiers, designs and general intangibles of like nature, the goodwill of the business symbolized thereby or associated therewith, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including those listed on Schedule A attached hereto, (b) all rights and privileges arising under applicable Law with respect to such Grantor's use of any trademarks, (c) all extensions and renewals thereof and amendments thereto, (d) all income, fees, royalties, damages and payments now and hereafter due and/or payable with respect to any of the foregoing, including damages, claims and payments for past, present or future infringements thereof, (f) all rights to sue for past, present or future infringements thereof and (g) all rights corresponding thereto throughout the world.

SECTION 2.2 Certain Limited Exclusions. Notwithstanding anything herein to the contrary, in no event shall the Trademark Collateral include or the security interest granted under Section 2.1 hereof include, any applications in the United States Patent and Trademark Office to register Trademarks or service marks on the basis of any Grantor's "intent to use" such Trademarks or service marks applications unless and until a "Statement of Use" or "Amendment

to Allege Use” has been filed and accepted in the United States Patent and Trademark Office(solely to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such “intent to use” application under applicable federal law) whereupon such application shall be automatically subject to the security interest granted herein and deemed to be included in the Trademark Collateral.

SECTION 3. Second Lien Security Agreement.

This Grant has been granted in conjunction with the security interest granted to the Collateral Agent under the Second Lien Security Agreement. The rights and remedies of the Collateral Agent with respect to the security interest granted herein are as set forth in the Second Lien Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Second Lien Security Agreement, the provisions of the Second Lien Security Agreement shall govern.

SECTION 4. Governing Law

THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

SECTION 5. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the date first set forth above.

[NAME OF GRANTOR], Grantor

By _____
Name:
Title:

JEFFERIES FINANCE LLC, as Collateral Agent

By _____
Name:
Title:

[FORM OF] GRANT OF SECURITY INTEREST
IN PATENTS

This Grant of Security Interest in Patents, dated as of [____], 20[___] (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, this "Agreement"), is made by the entities identified as grantors on the signature pages hereto (collectively, the "Grantors") in favor of Jefferies Finance LLC, as collateral agent, (the "Collateral Agent").

THIS GRANT is made to secure the payment or performance, as the case may be, in full of the Secured Obligations, as such term is defined in the Second Lien Security Agreement among the Grantors, the other assignors from time to time party thereto and the Collateral Agent, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Second Lien Security Agreement").

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, the Grantors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms

Unless otherwise defined herein, terms defined in the Second Lien Security Agreement and used herein have the meaning given to them in the Second Lien Security Agreement.

SECTION 2. Grant of Security Interest in Patent Collateral

SECTION 2.1. Each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in, all right, title or interest in, to or under any and all of the following assets and

properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Patent Collateral"):

(a) all letters patent of the United States or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or the equivalent thereof in any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including those listed on Schedule A attached hereto, (b) all rights and privileges arising under applicable Law with respect to such Grantor's use of any patents, (c) all inventions and improvements described and claimed therein, (d) all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to any of the foregoing including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) rights to sue for past, present or future infringements thereof.

SECTION 3. Second Lien Security Agreement.

This Grant has been granted in conjunction with the security interest granted to the Collateral Agent under the Second Lien Security Agreement. The rights and remedies of the Collateral Agent with respect to the security interest granted herein are as set forth in the Second Lien Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Second Lien Security Agreement, the provisions of the Second Lien Security Agreement shall govern.

SECTION 4. Governing Law

THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

SECTION 5. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the [___] day of [____], 2014.

[NAME OF GRANTOR], Grantor

By _____
Name:
Title:

JEFFERIES FINANCE LLC
as Collateral Agent

By _____
Name:
Title:

[FORM OF] GRANT OF SECURITY INTEREST
IN COPYRIGHTS

This Grant of Security Interest in Copyrights, dated as of [____], 20[___] (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, this "Agreement"), is made by the entities identified as grantors on the signature pages hereto (collectively, the "Grantors") in favor of Jefferies Finance LLC, as collateral agent, (the "Collateral Agent").

THIS GRANT is made to secure the payment or performance, as the case may be, in full of the Secured Obligations, as such term is defined in the Second Lien Security Agreement among the Grantors, the other assignors from time to time party thereto and the Collateral Agent, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time, the "Second Lien Security Agreement").

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which are hereby acknowledged, the Grantors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms

Unless otherwise defined herein, terms defined in the Second Lien Security Agreement and used herein have the meaning given to them in the Second Lien Security Agreement.

SECTION 2. Grant of Security Interest in Copyright Collateral

SECTION 2.1. Each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, and hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in, all right, title or interest in, to or under any and all of the following assets

and properties now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Copyright Collateral"):

(a) all copyright rights in any work subject to the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, whether registered or unregistered and whether published or unpublished, (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those listed on Schedule III, (c) all rights and privileges arising under applicable Law with respect to such Grantor's use of such copyrights, (d) all renewals and extensions thereof and amendments thereto, (e) all income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect to the foregoing, including damages and payments for past, present or future infringements thereof, (f) all rights corresponding thereto throughout the world and (g) all rights to sue for past, present or future infringements thereof.

SECTION 3. Second Lien Security Agreement.

This Grant has been granted in conjunction with the security interest granted to the Collateral Agent under the Second Lien Security Agreement. The rights and remedies of the Collateral Agent with respect to the security interest granted herein are as set forth in the Second Lien Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant are deemed to conflict with the Second Lien Security Agreement, the provisions of the Second Lien Security Agreement shall govern.

SECTION 4. Governing Law

THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PRINCIPLES THAT WOULD APPLY THE LAWS OF ANOTHER JURISDICTION.

SECTION 5. Counterparts

This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Grant as of the date first set forth above.

[NAME OF GRANTOR], Grantor

By _____
Name:
Title:

JEFFERIES FINANCE LLC, as Collateral Agent

By _____
Name:
Title:

COPYRIGHT REGISTRATIONS AND APPLICATIONS

| Title | Application No. | Filing Date | Registration No. | Registration Date |
|-------|-----------------|-------------|------------------|-------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

EXCLUSIVE COPYRIGHT LICENSES

| Description of Copyright License | Name of Licensor | Registration Number of underlying Copyright |
|----------------------------------|------------------|---|
| | | |
| | | |
| | | |
| | | |
| | | |

FORM OF GLOBAL INTERCOMPANY NOTE

See attached.

FOR VALUE RECEIVED, each of the undersigned, to the extent a borrower from time to time from any other entity listed on the signature page hereto (each, in such capacity, an “**Issuer**”), hereby promises to pay on demand to such other entity listed below (each, in such capacity, a “**Holder**” and, together with each Issuer, a “**Note Party**”), in immediately available funds in lawful money of the United States of America or the currencies as shall be agreed from time to time at such location as the applicable Holder shall from time to time designate, the unpaid principal amount of all loans and advances or other credit extensions (in each case other than any loans, advances or other credit extensions evidenced by an Excluded Instrument) (including trade payables) made by such Holder to such Issuer. Each Issuer promises also to pay interest, if any, on the unpaid principal amount of all such loans and advances or other credit extensions in like money at said location from the date of such loans and advances until paid at such rate per annum as shall be agreed upon from time to time by such Issuer and such Holder. For purposes of this Promissory Note, “**Excluded Instruments**” shall mean the notes set forth on Schedule A attached hereto and each Promissory Note.

Reference is made to (i) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**First Lien Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “**First Lien Lenders**”), JEFFERIES FINANCE LLC, as administrative agent (the “**First Lien Administrative Agent**”) and as collateral agent (the “**First Lien Collateral Agent**”), and JEFFERIES FINANCE LLC, as the issuing bank, and (ii) the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Second Lien Credit Agreement**” and, together with the First Lien Credit Agreement, the “**Credit Agreements**”), among Holdings, the Borrower, the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “**Second Lien Lenders**” and, together with the First Lien Lenders, the “**Lenders**”), JEFFERIES FINANCE LLC, as administrative agent (the “**Second Lien Administrative Agent**”) and, together with the First Lien Administrative Agent, the “**Administrative Agents**”) and as collateral agent (the “**Second Lien Collateral Agent**” and, together with the First Lien Collateral Agent, the “**Collateral Agents**”). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

This note (“**Note**”) is the Global Intercompany Note referred to in the Credit Agreements and is subject to the terms thereof, and shall be pledged by each Holder pursuant to the applicable Security Agreement (as defined in each Credit Agreement), to the extent required pursuant to the terms thereof. Each Holder hereby acknowledges and agrees that the Administrative Agents and Collateral Agents may exercise all rights provided in the applicable Credit Agreement and the applicable Security Agreement with respect to this Note.

Anything in this Note to the contrary notwithstanding, the indebtedness evidenced by this Note owed by any Issuer that is a Loan Party to any Holder that is not a Loan Party shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to (i) all Obligations (as defined in the First Lien Credit Agreement) (the “**First Lien Obligations**”) and (ii) all Obligations (as defined in the Second Lien Credit Agreement) (the “**Second Lien Obligations**”) and, together with the First Lien Obligations, the “**Secured Obligations**”) of such Issuer under the Loan Documents (as defined in each Credit Agreement), including, without limitation, where applicable, under such Issuer’s guarantees of the Secured Obligations under the Credit Agreements (such Secured Obligations together with other indebtedness and obligations in connection with any renewal, refunding, restructuring or refinancing of any thereof, including interest thereon accruing after the commencement of any proceedings referred to in clause (i) below, whether or not such interest is an allowed claim in such proceeding, being hereinafter collectively referred to as “**Senior Indebtedness**”):

(i) in the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to any Issuer or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of such Issuer, whether or not involving insolvency or bankruptcy, then (x) the holders of Senior Indebtedness shall be paid in full in cash in respect of all amounts constituting Senior Indebtedness before any Holder is entitled to receive (whether directly or indirectly), or make any demands for, any payment on account of this Note and (y) until the holders of Senior Indebtedness are paid in full in cash in respect of all amounts constituting Senior Indebtedness, any payment or distribution to which such Holder would otherwise be entitled (other than (A) equity securities or (B) debt securities of such Issuer that are subordinated, to at least the same extent as this Note, to the payment of all Senior Indebtedness then outstanding (such securities being hereinafter referred to as “**Restructured Debt Securities**”)) shall be made to the holders of Senior Indebtedness;

(ii) if any Event of Default occurs and is continuing with respect to any Senior Indebtedness (including any Event of Default under the Credit Agreements), then no payment or distribution of any kind or character to any Person that is not a Loan Party shall be made by or on behalf of the Issuer or any other Person on its behalf with respect to this Note unless otherwise agreed in writing by the Administrative Agents in their reasonable discretion; and

(iii) if any payment or distribution of any character, whether in cash, securities or other property (other than Restructured Debt Securities), in respect of this Note shall (despite these subordination provisions) be received by any Holder in violation of clause (i) or (ii) above before all Senior Indebtedness shall have been paid in full in cash, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness (or their representatives), ratably according to the respective aggregate amounts remaining unpaid thereon, to the extent necessary to pay all Senior Indebtedness in full in cash.

Except as otherwise set forth in clauses (i), (ii) and (iii) of the immediately preceding paragraph, any Issuer is permitted to pay, and any Holder is entitled to receive, any payment or prepayment of principal and interest on the indebtedness evidenced by this Note so long as such payment or prepayment is permitted under the Credit Agreements.

To the fullest extent permitted by law, no present or future holder of Senior Indebtedness shall be prejudiced in its right to enforce the subordination of this Note by any act or failure to act on the part of any Issuer or by any act or failure to act on the part of such holder or any trustee or agent for such holder. Each Holder and each Issuer hereby agree that the subordination of this Note is for the benefit of the Administrative Agents, the Collateral Agents and the Secured Parties (as defined in each Credit Agreement) under the Credit Agreements, and the Administrative Agents, the Collateral Agents and the Secured Parties are obligees under this Note to the same extent as if their names were written herein as such and the Administrative Agents, on behalf of the itself and the Lenders may proceed to enforce the subordination provisions herein.

The indebtedness evidenced by this Note owed by any Issuer that is not a Loan Party shall not be subordinated to, and shall rank pari passu in right of payment with, any other obligation of such Issuer.

Notwithstanding the foregoing, nothing contained in the subordination provisions set forth above is intended to or will impair, as between each Issuer and each Holder, the obligations of such Issuer, which are absolute and unconditional, to pay to such Holder the principal of and interest on this Note as and when due and payable in accordance with its terms, or is intended to or will affect the relative rights of such Holder and other creditors of such Issuer other than the holders of Senior Indebtedness.

Each Holder is hereby authorized (but not required) to record all loans and advances or other credit extensions made by it to any Issuer (all of which shall be evidenced by this Note), and all repayments or prepayments thereof, in its books and records, such books and records constituting prima facie evidence of the accuracy of the information contained therein. For the avoidance of doubt, this Note as between each Issuer and each Holder contains additional terms to any intercompany loan agreement between them and this Note does not in any way replace such intercompany loans between them nor does this Note in any way change the principal amount of any intercompany loans between them.

Notwithstanding the foregoing, this Note governs all indebtedness not governed by the Excluded Instruments.

Notwithstanding anything to the contrary contained herein, in any other Loan Document (as defined in each Credit Agreement) or in any such promissory note or other instrument, this Note shall not be deemed replaced, superseded or in any way modified by any promissory note or other instrument entered into on or after the date hereof which purports to create or evidence any loan or advance by any Loan Party to another Loan Party (except any Excluded Instrument and any amendments or amendments and restatements of this Note made in accordance with the terms of the Credit Agreements).

Upon execution and delivery after the date hereof by any subsidiary of the Borrower of a counterpart signature page hereto, such subsidiary shall become a Note Party hereunder with the same force and effect thereafter as if originally named as a Note Party hereunder. The rights and obligations of each Note Party hereunder shall remain in full force and effect notwithstanding the addition of any new Note Party as a party to this Note.

From time to time after the date hereof, additional Subsidiaries of the Borrower may become parties hereto by executing a counterpart signature page hereto, which shall be automatically incorporated into this Note (each additional Subsidiary, an "Additional Party"). Upon delivery of such counterpart signature page to the Collateral Agents, notice of which is hereby waived by the Holders and Issuers, each Additional Party shall be a Note Party and shall be as fully a party hereto as if such Additional Party were an original signatory hereof. Each Note Party expressly agrees that its obligations arising hereunder shall not be affected or diminished by the addition or release of any other Note Party hereunder. This Note shall be fully effective as to any Note Party that is or becomes a party hereto regardless of whether any other person becomes or fails to become or ceases to be a Note Party hereunder.

Each Issuer hereby waives presentment, demand, protest or notice of any kind in connection with this Note. All payments under this Note shall be made without offset, counterclaim or deduction of any kind.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

This Note may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

[Remainder of page intentionally left blank]

Schedule A

Excluded Instruments

| <u>Note</u> | <u>Maker</u> | <u>Holder</u> | <u>Date</u> | <u>Amount</u> |
|---|---|------------------------------------|-------------------|----------------------|
| Promissory Note (Dallas) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | February 21, 2006 | \$10,375,000.00 |
| Promissory Note (Bethlehem LP) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | December 1, 2008 | \$14,116,329.00 |
| Promissory Note (Cleveland) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$5,871,772.86 |
| Promissory Note (Kalamazoo) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | June 1, 2007 | \$20,500,000.00 |
| Promissory Note (Bethlehem GP) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | December 1, 2008 | \$210,256.00 |
| Promissory Note (Lebanon LP) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | December 1, 2008 | \$17,565,385.00 |
| Promissory Note (Lebanon GP) | NovaMed of Lebanon, Inc. | NovaMed, Inc. | December 1, 2008 | \$267,948.00 |
| Amended and Restated Promissory Note (St. Peters) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$4,056,614.93 |
| Amended and Restated Promissory Note (Fremont) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$1,984,586.47 |
| Amended and Restated Promissory Note (Madison) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$1,967,481.27 |
| Amended and Restated Promissory Note (Whittier) | NovaMed Acquisition Company, Inc. | NovaMed, Inc. | May 4, 2011 | \$4,720,228.55 |
| Promissory Note | ASC Gamma Partners, Ltd. d/b/a West Kendall Surgical Center | Surgery Center Holdings, Inc. | March 1, 2013 | \$1,700,000.00 |
| Promissory Note | Jacksonville Beach Surgery Center, L.P. | ARC Financial Services Corporation | May 1, 2011 | Up to \$1,702,824.07 |
| Amended and Restated Promissory Note | ARC Worcester Center, L.P. | ARC Financial Services Corporation | September 1, 2013 | Up to \$2,850,000.00 |
| Promissory Note | Bayside Endoscopy Center, LLC | ARC Financial Services Corporation | January 1, 2014 | \$128,000.00 |
| Promissory Note | Bayside Endoscopy Center, LLC | ARC Financial Services Corporation | January 1, 2014 | \$633,933.16 |
| Amended and Restated Promissory Note | Bristol Spine Center, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$1,700,000.00 |
| Promissory Note | CMSC, LLC | ARC Financial Services Corporation | January 1, 2014 | \$1,647,124.09 |

| Note | Maker | Holder | Date | Amount |
|---|--|------------------------------------|-------------------|----------------------|
| Promissory Note | CMSC, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$500,000.00 |
| Amended and Restated Promissory Note | Honolulu Spine Center, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$5,400,000.00 |
| Amended and Restated Promissory Note | Jacksonville Beach Surgery Center, L.P. | ARC Financial Services Corporation | January 1, 2014 | Up to \$1,650,000.00 |
| Promissory Note | Largo Surgery, LLC | ARC Financial Services Corporation | January 1, 2008 | \$57,000.80 |
| Amended and Restated Promissory Note | Lubbock Heart Hospital, LLC | ARC Financial Services Corporation | September 1, 2014 | Up to \$1,500,000.00 |
| Promissory Note | Lubbock Heart Hospital, LLC | ARC Financial Services Corporation | January 1, 2014 | \$2,019,549.19 |
| Promissory Note | New Albany Outpatient Surgery, LP | ARC Financial Services Corporation | September 1, 2014 | Up to \$160,000.00 |
| Promissory Note | Northwest Ambulatory Surgery Services, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$1,900,000.00 |
| Amended and Restated Promissory Note | Physicians Surgery Center, LLC | ARC Financial Services Corporation | July 1, 2012 | \$322,000.00 |
| Second Amended and Restated Promissory Note | Pickaway Surgical Center, Ltd. | ARC Financial Services Corporation | June 1, 2012 | \$180,574.08 |
| Promissory Note | Specialty Surgical Center of Encino, L.P. | ARC Financial Services Corporation | January 1, 2014 | Up to \$200,000.00 |
| Promissory Note | Specialty Surgical Center of Encino, L.P. | ARC Financial Services Corporation | December 1, 2010 | \$89,869.54 |
| Promissory Note | Specialty Surgical Center of Irvine, L.P. | ARC Financial Services Corporation | May 1, 2011 | \$111,472.08 |
| Amended and Restated Promissory Note | The Surgery Center of Ocala, LLC | ARC Financial Services Corporation | January 1, 2014 | Up to \$280,000.00 |
| Promissory Note | Village Surgicenter, LP | ARC Financial Services Corporation | October 31, 2013 | \$121,929.00 |
| Promissory Note | Pickaway Surgery Center, Ltd. | ARC Financial Services Corporation | August 31, 2014 | \$81,429.78 |

FOR VALUE RECEIVED, each of the undersigned does hereby sell, assign and transfer to _____ all of its right, title and interest in and to the Global Intercompany Note, dated November 3, 2014 (as amended, supplemented or otherwise modified from time to time, the “**Global Intercompany Note**”), made by Surgery Center Holdings, Inc., a Delaware corporation (the “**Borrower**”), SP Holdco I, Inc., a Delaware corporation (“**Holdings**”), and certain Subsidiaries of the Borrower or any other Person that is or becomes a party thereto, and payable to the undersigned. This endorsement is intended to be attached to the Global Intercompany Note and, when so attached, shall constitute an endorsement thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Global Intercompany Note.

The initial undersigned shall be the Note Parties (as defined in the Global Intercompany Note) party to the Loan Documents on the date of the Global Intercompany Note. From time to time after the date thereof, additional Subsidiaries of the Note Parties shall become parties to the Global Intercompany Note (each, an “**Additional Holder**”) and a signatory to this endorsement by executing a counterpart signature page to the Global Intercompany Note and to this endorsement. Upon delivery of such counterpart signature page to the Collateral Agents, notice of which is hereby waived by the Holders and Issuers, each Additional Holder shall be a Holder and shall be as fully a Holder under the Global Intercompany Note and a signatory to this endorsement as if such Additional Holder were an original Holder under the Global Intercompany Note and an original signatory hereof. Each Holder expressly agrees that its obligations arising under the Global Intercompany Note and hereunder shall not be affected or diminished by the addition or release of any other Holder under the Global Intercompany Note or hereunder. This endorsement shall be fully effective as to any Holder that is or becomes a signatory hereto regardless of whether any other Person becomes or fails to become or ceases to be a Holder to the Global Intercompany Note or hereunder.

[Remainder of page intentionally left blank]

FORM OF PROMISSORY NOTE

See attached.

[FORM OF] PROMISSORY NOTE

Up to \$ _____

Nashville, Tennessee

_____, 20__

FOR VALUE RECEIVED, the undersigned, _____, a _____ (“**Maker**”), promises to pay to the order of _____, a _____ (“**Payee**”; Payee and any subsequent holder[s] hereof are sometimes herein referred to individually and collectively as “**Holder**”), the principal sum of up to _____ (\$ _____), together with interest and loan charges on the aggregate unpaid principal balance of the loan evidenced hereby at the rate(s) specified below; *provided* that in no event shall the interest and loan charges payable in respect of the indebtedness evidenced hereby exceed the maximum amounts from time to time allowed to be collected under applicable law. This Note and any other loan document executed in connection herewith, shall constitute the “**Note Documents**”.

Reference is made to (i) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**First Lien Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “**First Lien Lenders**”), JEFFERIES FINANCE LLC, as administrative agent (the “**First Lien Administrative Agent**”) and as collateral agent (the “**First Lien Collateral Agent**”), and JEFFERIES FINANCE LLC, as the issuing bank, and (ii) the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Second Lien Credit Agreement**” and, together with the First Lien Credit Agreement, the “**Credit Agreements**”), among Holdings, the Borrower, the other guarantors party thereto from time to time, the lenders party thereto from time to time (together with their successors and assigns, the “**Second Lien Lenders**” and, together with the First Lien Lenders, the “**Lenders**”), JEFFERIES FINANCE LLC, as administrative agent (the “**Second Lien Administrative Agent**”) and, together with the First Lien Administrative Agent, the “**Administrative Agents**”) and as collateral agent (the “**Second Lien Collateral Agent**” and, together with the First Lien Collateral Agent, the “**Collateral Agents**”).

This note (“**Note**”) is a Promissory Note referred to in the Credit Agreements and is subject to the terms thereof, and shall be pledged by each Holder pursuant to the applicable Security Agreement (as defined in each Credit Agreement), to the extent required pursuant to the terms thereof. Each Holder hereby acknowledges and agrees that the Administrative Agents and Collateral Agents may exercise all rights provided in the applicable Credit Agreement and the applicable Security Agreement with respect to this Note.

The indebtedness evidenced by this Note may be prepaid in whole or in part, at any time and from time to time, without premium or penalty. The indebtedness evidenced by this Note shall be paid, due and payable on the ___ day of each month commencing _____ as follows:

A. Interest Only. The Maker shall pay to the Holder interest only on the unpaid principal balance of this Note at a [fixed/variable] rate of interest per annum [equal to ___ percent (___%) [appearing on the Telerate Page 3750 (or successor page) as the London interbank offered rate for deposits in Dollars for a three month period (“LIBOR Rate”) plus _____ basis points (___%) until _____.

B. Principal Plus Interest; Term. Thereafter, the Maker shall pay to the Holder principal and interest in equal monthly installment amounts of \$_____ until _____, 20__, at which time the outstanding balance of this Note shall be due and payable in full.

C. Loan Charges. The Maker shall pay to Holder an additional debt and liquidity guarantee premium fee of _____ basis points (___%) per annum on the outstanding principal of this Note and such fee will be paid along with the interest.

In the event that this Note is placed in the hands of an attorney for collection, or if Holder incurs any costs incident to the collection of indebtedness evidenced hereby, Maker and any other parties hereto agree to pay reasonable attorney’s and paralegal’s fees and expenses, all court and other costs and the reasonable costs of any other collection efforts.

The following are events of default hereunder (each an “Event of Default”):

- (1) the failure to pay or perform any obligation, liability or indebtedness of Maker to any Holder under this Note, as and when due (whether upon demand, at maturity or by acceleration);
- (2) the failure to pay or perform any other obligation, liability or indebtedness of Maker to any other party;
- (3) the commencement of a proceeding against Maker for dissolution or liquidation, the voluntary or involuntary termination or dissolution of Maker or the merger or consolidation of Maker with or into another entity;
- (4) the insolvency of, the business failure of, the appointment of a custodian, trustee, liquidator or receiver for or for any of the property of, the assignment for the benefit of creditors by, or the filing of a petition under bankruptcy, insolvency or debtor’s relief law or the filing of a petition for any adjustment of indebtedness, composition or extension by or against Maker;

- (5) the seizure or forfeiture of, or the issuance of any writ of possession, garnishment or attachment, or any turnover order for any property of Maker;
- (6) the determination by Holder that a material adverse change has occurred in the financial condition of Maker; or
- (7) the failure of Maker's business to comply with any law or regulation controlling its operation.

Upon the occurrence of an event of default under any of the Note Documents, the entire outstanding principal balance of the indebtedness evidenced hereby, together with all accrued and unpaid interest thereon, may be declared, and immediately shall become, due and payable in full.

[Anything in this Note to the contrary notwithstanding, the indebtedness evidenced by this Note owed by the Maker that is a Loan Party (as defined under the First Lien Credit Agreement) to any Holder that is not a Loan Party shall be subordinate and junior in right of payment, to the extent and in the manner hereinafter set forth, to (i) all Obligations (as defined in the First Lien Credit Agreement) (the "First Lien Obligations") and (ii) all Obligations (as defined in the Second Lien Credit Agreement) (the "Second Lien Obligations") and, together with the First Lien Obligations, the "Secured Obligations") of such Maker under the Loan Documents (as defined in each Credit Agreement), including, without limitation, where applicable, under such Maker's guarantees of the Secured Obligations under the Credit Agreements (such Secured Obligations together with other indebtedness and obligations in connection with any renewal, refunding, restructuring or refinancing of any thereof, including interest thereon accruing after the commencement of any proceedings referred to in clause (i) below, whether or not such interest is an allowed claim in such proceeding, being hereinafter collectively referred to as "Senior Indebtedness"):

(i) in the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Maker or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Maker, whether or not involving insolvency or bankruptcy, then (x) the holders of Senior Indebtedness shall be paid in full in cash in respect of all amounts constituting Senior Indebtedness before any Holder is entitled to receive (whether directly or indirectly), or make any demands for, any payment on account of this Note and (y) until the holders of Senior Indebtedness are paid in full in cash in respect of all amounts constituting Senior Indebtedness, any payment or distribution to which such Holder would otherwise be entitled (other than (A) equity securities or (B) debt securities of such Maker that are subordinated, to at least the same extent as this Note, to the payment of all Senior Indebtedness then outstanding (such securities being hereinafter referred to as "**Restructured Debt Securities**")) shall be made to the holders of Senior Indebtedness;

(ii) if any Event of Default (as defined in the Credit Agreements) occurs and is continuing with respect to any Senior Indebtedness (including any Event of Default under the Credit Agreements), then no payment or distribution of any kind or character to

any person that is not a Loan Party (as defined in the Credit Agreements) shall be made by or on behalf of the Maker or any other person on its behalf with respect to this Note unless otherwise agreed in writing by the Administrative Agents in their reasonable discretion; and

(iii) if any payment or distribution of any character, whether in cash, securities or other property (other than Restructured Debt Securities), in respect of this Note shall (despite these subordination provisions) be received by any Holder in violation of clause (i) or (ii) above before all Senior Indebtedness shall have been paid in full in cash, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness (or their representatives), ratably according to the respective aggregate amounts remaining unpaid thereon, to the extent necessary to pay all Senior Indebtedness in full in cash.

Except as otherwise set forth in clauses (i), (ii) and (iii) of the immediately preceding paragraph, the Maker is permitted to pay, and any Holder is entitled to receive, any payment or prepayment of principal and interest on the indebtedness evidenced by this Note so long as such payment or prepayment is permitted under the Credit Agreements.

To the fullest extent permitted by law, no present or future holder of Senior Indebtedness shall be prejudiced in its right to enforce the subordination of this Note by any act or failure to act on the part of the Maker or by any act or failure to act on the part of such holder or any trustee or agent for such holder. Each Holder and the Maker hereby agree that the subordination of this Note is for the benefit of the Administrative Agents, the Collateral Agents and the Secured Parties (as defined in each Credit Agreement) under the Credit Agreements, and the Administrative Agents, the Collateral Agents and the Secured Parties are obligees under this Note to the same extent as if their names were written herein as such and the Administrative Agents, on behalf of the itself and the Lenders may proceed to enforce the subordination provisions herein.¹

Presentment for payment, demand, protest and notice of demand, protest and nonpayment are hereby waived by Maker and all other parties hereto.

It is the intention of Maker and Holder to conform strictly to all laws applicable to Holder that govern or limit the interest and loan charges that may be charged in respect of the indebtedness evidenced hereby. Anything in this Note or any of the other Note Documents to the contrary notwithstanding, in no event whatsoever, whether by reason of advancement of proceeds of the loans, acceleration of the maturity of the unpaid balance of any of the Obligations (defined as the repayment of the indebtedness evidenced hereby and the payment and performance of any and all other obligations of Maker to Holder) or otherwise, shall the interest and loan charges agreed to be paid to any of the Holders for the use of the money advanced or to be advanced under this Note exceed the maximum amounts collectible pursuant to applicable law. Maker and the Payee have agreed that:

¹ Provision only to be included if the Holder of this Note is not a Loan Party (as defined in the Credit Agreements).

(a) if for any reason whatsoever the interest or loan charges paid or contracted to be paid by Maker to the Holder in respect of the Obligations shall exceed the maximum amount collectible under the law applicable to the Holder, then, in that event, and notwithstanding anything to the contrary in this Note or any other Note Document (i) the aggregate of all consideration that constitutes interest or loan charges under the law applicable to such Holder that is contracted for, taken, reserved, charged or received under this Note or any other Note Document or otherwise in connection with the Obligations under no circumstances shall exceed the maximum amounts allowed by such applicable law, and any excess paid to any Holder shall be credited by such Holder on the principal amount of the Obligations (or, to the extent the principal amount outstanding under this Note and the other Note Documents has been or thereby would be paid in full, refunded to Maker), and (ii) in the event that the maturity of any or all of the Obligations is accelerated by reason of an election of the Holders resulting from any Default under the Note Documents, or in the event of any required or permitted prepayment, then such consideration that constitutes interest or loan charges under the law applicable to any Holder may never include more than the maximum amounts allowed by the law applicable to such Holder, and any excess interest or loan charges provided for in the Note Documents or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Holder on the principal amount of the Obligations (or, to the extent the principal amount of the Obligations has been or thereby would be paid in full, refunded by such Holder to Maker);

(b) all sums paid or agreed to be paid to the Holder for the use, forbearance or detention of sums due under the Note Documents shall, to the extent permitted by applicable law, be prorated, allocated and spread throughout the full term of the Obligations until payment in full so that the rate or amount of interest and loan charges on account of the Obligations will not exceed any applicable legal limitation; and

(c) the right to accelerate the maturity of the Obligations does not include the right to accelerate the maturity of any interest or loan charges not otherwise accrued on the date of such acceleration, and the Holders do not intend to charge or collect any unearned interest or loan charges in the event of any such acceleration.

This Note has been negotiated, executed and delivered in the State of Tennessee, and is intended as a contract under and shall be construed and enforceable in accordance with the laws of said state, without reference to the conflicts or choice of law principles thereof, except to the extent that Federal law may be applicable to determining the maximum amount of interest that may be charged by Holder in respect of the indebtedness evidenced hereby.

Notwithstanding anything to the contrary contained herein, in any other Loan Document (as defined in each Credit Agreement) or in any such promissory note or other instrument, this Note shall not be deemed replaced, superseded or in any way modified by any promissory note or other instrument entered into on or after the date hereof which purports to create or evidence any loan or advance by any Loan Party (as defined in the Credit Agreements) to another Loan Party (except any amendments or amendments and restatements of this Note made in accordance with the terms of the Credit Agreements).

The proceeds of this Note shall be applied by Maker solely in the State of _____ for use by Maker to refinance existing indebtedness, for working capital and/or to acquire related business assets located solely in that state.

IN WITNESS WHEREOF, the undersigned Maker has caused this Note to be executed by its duly authorized officer as of the date first above written.

MAKER:

By: _____, its general partner

By: _____

Name: _____

Title: _____

ALLONGE

Attached to up to \$ _____ Promissory Note, dated _____, 20____, made by _____, a _____, payable to the order of _____.

PAY TO THE ORDER OF:

By: _____

[FORM OF] COMPLIANCE CERTIFICATE

Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to Section 6.02(a) of the Credit Agreement, the undersigned, solely in his/her capacity as a Responsible Officer of the Borrower, certifies as follows:

1. [Attached hereto as Exhibit A is (a) the consolidated balance sheet of the Borrower and its Subsidiaries as of [_____] and the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the fiscal year then ended, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of BDO USA, LLP, which report and opinion (i) has been prepared in accordance with generally accepted auditing standards, (ii) is not subject to qualifications or exceptions as to the scope of such audit and (iii) shall be without a “going concern” disclosure or like qualification or exception (other than a disclosure, an exception or a qualification solely resulting from (1) the impending maturity of any Indebtedness, or (2) any prospective or actual default under the financial covenant set forth in Section 7.11 of the First Lien Credit Agreement) and (b) a management’s discussion and analysis of the financial condition and results of operations for such fiscal year, as compared to the previous fiscal year (including commentary on (i) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (ii) the reasons for any significant variations from the figures for the corresponding period in the previous fiscal year). Also attached hereto as Exhibit A are the related consolidated financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) (which may be in footnote form only) from such consolidated financial statements.]¹

2. [Attached hereto as Exhibit A is (a) the consolidated balance sheet of the Borrower and its Subsidiaries as of [_____] and the related (i) consolidated statements of operations for such fiscal quarter and for the portion of the fiscal year then ended and (ii) consolidated statements of cash flows for such fiscal quarter and the portion of the fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and which fairly present in all material respects the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes and (b) a

¹ To be included if accompanying annual financial statements only.

management’s discussion and analysis of the financial condition and results of operations for such fiscal quarter and the then elapsed portion of the fiscal year, as compared to the comparable periods in the previous fiscal year (including commentary on (i) any material developments or proposals affecting the Borrower and its Subsidiaries or their businesses and (ii) the reasons for any significant variations from the figures for the corresponding period in the previous quarter year). Also attached hereto as Exhibit A are the related consolidated financial statements reflecting the adjustments necessary to eliminate the accounts of Unrestricted Subsidiaries (if any) (which may be in footnote form only) from such consolidated financial statements.]²

3. [Attached as Exhibit B hereto is a reasonably detailed consolidated budget for 20[] on a quarterly basis (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of 20[], the related consolidated statements of projected cash flows and projected income and a summary of the material underlying assumptions applicable thereto) (collectively, the “**Projections**”), which Projections are prepared in good faith and are based on assumptions believed to be reasonable at the time of preparation of such Projections. Actual results may vary from such Projections and such variations may be material.]³

4. [To my knowledge, except as otherwise disclosed to the Administrative Agent pursuant to the Credit Agreement, no Default has occurred. [If unable to provide the foregoing certification, describe in reasonable detail the reasons therefor and circumstances thereof and any action taken or proposed to be taken with respect thereto on Annex A attached hereto.]

[5. The following represent true and accurate calculations, as of []:

Total Leverage Ratio:

| | | |
|-----------------------------|---|------------|
| Consolidated Total Net Debt | = | [] |
| Consolidated EBITDA | = | [] |
| Ratio | = | [] to 1.0 |
| Capital Expenditures | = | [] |

Supporting detail showing the calculations of Total Leverage Ratio is attached hereto as Schedule 2.]⁴

6. [Attached hereto as Schedule 1 are detailed calculations setting forth Excess Cash Flow and Capital Expenditures.]⁵⁶

² To be included if accompanying quarterly financial statements only.
³ To be included only in annual compliance certificate.
⁴ Not to be included in standard delivery of compliance certificate. Included for reference only to be used for delivery of a Responsible Officer certificate pursuant to various provisions of the Credit Agreement.
⁵ To be included only in annual compliance certificate.
⁶ Items 4-6 may be disclosed in a separate certificate no later than five business days after delivery of the financial statements pursuant to Section 6.02(a) of the Credit Agreement.

7. [Attached hereto is the information required by Section 6.02(d) of the Credit Agreement.]⁷

⁷ Information required by Section 6.02(d)(i) to be included only in annual compliance certificate.

Excess Cash Flow Calculation

- (a) the *sum*, without duplication, of:
 - (i) Consolidated Net Income for such period _____
 - (ii) an amount equal to the amount of all non-cash charges to the extent deducted in arriving at such Consolidated Net Income and cash gains (if any) included in clauses (a)(i)(A) – (a)(i)(M) of the calculation of Consolidated Net Income in Schedule 1 _____
 - (iii) decreases in Consolidated Working Capital for such period (other than any such decreases arising from acquisitions or dispositions by the Restricted Group completed during such period) _____
 - (iv) cash receipts in respect of Swap Contracts during such period to the extent such receipts were not otherwise included in arriving at such Consolidated Net Income _____
 - (v) the amount of tax expense deducted in determining Consolidated Net Income for such period to the extent it exceeds the amount of cash taxes paid in such period _____
 - (vi) an amount equal to the aggregate net non-cash loss on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent deducted in arriving at such Consolidated Net Income _____
- (b) *minus the sum, without duplication, of:*
 - (i) an amount equal to the amount of all non-cash credits included in arriving at such Consolidated Net Income and cash charges (if any) in respect of such period included in clauses (a)(i)(A) – (a)(i)(M) of the calculation of Consolidated Net Income in Schedule 1 _____
 - (ii) without duplication of amounts deducted pursuant to clause (b)(xi) below in prior fiscal years, the amount of Capital Expenditures made in cash during such period to the extent financed with Internally Generated Cash _____

- (iii) the aggregate amount of all principal payments of Indebtedness of the Restricted Group during such period, in each case to the extent financed with Internally Generated Cash (including (A) the principal component of payments in respect of Capitalized Leases and (B) any mandatory prepayment of Term Loans or First Lien Term Loans made pursuant to Section 2.13(a)(ii) of the Credit Agreement or Section 2.13(a)(ii) of the First Lien Credit Agreement to the extent required due to a Disposition that resulted in an increase to Consolidated Net Income and not in excess of the amount of such increase but excluding (V) all voluntary prepayments of First Lien Indebtedness, (W) all voluntary prepayments of Term Loans, Incremental Equivalent Debt (to the extent secured by the Collateral on a second lien basis) and Permitted Second Priority Refinancing Debt, (X) all prepayments of Loans under the Existing Credit Agreements and the Existing Symbion Notes on the Closing Date, (Y) all prepayments, redemptions or repurchases in respect of (i) Permitted Third Priority Refinancing Debt (or any Permitted Refinancing thereof), except to the extent permitted under Section 7.13(a) of the Credit Agreement and (ii) Junior Financing, except to the extent permitted under Section 7.13(a) of the Credit Agreement and (Z) all prepayments of loans under any revolving credit facility made during such period (it being agreed that any amount excluded pursuant to clause (V), (W), (X), (Y) or (Z) may not be deducted under any other clause of this definition) _____
- (iv) an amount equal to the aggregate net non-cash gain on Dispositions by the Restricted Group during such period (other than Dispositions in the ordinary course of business) to the extent included in arriving at such Consolidated Net Income _____
- (v) increases in Consolidated Working Capital for such period (other than any such increases arising from acquisitions or dispositions by the Restricted Group during such period) _____
- (vi) cash payments by the Restricted Group during such period in respect of long-term liabilities of the Restricted Group other than Indebtedness and that were made with Internally Generated Cash and were not deducted or were excluded in calculating Consolidated Net Income _____

-
- (vii) without duplication of amounts deducted pursuant to clause (b)(xi) below in prior fiscal years, the amount of Investments and acquisitions made during such period in cash pursuant to Section 7.02 of the Credit Agreement (other than Section 7.02(a), (c) or (e) of the Credit Agreement) (net of the return on any such Investments received during such period, except to the extent such return was included in the determination of Consolidated Net Income) to the extent that such Investments and acquisitions were not expensed and were financed with Internally Generated Cash

 - (viii) the amount of Restricted Payments paid during such period pursuant to Section 7.06(i) of the Credit Agreement (but in the case of clauses (iv) through (vii), only to the extent such amounts were not deducted or were excluded in calculating Consolidated Net Income) or Section 7.06(g) of the Credit Agreement in cash or 7.06(j) of the Credit Agreement in cash (in the case of Section 7.06(g) of the Credit Agreement, in an amount not to exceed the amount permitted thereunder in any fiscal year) to the extent such Restricted Payments were financed with Internally Generated Cash

 - (ix) the aggregate amount of expenditures actually made by the Restricted Group in cash during such period (including expenditures for the payment of financing fees) to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash

 - (x) the aggregate amount of any premium, make-whole or penalty payments actually paid in cash by the Restricted Group during such period that are required to be made in connection with any prepayment of Indebtedness to the extent that such expenditures are not expensed during such period or any previous period and were financed with Internally Generated Cash

 - (xi) without duplication of amounts deducted from Excess Cash Flow in prior periods, the aggregate consideration required to be paid in cash by the Restricted Group pursuant to binding contracts with a third party that is not an Affiliate (the “**Contract Consideration**”) entered into prior to or during such period relating to Permitted Acquisitions or Capital Expenditures or acquisitions of IP Rights to the extent not expensed to be consummated or made, in each case during the period of four consecutive fiscal quarters of the Borrower following the end of such period; provided that, to the extent the aggregate amount of Internally Generated Cash actually utilized to finance such Permitted Acquisitions, Capital Expenditures or acquisitions of IP Rights during such period of four consecutive fiscal quarters is less than the Contract Consideration, the amount of such shortfall shall be added to the calculation of Excess Cash Flow at the end of such period of four consecutive fiscal quarters
-

(xii) the amount of cash taxes paid in such period to the extent they exceed the amount of tax expense deducted in determining Consolidated Net Income for such period (which amounts shall be included in the calculation of Excess Cash Flow for the period in which they are expensed) _____

(xiii) cash expenditures in respect of Swap Contracts, which were made during such fiscal year and were not deducted in determining (or were excluded in arriving at) such Consolidated Net Income. _____

Notwithstanding anything in the definition of any term used in the definition of Excess Cash Flow to the contrary, all components of Excess Cash Flow shall be computed for the Restricted Group on a consolidated basis.

Excess Cash Flow = _____

Capital Expenditures Calculation

(a) all amounts that would be reflected as additions to property, plant or equipment on a consolidated statement of cash flows of the Restricted Group in accordance with GAAP (including amounts expended or capitalized under Capitalized Leases) _____

Capital Expenditures = _____

Total Leverage Ratio Calculation

Consolidated Total Net Debt to Consolidated EBITDA

(1) Consolidated Total Net Debt as of [_____], 20[__]:

(a) At any date of determination, the aggregate principal amount of Indebtedness of the Restricted Group outstanding on such date, in an amount that would be reflected on a balance sheet prepared as of such date on a consolidated basis for the Restricted Group in accordance with GAAP (but excluding the effects of any discounting of Indebtedness as provided in Section 1.10 of the Credit Agreement) consisting of:

(i) Indebtedness for borrowed money _____

(ii) Attributable Indebtedness or purchase money Indebtedness _____

(iii) unreimbursed drawings in respect of letters of credit _____

(iv) without duplication, all Guarantees of any Indebtedness of such type that is owed to a Person that is not the Borrower or a Restricted Subsidiary. _____

minus:

(b) the aggregate amount of cash and Cash Equivalents (other than Restricted Cash) held by the Borrower and its Domestic Subsidiaries that are also Restricted Subsidiaries, in each case held free and clear of all Liens, other than nonconsensual Liens permitted by Section 7.01 and Liens permitted by Section 7.01(a), Section 7.01(k), Section 7.01(p), Section 7.01(q), clauses (i) and (ii) of Section 7.01(r), Section 7.01(cc), Section 7.01(dd) and Section 7.01(ii); _____

provided that Consolidated Total Net Debt shall not include Indebtedness in respect of letters of credit, except to the extent of unreimbursed amounts thereunder (provided that any unreimbursed amount under commercial letters of credit shall not be counted as Consolidated Total Net Debt until three Business Days after such amount is drawn). _____

Consolidated Total Net Debt =

divided by

¹ Included for reference only and not to be included in standard delivery of compliance certificate.

(2) Consolidated EBITDA:

(a) Consolidated Net Income:

- (i) the net income (loss) of the Restricted Group for such period determined on a consolidated basis in accordance with GAAP, excluding, without duplication: _____
- (A) (i) any after-tax effect of extraordinary, non-recurring or unusual items (including gains or losses and all fees and expenses relating thereto) for such period and (ii) income in respect of cancellation of Indebtedness extinguished prior to the Closing Date _____
- (B) the cumulative effect of a change in accounting principles during such period to the extent included in Consolidated Net Income _____
- (C) any fees and expenses incurred during such period (including any premiums, make-whole or penalty payments), or any amortization thereof for such period, in connection with any acquisition, investment, asset disposition, issuance or repayment of debt, issuance of equity securities and including any Qualified IPO, refinancing transaction or amendment or other modification of any debt instrument (in each case, including any such transaction consummated on or prior to the Closing Date (including, for the avoidance of doubt, any payments to option holders in connection with prior dividends to the extent such payments reduced Consolidated Net Income) and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful (including, for the avoidance of doubt, the effects of expensing all transaction related expenses in accordance with FASB Accounting Standards Codification 805 and gains or losses associated with FASB Accounting Standards Codification 460) _____
- (D) accruals and reserves that are established or adjusted within twelve months after the Closing Date that are so required to be established or adjusted as a result of the Transactions (or within 12 months after the closing of any Permitted Acquisition that are so required to be established or adjusted as a result of such Permitted Acquisition) in accordance with GAAP or changes as a result of adoption or modification of accounting policies in accordance with GAAP _____
- (E) any net after-tax gains or losses on disposed, abandoned or discontinued operations _____
- (F) any net after-tax effect of gains or losses (less all fees, expenses and charges) attributable to asset dispositions or the sale or other disposition of any Equity Interests of any Person in each case other than in the ordinary course of business, as determined in good faith by the Borrower _____

- (G) the net income (loss) for such period of any Person that is not a Subsidiary of the Borrower, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting; *provided* that, unless already included, Consolidated Net Income of the Borrower shall be increased by the amount of dividends or distributions that are actually paid in cash or Cash Equivalents (or to the extent subsequently converted into cash or Cash Equivalents) by such Person to the Borrower or a Restricted Subsidiary thereof in respect of such period _____
- (H) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities or as a result of a change in law or regulation, in each case, pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP; *provided* that (x) any non-cash charge of the type referred to in clause (b)(xi)(B) of the calculation of Consolidated EBITDA herein shall not be excluded and (y) if any non-cash charges referred to in this clause (H) represent an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to exclude such non-cash charge in the current period and (2) to the extent the Borrower does decide to exclude such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated Net Income in such future period to the extent paid _____
- (I) any equity based or non-cash (for such period and all other periods) compensation charge or expense, including any such charge or expense arising from the grants of stock appreciation rights, equity incentive programs or similar rights, stock options, restricted stock or other rights or equity incentive programs, and any cash charges associated with the rollover, acceleration or payout of Equity Interests by management of the Borrower or any of its Restricted Subsidiaries in connection with the Transactions _____
- (J) any expenses, charges or losses that are covered by indemnification or other reimbursement provisions in connection with any Investment, Permitted Acquisition or any sale, conveyance, transfer or other disposition of assets permitted under the Credit Agreement, to the extent actually reimbursed, or, so long as the Borrower has made a determination that a reasonable basis exists for indemnification or reimbursement and only to the extent that such amount is in fact indemnified or reimbursed within 365 days of such determination (with a deduction in the applicable future period for any amount so added back to the extent not so indemnified or reimbursed within such 365 days) _____
- (K) to the extent covered by insurance and actually reimbursed, or, so long as the Borrower has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is in fact reimbursed within 365 days of the date of _____

such determination (with a deduction in the applicable future period for any amount so added back to the extent not so reimbursed within such 365 days), expenses, charges or losses with respect to liability or casualty events or business interruption

- (L) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of the Borrower's Restricted Subsidiaries or that Person's assets are acquired by the Borrower or any of the Borrower's Restricted Subsidiaries (except to the extent required for any calculation of Consolidated EBITDA on a Pro Forma Basis in accordance with Section 1.09 of the Credit Agreement)
- (M) solely for the purpose of determining the Cumulative Credit pursuant to clause (b) of the definition thereof in the Credit Agreement, the income of any Restricted Subsidiary of the Borrower that is not a Guarantor to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted without government approval or by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its equity holders (which has not been waived), except (solely to the extent permitted to be paid) to the extent of the amount of dividends or other distributions actually paid in cash to the Borrower or any of its Restricted Subsidiaries that are Guarantors by such Person during such period in accordance with such documents and regulations

There shall be excluded from (or, in the case of lost revenue, included in) Consolidated Net Income for any period the effects of fair value adjustments (including the effects of such adjustments pushed down to the Borrower and its Restricted Subsidiaries) in the inventory, property and equipment, goodwill, intangible assets, deferred revenue and debt line items in such Person's consolidated financial statements pursuant to GAAP resulting solely from the application of recapitalization accounting or purchase accounting in relation to the Transactions or any consummated acquisition permitted under the Credit Agreement (and the amortization or write-off of any amounts thereof (or the loss of revenue otherwise recognizable), in each case net of taxes, shall be excluded from (or, in the case of lost revenue, included in) the determination of Consolidated Net Income).

Consolidated Net Income =

- b) *plus*, without duplication and, except with respect to clauses (viii), (x), (xiv), (xv) and (xvi) below, to the extent deducted (and not added back or excluded) in arriving at such Consolidated Net Income, the sum of the following amounts for such period with respect to the Restricted Group:

- (i) total interest expense determined in accordance with GAAP and, to the extent not reflected in such total interest expense, any expenses or losses on hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such hedging obligations or other derivative obligations, letter of credit fees, costs of surety bonds in connection with financing activities and any bank fees and financing fees (including commitment, underwriting, funding, “rollover” and similar fees and commissions, discounts, yields and other fees, charges and amounts incurred in connection with the issuance, incurrence or extinguishment of Indebtedness and all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing and net costs under Swap Contracts entered into for the purpose of hedging interest rate risk) and annual agency, unused line, facility or similar fees paid under definitive documentation related to Indebtedness (whether amortized or immediately expensed) _____
- (ii) provision for taxes based on income, profits or capital gains of the Restricted Group, including, without limitation, federal, state, local, franchise and similar taxes and foreign withholding taxes paid or accrued during such period including penalties and interest related to such taxes or arising from any tax examinations (but, for clarity, including taxes in respect of cancellation of debt income in respect of Indebtedness extinguished prior to the Closing Date for which a valid election was made to defer the realization to the extent such taxes reduced Consolidated Net Income for such period) _____
- (iii) depreciation and amortization _____
- (iv) (A) duplicative running costs, severance, relocation costs or expenses, integration costs, transition costs, pre-opening, opening, consolidation and closing costs for facilities, signing, retention and completion bonuses, costs incurred in connection with any strategic initiatives, costs incurred in connection with Permitted Acquisitions and non-recurring product and intellectual property development after the Closing Date, other business optimization expenses (including costs and expenses relating to business optimization programs), and new systems design and implementation costs, project start-up costs and restructuring charges or reserves (including restructuring costs related to acquisitions after the Closing Date and to closure/consolidation of facilities, retention charges, systems establishment costs and excess pension charges) and litigation settlements or losses and related expenses; (B) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses, compensation or otherwise) and adjustments thereof and purchase price adjustments, in each case in connection with acquisitions; and (C) Transaction Expenses _____
- (v) [Reserved]

-
- (vi) the amount of management, monitoring, consulting and advisory fees (including transaction and termination fees) and related indemnities and expenses paid or accrued (without duplication among periods) to the Sponsor under the Sponsor Management Agreement
-
- (vii) any costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds contributed to the capital of the Borrower or net cash proceeds of an issuance of Equity Interests of the Borrower (other than Disqualified Equity Interests), which cash proceeds are in each case Not Otherwise Applied
-
- (viii) (A) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to the Transactions projected by the Borrower in good faith to be realized as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after the Closing Date (calculated on a Pro Forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined (the “**EBITDA Determination Period**”), and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith judgment of the Borrower; (B) the amount of run rate cost savings, operating expense reductions, operating improvements and synergies related to mergers and other business combinations, acquisitions, divestitures, restructurings, insourcing initiatives, cost savings initiatives and other similar initiatives consummated after the Closing Date projected by the Borrower in good faith as a result of actions either taken or are expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months after a merger or other business combination, acquisition, divestiture, restructuring, cost savings initiative or other initiative (calculated on a Pro Forma basis as though such cost savings, operating expense reductions and synergies had been realized on the first day of the EBITDA Determination Period and as if such cost savings, operating expense reductions and synergies were realized during the entirety of the EBITDA Determination Period), net of the amount of actual benefits realized during the EBITDA Determination Period from such actions; *provided* that such cost savings, operating expense reductions and synergies are reasonably identifiable and factually supportable in the good faith determination of the Borrower; and (C) the amount of run rate impact on

Consolidated EBITDA occurring as a result of business initiatives consummated after the Closing Date not contemplated by subclauses (A) and (B) of this clause (viii) projected by the Borrower in good faith as a result of actions either taken or expected to be taken or with respect to which substantial steps have been taken or are expected to be taken (in each case, in the good faith determination of the Borrower) within 24 months of the applicable business initiative, provided, that such impact on Consolidated EBITDA is reasonably identifiable and factually supportable, in the good faith determination of the Borrower; *provided* that (x) no cost savings, operating expense reductions and synergies shall be added pursuant to this clause (viii) to the extent duplicative of any expenses or charges otherwise added to Consolidated EBITDA, whether through a pro forma adjustment or otherwise, for the EBITDA Determination Period and (y) the aggregate amount of cost savings, operating expense reductions, synergies and other run rate impact added pursuant this clause (viii) shall not, taken together with those added pursuant to Section 1.09(c) of the Credit Agreement, exceed 35% of Consolidated EBITDA (calculated prior to giving effect to any addback pursuant to this clause (viii) or Section 1.09(c) of the Credit Agreement) for any period of four-consecutive fiscal quarters

(ix) any net loss from disposed, abandoned, or discontinued operations

(x) cash receipts (or any netting arrangements resulting in reduced cash expenditures) not representing Consolidated EBITDA or Consolidated Net Income in any period to the extent non-cash gains relating to such income were deducted in the calculation of Consolidated EBITDA pursuant to section (c) below for any previous period and not added back

(xi) non-cash expenses, charges and losses (including reserves, impairment charges or asset write-offs, write-offs of deferred financing fees, losses from investments recorded using the equity method and stock-based awards compensation expense), in each case other than (A) any non-cash charge representing amortization of a prepaid cash item that was paid and not expensed in a prior period and (B) any non-cash charge relating to write-offs, write-downs or reserves with respect to accounts receivable in the normal course or inventory; *provided* that, if any of the non-cash charges referred to in this clause (xi) represents an accrual or reserve for potential cash items in any future period, (1) the Borrower may determine not to add back such non-cash charge in the current period and (2) to the extent the Borrower does decide to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA in such future period to the extent paid

(xii) [Reserved]

(xiii) [Reserved]

- (xiv) the net income of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof (i.e., the minority interest of the Borrower or any Subsidiary Guarantor in the entities generating such net income),
 - (xv) with respect to any Restricted Subsidiary that is not wholly owned by the Borrower or any Subsidiary Guarantor that has any outstanding Pledged Note(s) issued to the Borrower or any Subsidiary Guarantor, the least of (i) the minority interest of such Restricted Subsidiary as of the last day of such period, (ii) the outstanding amount of all Pledged Notes issued by such Restricted Subsidiary to the Borrower or any Subsidiary Guarantor as of the last day of such period and (iii) the amount of the Consolidated EBITDA of such Restricted Subsidiary for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP
 - (xvi) with respect to any Person in which the Borrower or a Subsidiary Guarantor holds an equity interest, but which is not a Subsidiary of the Borrower, that has any outstanding Pledged Note(s) issued to the Borrower or any Subsidiary Guarantor, the lesser of (i) the outstanding amount of all Pledged Notes issued by such Person to the Borrower or a Subsidiary Guarantor as of the last day of such period and (ii) the amount of the Consolidated EBITDA of such Person for such period that is not otherwise included in the calculation of Consolidated EBITDA for such period, all as determined in accordance with GAAP
- (c) *minus*, without duplication and to the extent included in arriving at such Consolidated Net Income:
- (i) non-cash gains (excluding any non-cash gain to the extent it represents the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period) and all other non-cash items of income for such period
 - (ii) any net gain from disposed, abandoned, or discontinued operations
 - (iii) all gains and income from investments recorded using the equity method
 - (iv) the net loss of any Person to the extent excluded from the calculation of Consolidated Net Income pursuant to clause (g) of the definition thereof *provided* that, for the avoidance of doubt, any gain representing the reversal of any non-cash charge referred to in clause (b)(xi)(B) of the calculation of Consolidated EBITDA herein for a prior period shall be added (together with, without duplication, any amounts received in respect thereof to the extent not increasing Consolidated Net Income) to Consolidated EBITDA in any subsequent period to such extent so reversed (or received);

provided that:

- (A) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period (x) currency translation gains and losses related to currency remeasurements of Indebtedness (including the net loss or gain (i) resulting from Swap Contracts for currency exchange risk and (ii) resulting from intercompany indebtedness) and (y) all other foreign currency translation gains or losses to the extent such gain or losses are non-cash items _____
- (B) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any adjustments resulting from the application of FASB Accounting Standards Codification 815 and International Accounting Standard No. 39 and their respective related pronouncements and interpretations _____
- (C) to the extent included in Consolidated Net Income, there shall be excluded in determining Consolidated EBITDA for any period any income (loss) for such period attributable to the early extinguishment of (i) Indebtedness, (ii) obligations under any Swap Contracts or (iii) other derivative instruments. _____

Notwithstanding anything to the contrary contained herein, for purposes of determining Consolidated EBITDA under this Agreement for any period that includes any of the fiscal quarters ended June 30, 2013, September 30, 2013, December 31, 2013, or March 31, 2014, Consolidated EBITDA for such fiscal quarters shall be \$50,317,000, \$46,437,000, \$54,596,000 and \$44,691,000, respectively, in each case, as may be subject to addbacks and adjustments (without duplication) pursuant to Section 1.09 of the Credit Agreement.

Consolidated EBITDA = _____

Consolidated Total Net Debt to Consolidated EBITDA =

[]:1.00

IN WITNESS WHEREOF, the undersigned, solely in his/her capacity as a Responsible Officer of the Borrower, has executed this certificate for and on behalf of the Borrower and has caused this certificate to be delivered this _____ day of _____, 20[___].

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

[FORM OF]

UNITED STATES TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Lenders That Are Not Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among SP HOLDCO I, INC., a Delaware corporation ("**Holdings**"), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the "**Borrower**"), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a "bank" as such term is used in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the "**Code**"), (iii) it is not a "10-percent shareholder" of the Borrower within the meaning of Code Section 871(h)(3)(B), (iv) it is not a "controlled foreign corporation" within the meaning of Section 881(c)(3)(C) of the Code and (v) no payments in connection with the Loan Documents are effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent with a certificate of its non-U.S. person status on Internal Revenue Service Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent in writing and (2) the undersigned shall furnish the Borrower and the Administrative Agent a properly completed and currently effective certificate in either the calendar year in which payment is to be made by the Borrower or the Administrative Agent to the undersigned, or in either of the two calendar years preceding such payment.

[Signature Page Follows]

G-1-1

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

G-1-2

[FORM OF]
UNITED STATES TAX COMPLIANCE CERTIFICATE
(For Non-U.S. Lenders That Are Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) neither the undersigned nor any of its partners/members is a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the “**Code**”), (iv) none of its partners/members is a “10-percent shareholder” of the Borrower within the meaning of Code Section 871(h)(3)(B), (v) none of its partners/members is a “controlled foreign corporation” related to the Borrower within the meaning of Section 881(c)(3)(C) of the Code and (vi) no payments in connection with the Loan Documents are effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with Internal Revenue Service Form W-8IMY accompanied by an Internal Revenue Service Form W-8BEN from each of its partners/members claiming the portfolio interest exemption, *provided* that, for the avoidance of doubt, the foregoing shall not limit the obligation of the Lender to provide, in the case of a partner/member not claiming the portfolio interest exemption, a Form W-8ECI, Form W-9 or Form W-8IMY (including appropriate underlying certificates from each interest holder of such partner/member), in each case establishing such partner/member’s any available exemption from U.S. federal withholding tax. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent in writing with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

G-2-2

[FORM OF]

UNITED STATES TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Participants That Are Not Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) and Section 10.04(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the “**Code**”), (iii) it is not a “10-percent shareholder” of the Borrower within the meaning of Code Section 871(h)(3)(B), (iv) it is not a “controlled foreign corporation” related to the Borrower within the meaning of Section 881(c)(3)(C) of the Code and (v) no payments in connection with the Loan Documents are effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished its participating non-U.S. Lender with a certificate of its non-U.S. person status on Internal Revenue Service Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such non-U.S. Lender in writing and (2) the undersigned shall have at all times furnished such Non-U.S. Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[Signature Page Follows]

G-3-1

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

G-3-2

[FORM OF]
UNITED STATES TAX COMPLIANCE CERTIFICATE
(For Non-U.S. Participants That Are Partnerships or Pass-Thru Entities For U.S. Federal Income Tax Purposes)

Reference is made to the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Pursuant to the provisions of Section 3.01(d) and Section 10.04(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) neither the undersigned nor any of its partners/members is a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended, (the “**Code**”), (iv) none of its partners/members is a “10-percent shareholder” of the Borrower within the meaning of Code Section 871(h)(3)(B), (v) none of its partners/members is a “controlled foreign corporation” related to the Borrower within the meaning of Section 881(c)(3)(C) of the Code and (vi) no payments in connection with the Loan Documents are effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished its participating non-U.S. Lender with Internal Revenue Service Form W-8IMY accompanied by an Internal Revenue Service Form W-8BEN from each of its partners/members claiming the portfolio interest exemption, *provided* that, for the avoidance of doubt, the foregoing shall not limit the obligation of the Lender to provide, in the case of a partner/member not claiming the portfolio interest exemption, a Form W-8ECI, Form W-9 or Form W-8IMY (including appropriate underlying certificates from each interest holder of such partner/member), in each case establishing such partner/member’s any available exemption from U.S. federal withholding tax. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such non-U.S. Lender in writing and (2) the undersigned shall have at all times furnished such non-U.S. Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[Lender]

By: _____

Name:

Title:

[Address]

Dated: _____, 20[]

[FORM OF] SOLVENCY CERTIFICATE

SOLVENCY CERTIFICATE
of
SP HOLDCO I, INC.
AND ITS SUBSIDIARIES

Pursuant to (a) the First Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**First Lien Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time, JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, and JEFFERIES FINANCE LLC, as the Issuing Bank and (b) the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “**Second Lien Credit Agreement**”, and together with the First Lien Credit Agreement, the “**Credit Agreements**”), among Holdings, the Borrower, the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, the undersigned hereby certifies, solely in such undersigned’s capacity as chief financial officer of Holdings and the Borrower, and not individually, as follows:

As of the date hereof, after giving effect to the consummation of the Transactions, including the making of the Loans under the Credit Agreements and after giving effect to the application of the proceeds of such indebtedness:

- a. The fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis, exceeds, on a consolidated basis, their debts and liabilities, subordinated, contingent or otherwise;
- b. The present fair saleable value of the assets of Holdings and its Subsidiaries, on a consolidated basis, is greater than the amount that will be required to pay the probable liabilities, on a consolidated basis, of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured;
- c. Holdings and its Subsidiaries, on a consolidated basis, are able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature; and

- d. Holdings and its Subsidiaries, on a consolidated basis, are not engaged in, and are not about to engage in, business for which they have unreasonably small capital.

For purposes of this Certificate, the amount of any contingent liability at any time shall be computed as the amount that could reasonably be expected to become an actual and matured liability. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Credit Agreements.

[Signature Page Follows]

H-2

IN WITNESS WHEREOF, the undersigned has executed this Certificate in such undersigned's capacity as chief financial officer of Holdings and the Borrower, on behalf of Holdings and the Borrower, and not individually, as of the date first stated above.

SP HOLDCO I, INC.

By: _____
Name:
Title:

[FORM OF] TERM NOTE

[New York, New York]

[Date]

FOR VALUE RECEIVED, the undersigned, SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the “**Borrower**”), hereby promises to pay to the Lender set forth above (the “**Lender**”) or its registered assigns in accordance with Section 10.04 of the Credit Agreement (as defined below), in lawful money of the United States of America in immediately available funds at the office of the Administrative Agent (such term, and each other capitalized term used but not defined herein, having the meaning assigned to it in the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), among SP HOLDCO I, INC., a Delaware corporation (“**Holdings**”), the Borrower, the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent) at 520 Madison Avenue, New York, New York 10022 (or such other office notified by the Administrative Agent to the Borrower in accordance with Section 10.01 of the Credit Agreement) (i) on the dates set forth in the Credit Agreement, the principal amounts set forth in the Credit Agreement with respect to Term Loans made by the Lender to the Borrower pursuant to the Credit Agreement and (ii) on each Interest Payment Date, interest at the rate or rates per annum as provided in the Credit Agreement on the unpaid principal amount of all Term Loans made by the Lender to the Borrower pursuant to the Credit Agreement.

The Borrower promises to pay interest, on demand, on any overdue principal and, to the extent permitted by law, overdue interest from their due dates at the rate or rates provided in the Credit Agreement.

The Borrower hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever. The nonexercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance. All borrowings evidenced by this Term Note and all payments and prepayments of the principal hereof and interest hereon and the respective dates thereof shall be endorsed by the holder hereof on the schedule attached hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof, or otherwise recorded by such holder in its internal records; *provided, however*, that the failure of the holder hereof to make such a notation or any error in such notation shall not affect the obligations of the Borrower under this Term Note.

This Term Note is one of the Term Notes referred to in the Credit Agreement that, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional and mandatory prepayment of the principal hereof prior to the maturity hereof and for the amendment or waiver of certain provisions of the Credit Agreement, all upon the terms and conditions therein specified.

THIS TERM NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE CREDIT AGREEMENT.

THIS TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the party hereto has caused this Term Note to be duly executed by its respective authorized officer as of the day and year first above written.

SURGERY CENTER HOLDINGS, INC.

By: _____
Name:
Title:

LOANS AND PAYMENTS

| <u>Date</u> | <u>Amount of Loan</u> | <u>Maturity Date</u> | <u>Payments of Principal/Interest</u> | <u>Principal Balance of Note</u> | <u>Name of Person Making the Notation</u> |
|-------------|-----------------------|--------------------------|---|--|---|
|-------------|-----------------------|--------------------------|---|--|---|

AUCTION PROCEDURES

This outline is intended to summarize certain basic terms of procedures with respect to Auctions pursuant to and in accordance with the terms and conditions of Sections 10.04(k) and 10.04(m) of the Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among SP HOLDCO I, INC., a Delaware corporation ("**Holdings**"), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the "**Borrower**"), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent. It is not intended to be a definitive list of all of the terms and conditions of an Auction and all such terms and conditions shall be set forth in the applicable Auction Procedures set for each Auction (the "**Offer Documents**"). None of the Administrative Agent, the Auction Manager, any other Agent or any of their respective affiliates makes any recommendation pursuant to the Offer Documents as to whether or not any Lender should sell by assignment any of its Term Loans pursuant to the Offer Documents (including, for the avoidance of doubt, by participating in the Auction as a Lender) or whether or not Holdings, the Borrower or any Affiliated Lender should purchase by assignment any Term Loans from any Lender pursuant to any Auction. Each Lender should make its own decision as to whether to sell by assignment any of its Term Loans and, if so, the principal amount of and price to be sought for such Term Loans. In addition, each Lender should consult its own attorney, business advisor or tax advisor as to legal, business, tax and related matters concerning any Auction and the Offer Documents. Capitalized terms not otherwise defined in this Exhibit J have the meanings assigned to them in the Credit Agreement.

For avoidance of doubt, the provisions of Section 10.04(k) of the Credit Agreement shall also apply to all non-pro rata assignments of Term Loans made to Affiliated Lenders, and the provisions of Section 10.04(m) of the Credit Agreement shall also apply to all non-pro rata assignments of Term Loans made to Holdings or the Borrower.

Summary. Affiliated Lenders, Holdings and the Borrower may purchase (by assignment) Term Loans on a non-pro rata basis by conducting one or more auctions (each, an "**Auction**") pursuant to the procedures described herein; *provided*, that no more than one Auction may be ongoing at any one time and no more than four Auctions may be made in any period of four consecutive fiscal quarters of the Borrower.

Notice Procedures. In connection with each Auction, Holdings, the Borrower or the applicable Affiliated Lender (as applicable) (the "**Offeror**") will provide notification to the Auction Manager (for distribution to the Lenders) of the Term Loans that will be the subject of the Auction by delivering to the Auction Manager a written notice in form and substance reasonably satisfactory to the Auction Manager (an "**Auction Notice**"). Each Auction Notice shall contain (i) the maximum principal amount of Term Loans the Offeror is willing to purchase (by assignment) in the Auction (the "**Auction Amount**"), which shall be no less than \$10,000,000 or an integral multiple of \$1,000,000 in excess of thereof (ii) the range of discounts to par (the "**Discount Range**"), expressed as a range of prices per \$1,000, at which the Offeror

would be willing to purchase Term Loans in the Auction; and (iii) the date on which the Auction will conclude, on which date Return Bids (defined below) will be due at the time provided in the Auction Notice (such time, the “**Expiration Time**”), as such date and time may be extended upon notice by the Offeror to the Auction Manager not less than 24 hours before the original Expiration Time.

Reply Procedures. In connection with any Auction, each Lender holding Term Loans wishing to participate in such Auction shall, prior to the Expiration Time, provide the Auction Manager with a notice of participation in form and substance reasonably satisfactory to the Auction Manager (the “**Return Bid**”, to be included in the Offer Documents) which shall specify (i) a discount to par that must be expressed as a price per \$1,000 of Term Loans (the “**Reply Price**”) within the Discount Range and (ii) the principal amount of Term Loans, in an amount not less than \$1,000,000, that such Lender is willing to offer for sale at its Reply Price (the “**Reply Amount**”); *provided*, that each Lender may submit a Reply Amount that is less than the minimum amount and incremental amount requirements described above only if the Reply Amount comprises the entire amount of the Term Loans held by such Lender at such time. A Lender may only submit one Return Bid per Auction, but each Return Bid may contain up to three component bids, each of which may result in a separate Qualifying Bid and each of which will not be contingent on any other component bid submitted by such Lender resulting in a Qualifying Bid. In addition to the Return Bid, a participating Lender must execute and deliver, to be held by the Auction Manager, an Assignment and Acceptance in the form included in the Offer Documents which shall be in form and substance reasonably satisfactory to the Auction Manager and the Administrative Agent (the “**Auction Assignment and Acceptance**”). The Offeror will not purchase any Term Loans at a price that is outside of the applicable Discount Range, nor will any Return Bids (including any component bids specified therein) submitted at a price that is outside such applicable Discount Range be considered in any calculation of the Applicable Threshold Price (as defined below).

Acceptance Procedures. Based on the Reply Prices and Reply Amounts received by the Auction Manager, the Auction Manager, in consultation with the Offeror, will calculate the lowest purchase price (the “**Applicable Threshold Price**”) for the Auction within the Discount Range for the Auction that will allow the Offeror to complete the Auction by purchasing the full Auction Amount (or such lesser amount of Term Loans for which the Offeror has received Qualifying Bids). The Offeror shall purchase (by assignment) Term Loans from each Lender whose Return Bid is within the Discount Range and contains a Reply Price that is equal to or less than the Applicable Threshold Price (each, a “**Qualifying Bid**”). All principal amount of Term Loans included in Qualifying Bids received at a Reply Price lower than the Applicable Threshold Price will be purchased at a purchase price equal to the applicable Reply Price and shall not be subject to proration. If a Lender has submitted a Return Bid containing multiple component bids at different Reply Prices, then all Term Loans of such Lender offered in any such component bid that constitutes a Qualifying Bid with a Reply Price lower than the Applicable Threshold Price shall also be purchased at a purchase price in cash equal to the applicable Reply Price and shall not be subject to proration.

Proration Procedures. All Term Loans offered in Return Bids (or, if applicable, any component bid thereof) constituting Qualifying Bids equal to the Applicable Threshold Price will be purchased at a purchase price equal to the Applicable Threshold Price; *provided* that if the aggregate principal amount of all Term Loans for which Qualifying Bids have been submitted in any given Auction equal to the Applicable Threshold Price would exceed the remaining portion of the Auction Amount (after deducting all Term Loans purchased below the Applicable Threshold Price), the Offeror shall purchase the Term Loans for which the Qualifying Bids submitted were at the Applicable Threshold Price ratably based on the respective principal amounts offered and in an aggregate amount up to the amount necessary to complete the purchase of the Auction Amount. For the avoidance of doubt, no Return Bids (or any component thereof) will be accepted above the Applicable Threshold Price.

Notification Procedures. The Auction Manager will calculate the Applicable Threshold Price no later than the next Business Day after the date that the Return Bids were due. The Auction Manager will insert the amount of Term Loans to be assigned and the applicable settlement date determined by the Auction Manager in consultation with the Offeror onto each applicable Auction Assignment and Acceptance received in connection with a Qualifying Bid. Upon written request of the submitting Lender, the Auction Manager will promptly return any Auction Assignment and Acceptance received in connection with a Return Bid that is not a Qualifying Bid.

Additional Procedures. Once initiated by an Auction Notice, the Offeror may withdraw an Auction by written notice to the Auction Manager no later than 24 hours before the original Expiration Time so long as no Qualifying Bids have been received by the Auction Manager at or prior to the time the Auction Manager receives such written notice from the Borrower. Any Return Bid (including any component bid thereof) delivered to the Auction Manager may not be modified, revoked, terminated or cancelled; *provided* that a Lender may modify a Return Bid at any time prior to the Expiration Time solely to reduce the Reply Price included in such Return Bid. However, an Auction shall become void if the Offeror fails to satisfy one or more of the conditions to the purchase of Term Loans set forth in Section 10.04(k) or 10.04(m) of the Credit Agreement, as applicable, or to otherwise comply with any of the provisions of such Sections 10.04(k) or 10.04(m). The purchase price for all Term Loans purchased in an Auction shall be paid in cash by the Offeror directly to the respective assigning Lender on a settlement date as determined by the Auction Manager in consultation with the Offeror (which shall be no later than ten (10) Business Days after the date Return Bids are due), along with accrued and unpaid interest (if any) on the applicable Term Loans up to the settlement date. The Offeror shall execute each applicable Auction Assignment and Acceptance received in connection with a Qualifying Bid.

All questions as to the form of documents and validity and eligibility of Term Loans that are the subject of an Auction will be determined by the Auction Manager, in consultation with the Offeror, and the Auction Manager's determination will be final and binding. The Auction Manager's interpretation of the terms and conditions of the Offer Document, in consultation with the Offeror, will be final and binding.

None of the Administrative Agent, the Auction Manager, any other Agent or any of their respective affiliates assumes any responsibility for the accuracy or completeness of the information concerning the Borrower, the Loan Parties, or any of their affiliates contained in the Offer Documents or otherwise or for any failure to disclose events that may have occurred and may affect the significance or accuracy of such information.

Immediately upon the consummation of an Auction pursuant to Section 10.04(m) of the Credit Agreement, the Term Loans subject to such Auction and all rights and obligations as a Lender related to such Term Loans shall for all purposes (including under the Credit Agreement, the other Loan Documents and otherwise) be deemed to be irrevocably prepaid, terminated, extinguished, cancelled and of no further force and effect, and neither Holdings nor the Borrower shall obtain nor have any rights as a Lender under the Credit Agreement or under the other Loan Documents by virtue of the acquisition of any Term Loans subject to such Auction.

The Auction Manager acting in its capacity as such under an Auction shall be entitled to the benefits of the provisions of Article 9 and Section 10.05 of the Credit Agreement to the same extent as if each reference therein to the "Administrative Agent" were a reference to the Auction Manager, and the Administrative Agent shall cooperate with the Auction Manager as reasonably requested by the Auction Manager in order to enable it to perform its responsibilities and duties in connection with each Auction.

This Exhibit J shall not require Holdings, the Borrower or any Affiliated Lender to initiate any Auction, nor shall any Lender be obligated to participate in any Auction.

[FORM OF]
INTEREST ELECTION REQUEST

[Date]

Jefferies Finance LLC,
as Administrative Agent for
the Lenders referred to below
520 Madison Avenue
New York, New York 10022

Attention: Surgery Center Holdings, Inc. Account Manager
Facsimile: (904) 494-6871

Re: Surgery Center Holdings, Inc.

Ladies and Gentlemen:

Pursuant to Section 2.10 of that certain Second Lien Credit Agreement, dated as of November 3, 2014 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among SP HOLDCO I, INC., a Delaware corporation ("**Holdings**"), SURGERY CENTER HOLDINGS, INC., a Delaware corporation (the "**Borrower**"), the other Guarantors party thereto from time to time, the Lenders party thereto from time to time and JEFFERIES FINANCE LLC, as Administrative Agent and as Collateral Agent, the Borrower hereby gives the Administrative Agent notice that the Borrower hereby requests:

[Option A - Conversion of Eurodollar Borrowings to ABR Borrowings: to convert \$_____ in principal amount of presently outstanding Eurodollar Term Borrowings with a final Interest Payment Date of _____, _____ to ABR Borrowings on _____, _____ (which is a Business Day).]

[Option B - Conversion of ABR Borrowings to Eurodollar Borrowings: to convert \$_____ in principal amount of presently outstanding ABR Term Borrowings to Eurodollar Borrowings on _____, _____ (which is a Business Day). The Interest Period for such Eurodollar Borrowings is _____ month[s].]

[Option C - Continuation of Eurodollar Borrowings as Eurodollar Borrowings: to continue as Eurodollar Borrowings \$_____ in presently outstanding Eurodollar Term Borrowings with a final Interest Payment Date of _____, _____ (which is a Business Day). The Interest Period for such Eurodollar Borrowings is _____ month[s].]

Very truly yours,
SURGERY CENTER HOLDINGS, INC.

By _____
Name:
Title

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Amended and Restated Securities Purchase Agreement, dated as of May 4, 2011 (as amended, amended and restated, supplemented or otherwise modified from time to time, the “**Securities Purchase Agreement**”; capitalized terms used but not defined herein shall have the meanings given to such terms therein), among Surgery Center Holdings, Inc., a Delaware corporation (the “**Issuer**”), Surgery Center Holdings, LLC, the Subsidiary Guarantors party thereto, the purchasers from time to time party thereto (the “**Purchasers**”), and THL Corporate Finance, Inc., as administrative agent for the Purchasers (in such capacity, the “**Administrative Agent**”).

1. THL Credit, Inc. (the “**Assignor**”) hereby irrevocably sells and assigns, without recourse, to H.I.G. Surgery Centers, LLC (the “**Assignee**”), and the Assignee hereby irrevocably purchases and assumes, from the Assignor, without recourse to the Assignor, effective as of the Effective Date set forth below (but not prior to the registration of the information contained herein in the Register pursuant to Section 11.04(c) of the Securities Purchase Agreement), the interests set forth in Schedule I hereto (the “**Assigned Interests**”) in the Assignor’s rights and obligations under the Securities Purchase Agreement and the other Purchase Documents, including, without limitation, the Notes, which are outstanding on the Effective Date and as further set forth in Schedule I hereto. From and after the Effective Date (i) the Assignee shall be a party to and be bound by the provisions of the Securities Purchase Agreement and, to the extent of the Assigned Interests, have the rights and obligations of a Purchaser thereunder and under the Purchase Documents and (ii) the Assignor shall, to the extent of the Assigned Interests, relinquish its rights and be released from its obligations under the Securities Purchase Agreement.

2. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned hereby free and clear of any lien, encumbrance or other adverse claim created by the Assignor and that the outstanding balances of its Notes, without giving effect to assignments thereof which have not become effective, are as set forth in this Assignment and Acceptance, (ii) it is legally authorized to enter into this Assignment and Acceptance and (iii) it has all necessary power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) except as set forth in (a) above, the Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Securities Purchase Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Securities Purchase Agreement, any other Purchase Document or any other instrument or document furnished pursuant thereto, or the financial condition of any Note Party or the performance or observance by any Note Party of any of its obligations under the Securities Purchase Agreement, any other Purchase Document or any other instrument or document furnished pursuant thereto.

3. The Assignee (a) represents and warrants that (i) it is legally authorized to enter into this Assignment and Acceptance and (ii) it has all necessary power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and become a Purchaser under the Securities Purchase Agreement; (b) confirms that it has received a copy of the Securities Purchase Agreement, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent or any Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Securities Purchase Agreement, the other Purchase Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Securities Purchase

Agreement, the other Purchase Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Securities Purchase Agreement and will perform in accordance with its terms all the obligations which by the terms of the Securities Purchase Agreement are required to be performed by it as a Purchaser.

4. The effective date of this Assignment and Acceptance shall be the "Effective Date of Assignment" described in Schedule 1 hereto (the "**Effective Date**"). Following the execution of this Assignment and Acceptance, it will be delivered (i) if the consent of the Issuer is required by Section 11.04(b) of the Securities Purchase Agreement, to the Issuer for acceptance by it, and (ii) to the Administrative Agent for acceptance by it and recording by the Administrative Agent pursuant to the Securities Purchase Agreement, effective as of the Effective Date (which shall not, unless otherwise agreed to by the Administrative Agent, in its sole discretion, be earlier than three (3) Business Days after the date of such acceptance and recording by the Administrative Agent). This Assignment and Acceptance will be delivered to the Administrative Agent together with (a) if the Assignee is a Foreign Purchaser, the forms specified in Section 2.15(e) of the Securities Purchase Agreement, duly completed and executed by such Assignee and (b) if the Assignee is not already a Purchaser under the Securities Purchase Agreement, an Administrative Questionnaire.

5. Upon such acceptance and recording by the Administrative Agent and, if required by Section 11.04(b) of the Securities Purchase Agreement, such acceptance by the Issuer, from and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to the Effective Date and to the Assignee for amounts which have accrued subsequent to the Effective Date.

6. From and after the Effective Date, (a) the Assignee shall be a party to the Securities Purchase Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Purchaser thereunder and under the other Purchase Documents and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Securities Purchase Agreement.

7. This Assignment and Acceptance shall be construed in accordance with and governed by the law of the State of New York without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

SCHEDULE 1

to

Assignment and Acceptance

Effective Date of Assignment: April 11, 2013

Legal Name of Assignor: THL Credit, Inc.

Legal Name of Assignee: H.I.G Surgery Centers, LLC

Assignee's Address for Notices: c/o H.I.G. Capital, Attn: Christopher Laitala & Matthew Lozow, 600 Fifth Avenue, 24th Floor, New York, NY 10020, Fax: (212) 506-0559

Percentage Assigned of Applicable Notes: 1.7822241351855700%

| <u>Notes/Obligation</u> | <u>Principal Amount Assigned</u> | <u>Percentage Assigned of applicable Notes (set forth, to at least 15 decimals, as a percentage of the Notes of all Purchasers thereunder)</u> |
|-------------------------|---|--|
| Notes | \$1,000,000 at a purchase price of 103% | 1.7822241351855700% |


[Signature Page Follows]

The terms set forth above are hereby agreed to:

THL CREDIT, INC.,
as Assignor

By: _____
Name:
Title:

H.I.G. SURGERY CENTERS, LLC,
as Assignee

By:  _____
Name: **Richard Siegel**
Title: **Authorized Signatory**

Accepted:

SURGERY CENTER HOLDINGS, INC.,
as Issuer

By: _____
Name: Christopher Laitala
Title: President

THL CORPORATE FINANCE, INC.,
as the Administrative Agent

By: _____
Name:
Title:

[SIGNATURE PAGE TO ASSIGNMENT AND ACCEPTANCE AGREEMENT]

The terms set forth above are hereby agreed to:

THL CREDIT, INC.,
as Assignor

By: 

Name: W HUNTER STROPP
Title: Co-President

H.I.G. SURGERY CENTERS, LLC,
as Assignee

By: _____

Name:
Title:

Accepted:

SURGERY CENTER HOLDINGS, INC.,
as Issuer

By: _____

Name:
Title:

THL CORPORATE FINANCE, INC.,
as the Administrative Agent

By: 

Name: W HUNTER STROPP
Title: Co-President

[SIGNATURE PAGE TO ASSIGNMENT AND ACCEPTANCE AGREEMENT]

The terms set forth above are hereby agreed to:

THL CREDIT, INC.,
as Assignor


By: _____
Name:
Title:

H.I.G. SURGERY CENTERS, LLC,
as Assignee

By: _____
Name:
Title:

Accepted:

SURGERY CENTER HOLDINGS, INC.,
as Issuer

By:  _____
Name: Christopher Laitala
Title: President

THL CORPORATE FINANCE, INC.,
as the Administrative Agent

By: _____
Name:
Title:

[SIGNATURE PAGE TO ASSIGNMENT AND ACCEPTANCE AGREEMENT]