



Q1-2011 AMBULATORY SURGERY CENTER INDUSTRY UPDATE

M&A Update

Continuing last quarter's trend, this quarter continues to see strong deal flow. Strategic and private equity players alike have expressed interest within the ambulatory surgery center (ASC) space, both realizing the significant value present within the industry. The focus on reducing costs for services continues to strengthen alongside the uncertainties of healthcare reform. Furthermore, the rise in the prevalence of chronic medical conditions in an increasingly aging population is cause for an anticipated rise in surgical procedures over the next decade. As a result, the ASC market is very well positioned – especially with billions in private equity money still sitting on the sidelines and strategic players are looking to grow through acquisitions.

Opportunities for acquirers to expand management and billing services into newly acquired practices and facilities have been a major catalyst for firms to start discussions. With the continuation of healthcare reform and increasing administrative burdens, many independent groups may be compelled to align with a strategic/financial partner to offset any regulatory/administrative pressures. Increasingly, more ASCs are affiliating with hospitals as physician-owners realize such mergers can provide enhanced payor contracts, easier access to capital, and greater overall volume. Combined with other factors, including the shortage of physicians and the ongoing focus on containing costs, the ASC segment will likely continue to experience significant consolidation throughout 2011 as the industry continues to mature.

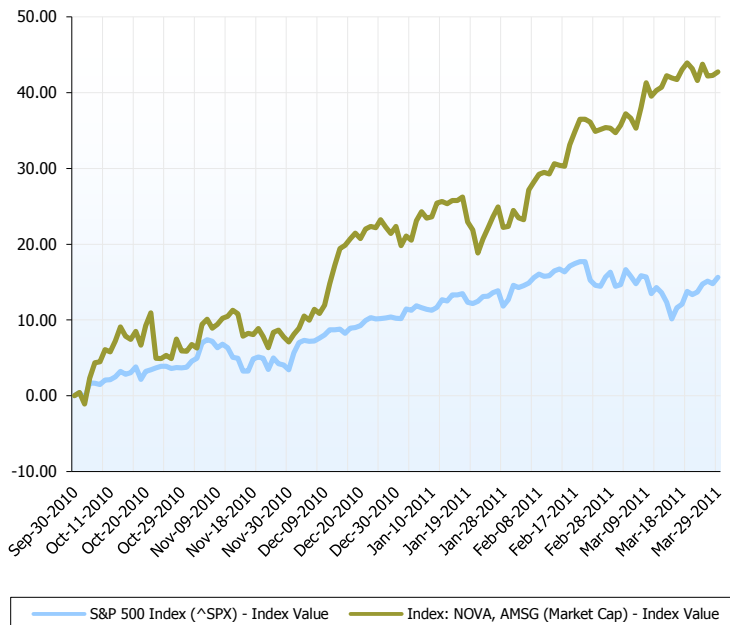
H.I.G. Capital: Acquisitions of ASC Assets

H.I.G. Capital, a global private equity firm specializing in providing growth capital to middle market companies, has been very active in the ambulatory surgery center with three significant transactions in the past fifteen months. In January of last year, H.I.G. Capital acquired a majority stake in Surgery Partners, who at the time of the merger, owned and operated eleven ASCs in several related practice specialties. US Bank and BMO Capital Markets arranged a \$74.5 million loan package to finance the buyout. Only four months later, H.I.G. Capital and Charlesbank Capital Partners acquired substantially all assets of TLC Vision Corporation for \$120 million. TLC Vision had been in Chapter 11, and the acquisition allowed the company to restructure their finances and emerge out of bankruptcy with a healthier balance sheet and improved cost structure.

More recently, H.I.G. Capital has entered into a definitive merger with NovaMed through its affiliate Surgery Partners for approximately \$214 million. Based on last twelve months Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), the purchase price multiple is approximately 4.68x. With the ongoing acquisitions activity, H.I.G. Capital has been one of the most active firms in the private equity sector in terms of larger deal transactions within the ASC space.

Comparative Performance

Below is a chart comparing the performance of an index of publicly-traded ASC companies to the S&P 500. Over the past six months, the ASC industry has consistently outperformed the S&P 500. NovaMed shares have been relatively stable this quarter (other than a large jump in January) due to news involving the firm's pending acquisition by Surgery Partners. Meanwhile, AmSurg shares have experienced consistent growth – it has seen significant investor interest as revenues continue to beat analyst estimates. Furthermore, NovaMed's upcoming public to private transaction, will render AmSurg the only publicly-traded contender.



UPCOMING EVENT – 9th Annual Orthopedic, Spine and Pain Management-Driven ASC Conference

Date: June 9-11, 2011 Location: Chicago, IL

Provident Healthcare Partners will be in attendance to discuss mergers and acquisitions trends and activity within the ambulatory surgery center management segment. For additional details, please contact Will Tao at 617-742-9800 or email: wtao@providenthp.com. We look forward to seeing you there!

RECENT NOTABLE TRANSACTIONS

Month	Acquirer	Company Acquired	Details
January 2011	Surgery Partners	NovaMed	NovaMed has entered into a definitive merger to be acquired by Surgery Partners, an affiliate of H.I.G. Capital, in a public to private transaction. NovaMed holds majority ownership interests in 37 surgery centers located in 19 states. The purchase price of the deal is approximately \$214 million, including the assumption or repayment of approximately \$105 million of indebtedness. NovaMed stockholders would receive \$13.25 per share in cash at the deal's close expected in the second quarter of this year.
January 2011	National Surgical Hospitals	Lafayette Surgical Specialty Hospital	National Surgical Hospitals (NSH) has signed an agreement to purchase a 56.9% interest in Lafayette Surgical Specialty Hospital. The hospital has 32 physician partners and includes eight operating rooms, two treatment rooms, and 20 inpatient beds; performing approximately 8000 procedures in 2010. Funding for the acquisition was made possible through NSH's concurrent recapitalization with Irving Place Capital.
January 2011	Irving Place Capital	National Surgical Hospitals	Irving Place Capital, a middle market private equity firm, has acquired National Surgical Hospitals (NSH), an owner and operator of 14 surgical hospitals and seven ambulatory surgery centers specializing in orthopedic surgery, spine and back, pain management, and neurosurgery. Irving Place Capital will replace NSH's current owners, Ferrer Freeman & Co., Charlesbank Capital Partners, and JPMorgan Asset Management and provide the capital strength to allow NSH to reinvigorate their acquisition program.