



Q4-2011 ANESTHESIA SERVICES INDUSTRY UPDATE

M&A Overview

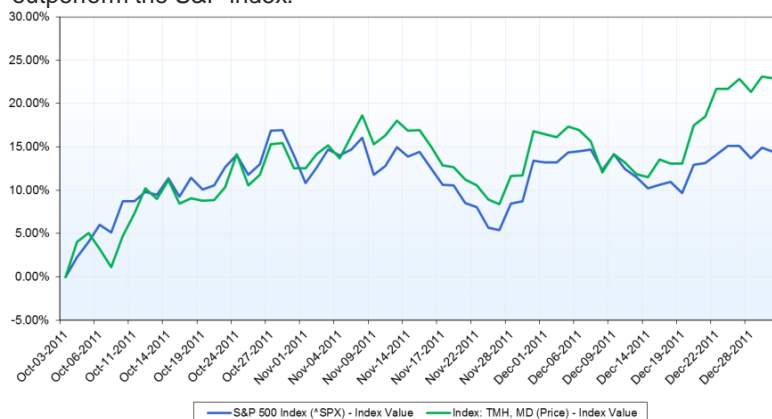
The fourth quarter of 2011 has been one of the most active for anesthesia mergers and acquisitions (M&A), closing out the year with 10 total anesthesia transactions. Aggregate deal flow in the prior three quarters totaled five completed deals, while this quarter alone, five deals were completed.

MEDNAX and Sheridan Healthcare each acquired two anesthesia groups. For Sheridan's acquisitions, both were in geographies with existing operations (FL and NJ) and indicates the company's continued expansion efforts within current markets. MEDNAX's acquisitions highlight the group's ongoing efforts to expand into new markets – its acquisitions of Burlington Anesthesia and Austin Anesthesiology allow the company to establish footholds in NJ and TX, respectively. Last quarter, MEDNAX acquired Pinnacle Anesthesia, which represented their entry into anesthesia in the southeast.

Banner Health's acquisition of Loveland Anesthesia bucks the hospital industry's trend of outsourcing services to reduce costs, particularly with anesthesia. While specific details were not disclosed, Banner may have felt that acquiring and integrating Loveland into its organization would help achieve mutual cost savings, and Banner would have greater influence in providing integrated surgical care to its patients.

Comparative Performance

Below is a chart comparing the performance of an index of diversified outsourced health services companies (TeamHealth-TMH and MEDNAX-MD) to the S&P 500. TMH and MD continue to consistently outperform the S&P index.



Investor sentiment remains high for this sector, and valuations have risen since last quarter when TMH was trading at 8.1x EBITDA and MD was trading at 8.2x EBITDA – TMH is now trading at 11.4x EBITDA while MD is trading at 9.0x EBITDA.

Temporary Medicare Physician Fee Fix Passed

A temporary two month fix avoiding the SGR cut of approximately 27.4% was extended through February 2012 after the payroll tax cut legislation was recently approved. Congress still lacks a long-term solution to address this issue.

RECENT TRANSACTIONS

| Month | Acquirer | Target Company | Details |
|---------------|---------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| December 2011 | Sheridan Healthcare | Anesthesiologists of Greater Orlando | Sheridan Healthcare has acquired Anesthesiologists of Greater Orlando in FL. The group is comprised of approximately 55 anesthesia providers, and the practice services a number of hospitals of Orlando Health along with other ambulatory surgery facilities. |
| December 2011 | Sheridan Healthcare | Princeton Anesthesia Services | Sheridan Healthcare has completed the acquisition of Princeton Anesthesia Services in NJ. The group consists of approximately 25 anesthesia professionals and provides anesthesia and pain management services to the University Medical Center at Princeton as well as to several ambulatory surgery facilities. Sheridan had previously acquired an NJ-based anesthesia group, and this acquisition allows Sheridan to expand further in the region. |
| December 2011 | MEDNAX | Burlington Anesthesia Associates | American Anesthesiology, a subsidiary of MEDNAX, has acquired Burlington Anesthesia Associates, an anesthesia group located in Mt. Holly, NJ. This will be the first NJ-based group practice to join the division. The practice consists of 17 anesthesiologists and 25 CRNAs and provides services at Virtua Memorial Hospital as well as in other outpatient settings. This is MEDNAX's third anesthesia acquisition since the beginning of 2011. |
| November 2011 | MEDNAX | Austin Anesthesiology Group | American Anesthesiology has acquired Austin Anesthesiology Group, a provider of adult and pediatric anesthesia services. The practice has approximately 65 physicians and 71 CRNAs and provides anesthesia services throughout the greater Austin area. The deal was financed with cash and represents one of MEDNAX's largest acquisitions in 2011. |
| October 2011 | Banner Health | Loveland Anesthesia Associates | Banner Health has acquired Loveland Anesthesia Associates, a provider of anesthesia-related services to Banner's McKee Medical Center in Loveland, CO. The group consists of five physicians and seven CRNAs. Loveland will assume the title "Banner Health Clinic - Loveland Anesthesia" and continue to serve all of McKee Medical Center's patients. |