SURGICARE INC/DE
Form DEFM14A
September 10, 2004

Table of Contents

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-12

SURGICARE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

x Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

September 10, 2004

Dear SurgiCare Stockholders:

You are invited to attend the special meeting in lieu of an annual meeting of stockholders of SurgiCare, Inc. (SurgiCare) to be held on October 6, 2004, beginning at 5:30 p.m. Central Daylight Time at the principal office of SurgiCare, which on the date of the meeting will be located at 10700 Richmond Avenue, Suite 300, Houston, Texas 77042.

At the meeting, stockholders will consider whether to restructure SurgiCare in a series of transactions that will result in a change of control of SurgiCare through the acquisition of three new businesses and issuance of new equity securities for cash and contribution of outstanding debt. Stockholders will also consider whether to approve a reverse stock split and change our name to Orion HealthCorp, Inc. Our board of directors has approved all of these actions and recommends that the stockholders approve them.

The highlights of the financial transactions to be considered include:

Effecting a one-for-ten reverse stock split and redesignating our outstanding common stock as Class A common stock.

Issuing a new class of Class B common stock to Brantley Partners IV, L.P., a private investor (Brantley IV) or its assignees. Brantley IV will purchase the Class B common stock for $10 million in cash plus cash in the amount of the accrued but unpaid interest immediately prior to the closing of the transactions owed to a subsidiary of Brantley IV by SurgiCare and Integrated Physician Solutions, Inc. (IPS) on amounts advanced prior to October 24, 2003 (the Base Bridge Interest Amount), which as of September 2, 2004 was $99,052. A portion of Brantley IV s cash investment will be used to pay off the indebtedness owed by SurgiCare and IPS to the subsidiary of Brantley IV. Based on the interest accrued on such indebtedness through September 2, 2004, it is estimated that the net cash proceeds to SurgiCare will be approximately $5,194,513. The shares to be received by Brantley IV or its assignees will constitute approximately 59.2% of SurgiCare s outstanding equity after the transactions on an as-converted basis. Brantley IV will also receive the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million after the closing of the transactions.

Acquiring IPS, a company whose two business units provide business management services dedicated to the practice of pediatrics and integrated business and clinical software applications for physicians, in a merger in which we will issue Class A common stock to the IPS stockholders and certain IPS creditors. After the transactions, former IPS stockholders and creditors will own approximately 18.0% of our outstanding equity on an as-converted basis.

Acquiring Medical Billing Services, Inc. (MBS), and Dennis Cain Physician Solutions, Ltd. (DCPS), two providers of physician management, billing, consulting and collection services, in an acquisition in which we will pay between $2.9 million and $3.5 million cash and issue promissory notes in the aggregate principal amount of $500,000 and Class C common stock to their current equityholders. The amount of consideration received depends upon the fair market value of our common stock at the time of the closing of the transactions, and the consideration is also subject to retroactive increase or decrease, including the issuance of additional shares of Class A common stock. We will also issue shares of Class A common stock as directed by the DCPS and MBS equityholders, and may be required to make additional payments in certain circumstances. Immediately after the transactions, the equityholders of these two companies and their designees will own Class A common stock and Class C common stock which may amount to as much as approximately 7.6% of our outstanding equity on an as-converted basis.

These transactions will, if adopted, have a significant effect on each existing stockholder s interest in SurgiCare.

Table of Contents

The current holders of the outstanding common stock of SurgiCare will own a much smaller interest in the larger, combined company. The holders of 100% of our outstanding common stock on a fully-diluted basis prior to the transactions will have their ownership interest reduced to approximately 17.4% of the new entity, on a fully-diluted, as-converted basis.

The new Class B common stock stockholder, Brantley IV, will own approximately 53.4% of the outstanding voting equity of SurgiCare. Affiliates of Brantley IV are significant stockholders and creditors of IPS, and will receive a large part of the merger consideration we issue to the stockholders of IPS and all of the consideration issued to creditors of IPS in connection with the merger. Accordingly, after the transactions, Brantley IV and its affiliates will control approximately 71.7% of the outstanding voting equity of SurgiCare and will be able to control elections to the board of directors and other actions of the company.

The new Class B common stock and Class C common stock have significant preferences over the Class A common stock that will be owned by our current stockholders after the transactions.

At the meeting, we will ask stockholders to vote on several other matters, including the name change, amendments to our certificate of incorporation and new compensation arrangements. The Notice of Special Meeting which accompanies the proxy statement lists the specific proposals to be voted on at the meeting.

Your vote is important, regardless of the number of shares you own. If you fail to vote or if you abstain, it will have the same effect as a vote against certain of the proposals. Please vote as soon as possible and return the enclosed proxy card in accordance with the procedures set forth in the section entitled The Special Meeting. You may also cast your vote in person at the special meeting.

Very truly yours,

SurgiCare, Inc.
Keith G. LeBlanc
President and Chief Executive Officer

Table of Contents

SURGICARE, INC.

10700 Richmond Avenue, Suite 300
Houston, Texas 77042
(713) 973-6675

NOTICE OF SPECIAL MEETING IN LIEU OF ANNUAL MEETING OF STOCKHOLDERS

DATE:	**October 6, 2004**	**PLACE:**	**10700 Richmond Avenue, Suite 300 Houston, Texas 77042**
TIME:	**5:30 p.m.**		

Matters to be Voted on:

Stockholders who attend the meeting in person or by proxy will be asked to consider and approve the following items:

Each of the following amendments to our certificate of incorporation to:

1. effect a reverse stock split of all of the outstanding shares of our common stock, $0.005 par value per share at a ratio of one-for-ten,

2. increase the number of authorized shares of common stock from 5 million shares to 90 million shares, after giving effect to the reverse stock split, and leave the number of shares of authorized preferred stock at 20 million shares,

3. reclassify SurgiCare, Inc. (SurgiCare) common stock as Class A common stock $0.001 par value per share,

4. establish a new class of common stock entitled Class B common stock , $0.001 par value per share,

5. establish a new class of common stock entitled Class C common stock , $0.001 par value per share, and

6. change the name of SurgiCare to Orion HealthCorp, Inc.;

If each of the above proposals is approved, we will amend and restate our certificate of incorporation to reflect the amendments, subject to approval of the other proposals required to consummate the transactions.

7. The issuance of shares of Class A common stock pursuant to (a) an amended and restated merger agreement dated as of February 9, 2004, and amended on July 16, 2004 and September 9, 2004, among SurgiCare, IPS Acquisition, Inc., and Integrated Physician Solutions, Inc. (IPS), and (b) an amended and restated debt exchange agreement dated as of February 9, 2004, and amended on July 16, 2004, among SurgiCare, Inc., Brantley Venture Partners III, L.P. and Brantley Capital Corporation;

8. The issuance of shares of Class C common stock and Class A common stock pursuant to an amended and restated merger agreement dated as of July 16, 2004 and amended on September 9, 2004, among SurgiCare, DCPS/ MBS Acquisition, Inc., Dennis Cain Physician Solutions, Ltd. (DCPS), Medical Billing Services, Inc. (MBS) and the sellers party thereto (the DCPS/ MBS Sellers);

9. The issuance of shares of Class B common stock and Class A common stock to Brantley Partners IV, L.P. (Brantley IV) or its assignees pursuant to an amended and restated subscription agreement dated as of February 9, 2004, and amended on July 16, 2004, between SurgiCare and Brantley IV;

Table of Contents

10. The election of the members of our board of directors and the election of the members of the board of directors of Orion HealthCorp, Inc., who will begin serving upon the consummation of the transactions described herein;

11. The Orion HealthCorp, Inc. 2004 Incentive Plan (the 2004 Incentive Plan);

12. The issuance of warrants to the current members of our board of directors; and

13. Such other business as may properly come before the meeting and any adjournment thereof.

Who May Attend and Vote at the Meeting:

Holders of record of our common stock and holders of record of our Series AA preferred stock at the close of business on September 10, 2004, and valid proxy holders may attend and vote at the meeting and any adjournments or postponements of the meeting. If your shares are registered in the name of a brokerage firm or trustee and you plan to attend the meeting, please obtain from the firm or trustee a letter or other evidence of your beneficial ownership of those shares to facilitate your admittance to the meeting.

Your vote is very important, regardless of the number of shares you own. Please vote as soon as possible to make sure that your shares are represented at the meeting. To vote your shares, you must complete and return the enclosed proxy card. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. If you do not vote or do not instruct your broker or bank how to vote, it will have the same effect as voting AGAINST the proposals described above regarding amending the certificate of incorporation.

Approval Required to Consummate the Transactions:

The IPS merger agreement, the debt exchange agreement, the DCPS/ MBS merger agreement and the stock subscription agreement described above require that we receive stockholder approval of proposals one through eleven above in order to consummate any of the transactions governed by such documents.

We will send this meeting notice and proxy statement to stockholders on or about September 13, 2004.

By Order of the Board of Directors

KEITH G. LEBLANC
President and Chief Executive Officer

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

SUMMARY TERM SHEET

FOP THE IPS MERGER,
DCPS/ MBS MERGER
AND
EQUITY FINANCING

This summary does not contain all of the information that is important to you. To fully understand the acquisitions you should carefully read this entire document and the other documents to which this summary refers. Stockholders are being asked to approve a one-for-ten reverse stock split, and all share amounts give effect to such reverse stock split unless otherwise indicated. We will not be able to ascertain the exact number of shares that will be issued in connection with the Transactions until immediately prior to the closing of the Transactions. Unless otherwise indicated, all share amounts and percentages are based on the assumptions described in Assumptions and are therefore subject to change if those assumptions are not accurate at the time of closing.

Key Terms. The following key terms are used throughout this summary and the proxy statement:

SurgiCare, we, our, us and our company SurgiCare, Inc

IPS Integrated Physician Solutions, Inc.

DCPS Dennis Cain Physician Solutions, Inc.

DCPS/ MBS our new DCPS and MBS subsidiary, as combined, with DCPS as the wholly-owned subsidiary of MBS

DCPS/ MBS Sellers the sellers party to the DCPS/ MBS Merger Agreement

MBS Medical Billing Services, Inc.

Brantley IV Brantley Partners IV, L.P., a limited partnership which is affiliated with Brantley Venture Partners III, L.P. and Brantley Capital

Brantley Capital Brantley Capital Corporation

Reverse Stock Split the one-for-ten reverse stock split of our common stock described in this proxy statement

Acquisitions and Mergers the IPS Merger and DCPS/ MBS Merger, collectively.

Base Bridge Interest Amount the amount of interest accrued but unpaid immediately prior to the closing of the Transactions on the principal amount advanced to SurgiCare and IPS by Brantley IV s subsidiary on or prior to October 24, 2003, which as of September 2, 2004, was $99,052.

IPS Merger and IPS Merger Agreement the merger between SurgiCare and IPS and the related merger agreement, as amended to date.

DCPS/ MBS Merger and DCPS/ MBS Merger Agreement the acquisition of DCPS and MBS by SurgiCare and the related merger agreement, as amended to date.

Debt Exchange Agreement the debt exchange agreement between Brantley Venture Partners III, LP, Brantley Capital, and SurgiCare, as amended to date.

Transaction Documents the IPS Merger Agreement, the DCPS/ MBS Merger Agreement, the Debt Exchange Agreement and the Stock Subscription Agreement.

Orion Orion HealthCorp, Inc.

Transactions the transactions contemplated by the Transaction Documents.

Stock Subscription Agreement the agreement between SurgiCare and Brantley IV regarding the purchase of our Class B common stock and Class A common stock, as amended to date.

Overview of the Transactions

This proxy statement proposes a restructuring of SurgiCare in which we will acquire three healthcare service companies, IPS, DCPS and MBS. Affiliates of Brantley IV which are debtholders of IPS will contribute debt and debt in respect of accrued dividends owed to them by IPS to SurgiCare in exchange for Class A common stock. In addition, Brantley IV will invest new capital into the combined companies by purchasing a

Table of Contents

new series of Class B common stock. We will use a portion of these funds to pay the existing debt owed to an affiliate of Brantley IV by SurgiCare and IPS. We expect to use the remaining funds from this investment for operations and for further growth. We will effect a one-for-ten reverse stock split and other corporate charter amendments and will change our name to Orion HealthCorp, Inc. **All of these transactions must be approved by our stockholders before any of them will be consummated.**

We will merge with IPS and issue stock in exchange for contribution of certain IPS debt. The IPS equityholders and certain IPS debtholders party to the Debt Exchange Agreement will receive an aggregate of approximately 4,451,518 shares of Class A common stock. This number approximately equals the total number of shares of SurgiCare stock outstanding on a fully-diluted basis prior to closing the IPS Merger. The manner in which the number of fully-diluted shares of SurgiCare stock is calculated is described in the section Assumptions . Of these shares of Class A common stock, an aggregate of approximately 1,486,856 shares will be issued to Brantley Venture Partners III, L.P., and Brantley Capital under the Debt Exchange Agreement in exchange for contribution of debt in an aggregate amount of approximately $4,254,321, including accrued interest as of September 2, 2004, and $593,100 of debt in respect of accrued dividends. The approximately 2,964,662 remaining shares of Class A common stock will be issued to the IPS equityholders in connection with the IPS Merger. See The Transactions beginning on page 24 and The Transactions The IPS Merger beginning on page 39.

We will acquire DCPS and MBS. In the DCPS/ MBS Merger, equityholders of DCPS and MBS will receive an aggregate of $3.5 million in cash, promissory notes of SurgiCare in an aggregate principal amount of $500,000 and 1,575,760 shares of Class C common stock (or, if the fair market value of SurgiCare common stock, based on the average of the high and low price per share over the five trading days immediately prior to the closing, is greater than or equal to $0.70 (prior to the reverse stock split), an aggregate of $2.9 million in cash, promissory notes of SurgiCare in an aggregate principal amount of $500,000 and 1,827,880 shares of Class C common stock). The purchase price is subject to retroactive adjustment based on the financial results of our new subsidiary, DCPS/ MBS, in the two years following the DCPS/ MBS Merger. Such retroactive adjustment is described in The Transactions The DCPS/ MBS Merger The DCPS/ MBS Merger Agreement Purchase Price Adjustments. In addition, 75,758 shares of our Class A common stock will be reserved for issuance at the direction of the DCPS and MBS equityholders and, under certain circumstances, the MBS and DCPS equityholders may receive other payments as described in The Transactions The DCPS/ MBS Merger The DCPS/ MBS Merger Agreement Additional Issuances, Advances and Payments. See The Transactions beginning on page 24 and The Transactions The DCPS/ MBS Merger beginning on page 52.

We will issue approximately 11,442,426 shares of Class B common stock to Brantley IV or its assignees. Brantley IV will purchase the shares of Class B common stock for cash equal to $10 million plus the Base Bridge Interest Amount (which, as of September 2, 2004, was $99,052). A portion of such cash investment will be used to pay indebtedness owed to Brantley IV s wholly-owned subsidiary by IPS and SurgiCare including the accrued interest thereon. As of September 2, 2004, the aggregate amount of such debt, including accrued interest thereon, is $4,904,539, which will result in net cash proceeds to SurgiCare of approximately $5,194,513. A detailed description of the calculation of the number of Class B shares to be issued to Brantley IV is contained in The Transactions The Equity Financing Shares Received by Brantley IV . See The Transactions beginning on page 24 and The Transactions The Equity Financing beginning on page 66. Brantley IV will also receive the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million after the closing of the Transactions.

Table of Contents

Proposals

Proposals Related to the Transactions (all of these must be approved for any of the Transactions to occur). We are seeking your approval at the special stockholders meeting to:

Amend our certificate of incorporation in order to:

effect a reverse stock split of all of the outstanding shares of our common stock, $0.005 par value per share at a ratio of one-for-ten (see Proposal One Reverse Stock Split beginning on page 154);

increase the number of authorized shares of common stock from 5 million shares to 90 million shares, after giving effect to the Reverse Stock Split, and leave the number of authorized shares of preferred stock at 20 million shares (see Proposal Two Increase the Number of Shares of Authorized Common Stock beginning on page 159);

reclassify SurgiCare common stock as Class A common stock, $0.001 par value per share (see Proposal Three Reclassification of Common Stock beginning on page 163);

establish a new class of common stock entitled Class B common stock , $0.001 par value per share (see Proposal Four Establishment of Class B Common Stock beginning on page 164);

establish a new class of common stock entitled Class C common stock , $0.001 par value per share (see Proposal Five Establishment of Class C Common Stock beginning on page 165); and

change the name of SurgiCare to Orion HealthCorp, Inc. (see Proposal Six Change of Name beginning on page 166).

If each of the above amendments are approved, we will amend and restate our certificate of incorporation to reflect the amendments, subject to approval of the other proposals required to consummate the Transactions.

Authorize the issuance of Class A common stock in connection with the IPS Merger (see Proposal Seven Issuance of Shares of Class A Common Stock in Connection with the IPS Merger beginning on page 167).

Authorize the issuance of Class C common stock and Class A common stock in connection with the DCPS/ MBS Merger (see Proposal Eight Issuance of Shares of Class C Common Stock and Class A Common Stock in Connection with the DCPS/ MBS Merger beginning on page 168).

Authorize the issuance of Class B common stock and Class A common stock pursuant to the Stock Subscription Agreement (see Proposal Nine Issuance of Shares of Class B Common Stock in Connection with the Equity Financing beginning on page 169).

Re-elect our existing directors pending closing of the Transactions and elect new directors to serve after consummation of the Transactions (see Proposal Ten Election of Directors beginning on page 171).

Approve a new 2004 Incentive Plan, to replace our existing plan, which provides for issuance of up to 2.2 million shares of Class A common stock (see Proposal Eleven Approval of 2004 Incentive Plan beginning on page 183).

Additional Business. We also seek your approval of the following actions:

Approve issuance of warrants to purchase an aggregate of 100,000 shares of our Class A common stock to our four current directors upon consummation of the Transactions (see Proposal Twelve Approval of Warrant Issuances to the Directors beginning on page 184).

Authorize the proxy holders to approve such other matters as may lawfully come before the meeting (see Proposal Thirteen Other Matters beginning on page 185).

Table of Contents

If our stockholders approve all of the components of the Transactions, we will take the following actions in the following order:

Execute and file the amended and restated certificate of incorporation to effect the one-for-ten reverse stock split, increase the number of authorized common shares, reclassify our common stock to Class A common stock, establish the Class B and Class C common stock, and change our name to Orion HealthCorp, Inc. Based on the number of shares outstanding as of September 2, 2004, not including treasury stock, and assuming all Series AA preferred stock is exchanged for 8,750,000 shares of common stock and 2,100,000 shares of common stock are issued to A.I. International Corporate Holdings, Ltd. and its affiliates (A.I. International), in each case, before the reverse stock split, there will be 50,000,000 authorized and 39,707,285 outstanding shares of common stock, and after the reverse stock split and the other amendments to the certificate of incorporation, there will be 90,000,000 authorized and 3,970,729 outstanding shares of common stock.

Close the IPS Merger and the Debt Exchange Agreement.

Issue our Class B common stock in exchange for cash from Brantley IV.

Close the DCPS/ MBS Merger.

We expect to complete the Transactions promptly after the meeting of our stockholders, which is scheduled for October 6, 2004.

Assumptions

Certain share numbers, dollar amounts, and percentages as they appear in this proxy statement are calculated based on formulas which include variable factors that will not be ascertained until immediately prior to the closing of the Transactions, such as the stock price for the SurgiCare common stock. Therefore, we do not know exactly how many shares will be issued in connection with the Transactions. In order to arrive at the values used in this proxy statement, we had to make assumptions regarding such information. We have assumed:

That the stock price for our common stock immediately prior to the closing of the Transactions (whether determined as of a specific date or calculated based on average prices over a specified period of days) is $0.316 per share, which was the average of the daily average of the high and low trading prices of our common stock on the American Stock Exchange (AMEX) for the five trading days ending on September 2, 2004. Changes in the stock price of our common stock affect, among other things, the number of shares to be issued to Brantley IV, to equityholders of IPS and MBS and to debtholders of IPS.

That all outstanding shares of our Series AA preferred stock will be exchanged for an aggregate of 8,750,000 shares (prior to giving effect to the Reverse Stock Split) of our common stock pursuant to an existing agreement with the holder of the Series AA preferred stock described in Proposal Ten Certain Relationships and Related Transactions Summary of Transactions with Daniel Dror, American International Industries, Inc., and International Diversified Corporation, Ltd., etc., on page 180.

That 2,100,000 shares of our common stock (prior to giving effect to the Reverse Stock Split) will be issued in exchange for a full release and settlement of the suit entitled A.I. International Corporate Holdings, Ltd. v. SurgiCare, Inc., described more fully in Information About SurgiCare Legal Proceedings on page 113. This is the number of shares that would be issued pursuant to the agreement governing the settlement if the shares were issued prior to giving effect to the Reverse Stock Split. These shares will actually be issued immediately after the consummation of the Transactions, and after the Reverse Stock Split, as Class A common stock.

That the number of shares of SurgiCare stock authorized and outstanding on a fully-diluted basis, assuming issuance of 2,100,000 shares of our common stock to A.I. International, issuance of 8,750,000 shares of our common stock in exchange for our Series AA preferred stock, and cashless exercise of in-the-money options and warrants based on the closing price set forth above, immediately prior to the closings of the Transactions is 44,515,171 (prior to giving effect to the Reverse Stock Split), which is the number of shares of SurgiCare stock outstanding on a fully-diluted basis not including

Table of Contents

treasury stock and assuming issuance of 2,100,000 shares of our common stock to A.I. International (prior to giving effect to the Reverse Stock Split), exchange of the 900,000 outstanding shares of our Series AA preferred stock for 8,750,000 shares of our common stock (prior to giving effect to the Reverse Stock Split) and cashless exercise of in-the-money options and warrants as of September 2, 2004, based on a price per share of common stock equal to the greater of $0.55 or $0.316, which is the average of the daily average of the high and low trading prices of our common stock on the AMEX for the five trading days ending on September 2, 2004. Of such fully-diluted shares of common stock, based on the assumptions above, 2,100,000 shares (4.7%) would be owned by A.I. International, 8,750,000 shares (19.7%) would be owned by the current Series AA preferred stockholder, 1,880,000 shares (4.2%) will be owned by the holder of a convertible debenture, and the remaining 31,785,171 shares (71.4%) would be owned by the current holders of common stock, options and warrants. Changes in the outstanding number of shares of our common stock affect, among other things, the number of shares to be issued to Brantley IV, to equityholders of IPS and to debtholders of IPS.

That, unless otherwise specified, there are 4,451,518 shares of Class A common stock held by current SurgiCare stockholders on a fully-diluted basis after the consummation of the Transactions, and that out-of- the-money options and warrants do not exist.

That, unless otherwise specified, there are 3,970,729 outstanding shares of Class A common stock held by SurgiCare stockholders after the consummation of the Transactions. This number is the assumed number of shares of Class A common stock held by current stockholders on a fully-diluted basis minus the shares included in that number based on in-the-money options and warrants and convertible debentures.

That the number of outstanding shares of Class A common stock on a fully-diluted basis immediately following the consummation of the Transactions, assuming conversion of Class B and Class C common stock at the initial conversion rates, the number of shares of Class A common stock held by current SurgiCare stockholders on a fully-diluted basis described above, the issuance of the maximum number of additional shares of Class A common stock to equityholders of DCPS/ MBS pursuant to the earn-out provisions of the DCPS/ MBS Merger Agreement and the other assumptions in this proxy statement, is 25,626,537 (the Fully-Diluted Orion Shares). Changes in the number of shares of our common stock outstanding following the Transactions affect the percentage ownership of the stockholders.

That the Class B common stock will initially represent, on an as-converted basis, approximately 57.0% of the Fully-Diluted Orion Shares, and the current common stockholders will own approximately 17.4% of the Fully-Diluted Orion Shares. The initial conversion ratio of the Class B common stock to Class A common stock is approximately 1.28 shares of Class A common stock for each share of Class B common stock. The conversion ratio of the Class B common stock is calculated according to a ratio that increases the conversion ratio if the price of the Class A common stock declines, and decreases the conversion ratio if the price of the Class A common stock increases. For example, assume that everything else remains the same, but the price of the Class A common stock declines 25%, from our assumed initial price of $3.16 per share to $2.37. This would change the conversion ratio from approximately 1.26 to approximately 1.37 and would result, therefore, in an increase of approximately 7.2% in the number of shares of Class A common stock issued on conversion. Such an increase would result in a decrease in the relative ownership and voting power of current SurgiCare stockholders (on an as-converted, fully-diluted basis) by approximately 0.7%. See The Transactions The Equity Financing Shares Received by Brantley IV , page 66, and The Transactions The New Classes of Common Stock Conversion , page 74.

That there will be no dissenting IPS stockholders.

That there will be no dissenting DCPS or MBS equityholders.

The New Classes of Common Stock (See Page 73)

Our amended and restated certificate of incorporation will create three classes of common stock and will authorize the issuance of preferred stock in the future on terms to be determined by the board of directors. No

Table of Contents

preferred stock will be outstanding upon completion of the Transactions. The rights and preferences of the three classes of common stock differ significantly and are summarized in this section. The following chart illustrates the capitalization of Orion immediately following the Transactions on a fully-diluted, as-converted basis:

	Post-Transaction Capitalization							
	Class A Common Stock		Class B Common Stock		Class C Common Stock		Class A Common Stock on an as-converted basis	
Stockholder	No. of Shares	% of Class	No. of Shares	% of Class	No. of Shares	% of Class	No. of Shares	% of Class
SurgiCare stockholders	4,451,518	49.6%					4,451,518	17.7%
IPS stockholders other than Brantley affiliates	522,057	5.8%					522,057	2.1%
Subtotal	4,973,575	55.4%					4,973,575	19.8%
DCPS equityholders					787,880	50.0%	787,880	3.1%
MBS stockholders					787,880	50.0%	787,880	3.1%
Designees of DCPS and MBS	75,758	0.8%					75,758	0.3%
Subtotal	75,758	0.8%			1,575,760	100.0%	1,651,518	6.6%
Brantley IV, or its assignees			11,442,426	100.0%			14,606,983	58.1%
Brantley Venture Partners III, L.P. (Debt Exchange Agreement)	586,481							
Brantley Venture Partners III, L.P. (IPS Merger Agreement)	1,757,700							
Brantley Venture Partners III, L.P. subtotal	2,344,181	26.1%					2,344,181	9.3%
Brantley Capital Corporation (Debt Exchange Agreement)	900,375							
Brantley Capital Corporation (IPS Merger Agreement)	684,905							
Brantley Capital Corporation subtotal	1,585,280	17.7%					1,585,280	6.3%
Brantley affiliates subtotal	3,929,461	43.8%	11,442,426	100.0%			18,536,444	73.7%
Total	8,978,794	100.00%	11,442,426	100.0%	1,575,760	100.0%	25,161,537	100.00%

Note that this capitalization information indicates the number of shares held by the parties immediately following the Transactions, based on the assumptions described herein, and does not include the shares of Class A common stock allocated to the 2004 Incentive Plan, issuable upon exercise of the warrants to be issued to our current directors, issuable as a retroactive increase in purchase price pursuant to the DCPS/MBS Merger Agreement or issuable to Brantley IV pursuant to the Stock Subscription Agreement.

The Class A Common Stock. We will issue Class A common stock to our current stockholders in exchange for their existing common stock. Class A common stock will also be issued as part of the consideration for the IPS Merger and the DCPS/ MBS Merger, and may be issued to Brantley IV in the future. Each share of Class A common stock will be entitled to one vote in all matters on which stockholders are entitled to vote. The right of holders of Class A common stock to receive distributions from our company is subject to prior rights of holders of the Class B

and Class C common stock described below. After holders of Class B and Class C common stock receive all distributions to which they are entitled, any remaining distribution amount shall be distributed to holders of Class A, Class B and Class C common stock pro rata based on their shareholdings, except that the shares of Class B common stock will be deemed to have been converted into the number of shares of Class A common stock into which they are then entitled to convert. Sixty-three million shares of our common stock will be designated Class A common stock.

Our common stock is traded on the AMEX, and we will apply to have our Class A common stock traded on the AMEX, replacing the current common stock, after the close of the Transactions. The Company is currently preparing its listing application to be filed with the AMEX. At this time, we do not know the symbol which the Class A common stock will be traded under. Because Brantley IV and its affiliates will own the

Table of Contents

majority of our equity securities after the Transactions, we will be a controlled company under the AMEX rules. As such, our board of directors will not be required under the AMEX rules to be composed of a majority of independent directors or to have a nominating committee or a compensation committee or to have the functions of such committees performed by a majority of independent directors.

The Class B Common Stock. Class B common stock will be issued to Brantley IV in connection with the equity financing in consideration for Brantley IV s investment in SurgiCare. After the completion of the Transactions, the Class B common stock issued to Brantley IV will initially total (on an as-converted basis) 57.0% of the Fully-Diluted Orion Shares. Based on the assumptions in this proxy statement, a total of 11,442,426 shares of Class B common stock will be issued to Brantley IV. Brantley IV, and, provided the required conditions are met, certain of its limited partners who have agreed to purchase a portion of the Class B common stock, as described below in The Equity Financing Summary , will initially be the sole holders of Class B common stock. The shares of Class B common stock have significant rights in addition to the rights of shares of Class A common stock, including:

Distribution Preference. Shares of Class B common stock are entitled to receive a distribution preference equal to their purchase price less the Base Bridge Interest Amount plus 9% per annum (not compounded) prior to payment of any distributions to holders of other classes of common stock.

Conversion. The shares of Class B common stock are convertible at the option of the holder into shares of Class A common stock at a variable rate equal to 1.0 plus the quotient of the aggregate purchase price of the shares of Class B common stock less the Base Bridge Interest Amount plus 9% per annum (not compounded) divided by the aggregate fair market value of the shares of Class A common stock immediately prior to conversion. Thus, the number of shares of Class A common stock into which shares of Class B common stock are convertible varies inversely with the price of the shares of Class A common stock and will naturally increase over time because of the 9% annual return feature.

The price of the Class A common stock and the number of shares of Class A common stock issuable upon conversion of the Class B common stock are inversely related. Therefore, a decrease in the price of Class A common stock would result in Brantley IV receiving a greater number of shares of Class A common stock upon conversion and would cause the ownership of the current SurgiCare stockholders to be further diluted.

The inverse relationship between the price of the Class A common stock and the number of shares of Class A common stock issuable upon conversion of the Class B common stock also makes it possible for Brantley IV to cause the price of Class A common stock to decrease by selling the Class A common stock short, and then covering such sales by converting the Class B common stock at the lower price that results from such sales. However, Brantley IV has agreed that as long as it owns 10% or more of the Class A common stock (on an as-converted basis), it will not make any short sales of the Class A common stock and convert the Class B common stock to cover these sales within three months of the latest short sale, if the price at which the Class B common stock was being converted into Class A common stock would be lower than the sale price.

The Class C Common Stock. We will issue shares of Class C common stock to DCPS partners and MBS stockholders in the DCPS/ MBS Merger. The total number of shares of Class C common stock issued will range from 1,575,760 shares to 1,827,880 shares depending on the fair market value of the common stock at the closing of the Transactions. Shares of Class C common stock have rights differing from shares of Class A common stock as follows:

Distribution Preference. After the shares of Class B common stock have received the distribution preference described above, the shares of Class C common stock will be entitled to receive all distributions until each share of Class C common stock has received distributions totaling $3.30. After all such distributions are received, the shares of Class C common stock shall be retired and will not be reissued.

Conversion. Holders of Class C common stock have the option to convert their shares to shares of Class A common stock based on a conversion factor designed to yield one share of Class A common stock per share of Class C common stock being converted, with the number of shares reduced to the extent that distributions are paid on the shares of Class C common stock. Thus, initially, one share of

Table of Contents

Class C common stock converts into one share of Class A common stock. The conversion factor is calculated as the amount by which $3.30 exceeds the aggregate distributions made to each share of Class C common stock prior to conversion, divided by $3.30. If the fair market value used in determining the conversion factor for the Class B common stock in connection with any conversion of Class B common stock is less than $3.30 (subject to certain adjustments), holders of shares of Class C common stock have the option to convert their shares of Class C common stock (within ten days of receipt of notice of the conversion of the Class B common stock) into a number of shares of Class A common stock equal to the amount by which $3.30 exceeds the aggregate distributions made to each share of Class C common stock prior to conversion, divided by the fair market value used in determining the conversion factor for the Class B common stock. The aggregate number of shares of Class C common stock so converted by any holder shall not exceed a number equal to the number of shares of Class C common stock previously converted into Class A common stock by such holder multiplied by a fraction, the numerator of which is the number of shares of Class B common stock converted at the lower price and the denominator of which is the aggregate number of shares of Class B common stock issued at the close of the equity financing.

Effect of Terms of Class B and Class C Common Stock on Holders of Class A Common Stock. The current SurgiCare common stockholders whose stock will be reclassified as Class A common stock in the Transactions will be significantly diluted as a result of the Transactions, as described below in Dilution. In addition, the shares of Class B and Class C common stock will have significant distribution preferences upon payment of any dividends, liquidation payments or other distributions. The significant distribution preference means that in the event of the sale or merger of Orion prior to payment of the distribution preferences, the holders of Class A common stock would receive a smaller percentage of the consideration than if the preferences had already been paid, since the consideration would first be used to pay these distribution preferences with the remainder distributed pro rata among the holders of common stock. There may be little or no consideration left to distribute among the holders of common stock after payment of the distribution preferences.

Based on the assumptions herein, if Orion was sold to a third party immediately following the consummation of the Transactions at the assumed price for SurgiCare s common stock immediately prior to the transactions ($0.316 or $3.16 on a post-Reverse Stock Split basis), as adjusted for the reverse stock split, the current SurgiCare stockholders would receive approximately 17.0% of the proceeds of such transaction, or approximately $2.66 per share, a decrease of 15.8%.

Authorized and Outstanding Shares after the Transactions

Assuming that all the Transactions contemplated in this proxy statement are completed (including the Reverse Stock Split), and based on the assumptions listed above in Assumptions, but assuming the maximum initial issuance of shares of Class C common stock in the DCPS/ MBS Merger, after the Transactions our capitalization will be as follows:

Common stock, par value $0.001 per share 90,000,000 shares authorized, a total of 44,321,114 shares of all classes issued and outstanding or reserved for issuance, as follows:

Class A common stock 63,000,000 shares designated, 8,498,005 shares issued and outstanding (not including treasury stock), and 22,552,804 shares reserved for the following: 14,606,983 shares for conversion of the Class B common stock; 1,827,880 shares for conversion of the Class C common stock; 465,000 shares for issuance pursuant to the DCPS/MBS Merger Agreement; 2,400,000 shares for issuance pursuant to the Stock Subscription Agreement; 2,200,000 shares for issuance pursuant to the 2004 Incentive Plan; 100,000 shares for the exercise of the warrants that we propose to issue to our current directors; 759,732 shares for exercise of existing SurgiCare warrants; 5,209 shares for exercise of vested stock options under SurgiCare s already existing employee stock option plan; and 188,000 shares for conversion of existing convertible debentures.

Class B common stock 25,000,000 shares designated, 11,442,426 shares issued and outstanding.

Table of Contents

Class C common stock 2,000,000 shares designated, 1,827,880 shares issued and outstanding.

Preferred Stock, par value $0.001 per share 20,000,000 shares authorized, 0 shares outstanding.

Voting

The voting power of the stockholders of Orion immediately after the Transactions will be as follows, in each case based on the assumptions herein, on an unconverted basis. Our current stockholders (including the Series AA preferred stockholder and A.I. International), will hold an estimated 3,970,729 shares or 18.5% of the voting equity of Orion. Approximately 3,606,469 of such shares (16.8% of the voting equity of Orion) will be held by stockholders other than our directors and officers. Former IPS equityholders and debtholders will own 4,451,518 Class A shares or 20.7% of the voting equity of Orion, which is approximately equal to the Class A shares held by the current SurgiCare stockholders on a fully-diluted basis. The Class B stockholders will own approximately 11,442,426 shares or 53.2% of the voting equity. The DCPS and MBS equityholders and their designees will own 1,651,518 shares of Class A and Class C common stock or 7.7% of the voting equity. Brantley IV and its affiliates will initially hold approximately 71.4% of the voting power of Orion, and will be able to control all decisions to be made by the Class A, Class B and Class C common stock voting together as a single class. As a result of their stock ownership, Brantley IV and its affiliates will control Orion s business, policies and affairs and will be able to elect Orion s entire board of directors, determine, without the approval of Orion s other stockholders, the outcome of any corporate transaction or other matter submitted to the vote of the stockholders voting as a single class for approval, including mergers, consolidations and sales of substantially all of our assets. They will also be able to prevent or cause a change in control of Orion and an amendment to its certificate of incorporation and by-laws (subject to certain supermajority provisions contained therein). We cannot assure you that the interests of Brantley IV and its affiliates will be consistent with your interests as a stockholder.

Dilution

Issuances of our shares in connection with the Acquisitions and the equity financing will significantly dilute the ownership of our current stockholders. Based on the assumptions described above, following the Transactions, our current stockholders (including A.I. International, the current holder of our Series AA preferred stock, holders of options, warrants, and convertible debentures) will own (on a fully-diluted basis) approximately 17.4% of the Fully Diluted Orion Shares. Based on such assumptions, stockholders other than our directors and officers currently own approximately 36,064,694 shares of common stock (90.8% of the total outstanding common stock of SurgiCare, not including treasury stock), and will own approximately 3,606,469 million shares of common stock (14.1% of the Fully-Diluted Orion Shares) after the completion of the Transactions. Our current stockholders may be further diluted in the future by shares issued pursuant to the 2004 Incentive Plan or upon exercise of the warrants proposed to be issued to our current directors. In addition, the ownership of our current stockholders will likely be diluted after the Transactions are complete because of the terms and conversion features of the Class B and Class C common stock.

The conversion factor for the Class B common stock is calculated based on a number equal to one plus the quotient of the purchase price of the Class B common stock, less the Base Bridge Interest Amount, plus 9% per annum (not compounded), divided by the aggregate fair market value of the Class A common stock (which is determined by reference to the prices at which Class A common stock trades immediately prior to the conversion), and is designed to yield additional shares of Class A common stock, or portions thereof, necessary to approximate the unpaid portion of the return of the original purchase price less the Base Bridge Interest Amount for the Class B common stock, plus an amount equal to nine percent (9%) per annum on the amount of the original purchase price less the Base Bridge Interest Amount, without compounding, from the date the Class B common stock was first issued to the date of conversion. Therefore, assuming everything else remains the same, the percentage interest of the holders of Class B common stock upon conversion will continually increase to account for such interest, and the relative percentage ownership of our current stockholders upon such conversion will continually decrease. In addition, so long as the Class B common stock has not yet received the full return of its purchase price less the Base Bridge Interest Amount and a 9% rate of return, if the market value of a share of Class A common stock decreases, the Class B common stock will convert into a greater

Table of Contents

number of shares, and the dilution to our current stockholders upon conversion of the shares of Class B common stock will be greater. This dilution of the Class A common stock could result in a further decrease in the market value of the Class A common stock.

The number of shares of Class A common stock issuable upon conversion of the Class C common stock is also subject to increase if the market value of the Class A common stock decreases. If the fair market value used in determining the conversion factor for the Class B common stock in connection with any conversion of Class B common stock is less than $3.30, holders of shares of Class C common stock may, subject to certain limitations, convert their shares into a number of shares of Class A common stock equal to (x) the amount by which $3.30 exceeds the aggregate distributions made with respect to a share of Class C common stock divided by (y) the fair market value used in determining the conversion factor for the Class B common stock. Therefore, so long as the shares of Class C common stock have not received aggregate distributions of $3.30 per share, and convert pursuant to this mechanism, if the fair market value of the Class A common stock decreases, the Class C common stock will convert into a greater number of shares, and will cause greater dilution to the ownership interests of our current stockholders. This dilution of the Class A common stock could result in a further decrease in the market value of the Class A common stock.

The Companies

SurgiCare, Inc. SurgiCare is a Delaware corporation. We develop, acquire and operate freestanding ambulatory surgery centers. These freestanding ambulatory surgery centers are licensed outpatient surgery centers that are equipped and staffed for a variety of surgical procedures. These freestanding ambulatory surgery centers provide a cost-effective alternative to the delivery of healthcare services at traditional inpatient hospitals. We, through our wholly-owned subsidiaries, own, or have investments in, four ambulatory surgery centers located in Texas and Ohio. Our principal executive offices are currently located at 10700 Richmond Avenue, Suite 300, Houston, Texas 77042 and our telephone number is (713) 973-6675.

Integrated Physician Solutions, Inc. IPS is a Delaware corporation. IPS is a Roswell, Georgia-based company whose business units include Pediatric Physician Alliance (PPA) and IntegriMED. PPA is a provider of business management services dedicated to the practice of pediatrics. PPA s services are designed to help medical practices lower costs and improve financial performance. Currently, PPA manages 13 practice sites, representing eight medical groups in California, Illinois, Ohio, Texas and New Jersey. IntegriMED provides software and technology solutions for physicians through an Application Service Provider (ASP) model. Its primary offering is a suite of integrated business and clinical software applications that provides practice management, billing, scheduling and electronic medical records. IPS s principal executive offices are located at 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076 and its telephone number is (678) 832-1800.

Dennis Cain Physician Solutions, Ltd. DCPS is a Texas limited partnership. DCPS, based in Houston, Texas, provides physician management services, including collections and consulting services, to hospital-based physicians and clinics. DCPS s principal offices are located at 714 FM 1960 West, Suite 206, Houston, Texas 77090 and its telephone number is (281) 880-6994.

Medical Billing Services, Inc. MBS is a Texas corporation. MBS, based in Houston, Texas, provides practice management, billing and collection, managed care consulting and coding/reimbursement services to hospital-based physicians and clinics. MBS s principal offices are located at 10700 Richmond Avenue, Suite 320, Houston, Texas 77042 and its telephone number is (713) 432-1100.

Reasons for the Transactions (See Page 28)

The Transactions serve SurgiCare s strategic goals of enhancing its practice management capabilities for physicians and combining businesses that are complementary to its existing operations. The board has determined that the terms of the equity financing, the other Transactions and the other actions proposed in this

Table of Contents

proxy statement are in the best interest of SurgiCare and its stockholders. The board considered the following matters, among others, in making this determination:

If we do not complete the equity financing and the other Transactions, we will not be able to obtain the capital needed to fund our business plan and operations from other sources. The equity financing will allow us to address our liquidity issues, support our working capital requirements, strengthen our balance sheet and support our strategic goals and our business plan for Orion. It will provide an infusion of cash for use in operations for 2004. Even after the restructuring, SurgiCare still expects to have a working capital deficit in excess of $1 million, but the Transactions are subject to refinancing the existing debt, which will improve the working capital deficit.

The pro forma revenue for the combined entities, which will become Orion HealthCorp, Inc., for the year ended December 31, 2003, is approximately of $41.7 million. The combined entities will have a pro forma net loss of approximately $9.2 million, for the year ended December 31, 2003. See Unaudited Pro Forma Condensed Combined Financial Statements.

The resulting, significantly larger company will be better equipped to achieve additional growth in its core businesses and to expand into new areas of outpatient healthcare delivery, including through future acquisitions. Orion s strategy will be to develop a healthcare services delivery model that will focus on serving the needs of the healthcare providers who utilize our services and their clients and on better enabling them to meet the demands of the outpatient marketplace.

Orion can also continue to supply IPS s, DCPS s and MBS s physician and practice management services and tools to their existing users and will seek to expand its client base for these services.

The positive considerations listed above are balanced against the fact that the Transactions will result in a change of control in which existing SurgiCare stockholders will become only minority stockholders of the reorganized company, Orion. However, given SurgiCare s struggle to obtain adequate financing and achieve profitability, the overall prospects for our stockholders appear better as minority shareholders in Orion than as stockholders of the existing SurgiCare.

The SurgiCare board generally considered that the Transactions would result in a reduction of the existing common stockholders equity interest in the reorganized company to about 25% of the total outstanding equity and the potential further dilutive effect of the Class B and Class C common stock. They did not consider the ramifications of being designated a controlled company under the AMEX rules. However, in light of SurgiCare s financial needs at this time, the dilutive effect on current stockholders is outweighed by the additional working capital and business possibilities provided by Transactions. Further, there were no other offers for similar business transactions or other financing from any parties other than the Brantley Partners affiliates.

In Spring 2002, SurgiCare s management realized that the Company would not be able to reverse its negative cash flow and the increasing problems related thereto. Initially, management sought to restructure SurgiCare s debt and contacted various lenders. Negotiations with these parties did not progress beyond preliminary meetings. Management realized that, due to SurgiCare s poor financial position at the time, it would be unable to incur more funding through debt and opted to seek an equity partner to supply the necessary working capital to keep the Company operating. SurgiCare s management contacted various individuals and companies who are in the business of developing and managing ambulatory surgery centers. Although letters of intent were executed between SurgiCare and United Surgical Partners and Neurotech Development Corporation, all negotiations for potential transactions ended in the early stages of due diligence. On July 11, 2002, SurgiCare engaged a third-party finder, Daniel Krzyzanowski, to assist in locating an equity partner. In June 2002, Mr. Krzyzanowski introduced prior SurgiCare management to Mr. Paul Cascio with Brantley Partners. Thereafter, SurgiCare management and Brantley Partners held a series of meetings at which the details of the Transactions were formalized resulting in a definitive agreement being entered into November 18, 2003.

Interests of Directors and Executive Officers in the Transactions (See Page 33)

Some of SurgiCare s executive officers, directors, and proposed directors and executive officers of Orion or its subsidiaries have interests in the Transactions that are different from, or are in addition to, your interests.

Table of Contents

Certain officers of SurgiCare, IPS, DCPS and MBS will enter into employment contracts with Orion and so may have a special interest in completing the Transactions. Keith G. LeBlanc, who is currently an officer of SurgiCare, and Terrence L. Bauer, Stephen H. Murdock, Dennis Cain and Tom M. Smith are expected to enter into employment agreements as described in The Transactions Interests of Certain Persons in the Transactions on page 34. The four current members of our board of directors will each receive warrants to purchase 25,000 shares each (for a total of 100,000 shares) of Class A common stock (which collectively represent approximately 0.4% of the Fully-Diluted Orion Shares as adjusted to reflect the exercise of such warrants) upon the consummation of the Transactions as described in Proposal Twelve Approval of Warrant Issuances in exchange for services performed in 2003. The current members of our board of directors are Sherman Nagler, Michael A. Mineo, Jeffrey J. Penso, and Bruce Miller. As of September 2, 2004, the aggregate number of shares of common stock owned by directors, officers, and their affiliates is 3,642,591 shares (prior to giving effect to the Reverse Stock Split), representing 12.6% of the outstanding shares of common stock (including treasury stock). The total number of shares of common stock beneficially owned by such persons, including shares issuable upon exercise of unexercised warrants on or prior to November 1, 2004, and shares subject to proxies is 14,730,857 shares (prior to giving effect to the Reverse Stock Split) or 36.9% of the outstanding shares of common stock (including treasury stock), shares of common stock issuable upon the exercise of such warrants and shares of common stock subject to such proxies.

Keith G. LeBlanc, as of September 2, 2004, and prior to giving effect to the Reverse Stock Split, owns 80,000 shares of common stock, or 0.3% of our outstanding shares of common (including treasury stock). The total number of shares of common stock beneficially owned by Mr. LeBlanc prior to giving effect to the Reverse Stock Split, including shares issuable upon exercise of unexercised warrants on or prior to November 1, 2004, and the 8,750,000 shares of our common stock to be issued to our Series AA preferred stockholder for which Mr. LeBlanc holds an irrevocable proxy in his capacity as Chief Executive Officer is 11,235,862 shares or 28.0% of the outstanding shares of common stock (including treasury stock), shares of common stock issuable upon the exercise of such warrants and the shares of common stock subject to the proxy. These holdings would convert to approximately 1,123,586 shares of Class A common stock, which is approximately 4.4% of the Fully-Diluted Orion Shares. Keith G. LeBlanc has an existing employment agreement with SurgiCare. Upon consummation of the Transactions, it is anticipated that Mr. LeBlanc will enter into a new employment agreement with Orion and terminate his existing employment agreement with SurgiCare.

Two of the nominees to become directors after the Transactions are affiliated with Brantley Partners and its affiliates. Brantley Partners and its affiliates have interests in the Transactions as described immediately below.

Brantley Partners and its Affiliates Interests in the Transactions

Certain affiliates of Brantley Partners have outstanding loans to IPS in the aggregate amount of $4,254,321, as of September 2, 2004, which includes accrued interest as of such date. These Brantley Partners affiliates will receive 1,346,305 shares of Class A common stock, with an aggregate value approximately equal to such debt in exchange for the contribution of the debt to SurgiCare pursuant to the Debt Exchange Agreement. Debt in respect of accrued dividends in the amount of $593,100 will also be contributed to SurgiCare by a Brantley Partners affiliate for Class A common stock pursuant to the Debt Exchange Agreement. Pursuant to the terms of the Debt Exchange Agreement, this portion of the debt is to be exchanged for Class A common stock with an approximately equal aggregate value, subject to reduction to the extent necessary to allocate 200,000 shares of the Class A common stock to be awarded to the IPS stockholders and debtholders pursuant to the Debt Exchange Agreement and the IPS Merger Agreement to the holders of IPS common stock. Currently the IPS stockholders and debtholders are discussing an adjustment to the allocation of shares among IPS stockholders and debtholders involving a small number of shares. Based on the assumptions herein, 140,551 shares of Class A common stock will be issued in exchange for such debt. These affiliates of Brantley Partners also hold 1,653,000 shares of the Series A-2 convertible preferred stock of IPS with an aggregate liquidation preference of approximately $7,718,632 and will receive approximately 2,442,605 shares of Class A common stock pursuant to the IPS Merger Agreement. Such shares are intended to approximate the value of such liquidation preference, but are subject to reduction to the extent necessary to achieve the guaranteed allocation to IPS common stockholders described above. A wholly-owned subsidiary of Brantley IV has outstanding loans to SurgiCare in

Table of Contents

the aggregate amount of $2,347,596, as of September 2, 2004, which includes accrued interest as of such date, and to IPS in the aggregate amount of approximately $2,556,943 as of September 2, 2004, which includes accrued interest as of such date. Brantley IV, or its assignees, will receive approximately 11,442,426 shares of Class B common stock, for an aggregate cash purchase price of $10 million plus the Base Bridge Interest Amount, pursuant to the Stock Subscription Agreement. A portion of the cash paid by Brantley IV will be used to pay the outstanding debt owed to Brantley IV s subsidiary by IPS and SurgiCare. Pursuant to the Stock Subscription Agreement, Brantley IV will also receive the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million from time to time after the closing of the Transactions, subject to the approval of a majority of the unaffiliated members of the board of directors of Orion, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A common stock for the twenty trading days preceding the date of the closing of such investment.

Brantley IV and Orion will also enter into a registration rights agreement pursuant to which Brantley IV may cause Orion to register the shares of Class A common stock issuable upon conversion of Brantley IV s shares of Class B common stock. Brantley affiliates which are IPS stockholders and debtholders will be third-party beneficiaries to the agreement, as will other IPS stockholders and MBS and DCPS equityholders. Until the first anniversary of the registration rights agreement, such third-party beneficiaries are permitted to cause Orion to add the shares of Class A common stock they hold, including shares issued upon conversion of Class C common stock, to a registration statement on which Brantley IV s shares are being registered.

Change of Control Provisions in Existing Contracts

Because the current SurgiCare stockholders will own only a minority interest in Orion after completion of the Transactions, change of control provisions will be triggered in some of our contractual obligations. Our management agreement with Tuscarawas Ambulatory Surgery Center, LLC, one of our four surgery centers, requires approval of the surgery center in the event of a change of control such as the one contemplated in the Transactions. See Information About SurgiCare Description of Business Tuscarawas Ambulatory Surgery Center, LLC. Receiving consents pursuant to, or waivers of, all change of control provisions in material contracts is a condition of the closing of the Transactions. SurgiCare s management agreement with the physician partners at its Tuscarawas facility requires approval of the physician partners in the event of a change of control such as that contemplated by the Transactions. SurgiCare has reached an oral agreement with those physician partners in which the physician partners approved the Transactions without requiring any other changes in SurgiCare s management agreement and expects to reduce the agreement to writing prior to consummation of the Transactions. In addition, our employment agreement with Keith LeBlanc, our Chief Executive Officer, has a change of control provision giving him certain severance and compensation rights in a change of control. We have negotiated a new employment agreement with Mr. LeBlanc to be signed as part of consummation of the Transactions.

The Special Meeting (See Page 21)

Our stockholders meeting will be held at the principal office of SurgiCare, located at 10700 Richmond Avenue, Suite 300, Houston, Texas 77042, on October 6, 2004, starting at 5:30 p.m., local time.

Holders of shares of our common stock and holders of shares of our Series AA preferred stock as of September 10, 2004 are entitled to notice of, and to vote at, the special meeting.

The vote necessary to approve each proposal is described in the section entitled The Special Meeting What Vote is Required for Each Proposal.

The Acquisitions

Summary of the IPS Merger (See Page 39)

Structure. We will acquire IPS by merging a newly-formed, wholly-owned subsidiary organized by us with and into IPS, with IPS as the surviving corporation. As a consequence of the merger, IPS will become a wholly-owned subsidiary of SurgiCare. However, IPS will be treated as the acquiring party for

Table of Contents

accounting purposes because we will account for the IPS Merger under the purchase method of accounting for business combinations.

Consideration. In connection with the IPS Merger, and based on the assumptions used in this proxy statement, IPS equityholders and certain IPS debtholders that are affiliates of Brantley IV will receive an aggregate of approximately 4,451,518 shares of Class A common stock (which represents approximately the total number of shares of SurgiCare stock outstanding on a fully-diluted basis, calculated as described in the section Assumptions , and approximately 17.4% of the Fully-Diluted Orion Shares)

SurgiCare will issue 1,486,856 shares (or approximately 5.8% of the Fully-Diluted Orion Shares) to the IPS debtholders referred to above in exchange for the contribution of debt by such debtholders to SurgiCare in an aggregate principal amount of approximately $3,256,619 and $593,100 of debt in respect of accrued dividends, and the approximately 2,964,662 remaining shares of Class A common stock (or approximately 11.6% of the Fully-Diluted Orion Shares) will be issued to the IPS equityholders.

Form of Consideration. We will not issue fractional shares of our common stock. Instead, each holder of shares of IPS common stock and/or preferred stock who otherwise would be entitled to a fraction of a share will be entitled to receive a cash payment in lieu of such fractional share.

No Solicitation Provisions. The IPS Merger Agreement contains detailed provisions prohibiting the parties from seeking an alternative transaction. These no solicitation provisions prohibit each of SurgiCare and IPS as well as their officers, directors, subsidiaries and agents, from taking any action to solicit an acquisition proposal. The IPS Merger Agreement does not, however, prohibit SurgiCare or IPS or their respective boards of directors from considering, and potentially recommending, an unsolicited bona fide written acquisition proposal from a third party that the board of directors concludes in good faith constitutes a superior proposal.

We have attached the IPS Merger Agreement as Annex A to this document.

Summary of the DCPS/MBS Merger (See Page 52)

Structure. We will acquire MBS by merging a newly-formed, wholly-owned subsidiary organized by us with and into MBS, with MBS as the surviving corporation. As a consequence of the merger, MBS will become a wholly-owned subsidiary of SurgiCare. DCPS will be acquired by the contribution of the units of limited partnership interest in DCPS to SurgiCare. The limited liability company interests of the limited liability company that is the general partner of DCPS will also be contributed to SurgiCare. Immediately following the closing of the MBS merger and the DCPS acquisition, the interests in DCPS and its general partner will be transferred to MBS, and DCPS will be a wholly-owned subsidiary of MBS.

Consideration. Equityholders of DCPS and MBS will receive an aggregate of $3.5 million in cash, promissory notes of SurgiCare in an aggregate principal amount of $500,000 and 1,575,760 shares of Class C common stock (or, if the fair market value of SurgiCare common stock, based on the average of the high and low price per share over the five trading days immediately prior to the closing, is greater than or equal to $0.70, an aggregate of $2.9 million in cash, promissory notes of SurgiCare in an aggregate principal amount of $500,000 and 1,827,880 shares of Class C common stock), subject to retroactive increase or decrease. In addition, 75,758 shares of our Class A common stock will be reserved for issuance at the direction of the DCPS/MBS Sellers. Based on the assumptions in this proxy statement, and assuming no retroactive increase in purchase price, if the fair market value of our common stock is less than $0.70, the DCPS/MBS equityholders, and their designees will own approximately 6.6% of the Fully-Diluted Orion Shares, (as reduced by the amount of potential retroactive increase) and if the fair market value of our common stock is greater than or equal to $0.70, the DCPS/MBS equityholders and their designees will own approximately 7.5% of the Fully-Diluted Orion Shares (as reduced by the amount of the potential retroactive increase and increased for the additional shares to be issued at such market value). Under certain circumstances, the MBS and DCPS

Table of Contents

equityholders may receive other payments as described in The Transactions The DCPS/ MBS Merger The DCPS/ MBS Merger Agreement Additional Issuances, Advances and Payments.

Adjustments to Consideration. The purchase price described above is subject to retroactive increase (including issuance of up to 465,000 shares of Class A common stock and payment of up to $1,012,500) or decrease based on the financial results of the newly-formed company in the two years following the DCPS/ MBS Merger. Based on the assumptions in this proxy statement, and assuming the maximum retroactive increase in purchase price, if the fair market value of our common stock is less than $0.70, the DCPS/ MBS equityholders and their designees will own approximately 8.3% of the Fully-Diluted Orion Shares, and if the fair market value of our common stock is greater than or equal to $0.70, the DCPS/ MBS equityholders and their designees will own approximately 9.2% of the Fully-Diluted Orion Shares (as increased for the additional shares to be issued at such market value). See The Transactions The DCPS/ MBS Merger The DCPS/ MBS Merger Agreement Purchase Price Adjustments for a detailed description of the potential adjustments to the consideration for the DCPS/ MBS Merger.

We have attached the DCPS/ MBS Merger Agreement as Annex B to this document. We urge you to read the DCPS/ MBS Merger Agreement in its entirety. It is the legal document that governs the DCPS/ MBS Merger.

Regulatory Approvals

We are not aware of any governmental approvals or actions that are required to complete the Transactions, apart from regulatory notifications and approvals that could be required by the Centers for Medicare & Medicaid Services (CMS) or State Medicaid Offices or Departments of Health in connection with changes in control of Medicare and Medicaid providers and state licensed health care facilities. We plan to provide appropriate notifications to these regulatory agencies, seek any required governmental approval, and take any other necessary action to consummate the Transactions.

Tax Consequences (See Pages 40 and 54)

SurgiCare stockholders generally will not recognize taxable gain or loss as a result of the IPS Merger or the DCPS/MBS Merger. See The Transactions The IPS Merger Material U.S. Federal Income Tax Consequences of the IPS Merger and The Transactions The DCPS/ MBS Merger Material U.S. Federal Income Tax Consequences of the DCPS/ MBS Merger below for more detailed discussions of the tax considerations that may be relevant. The tax discussion in this proxy statement does not address the tax considerations that may be relevant to IPS stockholders, MBS stockholders, DCPS owners, or Brantley IV or any of its affiliates, and does not address whether the Transactions, when analyzed on a combined basis, qualify as an exchange to which Section 351 of the Internal Revenue Code of 1986 (the Code) applies nor any adverse tax consequences applicable to SurgiCare and its current stockholders in their capacity as such that may result from a determination that Code Section 351 does not apply.

Accounting Treatment of the Acquisitions (See Pages 41 and 55)

Accounting Treatment of the IPS Merger. The IPS Merger will be treated as a reverse acquisition for accounting purposes. In the reverse acquisition, the SurgiCare stock held by SurgiCare stockholders immediately prior to the merger will be treated as the purchase price paid by IPS for SurgiCare. The fair value of those shares, plus applicable transaction costs, will be allocated to the fair value of SurgiCare s tangible and intangible assets and liabilities, with any excess being considered goodwill. See The Transactions The IPS Merger Accounting Treatment of the IPS Merger below for additional information regarding the accounting treatment.

Accounting Treatment of the DCPS/ MBS Merger. SurgiCare intends to account for the DCPS/ MBS Merger as a purchase transaction for financial reporting and accounting purposes in accordance with Statement of Financial Accounting Standards No. 141. The purchase price, which is equal to the total

Table of Contents

consideration of cash, notes and new SurgiCare Class C common stock, will be allocated based on the fair values of the DCPS/ MBS assets acquired and liabilities assumed. The amount of the purchase price in excess of the fair value of the net tangible assets of DCPS/ MBS acquired will be recorded as goodwill and other intangible assets. See The Transactions The DCPS/ MBS Merger Accounting Treatment of the DCPS/ MBS Merger below for additional information regarding the accounting treatment.

Conditions to Completion of the Acquisitions (See Pages 43 and 59)

The obligations of the parties to the Acquisitions to complete the Acquisitions are subject to the satisfaction or waiver of certain conditions specified in the respective merger agreements, including the approval by our stockholders of the issuance of our shares to be issued in the Acquisitions, and of certain other proposals contained in this proxy statement. The approval of Proposal One through Proposal Eleven by our stockholders is required to consummate the Acquisitions.

Termination of the IPS Merger Agreement and the DCPS/ MBS Merger Agreement (See Pages 48 and 64)

The IPS Merger Agreement and the DCPS/ MBS Merger Agreement may each be terminated by mutual consent by each of the parties thereto. The IPS Merger Agreement may also be terminated by either SurgiCare or IPS, and the DCPS/ MBS Merger Agreement may also be terminated by either SurgiCare or DCPS and MBS, in each case, in a number of circumstances, including the following:

if the merger governed by the agreement is not completed by October 31, 2004;

if the required SurgiCare stockholder approvals, and in the case of the IPS Merger Agreement, the required IPS stockholder approvals, are not obtained; or

if any governmental authority issues a final and non-appealable order prohibiting the consummation of the merger governed by the agreement (but the merger agreement cannot be terminated for this reason by a party whose failure to fulfill its obligations under the merger agreement resulted in such order).

Fees upon Termination of the Acquisitions (See Pages 50 and 64)

DCPS/ MBS Merger Termination Fees. In the event that the DCPS/ MBS Merger Agreement is terminated under certain specified circumstances, SurgiCare will reimburse DCPS and MBS for all reasonable out-of-pocket expenses incurred by or on behalf of DCPS or MBS.

IPS Merger Termination Fees. The IPS Merger Agreement provides that in certain circumstances, the party responsible for triggering the underlying cause for the termination of the IPS Merger Agreement will reimburse the other party for all of its reasonable out-of-pocket expenses. Pursuant to the Stock Subscription Agreement, upon termination of the IPS Merger Agreement in specified circumstances, SurgiCare is required by the Stock Subscription Agreement to reimburse Brantley IV for its reasonable out-of-pocket expenses. In certain of these circumstances, SurgiCare is also required to pay Brantley IV a non-refundable fee of $3 million. Based on our latest balance sheet, it would be impossible for us to make this payment using current assets.

The termination of the IPS Merger Agreement as a result of our stockholders failure to approve the IPS Merger and the other proposals upon which the IPS Merger is dependent, will require payment of Brantley IV s reasonable out-of-pocket expenses, but will not, in and of itself, trigger the payment of the $3 million fee to Brantley IV. However, the $3 million fee would be payable if, within 18 months of termination due to, among other things, our stockholders failure to approve the IPS Merger Agreement or other required proposals, we consummate, or enter into an agreement or letter of intent (or our board of directors resolves or announces an intention to enter into such agreement or letter of intent with respect to) a Business Combination (as defined below) with any person, entity or group.

Business Combination as used above means (i) a merger, consolidation, share exchange, business combination or similar transaction involving SurgiCare as a result of which SurgiCare s stockholders prior to such transaction cease to own at least 80% of the voting securities of the entity surviving or resulting

Table of Contents

from such transaction (or the ultimate parent entity thereof) in the proportion they owned such shares prior to such transaction, (ii) a sale, lease, exchange, transfer, public offering in respect of, or other disposition of more than 20% of the assets of SurgiCare and the SurgiCare subsidiaries, taken as a whole, in either case, in a single transaction or a series of related transactions, or (iii) the acquisition, by a person, group or entity of beneficial ownership of more than 20% of SurgiCare s outstanding common stock (or in the case of any person, group or entity beneficially owning in excess of 20% of SurgiCare s common stock outstanding on February 9, 2004, the acquisition of any additional shares of SurgiCare s common stock by such person, group or entity), in either case, whether from SurgiCare or by tender or exchange offer or otherwise.

Completion and Effectiveness of the Acquisitions (See Pages 39 and 52)

We will complete each of the Acquisitions when all of the conditions to completion in the merger agreement governing such acquisition are satisfied or waived in accordance with such merger agreement. The IPS Merger and the MBS Merger will become effective when we file the certificate or certificates of merger for such acquisition with the secretary of state of the applicable jurisdiction, or at such later time specified in such certificate of merger. The DCPS acquisition will become effective upon the closing of the contribution of the DCPS equity to SurgiCare. Immediately following the closing of the MBS merger and the DCPS acquisition, the interests in DCPS and its general partner will be transferred to MBS, and DCPS will be a wholly-owned subsidiary of MBS. We expect to complete the Acquisitions and issue the stock to be issued pursuant to the Acquisitions promptly after the meeting of our stockholders which is scheduled for October 6, 2004.

The Equity Financing (See Page 66)

Summary

Pursuant to the Stock Subscription Agreement, Brantley IV will purchase shares of Class B common stock for cash in the amount of $10 million plus the Base Bridge Interest Amount. A portion of the cash contributed will be used by Orion to pay outstanding debt owed to Brantley IV s subsidiary by SurgiCare and IPS. As of September 2, 2004, the aggregate principal amount of the outstanding debt is $4,705,411 and the accrued interest on this debt was $199,128. Therefore, it is estimated that the net cash proceeds to be received by SurgiCare will total approximately $5,194,513, of which $3.5 million will be used to complete the DCPS/ MBS Merger.

The Stock Subscription Agreement also provides that Brantley IV has the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million from time to time after the closings of the Transactions, subject to the approval of a majority of the unaffiliated members of the board of directors of Orion, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A common stock for the twenty trading days preceding the date of the closing of such investment.

In exchange for Brantley IV s cash contribution, and based on the assumptions used in this proxy statement, Brantley IV will receive approximately 11,442,426 shares of Class B common stock, which will initially represent, on an as-converted basis, approximately 57.0% of the Fully-Diluted Orion Shares and, on an unconverted basis, approximately 53.2% of the voting power of Orion. Assuming everything else remains the same, the percentage interest of Brantley IV upon conversion will continually increase, since the conversion factor for the Class B common stock is designed to yield additional shares of Class A common stock, or portions thereof, necessary to approximate the unpaid portion of the return of the original purchase price for the Class B common stock, less the Base Bridge Interest Amount, plus an amount equal to nine percent (9%) per annum on the amount of the original purchase price less the Base Bridge Interest Amount (which as of September 2, 2004 was $99,052), without compounding, from the date the Class B common stock was first issued to the date of conversion. The Class A common stock to be issued to Brantley Venture Partners III, L.P. and Brantley Capital, as stockholders and debtholders of IPS, further increases the ownership interest of Brantley IV affiliates in Orion. Because

Table of Contents

Brantley IV and its affiliates will hold common stock which initially represents, on an unconverted basis, approximately 71.4% of the voting power of Orion, they will be able to control all decisions to be made by the Class A common stock, Class B common stock and Class C common stock voting together as a single class. As a result of their stock ownership, Brantley IV and its affiliates will control Orion s business, policies and affairs and will be able to elect Orion s entire board of directors, determine, without the approval of Orion s other stockholders, the outcome of any corporate transaction or other matter submitted to the vote of the stockholders voting as a single class for approval, including mergers, consolidations and sales of substantially all of our assets. They will also be able to prevent or cause a change in control of Orion and an amendment to its certificate of incorporation and by-laws (subject to certain supermajority provisions contained therein). We cannot assure you that the interests of Brantley IV and its affiliates will be consistent with your interests as a stockholder.

In connection with the Transactions, Brantley IV entered into an agreement on March 4, 2004 with certain of its limited partners, pursuant to which such limited partners have agreed to acquire, subject to the satisfaction of certain conditions, $1 million worth of the Class B common stock which Brantley IV has agreed to purchase pursuant to the Stock Subscription Agreement and Brantley IV has agreed to assign to such limited partners its right to acquire such shares. To the extent such limited partners acquire such shares, Brantley IV s ownership will be decreased by the number of shares valued at $1 million, or approximately 1,133,020 shares of Class B common stock as of September 2, 2004, which initially represent, on an as-converted basis approximately 4.4% of the Fully-Diluted Orion Shares.

Overview of Equity Financing Documents

The Stock Subscription Agreement contains customary closing conditions, along with additional conditions, including the requirement that SurgiCare complete additional financing to refinance existing debt obligations of IPS, DCPS, MBS, and SurgiCare of approximately $10.1 million and that the closing conditions to the IPS Merger Agreement and the DCPS/MBS Merger Agreement be satisfied, as well as representations, warranties and covenants. It also imposes certain indemnification obligations on the parties and provides for payment by SurgiCare of a non-refundable fee of $3 million and reasonable out-of-pocket expenses to Brantley IV if the IPS Merger Agreement is terminated under certain specified circumstances.

Brantley IV and Orion will also enter into a registration rights agreement pursuant to which Brantley IV may cause Orion to register the shares of Class A common stock issuable upon conversion of Brantley IV s shares of Class B common stock. See The Transactions The Equity Financing Registration Rights Agreement below for a more detailed discussion of the registration rights. The IPS stockholders, certain IPS debtholders and the DCPS and MBS equityholders will be third-party beneficiaries to this agreement. Until the first anniversary of the date of the registration rights agreement, such third-party beneficiaries are permitted to cause Orion to add the shares of Class A common stock they hold, including the shares of Class A common stock issuable upon conversion of the shares of Class C common stock they hold, to a registration statement on which Brantley IV s shares are being registered.

Tax Consequences

SurgiCare stockholders generally will not recognize taxable gain or loss as a result of the equity financing transaction with Brantley IV. See The Transactions The Equity Financing Certain Material U.S. Federal Income Tax Consequences of the Equity Financing below for a more detailed discussion of the tax considerations that may be relevant.

Brantley IV s Affiliates

Brantley IV is an affiliate of Brantley Venture Partners III, L.P. and Brantley Capital, both of which are stockholders and creditors of IPS, and which are party to the Debt Exchange Agreement that is being entered into as part of the Transactions. Brantley IV and Brantley Venture Partners III, L.P., are private equity partnerships and Brantley Capital is a public business development company. Brantley Capital Management,

Table of Contents

L.L.C., a registered investment adviser, serves as investment adviser for, and receives fees from, Brantley Capital. Brantley Management Company, whose principals include principals of Brantley Capital Management, L.L.C., acts as investment adviser for, and receives fees from, Brantley IV and Brantley Venture Partners III, L.P. Brantley Capital files reports with the Securities Exchange Commission. Trades in the common stock of Brantley Capital are reported on the NASDAQ National Market under the symbol BBDC.

The 2004 Incentive Plan (See Page 149)

The 2004 Incentive Plan provides for issuance of up to 2.2 million shares of Class A common stock to key employees, directors and consultants of the company. This amount is approximately 6.8% of the fully-diluted shares of Orion (assuming exercise of all outstanding options and warrants, conversion of all convertible debentures, issuance of all shares issuable pursuant to the 2004 Incentive Plan, issuance of 2,100,000 shares of common stock (pre-Reverse Stock Split) to A.I. International and issuance of 8,750,000 shares of common stock (pre-Reverse Stock Split) in exchange for the Series AA preferred stock). Approximately 5,758,852 shares (575,885 after giving effect to the Reverse Stock Split) remained issuable in connection with outstanding awards under prior SurgiCare plans as of September 2, 2004. The total number of shares issuable under prior SurgiCare plans added together with shares issuable under the proposed 2004 Incentive Plan represent approximately 8.5% of the fully-diluted shares of Orion (assuming exercise of all outstanding options and warrants, conversion of all convertible debentures, issuance of all shares issuable pursuant to the 2004 Incentive Plan, issuance of 2,100,000 shares of common stock (pre-Reverse Stock Split) to A.I. International, and issuance of 8,750,000 shares of common stock (pre-Reverse Stock Split) in exchange for the Series AA preferred stock).

Currently, there are no specific grants proposed to be made under the 2004 Incentive Equity Plan. None of the proposed employment agreements with Keith G. LeBlanc, Terrence L. Bauer, Stephen H. Murdock, Dennis Cain and Tom M. Smith are contingent upon those individuals receiving grants under the 2004 Incentive Plan. The purpose of the 2004 Incentive Plan is to enable Orion to attract and retain key personnel and directors. Since Orion s Board of Directors has not been elected at the time of the filing, no plans to issue a specific number or amount of securities to directors or executive officers of Orion pursuant to the 2004 Incentive Plan, have been made. However, it is anticipated by SurgiCare s current management that the recipients of option grants under the 2004 Incentive Plan will include the directors, executive officers, and key personnel of Orion.

Controlled Company Status

The AMEX has adopted minimum requirements for director independence and nominating and compensation committee membership. These requirements do not apply to companies whose ownership is controlled by a single owner or group. After the Transactions, SurgiCare will be considered a controlled company under the AMEX rules and will not be required to comply with certain of the AMEX s rules on director independence and nominating and compensation committee membership.

Table of Contents

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The information in this proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements that are not historical in nature, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words may, will , should , estimates , predicts , potential , continue , strategy , believes , anticipates intends and similar expressions. The forward-looking statements in this proxy statement regarding us, IPS, DCPS, MBS, and the combined company following the merger of our wholly-owned subsidiaries with and into MBS (which will then merge with DCPS) and IPS, relate to, among other things:

- financial condition;
- revenues and results of operations;
- business and financing plans, including plans for growth and future acquisitions;
- description of businesses;
- business strategy, operating efficiencies or synergies, competitive positions, growth opportunities for existing services;
- plans, objectives and composition of management;
- the market for our securities and effectiveness of the Reverse Stock Split;
- our listing application with the AMEX and listing status;
- potential and existing customers;
- government licensing, insurance laws, reimbursement regulations and restrictions on physician ownership of healthcare facilities; and
- the economic environment in the markets in which we, IPS, DCPS and MBS operate.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement. These statements are based upon current expectations. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise. All forward-looking statements are subject to risks and uncertainties that could cause actual events to differ materially from those projected. Important factors that might cause or contribute to such a discrepancy include, but are not limited to:

- the extent of our ability to integrate the operations of IPS, DCPS and MBS with ours;
- the effects of competition in the markets in which we, IPS, DCPS and MBS operate;
- the impact of technological change on our business and that of IPS, DCPS and MBS;
- the effect of any unknown liabilities of SurgiCare, IPS, MBS, and DCPS that materialize after the transactions;
- the impact of the change in our management following the closing of the transactions;
- the effect of the transactions on our AMEX listing status;
- the impact of control by Brantley IV and its affiliates;

the effect of the Reverse Stock Split on the price of our securities;

future regulatory changes; and

other risks referenced from time to time in our filings with the Securities and Exchange Commission (the SEC), including our annual report on Form 10-KSB/A for our fiscal year ended December 31, 2003, which is attached as Annex C to this proxy statement.

Table of Contents

THE SPECIAL MEETING

What is the Purpose of the Meeting?

The SurgiCare stockholders meeting is being held so that our stockholders may consider and vote upon the following proposals:

Proposal 1. To approve a reverse stock split at a ratio of one-for-ten.

Proposal 2. To approve the increase in the number of authorized shares of common stock from 5 million shares to 90 million shares, after giving effect to the Reverse Stock Split, and leave the number of authorized shares of preferred stock at 20 million shares.

Proposal 3. To reclassify our common stock as Class A common stock , $0.001 par value per share.

Proposal 4. To establish a new class of common stock entitled Class B common stock , $0.001 par value per share.

Proposal 5. To establish a new class of common stock entitled Class C common stock , $0.001 par value per share.

Proposal 6. To change the name of the corporation to Orion HealthCorp, Inc.

Proposal 7. To approve the issuance of shares of Class A common stock pursuant to the IPS Merger Agreement and the Debt Exchange Agreement.

Proposal 8. To approve the issuance of shares of Class C common stock and Class A common stock pursuant to the DCPS/ MBS Merger Agreement.

Proposal 9. To approve the issuance of shares of Class B common stock and Class A common stock pursuant to the Stock Subscription Agreement.

Proposal 10. To elect the members of our board of directors and to elect the members of the board of directors of Orion who will begin serving upon the consummation of the Transactions described in this proxy statement.

Proposal 11. To approve a new incentive plan, the Orion HealthCorp, Inc. 2004 Incentive Plan, to replace our 2001 Stock Option Plan.

Proposal 12. To approve the issuance of warrants to purchase an aggregate of 100,000 shares of Class A common stock to the current members of our board of directors.

Proposal 13. To transact such other business as may properly come before the meeting and any adjournment thereof.

If our stockholders adopt these proposals, we intend to amend and restate our certificate of incorporation to reflect Proposal One through Proposal Six, complete the IPS Merger (and the issuance of Class A common stock to IPS debtholders) and the DCPS/ MBS Merger, and to issue the shares of Class B common stock to Brantley IV (and in the future, at Brantley IV s option, Class A common stock). See The Transactions and Proposal One through Proposal Nine.

Who May Attend and Vote?

Stockholders who owned SurgiCare common stock and stockholders who owned Series AA preferred stock at the close of business on September 10, 2004 are entitled to notice of and to vote at the special meeting. We refer to this date in this proxy statement as the record date. As of the record date, we had 28,857,285 shares of SurgiCare common stock issued and outstanding and 900,000 shares of Series AA preferred stock issued and outstanding. Each share of SurgiCare common stock and Series AA preferred stock is entitled to one vote on each matter to come before the special meeting.

Table of Contents

How Do I Vote?

If you are a stockholder of record of our common stock or Series AA preferred stock, you may vote:

In person. If you attend the special meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you at the special meeting.

By mail. If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

By signing and returning the proxy card according to the enclosed instructions, you are enabling the individuals named on the proxy card (known as proxies) to vote your shares at the special meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the special meeting. In this way, your shares will be voted even if you are unable to attend the meeting. Your shares will be voted as you direct on the proxy card. If a proxy card is signed and received by our corporate secretary, but no instructions are indicated, then the proxy will be voted FOR each of the proposals described in this proxy statement.

What Does the Board of Directors Recommend?

The Board recommends that you vote FOR:

1. approving the reverse stock split;
2. approving the increase in the number of shares of authorized common stock;
3. approving the reclassification of common stock;
4. approving the establishment of Class B common stock;
5. approving the establishment of Class C common stock;
6. approving the change of name;
7. approving the issuance of shares of Class A common stock pursuant to the IPS Merger Agreement and the Debt Exchange Agreement;
8. approving the issuance of shares of Class C common stock and Class A common stock pursuant to the DCPS/ MBS Merger Agreement;
9. approving the issuance of shares of Class B common stock and Class A common stock to Brantley IV or its assignees in connection with the financing transactions related to the Acquisitions;
10. electing the slates of directors listed in this proxy statement for the terms specified;
11. approving the adoption of the 2004 Incentive Plan;
12. approving the issuance of warrants to the current members of our board of directors; and
13. granting authority to the proxy holder to approve the transaction of any other business to properly come before the meeting.

If you submit the proxy card but do not indicate your voting instructions, the persons named as proxies on your proxy card will vote in accordance with the recommendations of the board of directors.

What Vote is Required for Each Proposal?

Holders of record of our common stock and holders of record of our Series AA preferred stock are entitled to one vote per share on each proposal.

A majority of the shares entitled to be cast on a particular matter, present in person or represented by proxy, constitutes a quorum as to any proposal. Each proposal other those which relate to amending the certificate of incorporation, and the election of directors must be approved by the affirmative vote of the holders

Table of Contents

of a majority of the shares of our common stock and shares of our Series AA preferred stock properly cast in person or by proxy at the special meeting, voting together as a single class.

The restatement of our certificate of incorporation will require the vote of the majority of the outstanding shares of our common stock and shares of our Series AA preferred stock each voting as a separate class and voting together as a single class.

Directors are elected by a plurality of the affirmative votes cast by those shares present in person, or represented by proxy, and entitled to vote at the special meeting, voting together as a single class. Stockholders may not cumulate votes in the election of directors.

Shares represented by proxies that indicate an abstention or a broker non-vote (that is, shares represented at the special meeting held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) will be counted as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. Shares indicating an abstention and shares indicating a broker non-vote, however, will not constitute votes cast at the special meeting. Broker non-votes and abstentions will have the same effect as voting against the proposals to amend our certificate of incorporation, but will have no effect on the outcome of the votes required to approve the other proposals described above.

The Transaction Documents require that we obtain the approval of Proposal One through Proposal Eleven by a majority of the outstanding shares of our common stock and the outstanding shares of our Series AA preferred stock each voting as a separate class and voting together as a single class. Unless required by our certificate of incorporation or applicable law, rule or regulation, such requirement may be waived upon receipt of the necessary consents under the Transaction Documents.

May I Change My Vote After I Return My Proxy Card?

Yes. You may revoke a proxy any time before it is voted by:

returning to us a newly signed proxy card bearing a later date;

delivering a written instrument to our corporate secretary revoking the proxy card; or attending the special meeting and voting in person.

Who Will Bear the Cost of Proxy Solicitation?

We will bear the expense of soliciting proxies. Our officers and regular employees (who will receive no compensation in addition to their regular salaries) may solicit proxies. In addition to soliciting proxies through the mail, our officers and regular employees may solicit proxies personally, as well as by mail, telephone, and telegram from brokerage houses and other stockholders. We will reimburse brokers and other persons for reasonable charges and expenses incurred in forwarding soliciting materials to their clients.

Table of Contents

THE TRANSACTIONS

Introduction

History

SurgiCare s Business Opportunities Leading up to Negotiations of the Transactions

In Spring 2002, SurgiCare s management realized that the Company would not be able to reverse its negative cash flow and the increasing problems related thereto. SurgiCare s management contacted various individuals and companies who are in the business of developing and managing ambulatory surgery centers. On July 11, 2002, SurgiCare engaged a third-party finder, Daniel Krzyzanowski, to assist in locating an equity partner. In June 2002, Mr. Krzyzanowski introduced prior SurgiCare management to Mr. Paul Cascio with Brantley Partners. Limited discussions occurred with SurgiCare s prior management. In September 2002, SurgiCare hired a new Chief Executive Officer, Mr. Keith LeBlanc. Mr. LeBlanc and certain members of SurgiCare s corporate staff began monthly meetings with Brantley Partners, particularly Messrs. Paul Cascio and Jeff Kadlic in Ohio, during their monthly trips to SurgiCare s Ohio facility. Meetings were held between these parties throughout 2002 and early 2003. On two occasions during this time period, Dr. Jeffrey Penso, a member of the SurgiCare board of directors, also attended these monthly meetings. At the initial meetings, the parties discussed Brantley Partners interest in an investment in SurgiCare, possible structures for such investment, Brantley Partners significant investment in a pediatric practice management company and a rehabilitation company, and Brantley Partners plans for these companies.

From Spring 2002 through the August 2003, SurgiCare s management continued pursuing potential equity partner relationships. Specifically, discussions were held with Talmage Capital, LLC (Talmage), Magna Partners, LLC (Magna), and BBK Structured Finance, Inc. (BBK). Although letters of intent were proposed by Talmage and Magna, SurgiCare s Board of Directors declined to sign the Talmage letter of intent, and the Magna letter of intent was rescinded. SurgiCare entered into a letter of intent with BBK on June 19, 2003. The circumstances and subject matter of those various discussions are discussed below. All information given to Talmage, Magna, BBK or any of their affiliates was the information reported in the most recent periodic disclosure of SurgiCare filed with the SEC at the time such disclosure of information was made.

a. Talmage Capital, LLC

Several discussions were held between Mr. LeBlanc and Mr. Phillip Scott (SurgiCare s former Chief Financial Officer) and Mr. John Maxwell from Talmage during early March 2003. At that time, Messrs. LeBlanc and Scott met once with Mr. Maxwell at Talmage s New York office. Talmage sent a letter of intent to SurgiCare dated March 13, 2003, which set forth the terms of Talmage s engagement as SurgiCare s exclusive financial advisor and investment banker with respect to structuring a reorganization, refinancing of existing debt, or finding an equity partner. In exchange for those services, Talmage required a cash retainer of $40,000 (credited toward final payment), equity compensation of 8% of equity-linked securities, placement warrants in the amount of 10% of the total amount of equity-linked securities. SurgiCare would be required to pay all of Talmage s expenses during the engagement. SurgiCare did not execute the letter of intent since the Board of Directors of SurgiCare found the Transactions set forth herein to be in the best interests of the SurgiCare stockholders.

b. Magna Partners, LLC

Magna was introduced to SurgiCare through Dr. Shelly Glass, a contact of Mr. LeBlanc. During June and July 2003, Messrs. LeBlanc and Scott from SurgiCare conferenced with Dr. Glass and the other owners of Magna via telephone. Dr. Glass met with SurgiCare s Board of Directors at the June 26, 2003 meeting of the board. Magna sent an letter of intent to SurgiCare dated July 31, 2003 which provided terms of an investment by Magna of $2.2 million (representing the cash infusion requirements of SurgiCare at that time) plus, investment by Magna in the amount of any cash required for SurgiCare s debt resolution with DVI in exchange for SurgiCare securities equal to the total amount invested by Magna divided by SurgiCare s stock price at the close of business on the date of the execution of the letter. In that letter, Magna also set forth an overview of its objectives for SurgiCare after Magna s investment, which involved expansion of SurgiCare s core surgery center

Table of Contents

business through acquisitions, development and re-syndication of existing partnerships and the addition of services, such as diagnostic imaging healthcare services and billing services for physician practice groups. Shortly after sending the letter, Magna withdrew its offer due to the bankruptcy of DVI, in which Magna held a significant interest. Dr. Glass and Mr. LeBlanc continued periodic telephone conferences over the following 90-day period, hoping that DVI would emerge from bankruptcy and Magna would have the ability to continue negotiations with SurgiCare. At the end of that three-month period, it became evident that DVI would not successfully resolve its financial issues and therefore, Magna would be unable to fulfill the requirements of the originally proposed equity investment.

c. BBK Structured Finance, Inc.

On September 30, 2003, SurgiCare entered into a letter of intent with BBK in which BBK agreed to act as SurgiCare s broker to secure debt restructuring from a senior lender in the amount of $8-10 million, amortized with a fixed term of at least 84 months and a variable interest per annum equal to 100 basis points plus the prime rate at the time, or 5%. The lender would be given .5 points for closing the loan. SurgiCare paid BBK a performance and expense deposit of $30,000. In the event BBK successfully obtained the loan for SurgiCare, BBK would receive 5% of the loan amount in consideration for its consultation services, less the $30,000 deposit. BBK would receive a 2.5% of any additional amount borrowed by SurgiCare from that senior lender after the closing of the loan. Although BBK contacted various lenders, it was unable to deliver a contract for any loan. SurgiCare may seek to recover the expense deposit from BBK but has not taken any formal actions to do so at this time.

SurgiCare Board Meetings Leading up to the Transactions

On April 30, 2003, Messrs. LeBlanc and Scott met with all the members of the SurgiCare board of directors to discuss the business direction which the board thought most prudent for SurgiCare, considering its financial condition at the time. As a result of that meeting and the board of director s instruction, management sought an equity investment partner for SurgiCare or debt restructure.

On June 5, 2003, the entire board of directors met with Messrs. LeBlanc and Scott to discuss the status of the potential loan restructure of the debt owed to DVI and the board directed management to prepare and present a debt restructure proposal to DVI.

On June 26, 2003, three directors, Drs. Mineo, Penso, and Miller, met with Messrs. LeBlanc and Scott and a representative from Strasburger & Price, LLP, legal counsel to SurgiCare, to discuss the DVI debt restructure. Mr. LeBlanc stated to the Board that the loan restructure would not be possible at that time due to SurgiCare s lack of collateral to support more borrowing. Management then proposed a 60-day extension on payments on the outstanding loan, extending such date to August 17, 2003, to which DVI agreed. At this same meeting, Mr. LeBlanc stated that the board had various other opportunities worth considering, including a potential partnership with Magna. Dr. Shelly Glass, a representative of Magna, attended part of the board of directors meeting in order to give background information on Magna and its business plan to the board. Mr. LeBlanc also presented the possible equity finance possibility with Brantley Partners. The board authorized Mr. LeBlanc to travel to Cleveland, Ohio, to meet at Brantley Partners offices and to travel to a meeting in Chicago, Illinois, to meet with Magna. Mr. LeBlanc reported that he would also contact various potential lenders, including BBK and Talmage, in an attempt to obtain alternative debt financing.

On July 16, 2003, all of the members of SurgiCare s board of directors met with Messrs. LeBlanc and Scott and a representative from Strasburger & Price, LLP to discuss the opportunities brought up at the June 26, 2003 meeting. Mr. Scott presented the positive and negative aspects of each potential deal. SurgiCare still lacked sufficient collateral to restructure its debt financing. The potential partnership with Magna, including the start-up of an additional surgery center would not provide the immediate working capital that SurgiCare needed. At that time, the board of directors did not favor the potential Brantley Partners transaction because at that time, Brantley Partners only committed to investing $5,000,000, which would not be sufficient to restructure the debt of SurgiCare and leave sufficient working capital to fund ongoing short-term operations.

Table of Contents

On August 4, 2003, all the members of the board of directors met again with Messrs. LeBlanc and Scott and were joined by Mr. Paul Cascio of Brantley Partners. The parties discussed the impending bankruptcy of DVI and the potential for a debt restructure, as well as a merger of IPS, DCPS/ MBS and SurgiCare, along with an equity investment by Brantley Partners. Mr. LeBlanc informed the board of directors that the potential Magna transaction was unlikely to proceed due to Magna s significant investment in DVI and the complications of the DVI bankruptcy. The board of directors decided SurgiCare should aggressively pursue the Brantley Partners possibility (along with the DCPS/ MBS and IPS merger) which could ultimately maximize the current customer base for all the companies involved and allow IPS and SurgiCare to jointly negotiate their existing debt with DVI.

SurgiCare presented Brantley Partners with the estimated financial projections based upon generic assumptions of potential revenues for the four ambulatory surgery centers, assuming infusion of working capital and reduction in debt. SurgiCare did not use its actual financials for those projections, due to the continually decreasing volume of cases performed at the four ambulatory surgery centers. Management believes the decrease in volume at its four ambulatory surgery centers was due to the reluctance of physicians to bring their surgery cases to SurgiCare, which was suffering financially. The original pro forma projections served as the template for the continuous and voluminous financial calculations prepared by management resulting in the pro forma financial projections included in this proxy statement. The original pro forma projections reviewed by SurgiCare s board of directors are attached hereto as Annex Q. The original pro forma projections have been amended since the original draft in August 2003 to reflect the changes in SurgiCare s core business and reimbursement changes, which financial information is included in SurgiCare s periodic reports filed with the SEC. The current pro forma financial projections presented herein utilize the same methodologies and industry standards as those set forth in the original pro forma projections.

Brantley and IPS

During 2002 and 2003, Brantley Partners (through its affiliates) was in negotiations with IPS regarding an additional equity investment. Brantley Venture Partners III, L.P. originally invested in IPS in October 1996. Brantley Venture Partners III, L.P. and Brantley Capital both invested in IPS during January 1999 and continued to invest through 2003.

SurgiCare and DCPS/ MBS

For interim working capital, SurgiCare conducted a private placement in the spring of 2003, which included an investor group of anesthesiologists. The office manager of the anesthesiologist group was Mrs. Valerie Cain, who introduced SurgiCare s officers to her husband, Dennis Cain. Mr. Cain suggested that SurgiCare acquire DCPS, of which he is a majority equityholder, and its related company, MBS, majority owned by Mr. Tom Smith. DCPS and MBS are related entities that use a shared information system, respond to requests for proposals jointly, have common clients and shared business arrangements and collectively share the responsibility for sales and marketing efforts, though they do not have common ownership or accounting relationships. SurgiCare s officers evaluated the opportunity and negotiated a letter of intent with Messrs. Cain and Smith for the companies at the same time it negotiated the IPS agreement as described below.

Discussions of Merger of SurgiCare, IPS, and DCPS/ MBS

In May 2003, Robert P. Pinkas, the Managing General Partner of Brantley Partners, contacted Terrence Bauer, President and Chief Executive Officer of IPS, to discuss merging IPS with SurgiCare, DCPS and MBS. In June 2003, Messrs. Bauer and Mr. Stephen Murdock, the Chief Financial Officer of IPS, met with Messrs. LeBlanc and Scott at SurgiCare s principal executive offices in Houston, Texas. At this meeting, the parties discussed the possible benefits to both parties of a combination of IPS, SurgiCare, DCPS and MBS in a merger transaction, due to the growth of the customer base for the combined entity. Exchange of information for due diligence review purposes between IPS and SurgiCare began shortly after this meeting. After due diligence review by IPS and SurgiCare, Messrs. Bauer and Murdock from IPS, Messrs. LeBlanc and Scott from SurgiCare, Mr. Cain from DCPS, Mr. Smith from MBS, and Mr. Cascio from Brantley Partners began merger negotiations. From that point on, SurgiCare communicated approximately two times per week, separately, with

Table of Contents

DCPS and MBS, IPS and Brantley Partners as to the deal structure and status of the merger negotiations. Some meetings with DCPS and MBS occurred in person and were generally attended by Messrs. LeBlanc, Cain and Smith, since SurgiCare, MBS and DCPS are all principally located in Houston, Texas. Mr. LeBlanc continued his regular monthly meetings with SurgiCare s ambulatory surgery center in Ohio and met with Mr. Cascio from Brantley Partners during those regularly scheduled trips, and communicated by telephone with Mr. Cascio at least once per week. Mr. LeBlanc and Messrs. Bauer and Murdock from IPS held telephone conferences during this period. Once per month, representatives from SurgiCare, IPS, DCPS, MBS, and Brantley Partners met by telephone to discuss the status of the due diligence and possible deal structure. During these telephone conferences and meetings, the parties discussed current financial statements of the merger companies, projections of the combined merger entity, debt restructuring possibilities, assumptions for growth, deal structure and percentages of ownership for the shareholders of the various merger entities and Brantley Partners. On August 3, 2003, pro forma projections were provided to Messrs. Bauer, Murdock, Cain and Smith. On August 22, 2003, the letter of intent to merge IPS and DCPS/MBS with SurgiCare was executed, along with a commitment letter from Brantley IV to contribute a $6,000,000 equity investment in the combined entities. All parties were represented by separate counsel. IPS s legal counsel is Morris, Manning & Martin, LLP in Atlanta, Georgia. DCPS s legal counsel is Mr. Peter Workin in Houston, Texas. MBS s legal counsel is Mr. Ron Freeman in Houston, Texas. SurgiCare s legal counsel is Strasburger & Price, LLP in Houston, Texas. Brantley IV s legal counsel is Ropes & Gray, LLP in Boston, Massachusetts.

Definitive agreement negotiations commenced in September 2003 as due diligence moved forward. The parties estimate that at least forty different meetings and telephone conferences occurred among management of the merger entities and Brantley Partners between the signing of the letter of intent and the signing of the original definitive agreements on November 18, 2003. The parties respective counsel participated in certain of such telephone conferences. During the negotiations, the parties discussed the various contract terms relating to the merger documents and potential refinancing of existing indebtedness of the parties. On October 24, 2003, there was a meeting at the offices of Brantley Partners among Messrs. LeBlanc, Bauer, Cascio and DiMarco. Representatives of Strasburger & Price, LLP, Morris, Manning & Martin, LLP and Ropes & Gray, LLP were also present. Structure, pricing and timing were all discussed. On November 18, 2003, definitive agreements were executed by IPS, SurgiCare, Brantley IV and its affiliates. Negotiations with DCPS/ MBS continued during this period and definitive agreements for that portion of the transaction were executed as of February 9, 2004.

At various meetings between the parties, it was determined that the $6,000,000 equity investment by Brantley IV would not be sufficient to fund working capital needs. After discussion between the parties, the investment was increased to its current level of $10 million plus the Base Bridge Interest Amount, with the additional 2,176,000 shares of Class B common stock to be issued pursuant to the July 16, 2004 amendment to the Stock Subscription Agreement issued for a higher price than those shares being issued pursuant to the terms of the initial definitive agreement.

Engagement of Independent Financial Advisor

After the execution of the definitive agreements, SurgiCare s legal counsel advised management that a fairness opinion would be appropriate to present to the SurgiCare stockholders regarding their interests in the Transactions. Counsel introduced SurgiCare to Mr. Gilbert Herrera of G. A. Herrera & Co., LLC (GAH), financial advisors, who prepared fairness opinions for some of counsel s other clients. GAH prepared a fairness opinion without meeting with the management of SurgiCare, IPS, DCPS/ MBS or Brantley Partners affiliates.

Settlement with Finder

SurgiCare and Mr. Krzyzanowski originally disputed the amount of money owed to Mr. Krzyzanowski for introducing SurgiCare to Brantley IV. On May 27, 2004, SurgiCare and Mr. Krzyzanowski entered into a settlement agreement which included a full and final release from Mr. Krzyzanowski in exchange for a payment of $18,000 as a finder s fee.

Table of Contents

Classes of Stock to be Issued in Transactions

Brantley IV s investment in SurgiCare was conditioned on Brantley IV receiving stock which provides for an increasing preference payment originally equal to its deemed purchase price and for a one-to-one conversion and share in distributions once this preference has been paid. The DCPS and MBS equityholders negotiated to receive shares of common stock that would participate in any future growth in the value of our company but would also have downside protection in the form of a fixed preference amount. As a result, the Class B common stock and Class C common stock are being created in order to provide the rights and preferences that the parties agreed should be accorded to Brantley IV and DCPS and MBS, respectively. The existing common stock will be reclassified as Class A common stock to differentiate it from the new classes being created.

The Transactions

On November 18, 2003, we entered into an agreement and plan of merger with IPS, which was amended and restated on February 9, 2004, and amended on July 16, 2004 and September 9, 2004 relating to the merger of one of our wholly-owned subsidiaries with and into IPS, with IPS as the surviving corporation. On February 9, 2004, we entered into an agreement and plan of merger with DCPS and MBS relating to the merger of one of our wholly-owned subsidiaries, DCPS/ MBS Acquisition, Inc., with and into MBS with MBS as the surviving corporation and the subsequent merger of DCPS with and into MBS, with MBS as the surviving corporation. The DCPS/ MBS Merger Agreement was amended and restated on July 16, 2004, to provide for the acquisition of DCPS via a contribution of the equity of DCPS and its general partner to SurgiCare and then to the MBS surviving entity rather than via merger and was further amended on September 9, 2004. We will issue, in transactions exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), shares of our Class A common stock in exchange for the shares of capital stock held by IPS stockholders and shares of our newly-created Class C common stock and our Class A common stock in exchange for the shares of capital stock held by MBS stockholders and the partnership interests held by the DCPS partners and limited liability company interests in the general partner of DCPS. We will also issue shares of our Class A common stock to certain IPS debtholders in connection with the IPS Merger in exchange for contribution to SurgiCare of the IPS debt owed to such debtholders. Once the Acquisitions are completed, IPS and the new DCPS/ MBS entity will each be a wholly-owned subsidiary of SurgiCare. We are also planning to issue, pursuant to the Stock Subscription Agreement, shares of our newly-created Class B common stock, in a transaction exempt from the registration requirements of the Securities Act, to Brantley IV for its cash payment of $10 million plus the Base Bridge Interest Amount. A portion of the cash contributed will be used by Orion to pay outstanding debt owed to Brantley IV s subsidiary by SurgiCare and IPS. As of September 2, 2004, the aggregate amount of such debt, including interest, was $4,904,539. The Stock Subscription Agreement also provides Brantley IV the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million from time to time after the closing of the Transactions, subject to the approval of a majority of the unaffiliated members of the board of directors of Orion, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A common stock for the twenty trading days preceding the closing of such investment.

Material Contacts and Transactions

Other than with respect to the transactions described in this proxy statement, neither we nor any of our subsidiaries is party, nor has been party during the prior two years, to any negotiations, transactions or material contact with IPS, DCPS, MBS or any of their respective subsidiaries or affiliates concerning any merger, consolidation, acquisition, tender offer for or other acquisition of any class of IPS s or DCPS/ MBS s securities, election of directors of IPS or MBS or managers of DCPS or sale or other transfer of a material amount of assets of IPS, DCPS or MBS.

SurgiCare s Reasons for the Transactions

In reaching its decision to approve the Transactions, our board of directors consulted with management, as well as with our financial advisors, independent accountants and legal advisors. The board has determined that the terms of the equity financing, the other Transactions and the other actions proposed in this proxy statement

Table of Contents

are in the best interest of SurgiCare and its stockholders. In the board s view, the Transactions serve SurgiCare s strategic goals of enhancing its practice management capabilities for physicians and combining businesses that are complementary to its existing operations. The pro forma revenues for the combined entities for the year ended December 31, 2003, is approximately $41.7 million. The combined entities will have a pro forma net loss of approximately $9.2 million, for the year ended December 31, 2003. See Unaudited Pro Forma Condensed Combined Financial Statements. The resulting, significantly larger company will be better equipped to achieve additional growth in its core businesses and to expand into new areas of outpatient healthcare delivery, including through future acquisitions. This integrated healthcare services delivery model will focus on serving the needs of the healthcare providers who utilize our services and their clients and on better enabling them to meet the demands of the outpatient marketplace. Orion will also continue to supply IPS s, DCPS s and MBS s physician and practice management services and tools to their existing users and will seek to expand its client base for these services.

The board believed that current cash and cash equivalents would be insufficient to continue to fund our operations. The board concluded that if we do not complete the equity financing and the other Transactions, we will not be able to obtain the capital needed to fund our business plan and operations from other sources. The equity financing will allow us to address our liquidity issues, support our working capital requirements, strengthen our balance sheet and support our strategic goals and our business plan for Orion. The equity financing will provide needed cash for operations. We believe that, after the equity financing, we will have sufficient cash to fund operations for approximately twelve months from the closing of the Transactions. We still expect to have a working capital deficit of approximately $1 million. In connection with the Transactions, however, the combined current liabilities of IPS and SurgiCare will be reduced by more than $8.8 million as a result of contribution and subsequent cancellation of debt owed to Brantley Partners affiliates, and payment of debt owed to Brantley Partners affiliates with cash received in the Transactions. In addition, we are required, and expect, to refinance the remaining existing debt of SurgiCare, IPS, DCPS, and MBS prior to the consummation of the Transactions, which will also improve working capital. The Transactions significantly decrease the current stockholders overall equity in our company and effect a change of control. However, the board believed that the necessity of obtaining capital to fund the business plan and the advantages to be gained from expanding SurgiCare s business through the proposed acquisitions outweighed the dilution to current common stockholders that will occur because of the issuance of new equity in the Transactions. IPS and SurgiCare completed negotiations with DVI Business Credit Corp. and DVI Financial Services, Inc. (DVI) which resulted in a decrease of their combined debt of approximately $10.1 million to a combined principal amount of approximately $6.5 million including a buy-out of the revolving lines of credit. As part of that agreement, the companies have executed restated loan agreements with U.S. Bank Portfolio Services (USBPS), as servicer for payees, for payment of the revolving line of credit and renegotiated the term loan amounts. Under the terms of the restated loan agreements, as of the closing date of the Transactions the Companies will pay the sum of $2 million in cash to USBPS, as servicer for DVI BC and issue a promissory note in the original principal amount of $750,000 to USBPS, in full and final satisfaction of the indebtedness incurred by IPS and SurgiCare pursuant to the various revolving lines of credit previously held by DVI BC. The $750,000 promissory note will be payable in two installments, with the first such installment of $500,000 plus accrued interest payable on the date which is 12 months after the closing of the Transactions, and the second installment of $250,000 plus accrued interest payable on the date which is 18 months after the closing of the Transactions. Additionally, the restated loan agreement for the existing term loans previously held by DVI FS requires the Companies to issue, as of the closing date of the Transactions, a promissory note in the original principal amount of $3,750,144 to USBPS, as servicer for DVI FS, in full and final satisfaction of the indebtedness incurred by IPS and SurgiCare pursuant to the various term loans previously held by DVI FS. The term loan promissory note is a non-interest bearing note and the principal balance is payable in monthly installments of $2,500 for the first 24 months in $2,500, monthly installments of $45,628 for the following 48 months, and a final payment of $1,500,000 due on the sixth anniversary of the closing of the Transactions. The restated loan agreements expired on August 15, 2004, and the Companies are currently negotiating the terms of extensions of both restated loan agreements with the lenders. As a part of the restructuring of the DVI loan facilities, the companies have signed a term sheet for a new revolving line of credit, which will be used to pay off the DVI revolving line of credit. The requirement that we refinance the revolving line of credit is not

Table of Contents

expected to substantially impede or delay our ability to consummate the Transactions as contemplated in this proxy statement. We expect that the refinancing will take the form of bank or other financial institution loans and will not involve the issuance of additional equity securities or have any dilutive effect on existing stockholders; however, we cannot be sure what the ultimate amount or terms of the refinancing will be.

The SurgiCare board generally considered that the Transactions would result in a reduction of the existing common stockholders equity interest in the reorganized company to about 25% of the total outstanding equity and the potential dilutive effect of the Class B and Class C common stock. They did not consider the ramifications of being designated a controlled company under the AMEX rules. However, in light of SurgiCare s financial needs at this time, the dilutive effect on current stockholders is outweighed by the additional working capital and business possibilities provided by the Transactions. Further, there were no other definitive offers for similar business transactions or other financing from any parties other than the Brantley Partners affiliates.

The board of directors received a written opinion from GAH, that, as of November 18, 2003, the Transactions as described in such written opinion, are fair to the SurgiCare stockholders from a financial standpoint. Because certain terms of the Transactions had changed since GAH issued its opinion, on February 12, 2004, GAH provided a supplement to its written opinion indicating that such changes were of no material consequence. SurgiCare did not request GAH to give a fairness opinion regarding the amendments made to the Transaction Documents, dated July 16, 2004. Those amendments reflect the increase in the amount of Class C common stock to be issued to DCPS and MBS equityholders and an increased investment by Brantley IV. The equityholders of DCPS and MBS will receive 363,638 additional shares of Class C common stock if the fair market value of SurgiCare common stock (based on the average of the daily average of the high and low price per share over the five trading days immediately prior to the closing) is less than $0.70, otherwise, the owners of DCPS and MBS will receive 421,819 additional shares of Class C common stock. Those amendments also reflect the right of Brantley IV to receive the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million from time to time after the closing of the Transactions, subject to the approval of a majority of the unaffiliated members of the board of directors of Orion, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A common stock for the twenty trading days preceding the date of the closing of such investment. Pursuant to the amendment to the Stock Subscription Agreement, Brantley IV s initial investment amount was increased by $2.72 million, for which 2,176,000 additional shares of Class B common stock will be issued to Brantley IV upon the closing of the Transactions. SurgiCare also did not request GAH to give a fairness opinion regarding the amendments to the IPS Merger Agreement and DCPS/MBS Merger Agreement dated September 9, 2004, since such amendments did not affect economic terms of the mergers. See Opinion of SurgiCare s Financial Advisor below. Copies of the opinion and supplement are attached hereto as Annex D. GAH did not consider the Transactions independently, but rather, considered the Transactions taken as a whole. GAH charged $22,884 for its fairness opinion and supplement, of which $20,427 has been paid. GAH will also be paid to prepare the purchase price allocation. That service will be billed on an hourly basis. To date, GAH has billed SurgiCare for $30,742 and has been paid $16,323, for services relating to the purchase price allocation. Payments to GAH are not dependent upon the Transactions closing.

The discussion above describes the material information and factors considered by our board in its review of the Acquisitions. Members of our board of directors evaluated these factors in light of their knowledge of our business and the industry in which we operate and their business judgment. In view of the wide variety of factors considered, our board did not find it practicable to, and did not, make specific assessments of, quantify or otherwise attempt to assign relative weights to the specific factors considered in reaching its determination. The determination to approve the Acquisitions was made after consideration of all of the factors as a whole. In addition, individual members of our board may have given different weight to different factors.

Opinion of SurgiCare s Financial Advisor

GAH is a Houston based private financial advisory and consulting firm with proven expertise in merger and acquisition advisory services, debt and equity placements, valuations, fairness opinions, impairment studies and expert testimony. GAH has completed numerous fairness opinions for public and private transactions. GAH s active participation in the valuation field and specific healthcare industry expertise provides GAH with extensive

Table of Contents

knowledge with respect to valuation theory and Internal Revenue Service rulings and guidelines which are significant factors in the determination of fairness opinions. Requests for bids were submitted to three investment banking firms, and GAH was selected based upon its ability to meet the necessary time frames and its fees. There have been no other material relationships and none are contemplated between SurgiCare (or its affiliates) and GAH (or any of its affiliates).

GAH opined on the consideration that will be paid in the Transactions. GAH s fairness opinion is included with this proxy statement as Annex D. GAH prepared its fairness opinion on November 17, 2003 to evaluate the fairness, from a financial standpoint, of the recapitalization of SurgiCare in conjunction with the proposed investment by Brantley Partners and mergers with DCPS/MBS and IPS. That opinion did not undertake a valuation in the traditional sense, but rather utilized a fair market value standard, as set forth in Internal Revenue Service Revenue Ruling, Number 59-60 for purposes of determining the fairness of the proposed recapitalization to SurgiCare s stockholders. That Revenue Ruling provides guidance in determining fair market value of companies. GAH was not involved in recommending the amount of consideration. In arriving at its opinion, GAH considered available financial data as well as other relevant business and industry factors listed in Revenue Ruling 59-60, including, the following:

the nature and history of the business;

the economic outlook in general and the current condition and prospects for SurgiCare s business;

the total stockholders equity, liquidity and financial condition of SurgiCare;

the historical and future earning capacity of SurgiCare;

the dividend paying capacity of SurgiCare;

SurgiCare s goodwill or other intangible value;

relevant sales of SurgiCare stock and the economic impact of the Transactions; and

the market price of public companies engaged in the same or similar lines of business as SurgiCare.

GAH supplemented its original fairness opinion on February 12, 2004 to include a review of additional factors in the proposed transactions, including bridge loans made by Brantley Partners, exchange rates used in the calculations of stock prices, new proposed classes of stock, and the dilutive effect thereof on the SurgiCare stockholders. In that supplemental report, GAH determined there was no material effect to the SurgiCare stockholders. On July 10, 2004, GAH prepared an analysis of intangible assets and allocations of purchase price for the proposed transactions as of March 31, 2004. In their analysis, GAH utilized traditional valuation methodologies as further discussed herein.

As the basis for its fairness opinion GAH completed an analysis of the Transactions by using an income approach, a comparable public company approach and a comparable private transaction approach. For purposes of performing the public company methodology, GAH developed a list of approximately 30 companies offering various medical services. GAH further narrowed the preliminary list by choosing companies that, in its professional opinion, have similar ambulatory surgical services, numbers of centers, practices and earnings.

The income approach utilized a discounted cash flow analysis based on management financial projections over a three-year time horizon utilizing a weighted average cost of capital of 17.40%. GAH used a terminal growth rate of 2.8% per annum for SurgiCare, and a 3.5% rate for Orion in preparing its valuations.

Table of Contents

The comparable public company approach valued SurgiCare on trailing twelve months (TTM) multiples of earnings before interest, taxes, depreciation and amortization (EBITDA) and of revenue against the range of multiples of five comparable public companies. The comparison multiples for these companies follow:

Company	EBITDA	TTM Multiple Revenue
Dynacq International (Symbol DYII)	6.5	3.7
AmSurg Corp. (AMSG)	6.9	3.1
U.S. Physical Therapy, Inc. (USPH)	7.5	1.7
United Surgical Partners International, Inc. (USPI)	10.1	3.4
MedCath Corporation (MDTH)	6.2	0.9

	2004 EBITDA	TTM Revenue
SurgiCare	0.7	11.6

GAH selected comparable transactions based upon available information on transaction size. Due to public disclosure requirements, information about transactions involving publicly traded companies is more readily available than that of privately held companies. However there were no transactions identified that were completed in reasonably close proximity involving publicly traded companies which were comparable to the Transactions. Therefore, GAH searched for information regarding transactions involving privately held entities. The search criteria was based on medical service companies of a similar size, and produced approximately 20 that were completed between January 2000 and October 2003. While no specific size parameters were imposed, GAH narrowed the list by selecting transactions that involved a surgical facility or an operator of surgical centers or related medical services. GAH ultimately chose four transactions that had trailing 12 month EBITDA of less than $15 million, including one transaction with $141 million in trailing 12 month revenue, which were deemed to be the closest match to SurgiCare s proposed recapitalization from a size and business model standpoint. The comparable transaction approach valued SurgiCare on TTM multiples of EBITDA and revenue against the range of multiples of four recent comparable private transactions:

Seller	Purchaser	EBITDA	TTM Multiple Revenue
CDL Medical Technologies, Inc.	In Sight Health Services, Corp.	6.2	3.1
Surgicoe Corp.	United Surgical Partners International, Inc.	NA	2.5
National HealthCare Resources, Inc.	Welsh Carson Anderson & Stowe	18.9	0.9
US Medical Group, Inc.	Private Group led by Winters Langley and Thompson	3.6	1.5

	2004 EBITDA	TTM Revenue
SurgiCare	0.7	11.6

After determining a business enterprise value under each of the three methodologies, the debt was then subtracted from that amount to determine the net equity value for the SurgiCare stockholders. The valuations of SurgiCare under each of the methodologies in which SurgiCare did not complete the Transaction resulted in a negative net equity value for the SurgiCare stockholders in an amount ranging from $3,700,000 to $5,000,000. The value of the SurgiCare stockholders under the Transaction as valued on a discounted cash flow method yielded a value of nearly $3,000,000. GAH s opinion, as of the date of the report, was that the terms and conditions of the Transactions are fair to the stockholders from a financial standpoint. GAH did not opine as to each of the mergers and equity financing independently, rather they reviewed the transactions as a whole.

The approaches and methodologies used by GAH in preparing the opinion did not comprise an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the fair presentation of financial statements or other

financial information presented in accordance with generally accepted accounting principles. GAH expressed no opinion and accepted no responsibility for the

Table of Contents

accuracy and completeness of the financial information or other data provided to GAH by SurgiCare. GAH assumed that the financial and other information provided to GAH was accurate and complete, and GAH relied upon this information in performing their valuation for purposes of our engagement of GAH.

GAH did not make an independent valuation or appraisal of the assets or liabilities of SurgiCare and was not furnished with any such evaluation or appraisal. For purposes of this engagement and report, GAH made no investigation of, and assumed no responsibility for, the titles to, or any liens against, the assets of SurgiCare or the Transactions. Neither did GAH attempt to determine what the Transactions or the shares of SurgiCare might have sold for in the public or private market or account for the costs that might have been incurred if shares of SurgiCare had been sold. GAH assumed there were no hidden or unexpected conditions associated with SurgiCare or the Transactions that would adversely affect the Transactions or the opinion prepared by GAH.

GAH did not perform any valuation work for IPS, DCPS, or MBS, and our board did not receive independent advice on whether the price to be paid for these companies was fair to SurgiCare and its stockholders. In making its determination that the price to be paid for these companies is fair to SurgiCare and its stockholders, the directors considered the reports they had received from management as well as presentations from Brantley Partners regarding the company s own financing alternatives and needs, and the opportunities presented by the acquisition of these companies together with the expected infusion of capital from Brantley IV. SurgiCare s board of directors considered, and decided to pursue the proposed transactions based on the impact that the transactions had on both (i) the economic impact to the SurgiCare stockholders and (ii) the long term viability of the Orion business plan. The directors based their recommendation that the stockholders approve the proposed transactions on their assessment that the proposed mergers were negotiated at arms length between the parties and represented what a willing buyer would pay and a willing seller would accept for the three merger candidates as a whole, including the additional investment by Brantley IV.

GAH charged $22,884 for its fairness opinion and supplement, of which $20,427 has been paid. GAH will also be paid to prepare the purchase price allocation. That service will be billed on an hourly basis. To date, GAH has billed SurgiCare for $30,742 and has been paid $16,323, for services relating to the purchase price allocation. Payment to GAH is not dependent on the Transactions being consummated.

Interests of Certain Persons in the Transactions

Except as disclosed below, none of SurgiCare s directors or executive officers, nominees for directors or any proposed directors or directors or executive officers of Orion or its subsidiaries has any substantial interest, direct or indirect, by security holdings or otherwise in the Transactions. We do not, however, believe that any of these interests presents a material conflict of interest.

Some of SurgiCare s executive officers, directors, and proposed directors and executive officers of Orion or its subsidiaries have interests in the Transactions that are different from, or are in addition to, your interests. Certain officers of SurgiCare, IPS, DCPS and MBS will enter into employment contracts with Orion and therefore may have a special interest in completing the Transactions. Their arrangements follow:

Keith G. LeBlanc, the current Chief Executive Officer of SurgiCare, will continue to run the SurgiCare business of Orion. He will enter into an employment agreement with Orion and will become president of Orion, reporting to its board of directors. He has been nominated for election to the Orion board of directors. As of September 2, 2004 and prior to giving effect to the Reverse Stock Split, he owned 80,000 shares (0.3% of our outstanding common stock, including treasury stock). The total number of shares beneficially owned by Mr. LeBlanc prior to giving effect to the Reverse Stock Split, including shares issuable upon exercise of unexercised warrants on or prior to November 1, 2004 and the 8,750,000 shares of our common stock to be issued to our Series AA preferred stockholder for which Mr. LeBlanc holds an irrevocable proxy in his capacity as Chief Executive Officer is 11,235,862 shares, or 28.0% of the outstanding shares of common stock (including treasury stock), shares issuable upon the exercise of such warrants, and the shares of common stock subject to the proxy. Mr. LeBlanc s warrants have an exercise price of $0.32 with the exception of 40,000 warrants which have an exercise price of $0.45. These holdings would convert to approximately 1,123,586 shares of Class A common stock, which

Table of Contents

is approximately 4.4% of the Fully Diluted Orion Shares. Simultaneously with the execution of the new employment agreement, Mr. LeBlanc will terminate his existing employment agreement with SurgiCare.

Terrence L. Bauer, the current President and Chief Executive Officer of IPS, will continue to run the IPS business of Orion. He will enter into an employment agreement with Orion and will become Chief Executive Officer of Orion, reporting to its board of directors. He has been nominated for election to the Orion board of directors. As of September 2, 2004, he owned 200,000 shares (7.1%) of IPS s common stock, which would convert to approximately 13,110 shares of Class A common stock, which is approximately 0.1% of the Fully- Diluted Orion Shares.

Stephen H. Murdock, the current Chief Financial Officer of IPS, will enter into an employment agreement to become Chief Financial Officer of Orion.

Dennis Cain, the current President of DCPS, will enter into an employment agreement to become the Chief Executive Officer of DCPS/ MBS. Pursuant to the DCPS/ MBS Merger Agreement, he may have the authority to appoint a member to any advisory board established by the Orion board of directors. As of September 2, 2004, he and his wife together owned, directly and indirectly, 100% of the total partnership interests in DCPS. All of the partnership interests would convert to approximately 787,880 shares of Class C common stock, subject to retroactive adjustment, which together with the 75,758 shares of Class A common stock to be issued at the direction of Mr. Cain or Mr. Smith is, on an as-converted basis, approximately 3.4% of the Fully-Diluted Orion Shares.

Tom M. Smith, the current President of MBS, will enter into an employment agreement to become the President and Chief Operating Officer of DCPS/ MBS. Pursuant to the DCPS/ MBS Merger Agreement, he may have the authority to appoint a member to any advisory board established by the Orion board of directors. As of September 2, 2004, he owned 890 shares (89%), and has an option to buy another 10 shares (1%), of MBS s common stock, which together, assuming exercise of the option, would convert to approximately 709,092 shares of Class C common stock, subject to retroactive adjustment, which together with the 75,758 shares of Class A common stock to be issued at the direction of Mr. Cain or Mr. Smith, is on an as-converted basis, approximately 3.1% of the Fully-Diluted Orion Shares, assuming that the fair market value of the SurgiCare common stock (based on the average of the daily average of the high and low price per share over the five trading days immediately prior to the closing) is less than $0.70. If the fair market value of SurgiCare common stock (based on the same calculation) is equal to or greater than $0.70, such holding would convert to approximately 936,000 shares of Class C common stock, subject to retroactive adjustment, which together with the 75,758 shares of Class A common stock to be issued at the direction of Mr. Cain or Mr. Smith would be, on an as-converted basis, approximately 3.9% of the Fully-Diluted Orion Shares (as adjusted for the number of additional shares issuable pursuant to the DCPS/ MBS Merger Agreement if the fair market value is equal to or greater than $0.70).

Orion will enter into agreements to employ Messrs. LeBlanc, Bauer, Murdock, Cain and Smith in the capacities described above. The Form of Employment Agreement is attached as Annex E to this Proxy Statement. The initial term of each agreement is five years. The agreements provide that Orion may pay bonuses to the executives upon the attainment of objectives determined by the board of directors. By entering into these employment agreements, the executives will agree not to disclose confidential information or engage in an activity that interferes with Orion until the second anniversary of (i) the end of the executive s employment agreement or (ii) termination of the executive s employment (Non-Competition Period). If an executive s employment is terminated without cause, the agreements provide for continuation of the executive s base salary until the expiration of the Non-Competition Period and a minimum bonus of 50% of the average of the bonus payments made to the executive in the two years immediately preceding the termination. All options would also vest at that time. Orion s base annual salary commitments under the employment agreements are as follows: $240,000 to each of Keith G. LeBlanc and Terrence L. Bauer; and, $175,000 to each of Stephen H. Murdock, Dennis Cain and Tom M. Smith.

The proposed salary described above for Mr. LeBlanc represents a decrease from the $298,000 annual salary to which he is entitled under his current employment agreement with SurgiCare, although it represents an

Table of Contents

increase from the $188,942 that he actually received in 2003. See Proposal Ten Election of Directors Executive Compensation, page 171. Mr. LeBlanc s current employment agreement with SurgiCare also entitles him to two years severance pay if he is terminated without cause or in the event of a change of control of SurgiCare, which would include the ownership change contemplated by the Transactions. In contrast, the severance provisions in the form of the Orion employment agreement for executives, described above, require only that salary be continued during the Non-Competition Period. Mr. LeBlanc will give up his right to severance payments from SurgiCare as part of his employment agreement with Orion. Under the terms of both his existing SurgiCare agreement and the proposed form of the Orion employment agreement, Mr. LeBlanc will be entitled to benefits comparable to those paid to other executives.

The aggregate number of shares of common stock owned by Directors, Officers and their affiliates as of September 2, 2004 is 3,642,591 shares (prior to giving effect to the Reverse Stock Split) representing 12.6% of our outstanding common stock (including treasury stock). The total number of shares of common stock beneficially owned by such persons, including shares issuable upon exercise of unexercised warrants on or prior to October 9, 2004 and shares subject to proxies would total 14,730,857 shares (prior to giving effect to the Reverse Stock Split), or 36.8% of our outstanding common stock (including treasury stock) and the shares issuable upon exercise of such warrants and subject to such proxies.

SurgiCare is seeking approval to issue to Bruce Miller, Michael A. Mineo, Sherman Nagler and Jeffrey J. Penso, its current directors, as compensation for their services as directors of SurgiCare, warrants to purchase 25,000 shares (100,000 shares total) of Class A common stock, which collectively represent approximately 0.4% of the Fully-Diluted Orion Shares as adjusted to reflect the exercise of such warrants) upon the consummation of the Transactions. See Proposal Twelve Approval of Warrant Issuances to the Directors . These warrants are being issued separately and not pursuant to the 2004 Incentive Plan.

Paul H. Cascio and Michael J. Finn, each of whom is a nominee to become a director of Orion, are affiliated with Brantley Partners, a private equity firm with offices in Ohio and California. Since the firm s inception in 1987, it has been a lead investor in over 40 privately held companies in a variety of manufacturing, technology and service industries throughout the United States. Brantley Partners and its affiliates have approximately $300 million of committed capital under management.

Mr. Cascio and Mr. Finn are general partners of the general partner of Brantley Venture Partners II, L.P., Brantley Venture Partners III, L.P. and Brantley IV and limited partners of those funds. Mr. Cascio is director, vice president, secretary and a stockholder of Brantley Capital, and vice president and secretary of Brantley Capital Management, L.L.C. Mr. Finn is the president and a stockholder of Brantley Capital and a manager and co-owner of Brantley Capital Management, L.L.C. Brantley Capital Management, L.L.C. serves as investment adviser for, and receives advisory fees from, Brantley Capital. Brantley Management Company, whose principals include principals of Brantley Capital Management, L.L.C., acts as investment adviser for, and receives fees from, Brantley Venture Partners, L.P., Brantley Venture Partners II, L.P., Brantley Venture Partners III, L.P. and Brantley IV.

Pursuant to the Stock Subscription Agreement, Brantley IV will purchase 11,442,426 shares of new Class B common stock for a cash purchase price of $10 million plus the Base Bridge Interest Amount. A portion of this cash investment will be used by Orion to pay outstanding debt owed to Brantley IV s subsidiary by SurgiCare and IPS. As of September 2, 2004, the aggregate amount of such debt, including interest, was $4,904,539. The Stock Subscription Agreement also provides that Brantley IV has the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million from time to time after the closing of the Transactions, subject to the approval of a majority of the unaffiliated members of the board of directors of Orion, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A common stock for the twenty trading days preceding the date of the closing of such investment.

Brantley Capital and Brantley Venture Partners III, L.P. each hold debt of IPS and are party to the Debt Exchange Agreement. Pursuant to the Debt Exchange Agreement, Brantley Capital and Brantley Venture Partners III, L.P. are each entitled to receive Class A common stock with a fair market value (based on the daily average of the high and low price per share of SurgiCare common stock over the five trading days

Table of Contents

immediately prior to the closing) equal to the amount owing to it under its loan to IPS in exchange for contribution of such debt to SurgiCare. Pursuant to the Debt Exchange Agreement, Brantley Capital is also entitled to receive Class A common stock with a fair market value (based on the daily average of the high and low price per share of SurgiCare common stock over the five trading days immediately prior to the closing) equal to the amount of certain accrued dividends owed to it by IPS in exchange for the contribution of such indebtedness, provided that the amount of shares to be received in respect of such dividends is subject to reduction to the extent necessary to achieve the guaranteed allocation of shares of Class A common stock to the holders of IPS common stock pursuant to the IPS Merger Agreement. Currently the IPS stockholders and debtholders are discussing an adjustment to the allocation of shares among IPS stockholders and debtholders involving a small number of shares. As of September 2, 2004, the aggregate amount of debt to be exchanged by the parties to the Debt Exchange Agreement was $4,254,321, which includes accrued interest as of such date, and $593,100 of debt in respect of accrued dividends.

Brantley Venture Partners III, L.P. and Brantley Capital own an aggregate of 1,653,000 shares of the Series A-2 convertible preferred stock of IPS with a liquidation preference of approximately $7,718,632, and will receive approximately 2,442,605 shares of Class A common stock pursuant to the IPS Merger Agreement. Such shares are intended to approximate the value of such liquidation preference, but are subject to reduction to the extent necessary to achieve the guaranteed allocation to IPS common stockholders described above.

The Stock Subscription Agreement contains customary closing conditions, including the requirement that SurgiCare complete additional financing, in connection with which the debt liabilities of each of IPS, DCPS, MBS and SurgiCare will be restructured, refinanced or assumed and the requirement that the closing conditions to the IPS and DCPS/ MBS Merger Agreements be satisfied.

IPS and SurgiCare completed negotiations with DVI Business Credit Corp. and DVI Financial Services, Inc. (DVI) which resulted in a decrease of their combined debt of approximately $10.1 million to a combined principal amount of approximately $6.5 million including a buy-out of the revolving lines of credit. As part of that agreement, the companies have executed restated loan agreements with U.S. Bank Portfolio Services (USBPS), as servicer for payees, for payment of the revolving line of credit and renegotiated the term loan amounts. Under the terms of the restated loan agreements, as of the closing date of the Transactions the Companies will pay the sum of $2 million in cash to USBPS, as servicer for DVI BC and issue a promissory note in the original principal amount of $750,000 to USBPS, in full and final satisfaction of the indebtedness incurred by IPS and SurgiCare pursuant to the various revolving lines of credit previously held by DVI BC. The $750,000 promissory note will be payable in two installments, with the first such installment of $500,000 plus accrued interest payable on the date which is 12 months after the closing of the Transactions, and the second installment of $250,000 plus accrued interest payable on the date which is 18 months after the closing of the Transactions. Additionally, the restated loan agreement for the existing term loans previously held by DVI FS requires the Companies to issue, as of the closing date of the Transactions, a promissory note in the original principal amount of $3,750,144 to USBPS, as servicer for DVI FS, in full and final satisfaction of the indebtedness incurred by IPS and SurgiCare pursuant to the various term loans previously held by DVI FS. The term loan promissory note is a non-interest bearing note and the principal balance is payable in monthly installments of $2,500 for the first 24 months in $2,500, monthly installments of $45,628 for the following 48 months, and a final payment of $1,500,000 due on the sixth anniversary of the closing of the Transactions. The restated loan agreement expired on August 15, 2004, and the Companies are currently negotiating the terms of extensions of both restated loan agreements with the lenders. As a part of the restructuring of the DVI loan facilities, the companies have signed a term sheet for a new revolving line of credit, which will be used to pay off the DVI revolving line of credit. The requirement that we refinance the revolving line of credit is not expected to substantially impede or delay our ability to consummate the Transactions as contemplated in this proxy statement. We expect that the refinancing will take the form of bank or other financial institution loans and will not involve the issuance of additional equity securities or have any dilutive effect on existing stockholders; however, we cannot be sure what the ultimate amount or terms of the refinancing will be.

Brantley IV will also receive the right to register Registrable Shares (as defined below) pursuant to a registration rights agreement to be executed between Orion and Brantley IV. Registrable Shares means the Class A common stock currently issued, or issued in the future, to Brantley IV and its permitted transferees

Table of Contents

(including shares of Class A common stock into which shares of Class B common stock or other securities of Orion are convertible) other than shares which have been sold pursuant to an effective registration statement or pursuant to a transaction under Rule 144 under the Securities Act.

Pursuant to the registration rights agreement, Brantley IV and/or its permitted transferees, holding at least 50 percent of the Registrable Shares will have the right to request that Orion effect the registration on Form S-1 of shares of Class A common stock having an anticipated net aggregate offering price of at least $5,000,000. Orion will not be required to effect any such registration within six months after the effective date of any such registration statement. Additionally, at any time Orion is eligible to file a registration statement on Form S-3, Brantley IV, and/or its permitted transferees, may request that Orion effect the registration on Form S-3 of Registrable Shares having an anticipated net aggregate offering price of at least $500,000.

At any time Orion otherwise proposes to register any of its equity securities under the Securities Act, Brantley IV and/or its permitted transferees may request the registration of Registrable Shares. However, Orion will not be obligated to effect any registration of shares incidental to the registration of Orion securities in connection with a Form S-8 or a Form S-4 relating to the acquisition or merger, by Orion or Orion s subsidiaries, of or with any other business.

For one year after the date of the registration rights agreement, the IPS stockholders and certain IPS debtholders and the DCPS/ MBS equityholders may request to have the following shares included in registrations pursuant to which Brantley IV and its permitted transferees are registering shares: (i) the shares of Class A common stock issued to the IPS stockholders pursuant to the IPS Merger Agreement or to the IPS debtholders pursuant to the Debt Exchange Agreement; and, (ii) the shares of Class A common stock issued to the DCPS/ MBS equityholders pursuant to the DCPS/ MBS Merger Agreement (including shares issuable upon conversion of Class C common stock).

Brantley IV will have registration rights for all of the shares of Class A common stock issuable upon conversion of its shares of Class B common stock. Initially, this will be approximately 14,606,983 shares, but, assuming everything else remains the same, the number of shares of Class A common stock as to which Brantley IV has registration rights will continually increase, since the conversion factor for the Class B common stock is designed to yield additional shares of Class A common stock, or portions thereof, necessary to approximate the unpaid portion of the return of the original purchase price for the Class B common stock less the Base Bridge Interest Amount, plus an amount equal to nine percent (9%) per annum on the amount of the original purchase price from time to time outstanding less the Base Bridge Interest Amount, without compounding, from the date the Class B common stock was first issued to the date of conversion. Brantley IV and its permitted transferees will also have registration rights for any additional shares of Class A common stock (including Class A common stock into which other securities of Orion are convertible) issued to them. The third-party beneficiaries will have registration rights for one year with respect to an aggregate of up to approximately 6,355,156 shares of Class A common stock. If the registration rights are exercised and the underlying shares are offered or sold, our stock price could decline.

Upon closing of the Transactions, Brantley IV will own shares of Class B common stock and Brantley Venture Partners III, L.P. and Brantley Capital will own shares of Class A common stock. See The Equity Financing and The IPS Merger below. By virtue of their affiliations with Brantley Venture Partners III, L.P., Brantley IV, Brantley Capital and Brantley Capital Management, L.L.C., Messrs. Cascio and Finn may be deemed to possess beneficial ownership of the shares of Class B common stock to be held by Brantley IV and the shares of Class A common stock to be held by Brantley Capital and Brantley Venture Partners III, L.P., which together will initially represent, on an as-converted basis, approximately 72.3% of the Fully-Diluted Orion Shares, and on an unconverted basis, approximately 71.4% of the outstanding voting power of Orion. Assuming everything else remains the same, the percentage interest of Brantley IV upon conversion will continually increase, since the conversion factor for the Class B common stock is designed to yield additional shares of Class A common stock, or portions thereof, necessary to approximate the unpaid portion of the return of the original purchase price for the Class B common stock less the Base Bridge Interest Amount, plus an amount equal to nine percent (9%) per annum on the amount of the original purchase price less the Base Bridge Interest Amount, without compounding, from the date the Class B common stock was first issued to the date of

Table of Contents

conversion. Messrs. Cascio and Finn disclaim beneficial ownership of such shares except to the extent of their pecuniary interests therein.

In connection with the Transactions, Brantley IV entered into an agreement on March 4, 2004 with certain of its limited partners, pursuant to which such limited partners have agreed to acquire, subject to the satisfaction of certain conditions, $1 million worth of the Class B common stock which Brantley IV has agreed to purchase pursuant to the Stock Subscription Agreement and Brantley IV has agreed to assign to such limited partners its right to acquire such shares. To the extent such limited partners acquire such shares, Brantley IV s ownership will be decreased by the number of shares valued at $1 million, or approximately 1,133,020 shares of Class B common stock as of September 2, 2004, which initially represent, on an as-converted basis, approximately 4.4% of the Fully-Diluted Orion Shares.

Regulatory Approvals

We are not aware of any governmental approvals or actions that are required to complete the Transactions, apart from regulatory notifications and approvals that could be required by CMS or State Medicaid Offices or Departments of Health in connection with changes in control of Medicare and Medicaid providers and state licensed health care facilities. We plan to provide appropriate notifications to these regulatory agencies, seek any required governmental approval, and take any other necessary action to consummate the Transactions.

SurgiCare will file two additional listing applications with the AMEX in connection with the Transactions. One additional listing application will cover the Reverse Stock Spilt and reclassification of SurgiCare s common stock as Class A common stock. The second additional listing application will cover the shares of Class A common stock issuable upon conversion of the Class B and C common stock or otherwise pursuant to the transactions described in this proxy statement. The Transaction Documents require that the shares of Class A common stock issuable thereunder be authorized for listing on the AMEX, subject to official notice of issuance, as a condition to closing.

Table of Contents

THE IPS MERGER

This section of the proxy statement describes the material aspects of the proposed IPS Merger, including the IPS Merger Agreement. While we believe that the description covers the material terms of the IPS Merger, this summary may not contain all of the information that is important to you. You should read this entire proxy statement and the other documents we refer to carefully for a more complete understanding of the IPS Merger and the related transactions.

Unless otherwise indicated, all share amounts give effect to the Reverse Stock Split described in this proxy statement. Unless otherwise indicated, all share amounts and percentages are based on the assumptions described in the section Summary Term Sheet Assumptions and are therefore subject to change if such assumptions are not accurate at the time of the closing of the Acquisitions.

Vote Required for the IPS Merger

Pursuant to our certificate of incorporation and applicable Delaware law, we do not require the approval of our stockholders to consummate the IPS Merger. However, we are required by our certificate of incorporation and Delaware law to obtain the approval majority of each class of our stockholders, voting as separate classes, and voting together as a single class, in order to amend and restate our certificate of incorporation. In addition, the AMEX rules require that we obtain the approval of our stockholders for the issuance of Class A common stock in connection with the IPS Merger. The Transaction Documents require that we obtain our stockholders approval of the IPS Merger and all of the related proposals in this proxy statement (other than the proposal to issue warrants to the current members of our board of directors). The Transaction Documents specifically require that these proposals which require approval be approved by a majority of the outstanding shares of our common stock and the outstanding shares of our Series AA preferred stock each voting as a separate class and voting together as a single class.

Completion and Effectiveness of the IPS Merger

The IPS Merger will be completed when all of the conditions to completion of the IPS Merger, as specified in the IPS Merger Agreement, are satisfied or, to the extent legally permissible, waived, including the adoption of the IPS Merger Agreement by the stockholders of IPS. The IPS Merger will become effective upon the filing of a certificate of merger with the Delaware Secretary of State.

We are working toward completing the IPS Merger as quickly as possible. We expect to complete the IPS Merger promptly after the meeting of our stockholders.

Structure and Effect of the IPS Merger and Consideration Paid

Structure and Effect. To effectuate the IPS Merger, we formed a subsidiary, IPS Acquisition, Inc., that will be merged into IPS, with IPS as the surviving corporation. Following the IPS Merger, IPS will be a wholly-owned subsidiary of SurgiCare.

Consideration. When the IPS Merger is completed, and based on the assumptions used in this proxy statement, the IPS equityholders and certain IPS debtholders affiliated with Brantley IV will receive an aggregate of approximately 4,451,518 shares of Class A common stock (which will represent approximately 17.4% of the Fully-Diluted Orion Shares) in exchange for their shares of IPS common and preferred stock and contribution to SurgiCare for cancellation of all debt, including accrued interest, owed under certain notes issued by IPS having an aggregate principal amount as of September 2, 2004 of approximately $3,256,619 and $593,100 of debt in respect of accrued dividends. Of these shares of Class A common stock, an aggregate of approximately 3,929,461 shares (representing approximately 15.3% of the Fully-Diluted Orion Shares) will be issued to IPS equityholders and debtholders affiliated with Brantley IV.

Terms of the Class A Common Stock

The terms of the Class A common stock, including its rights and preferences, are discussed in The New Classes of Common Stock and are governed by the Amended and Restated Certificate of Incorporation

Table of Contents

attached as Annex L to this proxy statement. The shares of Class A common stock to be issued in the IPS merger shall be restricted securities as that term is defined in Rule 144 adopted by the SEC. Rule 144 provides an exemption for sales in compliance with the rule and generally provides that the stock must be held for more than one (1) year after issuance before it may be sold, in the market in brokered transactions, requires Orion to be current in its reporting requirements and imposes volume limitations on the amount of stock that may be sold in any three (3) month period. The holders of Class A common stock issued in the IPS merger will also have piggyback registration rights pursuant to the Registration Rights Agreement as further described in The Equity Financing Registration Rights Agreement .

Material U.S. Federal Income Tax Consequences of the IPS Merger

The following discussion briefly summarizes material U.S. federal income tax considerations relating to the IPS Merger that may be relevant to holders of SurgiCare common stock. It assumes that the other Transactions described herein occur in the manner described. SurgiCare obtained a legal opinion from its counsel, Strasburger & Price, LLP, regarding the material U.S. federal income tax consequences applicable to SurgiCare and the holders of SurgiCare common stock resulting from the IPS Merger and the other Transactions described herein. This discussion is based upon advice we have received from Strasburger & Price, LLP regarding the currently existing provisions of the Code, existing and proposed Treasury Regulations promulgated thereunder, Internal Revenue Service (IRS) rulings and pronouncements, and judicial decisions, all in effect as of the date hereof and all of which are subject to change (possibly retroactively) at any time. This summary does not address all tax considerations that may be relevant; in particular, it does not address any tax considerations under state, local or foreign laws, or any tax considerations that may be relevant to certain stockholders in light of their particular circumstances. This summary also does not address any tax considerations that may be relevant to IPS stockholders, MBS stockholders, the owners of DCPS, Brantley IV or any of its affiliated entities, any stockholder who acquired SurgiCare common stock upon the exercise of an option or otherwise as compensation, or any optionholders, debtholders or warrantholders of any company. Finally, this summary does not address any tax consequences of the IPS Merger or of any related transactions other than as specifically set forth below.

IPS Merger. Neither SurgiCare nor the holders of SurgiCare common stock should recognize any taxable gain or loss for U.S. federal income tax purposes as a result of the issuance of shares of Class A common stock in exchange for the shares of IPS stock held by IPS stockholders in IPS Merger. However, see Loss Limitations below.

Debt Exchange. Subject to exceptions provided in the Treasury Regulations that arguably may be applicable to a portion of such debt, if the Class A common stock that is exchanged by SurgiCare for the contribution of debt owing by IPS to affiliates of Brantley IV by IPS pursuant to the Debt Exchange Agreement has a fair market value that is lower than the amount of the debt for which it is exchanged, IPS will recognize taxable cancellation of indebtedness income as follows:

The amount of such taxable income will generally be equal to the difference between the amount of the debt and the fair market value of the Class A common stock exchanged therefor. To the extent the debt is exchanged for Class A common stock with a fair market value equal to the amount of the debt, no cancellation of indebtedness will arise.

The debt will be exchanged for Class A common stock with a value equal to the debt for which it is exchanged using Class A Common Closing Price as the value of the Class A common stock for this purpose. The Class A Common Closing Price, which is based on the average of the daily average of the high and low price per share of the SurgiCare common stock on the AMEX for the five trading days immediately preceding the Closing Date, may differ from the actual trading price on the date of the Transactions. The actual amount of cancellation of indebtedness income will depend on the actual trading price on the date of the Transactions, as well as on certain other factors such as the tax treatment of the accrued dividends being exchanged and the amount of interest accrued and previously deducted.

Table of Contents

Loss Limitations. As a result of the IPS Merger and the other related Transactions described herein, it is expected that the use of any existing net operating losses of SurgiCare and IPS will be severely limited following the transactions.

Except as set forth in the discussion above, SurgiCare expresses no opinion as to the federal, state, local or foreign tax consequences to any party, other than SurgiCare and its current stockholders, of the IPS Merger, the MBS Merger, the DCPS Acquisition, the Debt Exchange, the Equity Financing or the Reverse Stock Split. In addition, SurgiCare expresses no opinion (i) as to whether or not the Transactions when analyzed on a combined basis, qualify as an exchange to which Code Section 351 applies or (ii) regarding any adverse tax consequences applicable to SurgiCare and its current stockholders in their capacity as such that may result from a determination that the Transactions, when analyzed on a combined basis, do not qualify as an exchange to which Code Section 351 applies. If the Transactions do not qualify as an exchange to which Code Section 351 applies, the IPS stockholders, MBS stockholders and holders of DCPS interests may recognize taxable gain or loss in connection with the Transactions. Such holders are urged to consult their own tax advisors regarding the tax consequences to them of participating in the Transactions.

Furthermore, this summary does not apply to any tax considerations that may be relevant to any party to the Transactions other than SurgiCare and its current stockholders in their capacity as such.

Accounting Treatment of the IPS Merger

The IPS Merger will be treated as a reverse acquisition for accounting purposes. Statement of Financial Accounting Standards No. 141 requires that in a business combination effected through the issuance of shares or other equity interests, as in the case of the IPS Merger, a determination be made as to which entity is the accounting acquirer. This determination is principally based on the relative voting rights in the combined entity held by existing stockholders of each of the combining companies, the composition of the board of directors of the combined entity, and the expected composition of the executive management of the combined entity. Based on an assessment of the relevant facts and circumstances existing with respect to the IPS Merger, it has been determined that IPS will be the acquirer for accounting purposes, even though IPS will be a subsidiary of SurgiCare.

Accordingly, the IPS Merger will be treated as a reverse acquisition, meaning that the purchase price, comprised of the fair value of the outstanding shares of SurgiCare, plus applicable transaction costs, will be allocated to the fair value of SurgiCare s tangible and intangible assets and liabilities, with any excess being considered goodwill. Upon closing of the IPS Merger, IPS will be treated as the continuing reporting entity, and thus IPS s historical results will become those of the combined company. The combined company s results will include the results of both SurgiCare and IPS commencing on the date of closing of the merger. For more information, see Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 79 of this proxy statement.

The IPS Merger Agreement

We will acquire IPS by merging IPS Acquisition, Inc., a wholly-owned subsidiary of SurgiCare which we refer to as the IPS merger sub, with and into IPS, with IPS as the surviving corporation. It has been determined that IPS will be the acquirer for accounting purposes, as described above in Accounting Treatment of the IPS Merger. As a consequence of the merger, IPS will become a wholly-owned subsidiary of SurgiCare. The following is a summary of material provisions of the IPS Merger Agreement. This summary is qualified in its entirety by reference to the complete text of the IPS Merger Agreement, which is attached as Annex A to this proxy statement. We urge you to read the full text of the IPS Merger Agreement. The transaction in which certain debtholders are receiving Class A shares in connection with the merger is governed by the Debt Exchange Agreement attached as Annex F to this proxy statement.

Effective Time. The IPS Merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or such later time as may be specified in the certificate of merger. The filing of the certificate of merger will occur as soon as practicable but not later than three business days

Table of Contents

after the day on which all of the conditions to completion of the IPS Merger are satisfied or waived, including the required stockholder approvals, or at such other time as SurgiCare and IPS may agree in writing.

Conversion of Securities. Upon completion of the IPS Merger, and based upon the assumptions described above in Summary Term Sheet Assumptions , holders of IPS common stock and preferred stock and certain IPS debtholders, will receive an aggregate of approximately 4,451,518 shares of our Class A common stock (representing approximately 17.4% of the Fully-Diluted Orion Shares). The aggregate amount of shares to be received by the IPS stockholders is the amount of SurgiCare shares outstanding immediately after giving effect to the amendments to SurgiCare s charter, but prior to the closing of the Transactions, assuming cashless exercise of all in-the-money options and warrants, less the shares received by the debtholders pursuant to the Debt Exchange Agreement. Options and warrants will be deemed in-the-money if they have an exercise price of less than the greater of $0.55 or the fair market value (based on the daily average of the high and low price per share of SurgiCare common stock over the five trading days immediately prior to closing). Changes in the closing price will affect the number of SurgiCare shares deemed outstanding for purposes of this calculation and thus will affect the aggregate number of shares to be received by the IPS stockholders.

Pursuant to the Debt Exchange Agreement, each debtholder party thereto is entitled to receive Class A common stock with a fair market value (based on the daily average of the high and low price per share of SurgiCare common stock over the five trading days immediately prior to the closing) equal to the aggregate amount of principal and interest owing to the debtholder under its loan to IPS, which debt will be contributed to SurgiCare for cancellation. Pursuant to the Debt Exchange Agreement, Brantley Capital is also entitled to receive Class A common stock with a fair market value (based on the daily average of the high and low price per share of SurgiCare common stock over the five trading days immediately prior to the closing) equal to the amount of certain accrued dividends owed to it by IPS in exchange for the contribution of such indebtedness, provided that the amount of shares to be received in respect of such dividends may be reduced as necessary to achieve the guaranteed allocation of shares of Class A common stock to the holders of IPS common stock pursuant to the IPS Merger Agreement.

At the effective time of the IPS Merger, each share of IPS common stock and preferred stock, issued and outstanding immediately prior to the effective time of the IPS Merger (other than shares as to which appraisal rights pursuant to the DGCL have been exercised), will be cancelled and automatically converted into the right to receive shares of our Class A common stock pursuant to a ratio to be calculated for each class of stock pursuant to the terms of the IPS Merger Agreement. At the effective time of the IPS Merger, each share held in treasury of IPS or any subsidiary of IPS or owned by SurgiCare or its subsidiaries immediately prior to the effective time of the IPS Merger will be cancelled and extinguished, no conversion of those shares will occur and no payment will be made for those shares.

No fractional shares will be issued in connection with the IPS Merger. Instead, each holder of shares of IPS common stock and/or preferred stock who otherwise would be entitled to a fraction of a share (after aggregating all fractional shares to be received by such holder) will receive from SurgiCare an amount of cash, without interest, equal to the product of the average of the daily average of the high and low price per share of SurgiCare common stock on the AMEX for the five trading days immediately preceding the closing of the IPS Merger, as adjusted to account for the Reverse Stock Split.

The shares of our Class A common stock that IPS stockholders and certain IPS debtholders will receive in connection with the IPS Merger will be issued in a transaction exempt from the registration requirements of the Securities Act and any applicable state securities laws and may not be transferred until we register such shares under the Securities Act or unless the shares are transferred in a transaction not requiring registration under the Securities Act, such as a transfer pursuant to Rule 144 under the Securities Act. The IPS stockholders and debtholders receiving shares of Class A common stock will be third-party beneficiaries to the registration rights agreement between Orion and Brantley IV. Until the first anniversary of the date of the registration rights agreement, the IPS stockholders and debtholders will be permitted to cause Orion to add their shares of Class A common stock to a registration statement on which Brantley IV s shares are being registered. A form of the registration rights agreement is attached hereto as Annex G.

Table of Contents

Exchange Agent. As soon as practicable after the effective time of the IPS Merger (but in any event within five business days), Registrar and Transfer Company, or another bank or trust company designated by SurgiCare and reasonably satisfactory to IPS, in its capacity as exchange agent, will send a transmittal letter to each former IPS stockholder. The transmittal letter will be accompanied by instructions on how to obtain shares of SurgiCare common stock in exchange for shares of IPS common stock and/or preferred stock. IPS stockholders should not send their certificates until they receive the transmittal materials from the exchange agent.

IPS Stock Options and Warrants. In connection with the IPS Merger, the exercisability of all outstanding IPS stock options under the IPS 1996 Long-Term Incentive Plan will be accelerated. Immediately following the effective time, all such outstanding IPS stock options not exercised prior to the effective time of the IPS Merger will be cancelled without payment of any consideration.

IPS has issued warrants to purchase 150,000 shares of its Series C preferred stock to Bank Austria Creditanstalt Corporate Finance, Inc. (Bank Austria). Bank Austria will receive warrants to purchase the number of shares of SurgiCare Class A common stock that Bank Austria would have been entitled to receive if it had exercised its warrants immediately prior to the effective time, which number, based on the assumptions described above in Summary Term Sheet Assumptions will equal approximately 9,833 shares of Class A common stock.

Warrants to purchase 100,000 shares of IPS common stock held by Brantley Venture Partners III, L.P. and Brantley are required to be terminated without consideration as a condition to the closing of the IPS Merger.

Appraisal Rights. Under Delaware law, holders of shares of IPS common stock and preferred stock have appraisal rights.

Conditions to Closing. The obligations of SurgiCare and IPS to consummate the IPS Merger are subject to the satisfaction or waiver (all conditions are waivable, unless otherwise indicated) of a number of conditions, including:

Obtaining all necessary approvals of the SurgiCare and IPS stockholders (this condition is not waivable);

No governmental entity or court shall have enacted, threatened, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, injunction, executive order or award that is then in effect, pending or threatened and has, or would have, the effect of making the IPS Merger illegal or otherwise prohibiting consummation of the IPS Merger or the other transactions;

Expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which provides for advance notification of business combinations of greater than a minimum size by the Federal Trade Commission and the Antitrust Division of the Department of Justice (this condition is not waivable);

Shares of Class A common stock to be issued in the IPS Merger shall have been authorized for listing on the AMEX, subject to official notice of issuance;

The DCPS/ MBS Merger shall have been consummated concurrently with the IPS Merger;

The equity financing with Brantley IV, and the debt exchange with certain affiliates of Brantley IV, described herein shall have been consummated;

The continued truthfulness and accuracy of the representations and warranties in all material respects, except that representations and warranties that address matters only as of a particular date shall remain true and correct in all material respects as of such date (representations or warranties that are qualified by materiality shall continue to be true and accurate in all respects) and the performance or compliance with all agreements and covenants required by the IPS Merger Agreement, and receipt from the other party of a certificate of an officer certifying to the foregoing;

Table of Contents

The receipt of all material governmental consents, approvals or other authorizations legally required to consummate the IPS Merger from all governmental authorities and receipt by IPS and SurgiCare of all required third party consents in respect of material contracts;

No event, circumstance, occurrence, change or effect shall have occurred since February 9, 2004 which, individually or in the aggregate, has or would materially and adversely affect, or pose a material risk of materially and adversely affecting, the business, operations, condition (financial or otherwise), assets (tangible or intangible), results of operations or prospects of SurgiCare and its subsidiaries, taken as a whole, or IPS and its subsidiaries, taken as a whole, or which is reasonably likely to prevent or delay the consummation of the IPS Merger;

No action shall have been brought, be pending or have been threatened by any government entity or any person that seeks to prevent or delay the consummation of the IPS Merger or the other transactions, seeks to restrain or prohibit SurgiCare s or IPS merger sub s or impose limitations on SurgiCare s or IPS merger sub s ability to own or dispose of any portion of the business or assets of IPS or IPS capital stock or that would reasonably be expected to, individually or in the aggregate, materially and adversely affect, or pose a material risk of materially and adversely affecting, the business, operations, condition (financial or otherwise), assets (tangible or intangible), results of operations or prospects of IPS and it subsidiaries, taken as a whole, or SurgiCare and its subsidiaries, taken as a whole, or which is reasonably likely to prevent or delay the consummation of the IPS merger;

The number of shares as to which appraisal rights pursuant to the DGCL have been exercised shall not exceed 15% of the outstanding common stock of IPS;

All directors of IPS and each IPS subsidiary shall have resigned from their positions as directors of IPS and each IPS subsidiary, except as agreed by IPS and SurgiCare;

Each of Keith G. LeBlanc, Terrence L. Bauer and Stephen H. Murdock shall have entered into an employment agreement with SurgiCare which is in full force and effect, must be employed by their respective employers immediately prior to the merger, and cannot have indicated an intention to terminate his employment, and all other employment agreements with such individuals shall have been terminated;

SurgiCare and IPS each having received a legal opinion from the counsel to the other party;

All existing registration rights of holders of IPS common and/or preferred stock shall have been terminated and SurgiCare shall have received a certificate to such effect signed by an officer of IPS;

There shall be no more than 30 holders of IPS capital stock immediately prior to the merger that (i) have not delivered to SurgiCare executed investment letters certifying as to their investor status under the securities laws or (ii) have returned investment letters indicating that they are not accredited investors;

No tender offer, exchange offer, merger or other transaction in respect of shares of capital stock or material assets of IPS or SurgiCare or their subsidiaries shall have been commenced by any person;

SurgiCare shall have delivered resignations from each director of SurgiCare and, except as agreed by SurgiCare and IPS, each SurgiCare subsidiary; and the Orion board shall consist of Terrence L. Bauer, Keith G. LeBlanc, two individuals designated by Brantley IV, and three outside directors reasonably satisfactory to IPS (Messrs. Crane, McIntosh and Valley are satisfactory to IPS), and the officers of SurgiCare shall be Mr. Bauer as Chief Executive Officer, Mr. LeBlanc as President, and Stephen H. Murdock as Chief Financial Officer;

The capital structure of each SurgiCare subsidiary shall have been resyndicated in a manner satisfactory to IPS;

SurgiCare shall have amended and restated its certificate of incorporation and by-laws; and

Table of Contents

All shares of SurgiCare Series AA preferred stock shall have been redeemed or converted into shares of SurgiCare common stock.

The Debt Exchange Agreement and the Stock Subscription Agreement require that the conditions to closing of the IPS Merger Agreement have been satisfied.

Representations and Warranties. SurgiCare and the IPS merger sub, on the one hand, and IPS, on the other hand, made mutual representations and warranties in the IPS Merger Agreement regarding the following:

corporate organization, good standing and qualification of each of the companies and their subsidiaries;

validity and effectiveness of charter and by laws of each of the companies and their subsidiaries;

capitalization of the companies and their subsidiaries;

authority to enter into the IPS Merger Agreement;

absence of conflicts between the IPS Merger Agreement, the IPS Merger and the other transactions contemplated by the IPS Merger Agreement, on the one hand, and other contractual and legal obligations of the companies, on the other hand;

requirement of consents, approvals, licenses, permits, orders, filings or other authorizations to enter into the IPS Merger Agreement and consummate the IPS Merger and the other transactions contemplated by the IPS Merger Agreement;

possession of authorizations, licenses, permits, certificates, approvals and orders of any government or other authority thereof, or any body exercising any other authority necessary or advisable for each of the companies and their subsidiaries to own, lease and operate their properties and to carry on their business as currently conducted;

compliance with applicable laws;

absence of undisclosed liabilities;

absence of certain changes or events since December 31, 2002;

absence of material litigation;

employee benefit matters;

material contracts;

environmental matters;

title to properties and absence of liens and encumbrances;

intellectual property;

taxes;

insurance;

opinion of financial advisor;

use of brokers;

labor matters;

transactions with affiliates;

absence of stockholder rights agreements; and

absence of unlawful or prohibited payments.

Table of Contents

In addition to the mutual representations, SurgiCare also made representations and warranties in the IPS Merger Agreement regarding the following:

compliance with all applicable SEC filing requirements and accuracy and completeness of SEC filings;

effectiveness of the DCPS/ MBS Merger Agreement; and

validity of the offering.

None of the representations and warranties contained in the IPS Merger Agreement survives the closing of the IPS Merger.

Conduct of Business Prior to Closing. Each of SurgiCare and IPS has agreed on behalf of itself and its subsidiaries, subject to certain exceptions, between the execution of the IPS Merger Agreement and the effective time of the IPS Merger, to:

conduct its businesses and the business of its subsidiaries in the ordinary course of business and in a manner consistent with past practice; and

use its reasonable best efforts to preserve substantially intact its business organization and goodwill and to keep available the services of its (and its subsidiaries) current officers, employees and consultants and to preserve its (and its subsidiaries) current relationships with customers, suppliers, licensors, licensees and other persons with which it and its subsidiaries have significant business relations.

Each of SurgiCare and IPS has also agreed that, except as contemplated by the IPS Merger Agreement, and subject to certain other exceptions, prior to the effective time of the IPS Merger, without the prior written agreement of the other party, it shall neither do any of the following nor permit its subsidiaries to do any of the following:

Amend or otherwise change its charter or bylaws;

Issue, sell, pledge, dispose of, or authorize for issuance, sale, pledge or disposal, equity securities or equity equivalent securities, except for the issuance of common stock upon the exercise of options and warrants outstanding as of the date of the IPS Merger Agreement;

Authorize, declare or set aside any dividend payments or other distribution with respect to any of its stock;

Reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its stock or issue or authorize the issuance of any other securities in respect of, or in lieu of or in substitution for shares of its capital stock;

Acquire or agree to acquire or sell any interest in any corporation, partnership or other business or any assets constituting a business or a portion of a business;

Sell, lease, license, encumber or otherwise dispose of any of its or its subsidiaries real property or improvements;

Incur any indebtedness for borrowed money or issue any debt securities or assume guarantee or endorse the obligations of any person, or make any loans or advances, except with a maturity of not more than one year and in a principal amount not, in the aggregate, in excess of $100,000 or under its existing revolving credit facility in the ordinary course of business and consistent with past practice;

Enter into any contracts or agreement requiring payment or receipt of payment in excess of $250,000, or modify, renew or waive any material provision of, breach or terminate any of its or its subsidiaries existing material contracts;

Make or authorize any capital expenditures which were not disclosed to the other party in connection with the IPS Merger Agreement;

Except for the acceleration of vesting of unvested stock options and warrants outstanding on the date of the IPS Merger Agreement, waive any stock repurchase or acceleration rights, otherwise amend or

Table of Contents

change the terms of any options, warrants or restricted stock, or reprice options granted under its stock option plan or warrants or authorize cash payments in exchange for any options or warrants;

Increase compensation to its or its subsidiaries officers or employees (including rights to severance or termination pay), except for increases in salaries or wages of employees other than directors, officers and key employees, in accordance with past practices and consistent with current budgets (and, in the case of SurgiCare, in the ordinary course of business, and as disclosed to IPS in connection with the IPS Merger Agreement), grant or amend any rights to severance or termination pay to, or enter into or amend any employment or severance agreement with any of its or its subsidiaries directors, officers or employees (or, in the case of SurgiCare any person, except as required by previously existing contractual arrangements or required law) or forgive any indebtedness of any employee, or in the case of SurgiCare, enter into or amend any consulting, retirement or special pay arrangement with any person, except as required by previously existing contractual arrangements or applicable law;

Pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) in excess of $100,000 in the aggregate, other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in its balance sheet or incurred in the ordinary course of business, consistent with past practices, or cancel any indebtedness in excess of $100,000 in the aggregate or waive any claims or rights of substantial value, or waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which it or any of its subsidiaries is a party;

Settle any action other than any settlement that involves only the payment of damages in an immaterial amount and does not involve injunctive or equitable relief or commence any litigation or arbitration;

Make or revoke any tax election, unless required by law, adopt or change any method of tax accounting, request any ruling or similar determination, enter into any closing agreement or settle any tax liabilities or take any action with respect to the computation of taxes or the preparation of a tax return that is inconsistent with past practices;

Change its accounting principles or procedures, other than certain required changes;

Subject to certain exceptions, establish, adopt, enter into, amend or terminate any collective bargaining agreement or certain employee benefit plans, other than to the extent required by such benefit employee plans or to comply with applicable law, or, unless consistent with past practice, make any material determinations not in the ordinary course of business, under any collective bargaining, certain employee benefit plans, or take any action or accelerate any rights or benefits;

Enter into or implement any stockholder rights plan or similar anti-takeover plan or device in a manner that could prevent or delay the consummation of the IPS Merger;

Agree in writing or otherwise take any of the actions described above; or

Take any action that would reasonably be expected to cause any representation and warranty given by it (and in the case of SurgiCare, given by the IPS merger sub) that is qualified by materiality to be untrue, any representation and warranty given by it (and in the case of SurgiCare, given by the IPS merger sub) that is not qualified by materiality to be untrue in any material respect, or would reasonably be expected to result in its (and in the case of SurgiCare, the IPS merger sub s) inability to satisfy certain conditions to closing.

No Solicitation Provision. Each of SurgiCare and IPS has agreed not to, and not to permit any of its subsidiaries, officers, directors, or agents to, directly or indirectly through any officer, director, agent or otherwise, initiate, solicit, negotiate, engage in discussions regarding, encourage or provide confidential information to facilitate any proposal or offer to acquire (i) any material part of its or its subsidiaries business or properties (which includes, but is not limited to any part of such business or properties constituting 10% or more of its and its subsidiaries net revenues, net income or assets) or (ii) any of its or its subsidiaries capital stock. Each of SurgiCare and IPS has also agreed to cease and cause to be terminated all activities, discussions or negotiations with respect to any offer or proposal with respect to any such acquisition transaction other than

Table of Contents

the IPS Merger described herein. SurgiCare and IPS have each agreed to notify the other party orally within 24 hours (and in writing within 48 hours), of all inquiries and proposals that it may receive relating to any of the foregoing matters, such notice to set out the terms and conditions of such contact, inquiry or proposal, the identity of the person making it and the intent of the party providing the notice to furnish information to, or enter into discussions or negotiations with such person.

Notwithstanding the foregoing, prior to the effective time of the IPS Merger, the boards of directors of each of SurgiCare and IPS is not prohibited from:

Furnishing information to, or entering into and engaging in discussions or negotiations with, any person in response to an unsolicited written proposal or offer regarding an acquisition transaction; if only to the extent that:

the board of directors determines in good faith after consultation with its independent financial advisor and legal counsel, that the acquisition proposal would (or reasonably could) constitute a superior proposal, which is defined in the IPS Merger Agreement as a bona fide acquisition proposal by a third party for all of the outstanding capital stock of the party receiving the proposal or all of the assets of that party and its subsidiaries, not subject to financing approvals and due diligence condition, which the board of directors determines in its good faith judgment (after consultation with its financial advisor) to be significantly more favorable to the stockholders of that party from a financial point of view than the IPS Merger, taking into account all terms of such acquisition proposal, and which the board of directors determines in its good faith judgment is reasonably likely to be consummated, taking into account all legal and regulatory aspects of the proposal;

the board of directors determines in good faith after consultation with its legal counsel, that the failure to take such action would constitute a breach of the fiduciary duties of the board of directors to its stockholders under applicable law; and

the board of directors receives, prior to furnishing any such information or entering into any discussions or negotiations with such person, an executed confidentiality agreement on terms no less favorable to SurgiCare or IPS, as the case may be, than the confidentiality agreement between SurgiCare and IPS.

Withholding, withdrawing, qualifying or modifying its approval or recommendation of the IPS Merger or certain related actions, or proposing publicly to do so, in a manner adverse to the other party to the merger, or endorsing, approving, recommending or submitting to the stockholders another acquisition transaction, or proposing publicly to do so, or causing the party to enter into any letter of intent or other agreement or understanding related to a potential acquisition, if after receipt of a superior proposal , it determines in good faith, after taking into account advice from independent outside legal counsel with respect to its fiduciary duties to its stockholders under applicable law, that such action is required for the board to comply with its fiduciary obligations to the stockholders of that party under applicable law, but only at a time that is after the fifth business day after the other party to the IPS Merger Agreement receives written notice from the board that it intends to take such action. The written notice must specify the material terms and conditions of the superior proposal, identify the person making such proposal and state that the board intends to take an action described above. During the five business day period, the party whose board is proposing to take such action will provide full opportunity for the other party to the IPS Merger Agreement to propose such adjustment to the terms and conditions of the IPS Merger Agreement and the IPS Merger as would enable the board to proceed with its recommendation to its stockholders without taking such action.

Events of Termination. The IPS Merger Agreement may be terminated and the IPS Merger abandoned at any time prior to the effective time:

By mutual written consent duly authorized by the board of directors of each of SurgiCare and IPS;

By either SurgiCare or IPS if a governmental authority has taken any final and non appealable action prohibiting the consummation of the IPS Merger (but the merger agreement cannot be terminated for

Table of Contents

this reason by a party whose failure to fulfill its obligations under merger agreement resulted in such action);

By either SurgiCare or IPS if the IPS Merger is not completed on or prior to October 31, 2004;

By either SurgiCare or IPS if the board of directors of the other party:

(i) withholds, withdraws, qualifies or modifies its approval or recommendation of the IPS Merger or certain related actions, or proposes publicly to do so, in a manner adverse to the other party to the merger, (ii) endorses, approves, recommends or submits to its stockholders another acquisition proposal, or proposes publicly to do so, or (iii) enters into any letter of intent, or other agreement or understanding relating to a proposed acquisition, in each case, if after receipt of a superior proposal it determines in good faith, after taking into account advice from independent outside legal counsel with respect to its fiduciary duties to its stockholders under applicable law, that such action is required for the board to comply with its fiduciary obligations to its stockholders under applicable law;

fails to recommend to its stockholders that they approve the issuance of shares of its stock in the IPS Merger or approve the IPS Merger, as the case may be, and that they give the other stockholder approvals required by the IPS Merger Agreement; or

fails to reconfirm the recommendation referred to in the foregoing bullet or fails to announce that it does not recommend any alternative acquisition to the IPS Merger, within five business days after the other party requests in writing that such recommendation be reaffirmed, or such announcement be made, as the case may be;

By either SurgiCare or IPS if the other party has breached its non-solicitation agreements contained in the IPS Merger Agreement;

By either SurgiCare or IPS if a tender offer or exchange offer for 10% or more of the outstanding shares of the other party is commenced and the board of directors of that party fails to recommend against acceptance of such tender offer or exchange offer by its stockholders;

By either SurgiCare or IPS if either SurgiCare or IPS does not receive the required stockholder approval;

By either SurgiCare or IPS if the other party (and by IPS if the IPS merger sub) breaches a representation, warranty, covenant or agreement, or if any representation or warranty by such party becomes untrue, in either case such that the relevant closing conditions, subject to the materiality thresholds contained in such closing conditions, would not be satisfied;

By either SurgiCare or IPS prior to its stockholders meeting, upon written notice to the other party of the existence of a superior proposal in respect of which its board of directors authorized it to enter a definitive agreement and the other party has not made, within five business days of receipt of notice, an offer which its board of directors determines, in good faith after consultation with its financial advisor is at least as favorable to its stockholders as the competing proposal; provided that termination will not be effective until the terminating party pays the termination fee described below;

By IPS, if a tender offer, exchange offer, merger or other transaction in respect of shares of capital stock of SurgiCare shall have been commenced by any person;

By SurgiCare, if a tender offer, exchange offer, merger or other transaction in respect of shares of capital stock of IPS shall have been commenced by any person; and

By either SurgiCare or IPS prior to its stockholders meeting, if after receipt of a superior proposal, the board of directors of such party determines in good faith, after consultation with legal counsel, that failure to (i) withhold, withdraw, qualify or modify its approval of the IPS Merger, or certain related transactions, or publicly propose to do so, (ii) endorse, approve, recommend or submit to its stockholders an acquisition proposal it has received or publicly propose to do so or (iii) enter into any letter of intent, or other agreement or understanding relating to such acquisition proposal, and that the holding of a stockholders meeting for the approval of the IPS Merger described herein, would constitute a breach of

Table of Contents

its fiduciary duties to its stockholders; provided that termination will not be effective until the terminating party pays the termination fee described below.

Fees and Expenses. In the event the IPS Merger Agreement is terminated by either party (other than by mutual written consent or as result of final and non appealable action taken by a governmental authority prohibiting the consummation of the IPS Merger or the failure to consummate the IPS Merger prior to October 31, 2004, assuming the parties amend the agreement to extend this date), then under the terms of the IPS Merger Agreement, the party responsible for triggering the underlying cause for the termination will reimburse the other party for all of its reasonable out-of-pocket expenses (including, without limitation, all fees and expenses of counsel, accountants, financing sources, appraisers, investment bankers, experts and consultants). Except as set forth above, each party to the IPS Merger Agreement will pay its fees and expenses.

SurgiCare is required by the Stock Subscription Agreement to reimburse Brantley IV for its reasonable out-of-pocket expenses and pay Brantley IV a non-refundable fee of $3 million upon termination of the IPS Merger Agreement:

By either SurgiCare or IPS if the IPS Merger is not completed on or prior to October 31, 2004, except that the expenses are only payable if at the time of such termination, any of the conditions to the obligations of IPS to consummate the IPS Merger set forth in Section 7.03 of the IPS Merger Agreement have not been satisfied, and the fee is only payable if within 18 months of such termination SurgiCare consummates, or enters into an agreement or letter of intent with respect to (or SurgiCare s board of directors resolves to enter into such agreement or letter of intent with respect to) a Business Combination (as defined below) with any person, entity or group;

By either SurgiCare or IPS, if the required approvals of the SurgiCare stockholders are not received, except that the fee is only payable if within 18 months of such termination SurgiCare consummates, or enters into an agreement or letter of intent with respect to (or SurgiCare s board of directors resolves to enter into such agreement or letter of intent with respect to) a Business Combination with any person, entity or group;

By IPS if the board of directors of SurgiCare:

(i) withholds, withdraws, qualifies or modifies its approval or recommendation of the IPS Merger or certain related actions or proposes publicly to do so, in a manner adverse to IPS, (ii) endorses, approves, recommends or submits to its stockholders another acquisition proposal, or proposes publicly to do so, or (iii) enters into any letter of intent, or other agreement or understanding relating to a proposed acquisition, in each case, if after receipt of a superior proposal it determines in good faith, after taking into account advice from independent outside legal counsel with respect to its fiduciary duties to its stockholders under applicable law, that such action is required for the board to comply with its fiduciary obligations to its stockholders under applicable law;

fails to recommend to its stockholders that they approve the issuance of shares of its stock in the IPS Merger and that they give the other stockholder approvals required by the IPS Merger Agreement; or

fails to reconfirm the recommendation referred to in the foregoing bullet or fails to announce that it does not recommend any alternative acquisition to the IPS Merger, within five business days after IPS requests in writing that such recommendation be reaffirmed;

By IPS if SurgiCare has breached its non-solicitation agreements contained in the IPS Merger Agreement;

By IPS if a tender offer or exchange offer for 10% or more of the outstanding shares of SurgiCare is commenced and the board of directors of SurgiCare fails to recommend against acceptance of such tender offer or exchange offer by its stockholders;

By IPS if SurgiCare or the IPS merger sub breaches a representation, warranty, covenant or agreement, or if any representation or warranty by such party becomes untrue, in either case such that the relevant closing conditions, subject to the materiality thresholds contained in such closing conditions, would not be

Table of Contents

satisfied, except that the fee is only payable if within 18 months of such termination SurgiCare consummates, or enters into an agreement or letter of intent with respect to (or SurgiCare s board of directors resolves to enter into such agreement or letter of intent with respect to) a Business Combination with any person, entity or group;

By IPS, if a tender offer, exchange offer, merger or other transaction in respect of shares of capital stock of SurgiCare shall have been commenced by any person, except that the fee is only payable if within 18 months of such termination SurgiCare consummates, or enters into an agreement or letter of intent with respect to (or SurgiCare s board of directors resolves to enter into such agreement or letter of intent with respect to) a Business Combination with any person, entity or group;

By SurgiCare prior to its stockholders meeting, upon written notice to IPS of the existence of a superior proposal in respect of which its board of directors authorized it to enter a definitive agreement and IPS has not made, within five business days of receipt of notice, an offer which its board of directors determines, in good faith after consultation with its financial advisor is at least as favorable to its stockholders as the competing proposal; or

By SurgiCare prior to its stockholders meeting, if after receipt of a superior proposal, the board of directors of SurgiCare determines in good faith, after consultation with legal counsel, that failure to (i) withhold, withdraw, qualify or modify its approval of the IPS Merger, or certain related transactions, or publicly propose to do so, (ii) endorse, approve, recommend or submit to its stockholders an acquisition proposal it has received or publicly propose to do so or (iii) enter into any letter of intent, or other agreement or understanding relating to such acquisition proposal, and that the holding of a stockholders meeting for the approval of the IPS Merger described herein, would constitute a breach of its fiduciary duties to its stockholders.

As used above, Business Combination means (i) a merger, consolidation, share exchange, business combination or similar transaction involving SurgiCare as a result of which SurgiCare s stockholders prior to such transaction cease to own at least 80% of the voting securities of the entity surviving or resulting from such transaction (or the ultimate parent entity thereof) in the proportion they owned such shares prior to such transaction, (ii) a sale, lease, exchange, transfer, public offering in respect of, or other disposition of more than 20% of the assets of SurgiCare and the SurgiCare subsidiaries, taken as a whole, in either case, in a single transaction or a series of related transactions, or (iii) the acquisition, by a person, group or entity of beneficial ownership of more than 20% of SurgiCare s outstanding common stock (or in the case of any person, group or entity beneficially owning in excess of 20% of SurgiCare s common stock outstanding on February 9, 2004, the acquisition of any additional shares of SurgiCare s common stock by such person, group or entity), in either case, whether from SurgiCare or by tender or exchange offer or otherwise.

SurgiCare is also required to pay Brantley IV s out-of-pocket expenses and the non-refundable fee of $3 million if SurgiCare breaches its obligation to issue the shares of Class B common stock pursuant to the Stock Subscription Agreement.

Choice of Law. The IPS Merger Agreement is governed by and construed in accordance with the laws of the State of New York.

Table of Contents

THE DCPS/ MBS MERGER

This section of the proxy statement describes the material aspects of the proposed DCPS/ MBS Merger, including the DCPS/ MBS Merger Agreement. While we believe that the description covers the material terms of the DCPS/ MBS Merger, this summary may not contain all of the information that is important to you. You should read this entire proxy statement and the other documents we refer to carefully for a more complete understanding of the DCPS/ MBS Merger and the related transactions.

Unless otherwise indicated, all share amounts give effect to the Reverse Stock Split described in this proxy statement. Unless otherwise indicated, all share amounts and percentages are based on the assumptions described in the section Summary Term Sheet Assumptions and are therefore subject to change if such assumptions are not accurate at the time of the closing of the Acquisitions.

Vote Required for the DCPS/ MBS Merger

Under our certificate of incorporation and under Delaware law, we do not require the approval of our stockholders to consummate the DCPS/ MBS Merger. However, we are required by our certificate of incorporation and Delaware law to obtain the approval majority of each class of our stockholders, voting as separate classes, and voting together as a single class, in order to amend and restate our certificate of incorporation. In addition, the AMEX rules require that we obtain the approval of our stockholders for the issuance of our common stock in connection with the IPS Merger and the DCPS/ MBS Merger. The Transaction Documents require that we obtain our stockholders approval of the DCPS/ MBS Merger and all of the related proposals in this proxy statement, other than the proposal to issue warrants to the current members of our board of directors. The Transaction Documents specifically require that these proposals which require approval be approved by a majority of the outstanding shares of our common stock and outstanding shares of our Series AA preferred stock each voting as a separate class and voting together as a single class.

Completion and Effectiveness of the DCPS/ MBS Merger

The DCPS/ MBS Merger will be completed when all of the conditions to completion of the DCPS/ MBS Merger are satisfied or, to the extent legally permissible, waived, including the adoption of the DCPS/ MBS Merger Agreement by the stockholders of IPS. The MBS merger will become effective upon the filing of the certificate of merger with the Texas Secretary of State or such later time as may be specified in the certificate of merger. The DCPS acquisition will become effective upon the closing of the contribution of the DCPS equity to SurgiCare. Immediately following the closing of the MBS merger and the DCPS acquisition, the interests in DCPS and its general partner will be transferred to MBS, and DCPS will be a wholly-owned subsidiary of MBS.

We are working toward completing the Acquisitions as quickly as possible. We expect to complete the DCPS/ MBS Merger promptly after the meeting of our stockholders.

Structure and Effect of the DCPS/ MBS Merger and Consideration Paid

Structure and Effect. To effectuate the DCPS/ MBS Merger, we formed a subsidiary, DCPS/ MBS Acquisition, Inc., that will be merged with and into MBS, with MBS as the surviving corporation. DCPS will be acquired by the contribution of the units of limited partnership interest in DCPS to SurgiCare. The limited liability company interests of the limited liability company that is the general partner of DCPS will also be contributed to SurgiCare. Immediately following the closing of the MBS merger and the DCPS acquisition, the interests in DCPS and its general partner will be transferred to MBS. Following the Acquisitions, IPS and MBS will be wholly-owned subsidiaries of SurgiCare, and DCPS will be a wholly-owned subsidiary of MBS.

Table of Contents

MBS Merger Consideration. When the MBS merger is completed and the fair market value of SurgiCare common stock (based on the average of the daily average of the high and low price per share over the five trading days immediately prior to the closing) is less than $0.70, stockholders of MBS will receive:

an aggregate of $2 million in cash, and

approximately 787,880 shares of Class C common stock in exchange for all of the outstanding stock of MBS.

Otherwise, the stockholders of MBS will receive:

an aggregate of $1.4 million in cash, and

approximately 1,040,000 shares of Class C common stock
in exchange for all of the outstanding stock of MBS.

The purchase price is subject to retroactive increase or decrease based on the financial results of the newly-formed DCPS/MBS entity in the two years following the DCPS/MBS Merger.

DCPS Merger Consideration. When the DCPS merger is completed, the partners of DCPS will receive:

an aggregate of $1.5 million in cash,

subordinated promissory notes of SurgiCare in an aggregate principal amount of $500,000, and

approximately 787,880 shares of Class C common stock
in exchange for all of the outstanding partnership interests of DCPS.

The purchase price is subject to retroactive increase or decrease based on the financial results of the newly-formed DCPS/MBS entity in the two years following the DCPS/MBS Merger.

Additional Issuances, Advances and Payments

The DCPS/MBS Merger Agreement also provides for additional issuances, advances and payments as described in The DCPS/MBS Merger Agreement Additional Issuances, Advances and Payments on page 57.

DCPS/MBS Ownership

Based on the assumptions in this proxy statement, including the fair market value of our common stock being less than $0.70, and assuming receipt of the maximum number of shares of Class A common stock pursuant to the earn-out provisions of the DCPS/MBS Merger Agreement, the DCPS and MBS equityholders and their designees will own approximately 8.3% of the Fully-Diluted Orion Shares. If the fair market value of our common stock is greater than or equal to $0.70, but all other assumptions remain the same, the DCPS/MBS equityholders and their designees will own approximately 9.2% of the Fully-Diluted Orion Shares, as adjusted for the issuance of additional shares of Class C common stock at such fair market value.

Terms of the Class C Common Stock

The terms of the Class C common stock, including its rights and preferences, are discussed in The New Classes of Common Stock and are governed by the Amended and Restated Certificate of Incorporation.

The shares of Class C common stock to be issued, and the shares of Class A common stock into which they are convertible, will each be restricted securities as that term is defined in Rule 144 adopted by the SEC. No market for resale of the Class C common stock to be issued is ever expected to develop. The Class A common stock into which the Class C common stock is convertible may be sold in compliance with

Rule 144. Rule 144 provides an exemption for sales in compliance with the rule and generally provides that the stock must be held for more than one (1) year after issuance before it may be sold in the market in brokered transactions,

Table of Contents

requires Orion to be current in its reporting requirements, and imposes volume limitations on the amount of stock that may be sold in any three (3) month period.

Material U.S. Federal Income Tax Consequences of the DCPS/ MBS Merger

The following discussion briefly summarizes the material U.S. federal income tax considerations relating to the DCPS/MBS Merger that may be relevant to holders of SurgiCare common stock. It assumes that the other Transactions described herein occur in the manner described. SurgiCare obtained a legal opinion from its counsel, Strasburger & Price, LLP, regarding the material U.S. federal income tax consequences applicable to SurgiCare and the holders of SurgiCare common stock resulting from the DCPS/MBS Merger and the other Transactions described herein. This discussion is based upon advice we have received from Strasburger & Price, LLP regarding the currently existing provisions of the Code, existing and proposed Treasury Regulations promulgated thereunder, IRS rulings and pronouncements, and judicial decisions, all in effect as of the date hereof and all of which are subject to change (possibly retroactively) at any time. This summary does not address all tax considerations that may be relevant; in particular, it does not address any tax considerations under state, local or foreign laws, or any tax considerations that may be relevant to certain stockholders in light of their particular circumstances. This summary also does not address any tax considerations that may be relevant to IPS stockholders, MBS stockholders, the owners of DCPS, Brantley IV or any of its affiliated entities, any stockholder who acquired SurgiCare common stock upon the exercise of an option or otherwise as compensation, or any optionholders, debtholders or warrantholders of any company. Finally, this summary does not address any tax consequences of the DCPS/ MBS Merger or of any related transactions other than as specifically set forth below.

MBS Merger. Neither SurgiCare nor holders of SurgiCare common stock should recognize any taxable gain or loss for U.S. federal income tax purposes as a result of the MBS merger. However, see Loss Limitations below.

DCPS Acquisition. Neither SurgiCare nor holders of SurgiCare common stock should recognize any taxable gain or loss for U.S. federal income tax purposes as a result of the DCPS acquisition. Assuming that DCPS is a validly electing S corporation for U.S. federal income tax purposes, and is not subject to certain special rules providing for a corporate-level tax on S corporations in certain circumstances, DCPS should not be liable for unpaid corporate-level taxes arising prior to the DCPS acquisition. If, however, DCPS were not a validly electing S corporation prior to the DCPS acquisition, DCPS would be liable for corporate-level taxes on its earnings prior to the DCPS acquisition. We cannot be certain that DCPS will be a validly electing S corporation at the time of the DCPS acquisition, and if it were not a validly electing S corporation, there may be unpaid taxes for which DCPS would be liable.

Loss Limitations. As a result of the DCPS/ MBS Merger and the other Transactions discussed herein, it is expected that the use of any existing net operating losses of SurgiCare and MBS will be severely limited following the Transactions.

Except as set forth in the discussion above, SurgiCare expresses no opinion as to the federal, state, local or foreign tax consequences to any party, other than SurgiCare and its current stockholders, of the IPS Merger, the MBS Merger, the DCPS Acquisition, the Debt Exchange, the Equity Financing or the Reverse Stock Split. In addition, SurgiCare expresses no opinion (i) as to whether or not the Transactions when analyzed on a combined basis, qualify as an exchange to which Code Section 351 applies or (ii) regarding any adverse tax consequences applicable to SurgiCare and its current stockholders in their capacity as such that may result from a determination that the Transactions, when analyzed on a combined basis, do not qualify as an exchange to which Code Section 351 applies. If the Transactions do not qualify as an exchange to which Code Section 351 applies, the IPS stockholders, MBS stockholders and holders of DCPS interests may recognize taxable gain or loss in connection with the Transactions. Such holders are urged to consult their own tax advisors regarding the tax consequences to them of participating in the Transactions.

Furthermore, this summary does not apply to any tax considerations that may be relevant to any party to the Transactions other than SurgiCare and its current stockholders in their capacity as such. The opinion issued by SurgiCare s counsel is being furnished only to SurgiCare in connection with the IPS Merger, the

Table of Contents

DCPS/MBS Merger, the Debt Exchange, the Equity Financing and the Reverse Stock Split and is solely for SurgiCare s benefit in connection therewith. It may not be used or relied upon for any other purposes, and except for purposes of this proxy statement, may not be circulated, quoted or otherwise referred to for any other purpose without the express written consent of SurgiCare s counsel.

Accounting Treatment of the DCPS/ MBS Merger

SurgiCare intends to account for the DCPS/ MBS Merger as a purchase transaction for financial reporting and accounting purposes in accordance with Statement of Financial Accounting Standards No. 141. After the DCPS/MBS Merger, the results of operations of DCPS/ MBS will be included in the consolidated financial statements of SurgiCare. The purchase price, which is equal to the total consideration of cash, notes and new SurgiCare Class C common stock, will be allocated based on the fair values of the DCPS/MBS assets acquired and liabilities assumed. The amount of the purchase price in excess of the fair value of the net tangible assets of DCPS/MBS acquired will be recorded as goodwill and other tangible assets. For more information, see Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 79 of this proxy statement.

The DCPS/ MBS Merger Agreement

We will acquire DCPS and MBS by merging DCPS/ MBS Acquisition, Inc., a wholly-owned subsidiary of SurgiCare, with MBS, with MBS as the surviving corporation. DCPS will be acquired by the contribution of the units of limited partnership interest in DCPS to SurgiCare. The limited liability company interests of the limited liability company that is the general partner of DCPS will also be contributed to SurgiCare. Immediately following the closing of the MBS merger and the DCPS acquisition, the interests in DCPS and its general partner will be transferred to MBS. As a consequence of the DCPS/MBS Merger, MBS will be a wholly-owned subsidiary of SurgiCare, and DCPS will be a wholly-owned subsidiary of MBS. The following is a summary of material provisions of the DCPS/ MBS Merger Agreement. This summary is qualified in its entirety by reference to the complete text of the DCPS/ MBS Merger Agreement which is attached as Annex B to this proxy statement. We urge you to read the full text of the DCPS/ MBS Merger Agreement.

Effective Time. The MBS merger will become effective upon the filing of the certificate of merger with the Texas Secretary of State or such later time as may be specified in the certificate of merger. The filing of the certificates of merger will occur as soon as practicable but not later than three business days after the day on which all of the conditions to completion of the DCPS/ MBS Merger are satisfied or waived, including the required stockholder approvals, or at such other time as SurgiCare and the DCPS/ MBS Sellers may agree in writing. The DCPS acquisition will become effective upon the closing of the contribution of the DCPS equity to SurgiCare. Immediately following the closing of the MBS merger and the DCPS acquisition, the interests in DCPS and its general partner will be transferred to MBS, and DCPS will be a wholly-owned subsidiary of MBS.

Conversion of Securities.

MBS

At the effective time of the DCPS/ MBS Merger, all of the shares of MBS common stock issued and outstanding immediately prior to the effective time of the DCPS/ MBS Merger will be cancelled and automatically converted into the right to receive, in the aggregate:

If the fair market value of SurgiCare common stock (based on the average of the daily average of the high and low price per share over the five trading days immediately prior to the closing) is less than $0.70,

an aggregate of $2 million in cash, and

787,880 shares of Class C common stock in exchange for all of the outstanding stock of MBS, subject to retroactive adjustment.

Table of Contents

Otherwise,

an aggregate of $1.4 million in cash, and

1,040,000 shares of Class C common stock in exchange for all of the outstanding stock of MBS, subject to retroactive adjustment.

Shares of MBS common stock as to which appraisal rights pursuant to Texas law have been exercised will not be converted to receive the applicable merger consideration pursuant to the provisions described above, but will have the rights described below under Appraisal Rights.

At the effective time of the DCPS/ MBS Merger, each share of MBS common stock held in treasury of MBS or any subsidiary of MBS or owned by SurgiCare or its subsidiaries immediately prior to the effective time of the DCPS/ MBS Merger will be cancelled and extinguished, no conversion of those shares will occur and no payment will be made for those shares. Furthermore, each share of common stock of DCPS/ MBS Acquisition, Inc. issued and outstanding immediately prior to the effective time of the DCPS/ MBS Merger will be converted and exchanged for one share of common stock of MBS, as the surviving corporation. No fractional shares will be issued in connection with the DCPS/ MBS Merger. Instead, each holder of shares of MBS common stock who otherwise would be entitled to a fraction of a share (after aggregating all fractional shares to be received by such holder) will receive from SurgiCare a number of shares of Class C common stock rounded down to the nearest whole share.

The shares of SurgiCare common stock that MBS stockholders will receive in the merger will be issued in a transaction exempt from the registration requirements of the Securities Act and any applicable state securities laws and may not be transferred until we register such shares under the Securities Act or unless the shares are transferred in a transaction not requiring registration under the Securities Act, such as a transfer pursuant to Rule 144 under the Securities Act. The MBS stockholders will be third-party beneficiaries to the registration rights agreement between Orion and Brantley IV. Until the first anniversary of the date of the registration rights agreement, the MBS stockholders will be permitted to cause Orion to add their shares of Class A common stock (received upon conversion of the shares of Class C common stock or otherwise pursuant to the DCPS/ MBS Merger Agreement) to a registration statement on which Brantley IV s shares are being registered. A form of the registration rights agreement is attached hereto as Annex G.

DCPS

Upon the closing of the DCPS acquisition all partnership interests in DCPS issued and outstanding immediately prior to the effective time of the closing and all limited liability company interests in the general partner of DCPS will be contributed to SurgiCare in exchange for, in the aggregate:

an aggregate of $1.5 million in cash;

subordinated promissory notes of SurgiCare which bear interest (computed on the basis of a 360-day year of twelve 30-day months) at a rate of 8% per annum in an aggregate principal amount of $500,000, subject to retroactive adjustment (the DCPS Note); and

787,880 shares of Orion Class C common stock in exchange for all of the outstanding partnership interests of DCPS, subject to retroactive adjustment.

The shares of SurgiCare common stock that holders of DCPS partnership interests will receive in the acquisition will be issued in a transaction exempt from the registration requirements of the Securities Act and any applicable state securities laws and may not be transferred until we register such shares under the Securities Act or unless the shares are transferred in a transaction not requiring registration under the Securities Act, such as a transfer pursuant to Rule 144 under the Securities Act. The DCPS equityholders will be third-party beneficiaries to the registration rights agreement between Orion and Brantley IV. Until the first anniversary of the date of the registration rights agreement, the DCPS equityholders will be permitted to cause Orion to add their shares of Class A common stock (received upon conversion of the Class C common stock or otherwise pursuant to the DCPS/ MBS Merger Agreement) to a registration statement on which Brantley IV s shares are being registered. A form of the registration rights agreement is attached hereto as Annex G.

Table of Contents

Exchange Procedures

At the closing of the DCPS/ MBS Merger, certificates representing shares of Class C common stock will be exchanged for certificates representing MBS common shares, DCPS partnership interests and limited liability company interests in the general partner of DCPS as applicable.

Additional Issuances, Advances and Payments.

Subject to any restrictions imposed by applicable law, SurgiCare agrees to provide, upon Dennis Cain s request, a loan to the DCPS equityholders in the amount of up to $375,000 in the event that the Transactions do not qualify as transfers to a corporation controlled by transferors under the provisions of Section 351 of the Code and an additional tax is therefore payable. Such loan will have the same interest rate and maturity date as that of the DCPS Note.

If the fair market value of SurgiCare common stock at the closing of the MBS merger (based on the average of the daily average of the high and low price per share over the five trading days immediately prior to the closing) is less than $0.70 and the Transactions to not qualify as transfers to a corporation controlled by transferors under the provisions of Section 351 of the Code, SurgiCare will pay Mr. Smith on April 1, 2005 an amount equal to the quotient of (a) the excess of 15% of the assumed incremental gain (as defined below) over $435,000 divided by (b) 85%. The assumed incremental gain is the amount by which the value of the 787,880 shares of Class C common stock (based on the average of the daily average of the high and low price per share of SurgiCare common stock over the five trading days immediately prior to the closing as adjusted for the Reverse Stock Split) exceeds $100,000. Mr. Smith will allocate and distribute any such payment to the MBS stockholders pro rata based on the respective federal income tax liabilities of the MBS stockholders in respect of the Class C common stock issued to the MBS stockholder upon the closing of the DCPS/ MBS Merger.

Following the closing of the MBS merger, SurgiCare agrees to issue, subject to applicable securities laws, up to 75,758 shares of Class A common stock to such persons and entities as directed by Mr. Cain or Mr. Smith, which persons may be employees or customers of DCPS/ MBS.

Purchase Price Adjustments.

Clawback. During 2004 and 2005, if the earnings before interest, taxes, depreciation and amortization (EBITDA) of DCPS/ MBS (prior to deduction of any management fees payable to SurgiCare, excluding extraordinary or non-recurring gains and, for 2004, amounts paid to Tom M. Smith and Dennis Cain in excess of their base salaries prior to the closing) is less than $1.6 million (the Negotiated Amount), annually, SurgiCare is entitled to a return of debt and stock based on the following formula:

1) 125% of the difference between the actual EBITDA and the Negotiated Amount is referred to as the Payback Amount with respect to each of MBS and DCPS;

2) The stockholders of MBS forfeit to SurgiCare a number of shares of Class C common stock which, if converted, would represent a number of shares of Class A common stock equal to (x) the Payback Amount divided by (y) 3.3. Mr. Smith, on behalf of the MBS equityholders, may elect to pay some or all of the Payback Amount in cash; and

3) The principal balance of the DCPS Note shall be reduced by the Payback Amount. If the Payback Amount exceeds the principal balance of the DCPS Note, SurgiCare may request that the DCPS equityholders forfeit to SurgiCare a number of shares of Class C common stock which, if converted, would represent a number of shares of Class A common stock equal to (x) the difference between the Payback Amount and the principal balance on the DCPS Note divided by (y) 3.3.

Earn-out. During 2004 and 2005, if the EBITDA of DCPS/ MBS (prior to deduction of any management fees payable to SurgiCare, excluding extraordinary or non-recurring gains and, for 2004, amounts paid to Tom M. Smith and Dennis Cain in excess of their base salaries prior to the closing) is greater than the Negotiated

Table of Contents

Amount, annually, the DCPS/ MBS equityholders will be entitled to additional cash and Class A common stock from Orion based on the following formula:

1) The difference between the actual EBITDA and the Negotiated Amount each year shall be called the Additional Consideration Amount.

2) Twenty percent (20%) of the Additional Consideration Amount shall be paid to the MBS equityholders in cash, up to a maximum of $450,000 over the two year period.

3) Twenty-five percent (25%) of the Additional Consideration Amount shall be paid to the DCPS equityholders in cash, up to a maximum of $562,500 over the two year period.

4) The MBS equityholders shall receive a number of shares of Class A common stock equal to 80% of the Additional Consideration Amount divided by 7.5, up to a maximum of 240,000 shares over the two year period.

5) The DCPS equityholders shall receive a number of shares of Class A common stock equal to 20% of the Additional Consideration Amount divided by 7.5, up to a maximum of 225,000 shares over the two year period.

Effect of Sale; Termination of Key Employees without Cause. In the event that (a) the employment of Tom M. Smith is terminated by SurgiCare without Cause (as defined in his employment agreement) or (b) SurgiCare sells all of the capital stock , or all or substantially all of the assets, of DCPS/MBS to an unaffiliated third party (other than in connection with an acquisition of all or substantially all of SurgiCare):

1) On or prior to the first anniversary of the Closing Date, the MBS equityholders shall be entitled to receive the maximum earn-out amount of $450,000 in cash and 240,000 shares of Class A common stock.

2) After the first anniversary of the Closing Date but on or prior to the second anniversary, the Additional Consideration Amount shall be payable to the MBS equityholders in respect to the second year of operations of DCPS/ MBS, as pro-rated for a full year based upon the EBITDA of DCPS/ MBS for such year as of the last day of the month of such termination or sale.

3) On or prior to the second anniversary of the Closing Date, the claw-back provisions under the letter of intent as described above shall terminate with respect to the MBS equityholders, provided that no such termination of the claw-back provisions shall require SurgiCare to return any amount already forfeited in accordance with same.

In the event that (a) the employment of Dennis Cain is terminated by SurgiCare without Cause (as defined in his employment agreement) or (b) SurgiCare sells all of the capital stock, or all or substantially all of the assets, of DCPS/ MBS to an unaffiliated third party (other than in connection with an acquisition of all or substantially all of SurgiCare):

1) On or prior to the first anniversary of the Closing Date, the DCPS equityholders shall be entitled to receive the maximum earn-out amount of $562,500 in cash and 225,000 shares of Class A common stock.

2) After the first anniversary of the Closing Date but on or prior to the second anniversary, the Additional Consideration Amount shall be payable to the DCPS equityholders in respect to the second year of operations of DCPS/ MBS, as pro-rated for a full year based upon the EBITDA of DCPS/ MBS for such year as of the last day of the month of such termination or sale.

3) On or prior to the second anniversary of the Closing Date, the claw-back provisions under the letter of intent as described above shall terminate with respect to the DCPS equityholders, provided that no such termination of the claw-back provisions shall require SurgiCare to return any amount already forfeited in accordance with same.

Certain Additional Terms of the Merger. In the event that, during the earn-out period, DCPS/ MBS performs billing and collection, contracting and/or management services for SurgiCare, SurgiCare agrees to pay DCPS/ MBS a rate 10% greater than the minimal amount needed to cover all costs associated with such services. SurgiCare also agrees to assist DCPS/ MBS in the development and marketing of a surgery center

Table of Contents

division of the company. In addition, during the earn-out period, SurgiCare agrees that it will not purchase any medical billing services provided by DCPS/ MBS from any person other than DCPS/ MBS at a rate equal to or higher than the rate provided by DCPS/ MBS. If, during the earn-out period, SurgiCare proposes to purchase such services from a person other than DCPS/ MBS at a rate lower than the rate payable to DCPS/ MBS, SurgiCare will provide DCPS/ MBS with the opportunity to provide such services to SurgiCare at the lower rate.

In the event that SurgiCare shall establish an advisory board, each of Tom M. Smith and Dennis Cain shall have the right to appoint one member, so long as he continues to own 50% of the SurgiCare shares issued to him in consideration for the merger.

Right of First Refusal. In the event that SurgiCare or its successors desire to sell DCPS/ MBS prior to the later of (i) the third anniversary of the Closing Date or (ii) the date on which the promissory notes issued to Dennis Cain and Tom M. Smith have been paid in full, the DCPS/ MBS Sellers will be given the right to match any offer received by SurgiCare or its successors, unless all or substantially all of SurgiCare is to be acquired pursuant to such offer. The DCPS/ MBS Sellers may elect to transfer shares of Class A common stock or Class C common stock in satisfaction of all or portion of the applicable purchase price, provided that the value of any such share transferred to SurgiCare shall be deemed to equal 85% of the average of the closing prices of the Class A common stock over the five trading days immediately prior to the closing of such sale.

Terms of Debt. The DCPS Note shall be due and payable after three (3) years, and shall bear interest at an eight percent (8%) annual rate, with monthly interest payments and no prepayment penalty. The DCPS Note shall be subordinated to SurgiCare s senior bank debt on terms satisfactory to its senior lender. SurgiCare shall have the right to set off amounts owed by DCPS to SurgiCare against amounts owing under the DCPS Note. Upon a material default by SurgiCare under the DCPS Note, the noncompetition agreement contained in the employment agreement with Dennis Cain shall terminate.

Appraisal Rights. Under Texas law, holders of shares of MBS common stock are entitled to exercise appraisal rights.

Conditions to Closing. The obligations of SurgiCare, DCPS and MBS to consummate the DCPS/ MBS Merger are subject to the satisfaction or waiver (all conditions are waivable unless otherwise indicated) of a number of specified conditions, including:

Obtaining all necessary approvals of the SurgiCare stockholders (this condition is not waivable);

No governmental entity or court shall have enacted, threatened, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, injunction, executive order, or award that is then in effect, pending or threatened and has, or would have, the effect of making the DCPS/ MBS Merger illegal or otherwise prohibiting consummation of the DCPS/ MBS Merger or the other transactions;

Expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which provides for advance notification of business combinations of greater than a minimum size by the Federal Trade Commission and the Antitrust Division of the Department of Justice (this condition is not waivable);

The shares of Class A common stock issuable upon conversion of the shares of Class C common stock issuable in the DCPS/ MBS Merger and the Shares of Class A common stock issuable pursuant to the earn-out shall have been authorized for listing on the AMEX, subject to official notice of issuance;

The IPS Merger shall have been consummated concurrently with the DCPS/ MBS Merger;

The equity financing with Brantley IV, and the debt exchange with certain affiliates of Brantley IV described herein shall have been consummated;

The continued truthfulness and accuracy of the representations and warranties in all material respects, except that representations and warranties that address matters only as of a particular date shall remain true and correct in all material respects as of such date (representations or warranties that are qualified by materiality shall continue to be true and accurate in all respects) and the performance or compliance

Table of Contents

in all material respects with all agreements and covenants required by the DCPS/ MBS Merger Agreement, and receipt from the other party of a certificate of an officer certifying to the foregoing;

The receipt of all material governmental consents, approvals or other authorizations legally required to consummate the DCPS/ MBS Merger from all governmental authorities and receipt by DCPS, MBS and SurgiCare of all required third party consents in respect of material contracts;

No event, circumstance, occurrence, change or effect shall have occurred since the date of the DCPS/ MBS Merger Agreement which, individually or in the aggregate, has or would materially and adversely affect, or pose a material risk of materially and adversely affecting, the business, operations, condition (financial or otherwise), assets (tangible or intangible), results of operations or prospects of SurgiCare and its subsidiaries, taken as a whole, or DCPS and MBS, taken as a whole, or which is reasonably likely to prevent or delay the consummation of the DCPS/ MBS Merger;

No action shall have been brought, be pending or have been threatened by any government entity or any person that seeks to prevent or delay the consummation of the DCPS/ MBS Merger or the other transactions, seeks to restrain or prohibit SurgiCare s or DCPS/ MBS s or impose limitations on SurgiCare s or DCPS/ MBS s ability to own or dispose of any portion of the business or assets of DCPS or MBS or that would reasonably be expected to, individually or in the aggregate, materially and adversely affect, or pose a material risk of materially and adversely affecting the business, operations, condition (financial or otherwise), assets (tangible or intangible), results of operations or prospects of SurgiCare and its subsidiaries, taken as a whole, or DCPS and MBS, taken as a whole, or which is reasonable likely to prevent or delay the consummation of the DCPS/ MBS Merger;

Each of Dennis Cain and Tom M. Smith shall have entered into an employment agreement with SurgiCare which is in full force and effect, must be employed by their respective employers immediately prior to the merger, and cannot have indicated an intention to terminate his employment, and all other employment agreements with such individuals shall have been terminated;

SurgiCare having received a legal opinion from the counsel to DCPS and MBS, and DCPS and MBS having received a legal opinion from the counsel of SurgiCare and DCPS/ MBS;

All existing registration rights of holders of MBS common shares and DCPS partnership interests shall have been terminated and SurgiCare and DCPS/ MBS shall have received a certificate to such effect signed by the DCPS/ MBS Sellers and by an officer of each of DCPS and MBS;

All loans, guarantees or other obligations of DCPS or MBS to each other or to any of their affiliates have been terminated without the payment of any consideration and, except as otherwise agreed to in writing by SurgiCare, all agreements among any of the foregoing shall have been terminated without cost to DCPS or MBS;

Each of the DCPS/ MBS Sellers shall have entered into a subordination agreement with each of SurgiCare s senior lenders in form and substance satisfactory to SurgiCare and such senior lenders;

SurgiCare shall have delivered resignations from each director of SurgiCare and the Orion board shall consist of Terrence L. Bauer, Keith G. LeBlanc, two individuals designated by Brantley IV, and three outside directors reasonably satisfactory to DCPS and MBS, and the officers of Orion shall be Mr. Bauer as Chief Executive Officer, Mr. LeBlanc as President, and Stephen H. Murdock as Chief Financial Officer;

SurgiCare shall have amended and restated its certificate of incorporation and by-laws; and

No appraisal rights shall have been exercised with respect to any MBS common shares.

The Debt Exchange Agreement and the Stock Subscription Agreement require that the conditions to closing of the DCPS/ MBS Merger Agreement have been satisfied.

Table of Contents

Representations and Warranties. SurgiCare and DCPS/ MBS, on the one hand, and DCPS, MBS and the DCPS/ MBS Sellers, on the other hand, made mutual representations and warranties in the DCPS/ MBS Merger Agreement regarding the following:

corporate organization, good standing and qualification of each of the companies and their subsidiaries;

validity and effectiveness of charter and by laws of each of the companies and their subsidiaries;

capitalization of the companies and their subsidiaries;

authority to enter into the DCPS/ MBS Merger Agreement;

absence of conflicts between the DCPS/ MBS Merger Agreement, the DCPS/ MBS Merger and the other transactions contemplated by the DCPS/ MBS Merger Agreement, on the one hand, and other contractual and legal obligations of the companies, on the other hand;

requirement of consents, approvals, licenses, permits, orders, filings or other authorizations to enter into the DCPS/ MBS Merger Agreement and consummate the DCPS/ MBS Merger and the other transactions contemplated by the DCPS/ MBS Merger Agreement;

possession of authorizations, licenses, permits, certificates, approvals and orders of any government or other authority thereof, or any body exercising any other authority necessary or advisable for each of the companies and their subsidiaries to own, lease and operate their properties and to carry on their business as currently conducted;

compliance with applicable laws;

absence of undisclosed liabilities;

absence of certain changes or events since December 31, 2002 (in the case of MBS, since September 30, 2003);

absence of material litigation;

employee benefit matters;

material contracts;

environmental matters;

title to properties and absence of liens and encumbrances;

intellectual property;

taxes;

insurance;

opinion of financial advisor;

use of brokers;

labor matters;

transactions with affiliates;

absence of stockholder rights agreements; and

absence of unlawful or prohibited payments.

Table of Contents

In addition to the mutual representations, the DCPS/ MBS Sellers made representations and warranties regarding their investment and their status as accredited investors under Regulation D and SurgiCare made representations and warranties in the DCPS/ MBS Merger Agreement regarding the following:

- compliance with all applicable SEC filing requirements and accuracy and completeness of SEC filings;
- effectiveness of the IPS Merger agreement; and
- validity of the offering.

None of the representations and warranties contained in the DCPS/ MBS Merger Agreement survives the closing of the DCPS/ MBS Merger.

Conduct of Business Prior to Closing. Each of SurgiCare, DCPS and MBS has agreed on behalf of itself and its subsidiaries, as applicable, that, subject to certain exceptions, between the execution of the DCPS/ MBS Merger Agreement and the effective time of the DCPS/ MBS Merger, to:

- conduct its businesses and the business of its subsidiaries, as applicable, in the ordinary course of business and in a manner consistent with past practice; and
- use its reasonable best efforts to preserve substantially intact its business organization and goodwill and to keep available the services of its (and its subsidiaries as applicable) current officers, employees and consultants and to preserve its (and its subsidiaries as applicable) current relationships with members or other customers, suppliers, licensors, licensees and other persons with which it and its subsidiaries, as applicable, have significant business relations.

Each of SurgiCare, DCPS and MBS has also agreed that, subject to certain exceptions, prior to the effective time of the DCPS/ MBS Merger, without the prior written agreement of the other party, it shall neither do any of the following nor permit its subsidiaries, as applicable, to do any of the following:

- Amend or otherwise change its charter or bylaws or equivalent organizational documents;
- Issue, sell, pledge, dispose of, or authorize for issuance, sale, pledge or disposal, equity securities or equity equivalent securities, or any other ownership interest, except for the issuance of shares of SurgiCare common stock upon the exercise of options and warrants outstanding as of the date of the DCPS/ MBS Merger Agreement;
- Authorize, declare or set aside any dividend payments or other distribution with respect to any of its stock or other ownership interests; provided, however, that each of DCPS and MBS may dividend out excess cash prior to the closing of the DCPS/ MBS Merger subject to certain exceptions;
- Reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its stock or other ownership interests or issue or authorize the issuance of any other securities in respect of, or in lieu of or in substitution for shares of its capital stock or other ownership interests;
- Acquire or agree to acquire or sell or agree to sell any interest in any corporation, partnership or other business or any assets constituting a business or a portion of a business;
- Sell, lease, license, encumber or otherwise dispose of any of its or its subsidiaries , as applicable, real property or improvements;
- Incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse the obligations of any person, or make any loans or advances, except for revolving indebtedness under existing revolving loan agreements of SurgiCare, DCPS and MBS, incurred in the ordinary course of business and consistent with past practice, indebtedness under any additional notes evidencing additional loans made by Lakepoint Acquisition, Inc. to SurgiCare after October 24, 2003, and other indebtedness with a maturity of not more than one year and in a principal amount not, in the aggregate, in excess of $100,000 with respect to SurgiCare and in excess of $25,000 with respect to DCPS and MBS;
- Enter into any contracts or agreements requiring payment or receipt of payment in excess of $250,000 with respect to SurgiCare and in excess of $100,000 with respect to DCPS and MBS, or modify, amend,

62

Table of Contents

renew or waive any material provision of, breach or terminate any of its or its subsidiaries , as applicable, existing material contracts;

Make or authorize any capital expenditures which were not disclosed in connection with the DCPS/ MBS Merger Agreement;

Except for the acceleration of vesting of unvested SurgiCare stock options and warrants outstanding on the date of the DCPS/ MBS Merger Agreement, waive any stock repurchase or acceleration rights, amend or change the terms of any options, warrants or restricted stock, or reprice options or warrants or authorize cash payments in exchange for any options or warrants;

Increase compensation to its or its subsidiaries , as applicable, officers or employees (including rights to severance or termination pay), except for increases in salaries or wages of employees other than directors, officers and key employees, in accordance with past practices and consistent with current budgets (and, in the case of SurgiCare in the ordinary course of business, and as disclosed to DCPS and MBS in connection with the DCPS/ MBS Merger Agreement), grant or amend any rights to severance or termination pay to, or enter into or amend any employment or severance agreement with any of its or its subsidiaries , as applicable, directors, officers or employees (or, in the case of SurgiCare any person, except as required by previously existing contractual arrangements or required law) or forgive any indebtedness of any of its or its subsidiaries , as applicable, employees;

Pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) in excess of $100,000 in the aggregate with respect to SurgiCare and $50,000 in the aggregate with respect to DCPS and MBS, other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in its balance sheet or incurred in the ordinary course of business, consistent with past practices, or cancel any indebtedness in excess of $100,000 in the aggregate with respect to SurgiCare and $50,000 in the aggregate with respect to DCPS and MBS, or waive any claims or rights of substantial value, or waive the benefits of, or agree to modify in any manner, any confidentiality, standstill or similar agreement to which it or any of its subsidiaries, as applicable, is a party;

Settle any action other than any settlement that involves only the payment of damages in an immaterial amount and does not involve injunctive or other equitable relief, or commence any litigation or arbitration;

Make or revoke any tax elections, unless required by applicable law, adopt or change any method of tax accounting, request any ruling or similar determination, enter into any closing agreement or settle any tax liabilities or take any action with respect to the computation of taxes or the preparation of a tax return that is inconsistent with past practice;

Change its accounting principles or procedures, other than certain required changes;

Subject to certain exceptions, establish, adopt, enter into, amend or terminate any collective bargaining agreement or certain employee benefit plans, other than to the extent required by such employee benefit plans or to comply with applicable law, or, take any action to accelerate any rights or benefits, or, unless consistent with past practice, make any material determinations not in the ordinary course of business, under any collective bargaining agreement or certain employee benefit plans;

Enter into or implement any stockholder rights plan or any similar anti-takeover plan or device in a manner that could prevent or delay the consummation of the DCPS/ MBS Merger;

Agree in writing or otherwise to take any of the actions described above; or

Take any action that would reasonably be expected to cause any representation and warranty given by it (and in the case of SurgiCare, given by DCPS/ MBS) that is qualified by materiality to be untrue, any representation and warranty given by it (and in the case of SurgiCare, given by DCPS/ MBS) that is not qualified by materiality to be untrue in any material respect, or would reasonably be expected to result in its (and in the case of SurgiCare, DCPS/ MBS s) inability to satisfy certain conditions to closing.

Table of Contents

No Solicitation Provisions.

Each of DCPS and MBS has agreed not to directly or indirectly initiate, solicit, negotiate, engage in discussions regarding, encourage or provide nonpublic confidential information to facilitate, and DCPS and MBS will not, and will use their reasonable best efforts to cause any officer, director or employee of DCPS or MBS, or any attorney, accountant, investment banker, financial advisor or other agent retained by DCPS or MBS not to, directly or indirectly, initiate, solicit, negotiate, engage in discussions regarding, encourage or provide nonpublic or confidential information to facilitate, any proposal, offer or inquiry to acquire a material part of the business or properties of DCPS or MBS (which shall include, but not be limited to, a part of the business or properties of DCPS or MBS constituting 10% or more of the net revenues, net income or the assets of DCPS or MBS or any capital stock or other ownership interests of DCPS or MBS) whether by merger, consolidation, recapitalization, purchase of assets, tender offer or otherwise and whether for cash, securities or any other consideration or combination thereof. DCPS and MBS have also agreed to immediately cease and cause to be terminated all activities, discussions or negotiations with any parties with respect to any of the transactions described in the previous sentence, other than in connection with the DCPS/ MBS Merger.

Observer Rights. Dennis Cain, the current President of DCPS, will have the right to be present as an observer at all meetings of the board of directors of Orion or any of its committees so long as he continues to own at least 50% of the shares of Class C common stock issued to him in connection with the DCPS/ MBS Merger (or Class A common stock issued upon conversion of the Class C common stock or otherwise). Similarly, Tom M. Smith, the current President of MBS, will have the right to be present as an observer at all meetings of the Board of Directors of Orion or any of its committees so long as he continues to own at least 50% of the shares of Class C common stock issued to him in connection with the DCPS/ MBS Merger (or Class A common stock issued upon conversion of the Class C common stock or otherwise). The board of directors, however, may exclude either observer from attending any meeting where all members of management are excluded or which relates to a matter in which the observer has a material business or financial interest (other than by reason of his interest as a stockholder). Orion will pay for all reasonable expenses incurred by the observers in connection with their attendance of meetings of the board of directors of Orion or any of its committees.

Events of Termination. The DCPS/ MBS Merger Agreement may be terminated and the DCPS/ MBS Merger abandoned at any time prior to the effective time, notwithstanding any requisite approval and adoption of the DCPS/ MBS Merger Agreement and such transactions, as follows:

By mutual written consent duly authorized by the board of directors of each of SurgiCare and MBS, and the general partner and limited partners of DCPS;

By either SurgiCare, on the one hand, or DCPS and MBS, on the other hand, by giving written notice to the other party, if there is any applicable law or order of a governmental authority which is final and nonappealable preventing the consummation of the DCPS/ MBS Merger (but the merger agreement cannot be terminated for this reason by a party whose failure to fulfill its obligations under the merger agreement resulted in such action);

By either SurgiCare, on the one hand, or DCPS and MBS, on the other, by giving written notice to the other party, if the DCPS/ MBS Merger is not completed on or prior to October 31, 2004;

By either SurgiCare, on the one hand, or DCPS and MBS, on the other hand, by giving written notice to the other party, if SurgiCare does not obtain the required stockholder approval;

By SurgiCare, by giving written notice to DCPS and MBS, upon a breach of any representation, warranty, covenant or agreement on the part of DCPS or MBS set forth in the DCPS/ MBS Merger Agreement, or if any representation or warranty of DCPS and MBS has become untrue, in either case such that the relevant closing conditions, subject to the materiality thresholds contained in such closing conditions, would not be satisfied (but the merger agreement cannot be terminated for this reason by SurgiCare if SurgiCare is, at the time, in breach of the merger agreement); and

Table of Contents

By DCPS and MBS by giving written notice to SurgiCare, upon a breach of any representation, warranty, covenant or agreement on the part of SurgiCare or DCPS/ MBS set forth in the DCPS/ MBS Merger Agreement, or if any representation or warranty of SurgiCare or DCPS/ MBS has become untrue, in either case such that the relevant closing conditions, subject to the materiality thresholds contained in such closing conditions, would not be satisfied (but the merger agreement cannot be terminated for this reason by DCPS and MBS if DCPS or MBS is, at the time, in breach of the merger agreement).

Fees and Expenses. In the event that the DCPS/ MBS Merger Agreement is terminated due to SurgiCare s failure to obtain the required stockholder approval, SurgiCare will reimburse DCPS and MBS for all reasonable out-of-pocket expenses incurred by or on behalf of DCPS or MBS. In all other circumstances, each party to the DCPS/ MBS Merger Agreement will pay its fees and expenses.

Choice of Law. The DCPS/ MBS Merger Agreement is governed by and construed in accordance with the laws of the State of Texas.

Table of Contents

THE EQUITY FINANCING

This section of the proxy statement describes the material aspects of the proposed equity financing. While we believe that the description covers the material terms of the equity financing, this summary may not contain all of the information that is important to you. You should read this entire proxy statement and the other documents we refer to carefully for a more complete understanding of the equity financing and the related transactions.

Unless otherwise indicated, all share amounts give effect to the Reverse Stock Split described in this proxy statement. Unless otherwise indicated, all share amounts and percentages are based on the assumptions described in the section Summary Term Sheet Assumptions and are therefore subject to change if such assumptions are not accurate at the time of the closing of the Acquisitions.

Vote Required for the Equity Financing

We are required by our certificate of incorporation, Delaware law and the Transaction Documents to obtain the approval majority of each class of our stockholders, voting as separate classes, and voting together as a single class, in order to amend and restate our certificate of incorporation to authorize the Class B common stock. In addition, the AMEX rules require that we obtain the approval of our stockholders for the issuance of our Class B common stock.

The Equity Financing

Brantley IV will contribute cash in the amount of $10 million plus the Base Bridge Interest Amount. Brantley IV has, through an entity wholly-owned by Brantley IV, bridge loans outstanding to both SurgiCare and IPS. A portion of the cash invested by Brantley IV will be used by Orion to pay this debt. With respect to the bridge loans owing by IPS, Orion will pay such debt on behalf of IPS. As of September 2, 2004, the aggregate amount of the outstanding indebtedness, including interest thereon, was $4,904,539.

Shares Received by Brantley IV. Brantley IV will receive a number of shares of Class B common stock equal to 1.02 times the aggregate number of outstanding shares of Class A common stock immediately after giving effect to the amendments to SurgiCare s charter, but prior to the closing of the Transactions (giving effect to issuance of 2,100,000 shares of common stock to A.I. International and the conversion of all of our Series AA preferred stock for 8,750,000 shares of common stock and cashless exercise of in-the-money options or warrants) divided by 0.49 plus $2,720,000 divided by $1.25. Options and warrants will be deemed in-the-money if they have an exercise price of less than the greater of $0.55 or the fair market value (based on the daily average of the high and low price per share of SurgiCare common stock over the five trading days immediately prior to closing). Changes in the closing price will affect the number of SurgiCare shares deemed outstanding for purposes of this calculation and thus will affect the aggregate number of shares to be received by Brantley IV.

Brantley IV will also receive the option to purchase shares of Class A common stock for cash in an amount up to an aggregate of $3 million from time to time after the closing of the Transactions, subject to the approval of a majority of the unaffiliated members of the board of directors of Orion, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A common stock for the twenty trading days preceding the date of the closing of such investment.

Based on the assumptions used in this proxy statement, including the assumed market price of the SurgiCare common stock, Brantley IV would receive approximately 11,442,426 shares (based on the market price of SurgiCare Common Stock as of September 2, 2004) of Class B common stock. Prior to the DCPS/ MBS Merger, the shares of Class B common stock issued to Brantley IV will represent, on an as-converted basis, approximately 62.1% of the Fully-Diluted Orion Shares (as adjusted for the shares of Class A common stock and Class C common stock issuable pursuant to the DCPS/ MBS Merger Agreement), and will initially represent, on an as-converted basis, approximately 57.0% of the Fully-Diluted Orion Shares. Assuming everything else remains the same, the percentage interest of Brantley IV upon conversion will continually increase, since the conversion factor for the Class B common stock is designed to yield additional shares of

Table of Contents

Class A common stock, or portions thereof, necessary to approximate the unpaid portion of the return of the original purchase price for the Class B common stock less the Base Bridge Interest Amount, plus an amount equal to nine percent (9%) per annum on the amount of the original purchase price less the Ba