

Emergency Medical Services L.P.

Form 10-Q

November 04, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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(Mark one)

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

For the quarterly period ended September 30, 2009

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file numbers:

001-32701

333-127115

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## **EMERGENCY MEDICAL SERVICES CORPORATION**

### **EMERGENCY MEDICAL SERVICES L.P.**

(Exact name of Registrants as Specified in their Charters)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-3738384**

**20-2076535**

(IRS Employer  
Identification Numbers)

**6200 S. Syracuse Way, Suite 200**  
**Greenwood Village, CO**

(Address of principal executive offices)

**80111**

(Zip Code)

Registrants telephone number, including area code: **303-495-1200**

Former name, former address and former fiscal year, if changed since last report:

**Not applicable**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

Shares of class A common stock outstanding at October 30, 2009 19,865,513; shares of class B common stock outstanding at October 30, 2009 133,957; LP exchangeable units outstanding at October 30, 2009 22,916,088.

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**EMERGENCY MEDICAL SERVICES CORPORATION**

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**ON FORM 10-Q**

**FOR THE THREE AND NINE MONTHS ENDED**

**SEPTEMBER 30, 2009**

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|  | Quarter ended<br>September 30, |            | Nine months ended<br>September 30, |              |
|--|--------------------------------|------------|------------------------------------|--------------|
|  | 2009                           | 2008       | 2009                               | 2008         |
| Net revenue  | \$ 665,056                     | \$ 679,328 | \$ 1,915,369                       | \$ 1,816,193 |
| Compensation and benefits  | 467,625                        | 426,755    | 1,332,787                          | 1,221,607    |
| Operating expenses   | 85,510                         | 135,087    | 252,355                            | 302,014      |
| Insurance expense  | 24,845                         | 25,109     | 75,706                             | 63,640       |
| Selling, general and administrative expenses                                   | 15,871                         | 20,509     | 47,186                             | 50,621       |
| Depreciation and amortization expense  | 15,733                         | 16,993     | 48,658                             | 52,156       |
| Income from operations   | 55,472                         | 54,875     | 158,677                            | 126,155      |
| Interest income from restricted assets   | 1,082                          | 1,623      | 3,468                              | 5,113        |
| Interest expense   | (10,280)                       | (11,117)   | (30,749)                           | (31,387)     |
| Realized gain on investments   | 544                            | 768        | 2,030                              | 3,011        |
| Interest and other income  | 502                            | 508        | 1,442                              | 1,097        |
| Income before income taxes and equity in earnings of unconsolidated subsidiary | 47,320                         | 46,657     | 134,868                            | 103,989      |
| Income tax expense   | (18,533)                       | (18,138)   | (53,144)                           | (40,170)     |
| Income before equity in earnings of unconsolidated subsidiary                  | 28,787                         | 28,519     | 81,724                             | 63,819       |
| Equity in earnings of unconsolidated subsidiary                                | 91                             | 98         | 244                                | 152          |
| Net income   | 28,878                         | 28,617     | 81,968                             | 63,971       |
| Other comprehensive income (loss), net of tax:                                 |                                |            |                                    |              |
| Unrealized holding gains (losses) during the period                            | 761                            | (869)      | (1,773)                            | (2,629)      |
| Unrealized gains (losses) on derivative financial instruments                  | 1,105                          | 205        | 2,372                              | (555)        |
| Comprehensive income   | \$ 30,744                      | \$ 27,953  | \$ 82,567                          | \$ 60,787    |
| Basic earnings per common share  | \$ 0.67                        | \$ 0.69    | \$ 1.93                            | \$ 1.54      |
| Diluted earnings per common share  | \$ 0.66                        | \$ 0.66    | \$ 1.89                            | \$ 1.49      |
| Weighted average common shares outstanding, basic                              | 42,809,582                     | 41,637,765 | 42,366,065                         | 41,594,270   |

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|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Weighted average common shares outstanding,<br>diluted | 43,769,788 | 43,062,364 | 43,402,818 | 43,058,904 |
|--|------------|------------|------------|------------|

The accompanying notes are an integral part of these financial statements.

Table of Contents**Emergency Medical Services Corporation****Consolidated Balance Sheets**

(in thousands, except share and per share data)

|  | September 30,<br>2009<br>(Unaudited) | December 31,<br>2008 |
|--|--------------------------------------|----------------------|
| <b>Assets</b>  |                                      |                      |
| Current assets:  |                                      |                      |
| Cash and cash equivalents  | \$ 331,105                           | \$ 146,173           |
| Insurance collateral   | 30,192                               | 55,052               |
| Trade and other accounts receivable, net   | 464,241                              | 472,501              |
| Parts and supplies inventory   | 21,226                               | 21,160               |
| Prepays and other current assets   | 40,657                               | 28,378               |
| Current deferred tax assets  | 17,874                               | 91,910               |
| Total current assets   | 905,295                              | 815,174              |
| Non-current assets:  |                                      |                      |
| Property, plant and equipment, net   | 123,520                              | 124,869              |
| Intangible assets, net   | 73,034                               | 76,141               |
| Non-current deferred tax assets  |                                      | 36,351               |
| Insurance collateral   | 138,662                              | 119,644              |
| Goodwill   | 337,433                              | 346,013              |
| Other long-term assets   | 22,067                               | 23,027               |
| Total assets   | \$ 1,600,011                         | \$ 1,541,219         |
| <b>Liabilities and Equity</b>  |                                      |                      |
| Current liabilities:   |                                      |                      |
| Accounts payable   | \$ 67,844                            | \$ 57,318            |
| Accrued liabilities  | 262,866                              | 257,918              |
| Current portion of long-term debt  | 3,462                                | 4,905                |
| Total current liabilities  | 334,172                              | 320,141              |
| Long-term debt   | 451,751                              | 453,600              |
| Non-current deferred tax liability   | 5,673                                |                      |
| Insurance reserves and other long-term liabilities   | 167,013                              | 228,439              |
| Total liabilities  | 958,609                              | 1,002,180            |
| Equity:  |                                      |                      |
| Preferred stock (\$0.01 par value; 20,000,000 shares authorized, 0 issued and outstanding)   |                                      |                      |
| Class A common stock (\$0.01 par value; 100,000,000 shares authorized, 19,823,327 and 9,606,766 issued and outstanding in 2009 and 2008, respectively) | 198                                  | 96                   |
| Class B common stock (\$0.01 par value; 40,000,000 shares authorized, 133,957 and 142,545 issued and outstanding in 2009 and 2008, respectively)       | 1                                    | 1                    |
| Class B special voting stock (\$0.01 par value; 1 share authorized, issued and outstanding in 2009 and 2008)   |                                      |                      |
| LP exchangeable units (22,916,088 and 32,107,500 shares issued and outstanding in 2009 and 2008, respectively)   | 151,568                              | 212,361              |
| Additional paid-in capital   | 204,857                              | 124,370              |
| Retained earnings  | 285,771                              | 203,803              |
| Accumulated other comprehensive loss   | (993)                                | (1,592)              |
| Total equity   | 641,402                              | 539,039              |
| Total liabilities and equity   | \$ 1,600,011                         | \$ 1,541,219         |

The accompanying notes are an integral part of these financial statements.





Table of Contents**Emergency Medical Services Corporation****Consolidated Statements of Cash Flows****(unaudited; in thousands)**

|   | Quarter ended September 30, |            | Nine months ended September 30, |            |
|---|-----------------------------|------------|---------------------------------|------------|
|   | 2009                        | 2008       | 2009                            | 2008       |
| <b>Cash Flows from Operating Activities</b>                                       |                             |            |                                 |            |
| Net income  | \$ 28,878                   | \$ 28,617  | \$ 81,968                       | \$ 63,971  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                             |            |                                 |            |
| Depreciation and amortization   | 16,242                      | 17,465     | 49,983                          | 53,734     |
| Loss (gain) on disposal of property, plant and equipment                          | 33                          | (41)       | 69                              | (144)      |
| Equity-based compensation expense   | 1,121                       | 717        | 2,875                           | 1,841      |
| Equity in earnings of unconsolidated subsidiary                                   | (91)                        | (98)       | (244)                           | (152)      |
| Dividends received  |                             |            | 713                             |            |
| Deferred income taxes   | 18,061                      | 17,827     | 49,989                          | 36,449     |
| Changes in operating assets/liabilities, net of acquisitions:                     |                             |            |                                 |            |
| Trade and other accounts receivable   | 7,574                       | (40,747)   | 8,448                           | (54,499)   |
| Parts and supplies inventory  | 41                          | (53)       | (66)                            | (67)       |
| Prepays and other current assets  | (6,270)                     | (2,763)    | (1,580)                         | (7,401)    |
| Accounts payable and accrued liabilities  | (1,007)                     | 52,316     | 10,613                          | 42,027     |
| Insurance accruals  | 4,280                       | 1,807      | 7,033                           | (5,333)    |
| Net cash provided by operating activities   | 68,862                      | 75,047     | 209,801                         | 130,426    |
| <b>Cash Flows from Investing Activities</b>                                       |                             |            |                                 |            |
| Purchases of property, plant and equipment  | (13,576)                    | (11,574)   | (33,661)                        | (21,754)   |
| Proceeds from sale of property, plant and equipment                               | 41                          | 127        | 101                             | 347        |
| Acquisition of businesses, net of cash received                                   | (1,241)                     | (8,368)    | (1,374)                         | (28,325)   |
| Net change in insurance collateral  | 6,002                       | 1,127      | 4,069                           | 15,983     |
| Other investing activities  | (166)                       | 764        | (809)                           | 3,392      |
| Net cash used in investing activities   | (8,940)                     | (17,924)   | (31,674)                        | (30,357)   |
| <b>Cash Flows from Financing Activities</b>                                       |                             |            |                                 |            |
| EMSC issuance of class A common stock   | 2,437                       | 1,875      | 7,160                           | 1,920      |
| Repayments of capital lease obligations and other debt                            | (1,214)                     | (1,285)    | (3,826)                         | (18,006)   |
| Increase in bank overdrafts   | 2,821                       | 4,950      | 3,471                           | 8,785      |
| Borrowings under revolving credit facility  |                             |            |                                 | 14,000     |
| Net cash provided by financing activities   | 4,044                       | 5,540      | 6,805                           | 6,699      |
| Change in cash and cash equivalents   | 63,966                      | 62,663     | 184,932                         | 106,768    |
| Cash and cash equivalents, beginning of period                                    | 267,139                     | 73,019     | 146,173                         | 28,914     |
| Cash and cash equivalents, end of period  | \$ 331,105                  | \$ 135,682 | \$ 331,105                      | \$ 135,682 |
| <b>Non-cash Activities</b>  |                             |            |                                 |            |
| Capital lease obligations incurred  | \$                          | \$         | \$                              | \$ 682     |

The accompanying notes are an integral part of these financial statements.



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**Emergency Medical Services Corporation**

**Notes to Unaudited Consolidated Financial Statements**

**(in thousands, except share and per share data)**

**1. General**

***Basis of Presentation of Financial Statements***

The accompanying interim consolidated financial statements for Emergency Medical Services Corporation ( EMSC or the Company ) have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim reporting and accordingly, do not include all of the disclosures required for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature. Operating results for the three and nine month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009. For further information, see the Company s consolidated financial statements, including the accounting policies and notes thereto, included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The consolidated financial statements of EMSC include those of its direct subsidiary, Emergency Medical Services L.P. ( EMS LP ), a Delaware limited partnership. The Company s business is conducted primarily through two operating subsidiaries, American Medical Response, Inc. ( AMR ), its healthcare transportation services segment, and EmCare Holdings Inc. ( EmCare ), its outsourced hospital-based physician services segment.

The Company is party to a management agreement with a wholly-owned subsidiary of Onex Corporation, the Company s principal equityholder. In exchange for an annual management fee of \$1.0 million, the Onex subsidiary provides the Company with corporate finance and strategic planning consulting services. For each of the three and nine months ended September 30, 2009 and 2008, the Company expensed \$250 and \$750, respectively, in respect of this fee.

**2. Summary of Significant Accounting Policies**

***Consolidation***

The consolidated financial statements include all wholly-owned subsidiaries of EMSC, including AMR and EmCare and their respective subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

*Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions relating to the reporting of results of operations, financial condition and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates under different assumptions or conditions.

*Insurance*

Insurance collateral is comprised principally of government and investment grade securities and cash deposits with third parties and supports the Company's insurance program and reserves. Certain of these investments, if sold or otherwise liquidated, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted.

Insurance reserves are established for automobile, workers compensation, general liability and professional liability claims utilizing policies with both fully-insured and self-insured components. This includes the use of an off-shore captive insurance program through a wholly-owned subsidiary for certain professional liability (malpractice) programs for EmCare. In those instances where the Company has obtained third-party insurance coverage, the Company generally retains liability for the first \$1 to \$2 million of the loss. Insurance reserves cover known claims and incidents within the level of Company retention that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from activities through the balance sheet date.

The Company establishes reserves for claims based upon an assessment of actual claims and claims incurred but not reported. The reserves are established based on quarterly consultation with third-party independent actuaries using actuarial principles and assumptions that consider a number of factors, including historical claim payment patterns (including legal costs) and changes in case reserves and the assumed rate of inflation in healthcare costs and property damage repairs.

The Company's most recent actuarial valuation was completed in September 2009. As a result of this actuarial valuation, the Company recorded a decrease of \$0.9 million during the three months ended September 30, 2009 in its provision for

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insurance liabilities related to reserves for losses in prior years. A total increase of \$4.3 million was recorded during the nine months ended September 30, 2009. As a result of the actuarial valuation completed in September 2008, the Company recorded an increase in its provision for insurance liabilities of approximately \$2.1 million during the three months ended September 30, 2008. For the nine months ended September 30, 2008, the Company recorded a reduction of approximately \$4.0 million related to its reserves for losses in prior years.

The long-term portion of insurance reserves was \$138.3 million and \$139.0 million as of September 30, 2009 and December 31, 2008, respectively.

***Trade and Other Accounts Receivable, net***

The Company determines its allowances based on payor reimbursement schedules, historical write-off experience and other economic data. The allowances for contractual discounts and uncompensated care are reviewed monthly. Account balances are charged off against the uncompensated care allowance when it is probable the receivable will not be recovered. Write-offs to the contractual allowance occur when payment is received. The allowance for uncompensated care is related principally to receivables recorded for self-pay patients. The Company's accounts receivable and allowances are as follows:

|                                     | <b>September 30,<br/>2009</b> | <b>December 31,<br/>2008</b> |
|-------------------------------------|-------------------------------|------------------------------|
| Gross trade accounts receivable     | \$ 1,925,672                  | \$ 1,792,546                 |
| Allowance for contractual discounts | 970,660                       | 885,401                      |
| Allowance for uncompensated care    | 573,135                       | 514,475                      |
| Net trade accounts receivable       | 381,877                       | 392,670                      |
| Other receivables, net              | 82,364                        | 79,831                       |
| Net accounts receivable             | \$ 464,241                    | \$ 472,501                   |

Other receivables represent EmCare hospital subsidies and fees and AMR fees for stand-by and special events and subsidies from community organizations.

AMR contractual allowances are determined primarily on payor reimbursement schedules that are included and regularly updated in the billing systems, and by historical collection experience. The billing systems calculate the difference between payor specific gross billings and contractually agreed to, or governmentally driven, reimbursement rates. The allowance for uncompensated care at AMR is related principally to receivables recorded for self-pay patients. AMR's allowances on self-pay accounts receivable are estimated on claim level, historical write-off experience.

Accounts receivable allowances at EmCare are estimated based on cash collection and write-off experience at a facility level contract and facility specific payor mix. These allowances are reviewed and adjusted monthly through revenue provisions. In addition, a look-back analysis is done, typically after 15 months, to compare actual cash collected on a date of service basis to the revenue recorded for that period. Any adjustment necessary for an overage or deficit in these allowances based on actual collections is recorded through a revenue adjustment in the current period.

**Revenue Recognition**

Revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Provisions for contractual discounts and estimated uncompensated care as a percentage of gross revenue and as a percentage of gross revenue less provision for contractual discounts are as follows:

|  | Quarter ended<br>September 30, |        | Nine months ended<br>September 30, |        |
|--|--------------------------------|--------|------------------------------------|--------|
|  | 2009                           | 2008   | 2009                               | 2008   |
| Gross revenue  | 100.0%                         | 100.0% | 100.0%                             | 100.0% |
| Provision for contractual discounts  | 49.2%                          | 43.4%  | 48.9%                              | 45.0%  |
| Revenue net of contractual discounts   | 50.8%                          | 56.6%  | 51.1%                              | 55.0%  |
| Provision for uncompensated care as a percentage of gross revenue                            | 20.3%                          | 19.7%  | 20.1%                              | 19.2%  |
| Provision for uncompensated care as a percentage of gross revenue less contractual discounts | 39.9%                          | 34.8%  | 39.3%                              | 35.0%  |

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing their efforts to control expenditures for healthcare, including proposals to revise reimbursement policies. The Company has from time to time

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experienced delays in reimbursement from third-party payors. In addition, third-party payors may disallow, in whole or in part, claims for reimbursement based on determinations that certain amounts are not reimbursable under plan coverage, determinations of medical necessity, or the need for additional information. Laws and regulations governing the Medicare and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an estimated basis in the period which related services are rendered. As a result, there is a reasonable possibility that recorded estimates will change materially in the short-term. Such amounts, including adjustments between provisions for contractual discounts and uncompensated care, are adjusted in future periods, as adjustments become known. These adjustments were less than 1% of net revenue for the three and nine month periods ending September 30, 2009 and 2008.

The Company also provides services to patients who have no insurance or other third-party payor coverage. In certain circumstances, federal law requires providers to render services to any patient who requires emergency care regardless of their ability to pay.

***Equity Structure***

On December 21, 2005, the Company effected a reorganization and issued 8.1 million shares of class A common stock in an initial public offering. Pursuant to the reorganization, EMS LP, the former top-tier holding company of AMR and EmCare, became the consolidated subsidiary of EMSC, a newly formed corporation. To effect the reorganization, the holders of the capital stock of the sole general partner of EMS LP contributed that capital stock to the Company in exchange for class B common stock; the general partner was merged into the Company and the Company became the sole general partner of EMS LP. Concurrently, the holders of class B units of EMS LP contributed their units to the Company in exchange for shares of the Company's class A common stock, and the holders of certain class A units of EMS LP contributed their units to the Company in exchange for shares of the Company's class B common stock.

On August 12, 2009, a public secondary offering was closed in which 9.2 million shares of class A common stock were sold by certain persons who are affiliated with the Company's principal equity holder. In order to affect the secondary offering, holders of LP exchangeable units exchanged 9.2 million units into class B common stock. Upon transfer, the class B common stock converted automatically into the 9.2 million shares of class A common stock sold in the offering. Proceeds from the offering were paid entirely to the selling stockholders.

As of September 30, 2009, the Company holds 46.5% of the equity interests in EMS LP. LP exchangeable units, held by persons affiliated with the Company's principal equity holder, represent the balance of the EMS LP equity. The LP exchangeable units are exchangeable at any time, at the option of the holder, for shares of the Company's class B common stock on a one-for-one basis. The holders of the LP exchangeable units have the right to vote, through the trustee holder of the Company's class B special voting stock, at all stockholder meetings at which holders of the Company's class B common stock or class B special voting stock are entitled to vote.

In the EMS LP partnership agreement, the Company has agreed to maintain the economic equivalency of the LP exchangeable units and the class B common stock, and the holders of the LP exchangeable units have no general voting rights. The LP exchangeable units, when considered with the class B special voting stock, have the same rights, privileges and characteristics of the Company's class B common stock. The LP exchangeable units are intended to be economically equivalent to the class B common stock of the Company in that the LP exchangeable units carry the right to vote (by virtue of the class B special voting stock) with the holders of class B common stock as one class, and entitle holders to receive distributions only if the equivalent dividends are declared on the Company's class B common stock. Accordingly, the Company accounts for the LP exchangeable units as if the LP exchangeable units were shares of its common stock, including reporting the LP exchangeable units in the equity section of the Company's balance sheet and including the number of outstanding LP exchangeable units in both its basic and diluted earnings per share calculations.

*Fair Value Measurement*

Effective January 1, 2008, the Company began providing additional disclosures about financial instruments that are reported at fair value. Balances are classified based on a hierarchical framework which ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is impacted by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The Company does not adjust the quoted price for these assets or liabilities.

Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.



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Level 3 Pricing inputs are unobservable as of the reporting date and reflect the Company's own assumptions about the fair value of the asset or liability.

The following table summarizes the valuation of EMSC's financial instruments by the above fair value hierarchy levels as of September 30, 2009:

| Description         | Total     | Level 1   | Level 2   | Level 3 |
|---------------------|-----------|-----------|-----------|---------|
| <b>Assets:</b>      |           |           |           |         |
| Securities          | \$ 85,771 | \$ 67,804 | \$ 17,967 | \$      |
| <b>Liabilities:</b> |           |           |           |         |
| Derivatives         | \$ 1,920  | \$        | \$ 1,920  | \$      |

The Company also estimates the fair value of its fixed rate, senior subordinated notes based on quoted market prices. The estimated fair value of the senior subordinated notes at September 30, 2009 was approximately \$266 million with a carrying value of \$250 million.

***Recent Accounting Pronouncements***

In June 2009, the Financial Accounting Standards Board ( FASB ) modified the analysis required to identify controlling financial interest in variable interest entities. The new requirements are effective for the Company beginning on January 1, 2010. Management does not expect the adoption of these new requirements to have a material effect on the Company's consolidated financial statements and related disclosures.

In June 2009, the FASB clarified circumstances under which a transferor has surrendered control and, thus, should remove the asset together with any related liabilities from its balance sheet. The guidance is effective for the Company beginning on January 1, 2010. Management does not expect the adoption of this guidance to have a material effect on the Company's consolidated financial statements and related disclosures.

In May 2009, the FASB defined further disclosure requirements for events which occur after the balance sheet date but before financial statements are issued. The new requirements are effective for the Company beginning on April 1, 2009. In accordance with these requirements, the Company's management has evaluated events subsequent to September 30, 2009 through November 4, 2009 which is the issuance date of this report. There has been no material event noted in this period which would impact the results reflected in this report, the Company's results going forward, or require additional disclosure.

**3. Acquisitions**

Effective January 1, 2009, the Company adopted changes in requirements for recording costs associated with business combinations. The impact to the Company's consolidated financial statements and related disclosures will depend on the nature and terms of the business combinations entered into subsequent to January 1, 2009. The Company expensed \$257 upon adoption of the new requirements and expensed a

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total of \$911 during the nine months ended September 30, 2009. There were no associated costs expensed during the three months ended September 30, 2009. These costs are included in operating expenses on the accompanying statement of operations and previously would have been recorded as a component of goodwill.

In January 2009, the Company entered into an agreement for the acquisition of the air ambulance business of Skyservice Business Aviation Inc. ( Skyservice Air Ambulance ), a fixed-wing air ambulance operator based in Montreal, Canada, with operations in Quebec, Ontario and British Columbia. Founded in 1989, Skyservice Air Ambulance provides worldwide air ambulance service. Completion of the transaction is subject to currently pending Canadian regulatory approval.

#### **4. Income Taxes**

The Company operates in multiple taxing jurisdictions and in the normal course of business is examined by federal and state tax authorities. In preparation for such examinations, the Company established reserves for uncertain tax positions beginning in the first quarter of 2007. The Company periodically assesses the amount of such reserves and adjusts the reserve balances as necessary. During the third quarter of 2009, the Company reduced its unrecognized tax benefits by \$64.4 million related to prior year tax positions, which were recorded in Insurance Reserves and Other Long-term Liabilities on the accompanying balance sheets. The reduction to these tax liabilities was offset primarily in Current Deferred Tax Assets.

Table of Contents**5. Accrued Liabilities**

Accrued liabilities were as follows at September 30, 2009 and December 31, 2008:

|  | September 30, 2009 | December 31,<br>2008 |
|--|--------------------|----------------------|
| Accrued wages and benefits                 | \$ 98,820          | \$ 95,029            |
| Accrued paid time-off                      | 25,817             | 25,505               |
| Current portion of self-insurance reserves | 68,840             | 61,099               |
| Accrued restructuring                      | 186                | 200                  |
| Current portion of compliance and legal    | 3,614              | 2,616                |
| Accrued billing and collection fees        | 4,455              | 4,127                |
| Accrued profit sharing                     | 27,066             | 22,954               |
| Accrued interest                           | 3,551              | 9,964                |
| Other                                      | 30,517             | 36,424               |
| Total accrued liabilities                  | \$ 262,866         | \$ 257,918           |

**6. Long-Term Debt**

Long-term debt consisted of the following at September 30, 2009 and December 31, 2008:

|   | September 30,<br>2009 | December 31,<br>2008 |
|---|-----------------------|----------------------|
| Senior subordinated notes due 2015  | \$ 250,000            | \$ 250,000           |
| Senior secured term loan due 2012 (2.26% at September 30, 2009)                 | 200,289               | 201,862              |
| Notes due at various dates from 2009 to 2022 with interest rates from 6% to 10% | 1,378                 | 1,632                |
| Capital lease obligations due at various dates from 2010 to 2018 (see note 8)   | 3,546                 | 5,011                |
|   | 455,213               | 458,505              |
| Less current portion  | (3,462)               | (4,905)              |
| Total long-term debt  | \$ 451,751            | \$ 453,600           |

**7. Derivative Instruments and Hedging Activities**

The Company manages its exposure to changes in market interest rates. The Company's use of derivative instruments is limited to highly effective fixed interest rate swap agreements used to manage well-defined interest rate risk exposures. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate non-performance by the counterparties. The Company does not enter into interest rate swap agreements for speculative purposes.

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In March 2009, the Company amended the interest rate swap agreement originally entered into in December 2007. The amendment changed the hedged interest rate from the 3-month LIBOR to the 1-month LIBOR. The swap agreement is with major financial institutions with a notional principal balance of \$200 million. The amended swap agreement effectively converts \$200 million of variable rate debt to fixed rate debt with an effective rate of 6.1%. The Company continues to make interest payments based on the variable rate associated with the debt (based on LIBOR which had a rate of less than 1% at September 30, 2009) and periodically settles with its counterparties for the difference between the rate paid and the fixed rate. The swap agreement will expire in December 2009. The Company recorded, as a component of other comprehensive income, a decrease to the liability associated with the fair value of the fixed interest rate swap agreement in the amount of \$1.8 million and \$3.9 million for the three and nine months ended September 30, 2009, respectively, and an increase of \$1.0 million and \$1.1 million during the same periods in 2008, in each case before applicable tax impacts. The net additional interest payments made or received under this swap agreement are recognized in interest expense. Over the remaining term of the agreement, the Company expects to reclassify \$1.9 million of deferred loss before applicable tax impacts from accumulated other comprehensive loss to interest expense as related interest payments that are being hedged are recognized.

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**8. Commitments and Contingencies**

*Lease Commitments*

The Company leases various facilities and equipment under operating lease agreements.

The Company also leases certain vehicles and records certain leasehold improvements under capital leases. Assets under capital leases are capitalized using inherent interest rates at the inception of each lease. Capital leases are collateralized by the underlying assets.

*Forward Purchase Commitment*

Beginning in March 2009, AMR entered into a series of forward purchase contracts which fix the price for a portion of its total monthly diesel fuel usage from April 1, 2009 through June 30, 2010. For the three months ending December 31, 2009, the Company is under contract to purchase 200,000 gallons of diesel fuel per month at a price of \$2.79 per gallon. For the nine months ending June 30, 2010, the Company is under contract to purchase 50,000 gallons of diesel fuel per month at prices ranging from \$2.91 to \$2.99 per gallon. These forward purchase contracts represent approximately 40% of the Company's total monthly diesel fuel usage. Based on the terms of the contracts, the Company has concluded they do not qualify as derivatives. The impact related to these contracts during the nine months ended September 30, 2009 was additional operating expense of \$0.1 million. There was not a material impact to operating expense related to these contracts during the three months ended September 30, 2009.

*Services*

The Company is subject to the Medicare and Medicaid fraud and abuse laws which prohibit, among other things, any false claims, or any bribe, kick-back or rebate in return for the referral of Medicare and Medicaid patients. Violation of these prohibitions may result in civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Management has implemented policies and procedures that management believes will assure that the Company is in substantial compliance with these laws and regulations but there can be no assurance the Company will not be found to have violated certain of these laws and regulations. From time to time, the Company receives requests for information from government agencies pursuant to their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government in audits or investigations. The Company is cooperating with the government agencies conducting these investigations and is providing requested information to the government agencies. Other than the proceedings described below, management believes that the outcome of any of these investigations would not have a material adverse effect on the Company.

*Other Legal Matters*

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On December 13, 2005, a lawsuit purporting to be a class action was commenced against AMR in Spokane, Washington in Washington State Court, Spokane County. The complaint alleges that AMR billed patients and third party payors for transports it conducted between 1998 and 2005 at higher rates than contractually permitted. The court has certified a class in this case, but the size and membership of the class has not been determined. At this time, AMR does not believe that any incorrect billings are material in amount.

In December 2006, AMR received a subpoena from the Department of Justice. The subpoena requested copies of documents for the period from January 2000 through the present. The subpoena required AMR to produce a broad range of documents relating to the operations of certain AMR affiliates in New York. The Company continues to cooperate with governmental requests for documents and information.

Three different lawsuits purporting to be class actions have been filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Lori Bartoni commenced a suit in the Superior Court for the State of California, County of Alameda, which has since been removed to the United States District Court, Northern District of California; on July 8, 2008, Vaughn Banta filed suit in the Superior Court of the State of California, County of Los Angeles; on January 22, 2009, Laura Karapetian filed suit in the Superior Court of the State of California, County of Los Angeles. At the present time, courts have not certified classes in any of these cases. Plaintiffs allege principally that the AMR entities failed to pay daily overtime charges pursuant to California law, and failed to provide required meal breaks or pay premium compensation for missed meal breaks. Plaintiffs are seeking to certify the classes and are seeking lost wages, punitive damages, attorneys' fees and other sanctions permitted under California law for violations of wage hour laws. The Company is unable at this time to estimate the amount of potential damages, if any.

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The Company is involved in other litigation arising in the ordinary course of business. Management believes the outcome of these legal proceedings will not have a material adverse impact on its financial condition, results of operations or liquidity.

**9. Equity Based Compensation**

The Company's stock options are valued using the Black-Scholes valuation model on the date of grant. Equity based compensation has been issued under the plans described below.

**Equity Option Plan**

Under the Company's Equity Option Plan, key employees were granted options that permit the individuals to purchase class A common shares and vest ratably generally over a period of four years. In addition, certain performance measures must be met for 50% of the options to become exercisable; these performance measures were satisfied during the first quarter of 2009 with respect to the options granted in the first quarter of 2005. Options with similar provisions were granted to non-employee directors. As the vesting period for these shares was complete during the first quarter of 2009, the Company did not record a compensation charge for the three months ended September 30, 2009. A compensation charge of \$431 was recorded for the three months ended September 30, 2008. The compensation charge recorded for the nine months ended September 30, 2009 and 2008 was \$97 and \$1,293, respectively.

**Long-Term Incentive Plan**

The Company's original 2007 Long-Term Incentive Plan was approved by stockholders in May 2007 and an Amended and Restated 2007 Long-Term Incentive Plan (the "Plan") was approved by stockholders in May 2008. The Plan provides for the grant of long-term incentives, including various equity-based incentives, to those persons with responsibility for the success and growth of the Company and its subsidiaries.

The Company granted options under the Plan to key employees during the three months ended September 30, 2009. The options permit employees to purchase an aggregated 3,750 shares of class A common stock at a weighted average exercise price of \$42.47 per share, vest ratably over a period of 4 years and have a maximum term of ten years. The Company also granted 3,750 shares of restricted stock pursuant to the Plan during such period, which vest ratably over a period of three years.

The Company recorded a compensation charge of \$996 and \$186 during the three months ended September 30, 2009 and 2008, respectively, and \$2,403 and \$248 during the nine months ended September 30, 2009 and 2008, respectively, in connection with the Plan.

**Non-Employee Director Compensation Plan**

The Non-Employee Director Compensation Plan, approved in May 2007, is available to non-employee directors of the Company, other than the Chair of the Compliance Committee. Under this plan, eligible directors are granted Restricted Stock Units ( RSUs ) following each annual stockholder meeting with each RSU representing one share of the Company's class A common stock. Eligible directors receive a grant of RSUs having a fair market value of \$100 on the date of grant based on the closing price of the Company's class A common stock on the business day immediately preceding the grant date. The Non-Employee Director Compensation Plan allows directors to defer income from the grant of RSUs, which vest immediately prior to the election of directors at the next annual stockholder meeting. In connection with this plan, the Company granted 3,018 RSUs per director in 2009. The Company granted 4,145 RSUs per director following the 2008 annual stockholder meeting and granted an additional 2,374 RSUs to a director upon his election to the board of directors in October 2008. The Company expensed \$125 and \$100 for each of the three month periods ended September 30, 2009 and 2008, respectively, and \$375 and \$300 for the nine month periods ended September 30, 2009 and 2008, respectively.

#### **Stock Purchase Plan/Employee Stock Purchase Plan**

During the second quarter of 2009, the Company commenced an offering of its class A common stock to eligible employees and independent contractors associated with the Company and its subsidiaries pursuant to a Stock Purchase Plan and the Company's Employee Stock Purchase Plan (together, the SPPs ). The purchases of stock under the SPPs occurred in October 2009 at a 5% discount to the closing price of the Company's class A common stock on October 15, 2009. No compensation charge has been recorded for the SPPs in the nine month period ended September 30, 2009.

#### **10. Segment Information**

The Company is organized around two separately managed business units: healthcare transportation services and hospital-based physician services, which have been identified as operating segments. The healthcare transportation services reportable



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segment focuses on providing a full range of medical transportation services from basic patient transit to the most advanced emergency care and pre-hospital assistance. The hospital-based physician services reportable segment provides outsourced business services to hospitals primarily for emergency departments and urgent care centers, as well as for certain hospitalist/ inpatient, radiology and anesthesiology services. The Chief Executive Officer has been identified as the chief operating decision maker ( CODM ) as he assesses the performance of the business units and decides how to allocate resources to the business units.

Net income before equity in earnings of unconsolidated subsidiary, income tax expense, interest and other income, realized gain on investments, interest expense and depreciation and amortization ( Adjusted EBITDA ) is the measure of profit and loss that the CODM uses to assess performance, measure liquidity and make decisions. The accounting policies for reported segments are the same as for the Company as a whole.

|  | Quarter ended September 30, |            | Nine months ended September 30, |              |
|--|-----------------------------|------------|---------------------------------|--------------|
|  | 2009                        | 2008       | 2009                            | 2008         |
| <b>Healthcare Transportation Services</b>              |                             |            |                                 |              |
| Revenue  | \$ 338,768                  | \$ 425,335 | \$ 1,010,718                    | \$ 1,075,323 |
| Segment Adjusted EBITDA                                | 31,838                      | 47,184     | 98,151                          | 101,558      |
| <b>Emergency Management Services</b>                   |                             |            |                                 |              |
| Revenue  | 326,288                     | 253,993    | 904,651                         | 740,870      |
| Segment Adjusted EBITDA                                | 40,449                      | 26,307     | 112,652                         | 81,866       |
| <b>Total</b>   |                             |            |                                 |              |
| Total revenue  | 665,056                     | 679,328    | 1,915,369                       | 1,816,193    |
| Total Adjusted EBITDA                                  | 72,287                      | 73,491     | 210,803                         | 183,424      |
| <b>Reconciliation of Adjusted EBITDA to Net Income</b> |                             |            |                                 |              |
| Adjusted EBITDA  | \$ 72,287                   | \$ 73,491  | \$ 210,803                      | \$ 183,424   |
| Depreciation and amortization expense                  | (15,733)                    | (16,993)   | (48,658)                        | (52,156)     |
| Interest expense                                       | (10,280)                    | (11,117)   | (30,749)                        | (31,387)     |
| Realized gain on investments                           | 544                         | 768        | 2,030                           | 3,011        |
| Interest and other income                              | 502                         | 508        | 1,442                           | 1,097        |
| Income tax expense                                     | (18,533)                    | (18,138)   | (53,144)                        | (40,170)     |
| Equity in earnings of unconsolidated subsidiary        | 91                          | 98         | 244                             | 152          |
| Net income   | \$ 28,878                   | \$ 28,617  | \$ 81,968                       | \$ 63,971    |

A reconciliation of Adjusted EBITDA to cash flows provided by operating activities is as follows:

|  | Quarter ended September 30, |           | Nine months ended September 30, |            |
|--|-----------------------------|-----------|---------------------------------|------------|
|  | 2009                        | 2008      | 2009                            | 2008       |
| Adjusted EBITDA                              | \$ 72,287                   | \$ 73,491 | \$ 210,803                      | \$ 183,424 |
| Interest paid                                | (9,773)                     | (10,644)  | (29,424)                        | (29,808)   |
| Change in accounts receivable                | 7,574                       | (40,747)  | 8,448                           | (54,499)   |
| Change in other operating assets/liabilities | (2,956)                     | 51,307    | 16,000                          | 29,226     |
| Equity based compensation                    | 1,121                       | 717       | 2,875                           | 1,841      |
| Other  | 609                         | 923       | 1,099                           | 242        |
| Cash flows provided by operating activities  | \$ 68,862                   | \$ 75,047 | \$ 209,801                      | \$ 130,426 |

### 11. Guarantors of Debt

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EMS LP financed the acquisition of AMR and EmCare in part by issuing \$250.0 million principal amount of senior subordinated notes and borrowing \$370.2 million under its senior secured credit facility. Its wholly-owned subsidiaries, AMR HoldCo, Inc. (f/k/a EMSC Management, Inc.) and EmCare HoldCo, Inc., are the issuers of the senior subordinated notes and the borrowers under the senior secured credit facility. As part of the transaction, AMR and its subsidiaries became wholly-owned subsidiaries of AMR HoldCo, Inc. and EmCare and its subsidiaries became wholly-owned subsidiaries of EmCare HoldCo, Inc. The senior subordinated notes and the senior secured credit facility include a full, unconditional and joint and several guarantee by EMSC, EMS LP and EMSC's domestic subsidiaries. The senior subordinated notes and senior secured

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credit facility do not include a guarantee by the Company's captive insurance subsidiary. All of the operating income and cash flow of EMSC, EMS LP, AMR HoldCo, Inc. and EmCare HoldCo, Inc. is generated by AMR, EmCare and their subsidiaries. As a result, funds necessary to meet the debt service obligations under the senior secured notes and senior secured credit facility described above are provided by the distributions or advances from the subsidiary companies, AMR and EmCare. Investments in subsidiary operating companies are accounted for on the equity method. Accordingly, entries necessary to consolidate EMSC, EMS LP, AMR HoldCo, Inc., EmCare HoldCo, Inc. and all of their subsidiaries are reflected in the Eliminations/Adjustments column. Separate complete financial statements of the issuers, EMS LP and subsidiary guarantors would not provide additional material information that would be useful in assessing the financial composition of the issuers, EMS LP or the subsidiary guarantors. The condensed consolidating financial statements for EMSC, EMS LP, the issuers, the guarantors and the non-guarantor are as follows:

**Consolidating Statement of Operations**

**For the quarter ended September 30, 2009**

|   | EMSC      | EMS LP    | Issuer<br>AMR<br>HoldCo, Inc. | Issuer<br>EmCare<br>HoldCo, Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantor | Eliminations/<br>Adjustments | Total      |
|---|-----------|-----------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|------------|
| Net revenue   | \$        | \$        | \$                            | \$                               | \$ 665,056               | \$ 7,226                    | \$ (7,226)                   | \$ 665,056 |
| Compensation and benefits                                       |           |           |                               |                                  | 467,625                  |                             |                              | 467,625    |
| Operating expenses  |           |           |                               |                                  | 85,510                   |                             |                              | 85,510     |
| Insurance expense   |           |           |                               |                                  | 23,714                   | 8,357                       | (7,226)                      | 24,845     |
| Selling, general and administrative expenses                    |           |           |                               |                                  | 15,871                   |                             |                              | 15,871     |
| Depreciation and amortization expense                           |           |           |                               |                                  | 15,733                   |                             |                              | 15,733     |
| Income (loss) from operations                                   |           |           |                               |                                  | 56,603                   | (1,131)                     |                              | 55,472     |
| Interest income from restricted assets                          |           |           |                               |                                  | 495                      | 587                         |                              | 1,082      |
| Interest expense  |           |           |                               |                                  | (10,280)                 |                             |                              | (10,280)   |
| Realized gain on investments                                    |           |           |                               |                                  |                          | 544                         |                              | 544        |
| Interest and other income                                       |           |           |                               |                                  | 502                      |                             |                              | 502        |
| Income before income taxes                                      |           |           |                               |                                  | 47,320                   |                             |                              | 47,320     |
| Income tax expense  |           |           |                               |                                  | (18,533)                 |                             |                              | (18,533)   |
| Income before equity in earnings of unconsolidated subsidiaries |           |           |                               |                                  | 28,787                   |                             |                              | 28,787     |
| Equity in earnings of unconsolidated subsidiaries               | 28,878    | 28,878    | 8,409                         | 20,469                           | 91                       |                             | (86,634)                     | 91         |
| Net income  | \$ 28,878 | \$ 28,878 | \$ 8,409                      | \$ 20,469                        | \$ 28,878                | \$                          | \$ (86,634)                  | \$ 28,878  |

**Consolidating Statement of Operations**

**For the quarter ended September 30, 2008**

Issuer                      Issuer

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|   | EMSC      | EMS LP    | AMR<br>HoldCo, Inc. | EmCare<br>HoldCo, Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantor | Eliminations/<br>Adjustments | Total      |
|---|-----------|-----------|---------------------|------------------------|--------------------------|-----------------------------|------------------------------|------------|
| Net revenue   | \$        | \$        | \$                  | \$                     | \$ 679,328               | \$ 8,845                    | \$ (8,845)                   | \$ 679,328 |
| Compensation and benefits                                       |           |           |                     |                        | 426,755                  |                             |                              | 426,755    |
| Operating expenses  |           |           |                     |                        | 135,087                  |                             |                              | 135,087    |
| Insurance expense   |           |           |                     |                        | 23,423                   | 10,531                      | (8,845)                      | 25,109     |
| Selling, general and administrative expenses                    |           |           |                     |                        | 20,509                   |                             |                              | 20,509     |
| Depreciation and amortization expense                           |           |           |                     |                        | 16,993                   |                             |                              | 16,993     |
| Restructuring charge  |           |           |                     |                        |                          |                             |                              |            |
| Income (loss) from operations                                   |           |           |                     |                        | 56,561                   | (1,686)                     |                              | 54,875     |
| Interest income from restricted assets                          |           |           |                     |                        | 705                      | 918                         |                              | 1,623      |
| Interest expense  |           |           |                     |                        | (11,117)                 |                             |                              | (11,117)   |
| Realized gain on investments                                    |           |           |                     |                        |                          | 768                         |                              | 768        |
| Interest and other income                                       |           |           |                     |                        | 508                      |                             |                              | 508        |
| Income before income taxes                                      |           |           |                     |                        | 46,657                   |                             |                              | 46,657     |
| Income tax expense  |           |           |                     |                        | (18,138)                 |                             |                              | (18,138)   |
| Income before equity in earnings of unconsolidated subsidiaries |           |           |                     |                        | 28,519                   |                             |                              | 28,519     |
| Equity in earnings of unconsolidated subsidiaries               | 28,617    | 28,617    | 16,768              | 11,849                 | 98                       |                             | (85,851)                     | 98         |
| Net income  | \$ 28,617 | \$ 28,617 | \$ 16,768           | \$ 11,849              | \$ 28,617                | \$                          | \$ (85,851)                  | \$ 28,617  |

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|   | EMSC      | EMS LP    | Issuer<br>AMR<br>HoldCo, Inc. | Issuer<br>EmCare<br>HoldCo, Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantor | Eliminations/<br>Adjustments | Total        |
|---|-----------|-----------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|--------------|
| Net revenue   | \$        | \$        | \$                            | \$                               | \$ 1,915,369             | \$ 21,256                   | \$ (21,256)                  | \$ 1,915,369 |
| Compensation and benefits                                       |           |           |                               |                                  | 1,332,787                |                             |                              | 1,332,787    |
| Operating expenses  |           |           |                               |                                  | 252,355                  |                             |                              | 252,355      |
| Insurance expense   |           |           |                               |                                  | 71,693                   | 25,269                      | (21,256)                     | 75,706       |
| Selling, general and administrative expenses                    |           |           |                               |                                  | 47,186                   |                             |                              | 47,186       |
| Depreciation and amortization expense                           |           |           |                               |                                  | 48,658                   |                             |                              | 48,658       |
| Income (loss) from operations                                   |           |           |                               |                                  | 162,690                  | (4,013)                     |                              | 158,677      |
| Interest income from restricted assets                          |           |           |                               |                                  | 1,485                    | 1,983                       |                              | 3,468        |
| Interest expense  |           |           |                               |                                  | (30,749)                 |                             |                              | (30,749)     |
| Realized gain on investments                                    |           |           |                               |                                  |                          | 2,030                       |                              | 2,030        |
| Interest and other income                                       |           |           |                               |                                  | 1,442                    |                             |                              | 1,442        |
| Income before income taxes                                      |           |           |                               |                                  | 134,868                  |                             |                              | 134,868      |
| Income tax expense  |           |           |                               |                                  | (53,144)                 |                             |                              | (53,144)     |
| Income before equity in earnings of unconsolidated subsidiaries |           |           |                               |                                  | 81,724                   |                             |                              | 81,724       |
| Equity in earnings of unconsolidated subsidiaries               | 81,968    | 81,968    | 26,344                        | 55,624                           | 244                      |                             | (245,904)                    | 244          |
| Net income  | \$ 81,968 | \$ 81,968 | \$ 26,344                     | \$ 55,624                        | \$ 81,968                | \$                          | \$ (245,904)                 | \$ 81,968    |

**Consolidating Statement of Operations****For the nine months ended September 30, 2008**

|  | EMSC | EMS LP | Issuer<br>AMR<br>HoldCo, Inc. | Issuer<br>EmCare<br>HoldCo, Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantor | Eliminations/<br>Adjustments | Total        |
|--|------|--------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|--------------|
| Net revenue                                  | \$   | \$     | \$                            | \$                               | \$ 1,816,193             | \$ 27,554                   | \$ (27,554)                  | \$ 1,816,193 |
| Compensation and benefits                    |      |        |                               |                                  | 1,221,607                |                             |                              | 1,221,607    |
| Operating expenses                           |      |        |                               |                                  | 302,014                  |                             |                              | 302,014      |
| Insurance expense                            |      |        |                               |                                  | 57,585                   | 33,609                      | (27,554)                     | 63,640       |
| Selling, general and administrative expenses |      |        |                               |                                  | 50,621                   |                             |                              | 50,621       |
| Depreciation and amortization expense        |      |        |                               |                                  | 52,156                   |                             |                              | 52,156       |
| Restructuring charge                         |      |        |                               |                                  |                          |                             |                              |              |
| Income (loss) from operations                |      |        |                               |                                  | 132,210                  | (6,055)                     |                              | 126,155      |

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|   |    |        |    |        |    |          |    |        |    |        |           |           |    |        |
|---|----|--------|----|--------|----|----------|----|--------|----|--------|-----------|-----------|----|--------|
| Interest income from restricted assets                          |    |        |    |        |    | 2,069    |    | 3,044  |    |        | 5,113     |           |    |        |
| Interest expense  |    |        |    |        |    | (31,387) |    |        |    |        | (31,387)  |           |    |        |
| Realized gain on investments                                    |    |        |    |        |    |          |    | 3,011  |    |        | 3,011     |           |    |        |
| Interest and other income                                       |    |        |    |        |    | 1,097    |    |        |    |        | 1,097     |           |    |        |
| Income before income taxes                                      |    |        |    |        |    | 103,989  |    |        |    |        | 103,989   |           |    |        |
| Income tax expense  |    |        |    |        |    | (40,170) |    |        |    |        | (40,170)  |           |    |        |
| Income before equity in earnings of unconsolidated subsidiaries |    |        |    |        |    | 63,819   |    |        |    |        | 63,819    |           |    |        |
| Equity in earnings of unconsolidated subsidiaries               |    | 63,971 |    | 63,971 |    | 25,466   |    | 38,505 |    | 152    | (191,913) | 152       |    |        |
| Net income  | \$ | 63,971 | \$ | 63,971 | \$ | 25,466   | \$ | 38,505 | \$ | 63,971 | \$        | (191,913) | \$ | 63,971 |

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As of September 30, 2009

|  | EMSC              | EMS LP            | Issuer<br>AMR<br>HoldCo, Inc. | Issuer<br>EmCare<br>HoldCo, Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantor | Eliminations/<br>Adjustments | Total               |
|--|-------------------|-------------------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|---------------------|
| <b>Assets</b>                            |                   |                   |                               |                                  |                          |                             |                              |                     |
| Current assets:                          |                   |                   |                               |                                  |                          |                             |                              |                     |
| Cash and cash equivalents                | \$                | \$                | \$                            | \$                               | \$ 315,805               | \$ 15,300                   | \$                           | \$ 331,105          |
| Insurance collateral                     |                   |                   |                               |                                  | 11,880                   | 31,360                      | (13,048)                     | 30,192              |
| Trade and other accounts receivable, net |                   |                   |                               |                                  | 463,564                  | 677                         |                              | 464,241             |
| Parts and supplies inventory             |                   |                   |                               |                                  | 21,226                   |                             |                              | 21,226              |
| Other current assets                     |                   |                   |                               |                                  | 39,757                   | 900                         |                              | 40,657              |
| Current deferred tax assets              |                   |                   |                               |                                  | 14,040                   | 3,834                       |                              | 17,874              |
| <b>Current assets</b>                    |                   |                   |                               |                                  | <b>866,272</b>           | <b>52,071</b>               | <b>(13,048)</b>              | <b>905,295</b>      |
| Non-current assets:                      |                   |                   |                               |                                  |                          |                             |                              |                     |
| Property, plant, and equipment, net      |                   |                   |                               |                                  | 123,520                  |                             |                              | 123,520             |
| Intercompany receivable                  |                   |                   | 264,973                       | 182,134                          |                          |                             | (447,107)                    |                     |
| Intangible assets, net                   |                   |                   |                               |                                  | 73,034                   |                             |                              | 73,034              |
| Non-current deferred tax assets          |                   |                   |                               |                                  | 6,276                    | (6,276)                     |                              |                     |
| Insurance collateral                     |                   |                   |                               |                                  | 53,206                   | 82,901                      | 2,555                        | 138,662             |
| Goodwill                                 |                   |                   |                               |                                  | 336,975                  | 458                         |                              | 337,433             |
| Other long-term assets                   |                   |                   | 4,635                         | 2,050                            | 15,382                   |                             |                              | 22,067              |
| Investment and advances in subsidiaries  | 641,402           | 641,402           | 382,609                       | 258,840                          | 38,514                   |                             | (1,962,767)                  |                     |
| <b>Assets</b>                            | <b>\$ 641,402</b> | <b>\$ 641,402</b> | <b>\$ 652,217</b>             | <b>\$ 443,024</b>                | <b>\$ 1,513,179</b>      | <b>\$ 129,154</b>           | <b>\$ (2,420,367)</b>        | <b>\$ 1,600,011</b> |
| <b>Liabilities and Equity</b>            |                   |                   |                               |                                  |                          |                             |                              |                     |
| Current liabilities:                     |                   |                   |                               |                                  |                          |                             |                              |                     |
| Accounts payable                         | \$                | \$                | \$                            | \$                               | \$ 67,781                | \$ 63                       | \$                           | \$ 67,844           |
| Accrued liabilities                      |                   |                   | 1,924                         | 1,627                            | 220,549                  | 39,392                      | (626)                        | 262,866             |
| Current portion of long-term debt        |                   |                   | 1,447                         | 650                              | 1,365                    |                             |                              | 3,462               |
| <b>Current liabilities</b>               |                   |                   | <b>3,371</b>                  | <b>2,277</b>                     | <b>289,695</b>           | <b>39,455</b>               | <b>(626)</b>                 | <b>334,172</b>      |
| Long-term debt                           |                   |                   | 265,252                       | 182,939                          | 3,560                    |                             |                              | 451,751             |
| Long-term deferred tax liability         |                   |                   |                               |                                  | 5,673                    |                             |                              | 5,673               |
| Other long-term liabilities              |                   |                   |                               |                                  | 131,174                  | 45,706                      | (9,867)                      | 167,013             |
| Intercompany liabilities                 |                   |                   |                               |                                  | 441,628                  | 5,479                       | (447,107)                    |                     |
| <b>Liabilities</b>                       |                   |                   | <b>268,623</b>                | <b>185,216</b>                   | <b>871,730</b>           | <b>90,640</b>               | <b>(457,600)</b>             | <b>958,609</b>      |
| Equity:                                  |                   |                   |                               |                                  |                          |                             |                              |                     |
| Class A common stock                     | 198               |                   |                               |                                  |                          | 30                          | (30)                         | 198                 |
| Class B common stock                     | 1                 |                   |                               |                                  |                          |                             |                              | 1                   |
| Partnership equity                       | 151,568           | 356,624           | 302,565                       | 54,059                           | 356,625                  |                             | (1,069,873)                  | 151,568             |
| Additional paid-in capital               | 204,857           |                   |                               |                                  |                          | 4,316                       | (4,316)                      | 204,857             |
| Retained earnings                        | 285,771           | 285,771           | 81,751                        | 204,020                          | 285,757                  | 31,408                      | (888,707)                    | 285,771             |
| Comprehensive income (loss)              | (993)             | (993)             | (722)                         | (271)                            | (933)                    | 2,760                       | 159                          | (993)               |
| <b>Equity</b>                            | <b>641,402</b>    | <b>641,402</b>    | <b>383,594</b>                | <b>257,808</b>                   | <b>641,449</b>           | <b>38,514</b>               | <b>(1,962,767)</b>           | <b>641,402</b>      |
| <b>Liabilities and Equity</b>            | <b>\$ 641,402</b> | <b>\$ 641,402</b> | <b>\$ 652,217</b>             | <b>\$ 443,024</b>                | <b>\$ 1,513,179</b>      | <b>\$ 129,154</b>           | <b>\$ (2,420,367)</b>        | <b>\$ 1,600,011</b> |





Table of Contents**Consolidating Balance Sheet**

As of December 31, 2008

|  | EMSC       | EMS LP     | Issuer<br>AMR<br>HoldCo, Inc. | Issuer<br>EmCare<br>HoldCo, Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantor | Eliminations/<br>Adjustments | Total        |         |
|--|------------|------------|-------------------------------|----------------------------------|--------------------------|-----------------------------|------------------------------|--------------|---------|
| <b>Assets</b>                            |            |            |                               |                                  |                          |                             |                              |              |         |
| Current assets:                          |            |            |                               |                                  |                          |                             |                              |              |         |
| Cash and cash equivalents                | \$         | \$         | \$                            | \$                               | \$                       | 140,452                     | \$ 5,721                     | \$ 146,173   |         |
| Insurance collateral                     |            |            |                               |                                  |                          | 18,618                      | 40,751                       | (4,317)      | 55,052  |
| Trade and other accounts receivable, net |            |            |                               |                                  |                          | 471,546                     | 955                          |              | 472,501 |
| Parts and supplies inventory             |            |            |                               |                                  |                          | 21,160                      |                              |              | 21,160  |
| Other current assets                     |            |            |                               |                                  |                          | 28,339                      | 39                           |              | 28,378  |
| Current deferred tax assets              |            |            |                               |                                  |                          | 88,076                      | 3,834                        |              | 91,910  |
| Current assets                           |            |            |                               |                                  |                          | 768,191                     | 51,300                       | (4,317)      | 815,174 |
| Non-current assets:                      |            |            |                               |                                  |                          |                             |                              |              |         |
| Property, plant, and equipment, net      |            |            |                               |                                  |                          | 124,869                     |                              |              | 124,869 |
| Intercompany receivable                  | 11,067     | 113,400    | 268,581                       | 185,250                          |                          |                             |                              | (578,298)    |         |
| Intangible assets, net                   |            |            |                               |                                  |                          | 76,141                      |                              |              | 76,141  |
| Non-current deferred tax assets          |            |            |                               |                                  |                          | 40,666                      | (4,315)                      |              | 36,351  |
| Insurance collateral                     |            |            |                               |                                  |                          | 39,923                      | 81,062                       | (1,341)      | 119,644 |
| Goodwill                                 |            |            |                               |                                  |                          | 345,555                     | 458                          |              | 346,013 |
| Other long-term assets                   |            |            | 5,496                         | 2,513                            |                          | 15,018                      |                              |              | 23,027  |
| Investment and advances in subsidiaries  | 527,972    | 414,572    | 241,438                       | 173,120                          | 33,216                   |                             |                              | (1,390,318)  |         |
| Assets                                   | \$ 539,039 | \$ 527,972 | \$ 515,515                    | \$ 360,883                       | \$ 1,443,579             | \$ 128,505                  | \$ (1,974,274)               | \$ 1,541,219 |         |
| <b>Liabilities and Equity</b>            |            |            |                               |                                  |                          |                             |                              |              |         |
| Current liabilities:                     |            |            |                               |                                  |                          |                             |                              |              |         |
| Accounts payable                         | \$         | \$         | \$                            | \$                               | \$                       | 57,260                      | \$ 58                        | \$ 57,318    |         |
| Accrued liabilities                      |            |            | 5,247                         | 4,717                            | 216,692                  | 31,263                      | (1)                          | 257,918      |         |
| Current portion of long-term debt        |            |            | 1,590                         | 715                              | 2,600                    |                             |                              | 4,905        |         |
| Current liabilities                      |            |            | 6,837                         | 5,432                            | 276,552                  | 31,321                      | (1)                          | 320,141      |         |
| Long-term debt                           |            |            | 266,194                       | 183,363                          | 4,043                    |                             |                              | 453,600      |         |
| Other long-term liabilities              |            |            |                               |                                  | 175,623                  | 58,473                      | (5,657)                      | 228,439      |         |
| Intercompany Liabilities                 |            |            | 273,031                       | 188,795                          | 1,029,021                | 95,289                      | (583,956)                    | 1,002,180    |         |
| Equity:                                  |            |            |                               |                                  |                          |                             |                              |              |         |
| Class A common stock                     | 96         |            |                               |                                  |                          |                             | 30                           | (30)         | 96      |
| Class B common stock                     | 1          |            |                               |                                  |                          |                             |                              |              | 1       |
| Partnership equity                       | 212,361    | 325,761    | 189,394                       | 22,967                           | 212,361                  |                             |                              | (750,483)    | 212,361 |
| Additional paid-in capital               | 124,370    |            |                               |                                  |                          |                             | 4,316                        | (4,316)      | 124,370 |
| Retained earnings                        | 203,803    | 203,803    | 55,406                        | 148,397                          | 203,789                  | 24,337                      | (635,732)                    | 203,803      |         |
| Comprehensive income (loss)              | (1,592)    | (1,592)    | (2,316)                       | 724                              | (1,592)                  | 4,533                       | 243                          | (1,592)      |         |
| Equity                                   | 539,039    | 527,972    | 242,484                       | 172,088                          | 414,558                  | 33,216                      | (1,390,318)                  | 539,039      |         |
| Liabilities and Equity                   | \$ 539,039 | \$ 527,972 | \$ 515,515                    | \$ 360,883                       | \$ 1,443,579             | \$ 128,505                  | \$ (1,974,274)               | \$ 1,541,219 |         |

Table of Contents**Condensed Consolidating Statement of Cash Flows****For the quarter ended September 30, 2009**

|  | EMSC    | EMS LP | Issuer<br>AMR<br>HoldCo Inc. | Issuer<br>EmCare<br>HoldCo Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Total      |
|--|---------|--------|------------------------------|---------------------------------|--------------------------|------------------------------|------------|
| <b>Cash Flows from Operating Activities</b>            |         |        |                              |                                 |                          |                              |            |
| Net cash provided by (used in) operating activities    | \$      | \$     | \$                           | \$                              | \$ 69,172                | \$ (310)                     | \$ 68,862  |
| <b>Cash Flows from Investing Activities</b>            |         |        |                              |                                 |                          |                              |            |
| Purchase of property, plant and equipment              |         |        |                              |                                 | (13,576)                 |                              | (13,576)   |
| Proceeds from sale of property, plant and equipment    |         |        |                              |                                 | 41                       |                              | 41         |
| Acquisition of businesses, net of cash received        |         |        |                              |                                 | (1,241)                  |                              | (1,241)    |
| Net change in insurance collateral                     |         |        |                              |                                 | (9,241)                  | 15,243                       | 6,002      |
| Net change in deposits and other assets                |         |        |                              |                                 | (166)                    |                              | (166)      |
| Net cash (used in) provided by investing activities    |         |        |                              |                                 | (24,183)                 | 15,243                       | (8,940)    |
| <b>Cash Flows from Financing Activities</b>            |         |        |                              |                                 |                          |                              |            |
| EMSC issuance of class A common stock                  | 2,437   |        |                              |                                 |                          |                              | 2,437      |
| Repayments of capital lease obligations and other debt |         |        |                              |                                 | (1,214)                  |                              | (1,214)    |
| Increase in bank overdrafts                            |         |        |                              |                                 | 2,821                    |                              | 2,821      |
| Net intercompany borrowings (payments)                 | (2,437) |        |                              |                                 | 2,437                    |                              |            |
| Net cash provided by financing activities              |         |        |                              |                                 | 4,044                    |                              | 4,044      |
| Change in cash and cash equivalents                    |         |        |                              |                                 | 49,033                   | 14,933                       | 63,966     |
| Cash and cash equivalents, beginning of period         |         |        |                              |                                 | 266,772                  | 367                          | 267,139    |
| Cash and cash equivalents, end of period               | \$      | \$     | \$                           | \$                              | \$ 315,805               | \$ 15,300                    | \$ 331,105 |

**Condensed Consolidating Statement of Cash Flows****For the quarter ended September 30, 2008**

|   | EMSC | EMS LP | Issuer<br>AMR<br>HoldCo Inc. | Issuer<br>EmCare<br>HoldCo Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Total     |
|---|------|--------|------------------------------|---------------------------------|--------------------------|------------------------------|-----------|
| <b>Cash Flows from Operating Activities</b>         |      |        |                              |                                 |                          |                              |           |
| Net cash provided by operating activities           | \$   | \$     | \$                           | \$                              | \$ 72,801                | \$ 2,246                     | \$ 75,047 |
| <b>Cash Flows from Investing Activities</b>         |      |        |                              |                                 |                          |                              |           |
| Purchase of property, plant and equipment           |      |        |                              |                                 | (11,574)                 |                              | (11,574)  |
| Proceeds from sale of property, plant and equipment |      |        |                              |                                 | 127                      |                              | 127       |

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|  |    |    |    |    |    |          |         |        |            |
|--|----|----|----|----|----|----------|---------|--------|------------|
| Acquisition of businesses, net of cash received        |    |    |    |    |    | (8,368)  |         |        | (8,368)    |
| Net change in insurance collateral                     |    |    |    |    |    | 4,109    | (2,982) |        | 1,127      |
| Net change in deposits and other assets                |    |    |    |    |    | 764      |         |        | 764        |
| Net cash used in investing activities                  |    |    |    |    |    | (14,942) | (2,982) |        | (17,924)   |
| <b>Cash Flows from Financing Activities</b>            |    |    |    |    |    |          |         |        |            |
| EMSC issuance of class A common stock                  |    |    |    |    |    | 1,875    |         |        | 1,875      |
| Repayments of capital lease obligations and other debt |    |    |    |    |    | (1,285)  |         |        | (1,285)    |
| Increase in bank overdrafts                            |    |    |    |    |    | 4,950    |         |        | 4,950      |
| Net intercompany borrowings (payments)                 |    |    |    |    |    | (1,875)  |         |        | 1,875      |
| Net cash provided by financing activities              |    |    |    |    |    | 5,540    |         |        | 5,540      |
| Change in cash and cash equivalents                    |    |    |    |    |    | 63,399   | (736)   |        | 62,663     |
| Cash and cash equivalents, beginning of period         |    |    |    |    |    | 61,981   | 11,038  |        | 73,019     |
| Cash and cash equivalents, end of period               | \$ | \$ | \$ | \$ | \$ | 125,380  | \$      | 10,302 | \$ 135,682 |

Table of Contents**Condensed Consolidating Statement of Cash Flows****For the nine months ended September 30, 2009**

|  | EMSC    | EMS LP | Issuer<br>AMR<br>HoldCo Inc. | Issuer<br>EmCare<br>HoldCo Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Total      |
|--|---------|--------|------------------------------|---------------------------------|--------------------------|------------------------------|------------|
| <b>Cash Flows from Operating Activities</b>            |         |        |                              |                                 |                          |                              |            |
| Net cash provided by (used in) operating activities    | \$      | \$     | \$                           | \$                              | \$ 213,794               | \$ (3,993)                   | \$ 209,801 |
| <b>Cash Flows from Investing Activities</b>            |         |        |                              |                                 |                          |                              |            |
| Purchase of property, plant and equipment              |         |        |                              |                                 | (33,661)                 |                              | (33,661)   |
| Proceeds from sale of property, plant and equipment    |         |        |                              |                                 | 101                      |                              | 101        |
| Acquisition of businesses, net of cash received        |         |        |                              |                                 | (1,374)                  |                              | (1,374)    |
| Net change in insurance collateral                     |         |        |                              |                                 | (9,503)                  | 13,572                       | 4,069      |
| Net change in deposits and other assets                |         |        |                              |                                 | (809)                    |                              | (809)      |
| Net cash (used in) provided by investing activities    |         |        |                              |                                 | (45,246)                 | 13,572                       | (31,674)   |
| <b>Cash Flows from Financing Activities</b>            |         |        |                              |                                 |                          |                              |            |
| EMSC issuance of class A common stock                  | 7,160   |        |                              |                                 |                          |                              | 7,160      |
| Repayments of capital lease obligations and other debt |         |        |                              |                                 | (3,826)                  |                              | (3,826)    |
| Increase in bank overdrafts                            |         |        |                              |                                 | 3,471                    |                              | 3,471      |
| Net intercompany borrowings (payments)                 | (7,160) |        |                              |                                 | 7,160                    |                              |            |
| Net cash provided by financing activities              |         |        |                              |                                 | 6,805                    |                              | 6,805      |
| Change in cash and cash equivalents                    |         |        |                              |                                 | 175,353                  | 9,579                        | 184,932    |
| Cash and cash equivalents, beginning of period         |         |        |                              |                                 | 140,452                  | 5,721                        | 146,173    |
| Cash and cash equivalents, end of period               | \$      | \$     | \$                           | \$                              | \$ 315,805               | \$ 15,300                    | \$ 331,105 |

**Condensed Consolidating Statement of Cash Flows****For the nine months ended September 30, 2008**

|   | EMSC | EMS LP | Issuer<br>AMR<br>HoldCo Inc. | Issuer<br>EmCare<br>HoldCo Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Total      |
|---|------|--------|------------------------------|---------------------------------|--------------------------|------------------------------|------------|
| <b>Cash Flows from Operating Activities</b>         |      |        |                              |                                 |                          |                              |            |
| Net cash provided by operating activities           | \$   | \$     | \$                           | \$                              | \$ 127,295               | \$ 3,131                     | \$ 130,426 |
| <b>Cash Flows from Investing Activities</b>         |      |        |                              |                                 |                          |                              |            |
| Purchase of property, plant and equipment           |      |        |                              |                                 | (21,754)                 |                              | (21,754)   |
| Proceeds from sale of property, plant and equipment |      |        |                              |                                 | 347                      |                              | 347        |

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|  |         |          |        |          |
|--|---------|----------|--------|----------|
| Acquisition of businesses, net of cash received        |         | (28,325) |        | (28,325) |
| Net change in insurance collateral                     |         | 12,739   | 3,244  | 15,983   |
| Net change in deposits and other assets                |         | 3,392    |        | 3,392    |
| Net cash (used in) provided by investing activities    |         | (33,601) | 3,244  | (30,357) |
| <b>Cash Flows from Financing Activities</b>            |         |          |        |          |
| EMSC issuance of class A common stock                  | 1,920   |          |        | 1,920    |
| Repayments of capital lease obligations and other debt |         | (18,006) |        | (18,006) |
| Increase in bank overdrafts                            |         | 8,785    |        | 8,785    |
| Borrowings under revolving credit facility             |         | 14,000   |        | 14,000   |
| Net intercompany borrowings (payments)                 | (1,920) | 1,920    |        |          |
| Net cash provided by financing activities              |         | 6,699    |        | 6,699    |
| Change in cash and cash equivalents                    |         | 100,393  | 6,375  | 106,768  |
| Cash and cash equivalents, beginning of period         |         | 24,987   | 3,927  | 28,914   |
| Cash and cash equivalents, end of period               | \$      | \$       | \$     | \$       |
|  |         | 125,380  | 10,302 | 135,682  |

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Forward-Looking Statements and Factors That May Affect Results**

Certain statements and information herein may be deemed to be forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Any forward-looking statements herein are made as of the date this Quarterly Report on Form 10-Q is filed with the Securities and Exchange Commission, and EMSC undertakes no duty to update or revise any such statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in EMSC's filings with the SEC from time to time, including in the section entitled "Risk Factors" in EMSC's most recent Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q. Among the factors that could cause future results to differ materially from those provided in this Quarterly Report on Form 10-Q are: the impact on our revenue of changes in transport volume, mix of insured and uninsured patients, and third party reimbursement rates and methods; the adequacy of our insurance coverage and insurance reserves; potential penalties or changes to our operations if we fail to comply with extensive and complex government regulation of our industry, both as it exists now and as it may change in the future; our ability to recruit and retain qualified physicians and other healthcare professionals, and enforce our non-compete agreements with our physicians; the loss of one or more members of our senior management team; the outcome of government investigations of certain of our business practices; our ability to generate cash flow to service our debt obligations and fund the cost of capital expenditures to maintain and upgrade our vehicle fleet and medical equipment; and the loss of existing contracts and the accuracy of our assessment of costs under new contracts.

All references to we, our, us or EMSC refer to Emergency Medical Services Corporation and its subsidiaries, including Emergency Medical Services L.P., or EMS LP. Our business is conducted primarily through two operating subsidiaries, American Medical Response, Inc., or AMR, and EmCare Holdings Inc., or EmCare.

This Report should be read in conjunction with EMSC's consolidated financial statements and notes thereto included in our Annual Report on Form 10-K filed with the SEC on February 23, 2009.

***Company Overview***

We are a leading provider of emergency medical services in the United States. We operate our business and market our services under the AMR and EmCare brands. We believe that AMR, over its more than 50 years of operating history, has become the leading provider of ambulance transport services in the United States. We believe that EmCare, over its more than 35 years of operating history, has become the leading provider of outsourced emergency department staffing and management services in the United States and also provides hospital-based services for hospitalist/inpatient, radiology, and anesthesiology departments.

***Key Factors and Measures We Use to Evaluate Our Business***

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The key factors and measures we use to evaluate our business focus on the number of patients we treat and transport and the costs we incur to provide the necessary care and transportation for each of our patients.

We evaluate our revenue net of provisions for contractual payor discounts and provisions for uncompensated care. Medicaid, Medicare and certain other payors receive discounts from our standard charges, which we refer to as contractual discounts. In addition, individuals we treat and transport may be personally responsible for a deductible or co-pay under their third party payor coverage, and most of our contracts require us to treat and transport patients who have no insurance or other third party payor coverage. Due to the uncertainty regarding collectability of charges associated with services we provide to these patients, which we refer to as uncompensated care, our net revenue recognition is based on expected cash collections. Our net revenue is gross billings after provisions for contractual discounts and estimated uncompensated care. Provisions for contractual discounts and uncompensated care have increased historically primarily as a result of increases in gross billing rates.

The table below summarizes our approximate payor mix as a percentage of both net revenue and total transports and patient visits for the three and nine months ended September 30, 2009 and 2008. In determining the net revenue payor mix, we use cash

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collections in the period as an approximation of net revenue recorded. The 2008 FEMA deployment revenue is included in Subsidies and fees.

|                                       | Percentage of Net Revenue |        |                   |        | Percentage of Total Volume |        |                   |        |
|---------------------------------------|---------------------------|--------|-------------------|--------|----------------------------|--------|-------------------|--------|
|                                       | Quarter ended             |        | Nine months ended |        | Quarter ended              |        | Nine months ended |        |
|                                       | September 30,             |        | September 30,     |        | September 30,              |        | September 30,     |        |
|                                       | 2009                      | 2008   | 2009              | 2008   | 2009                       | 2008   | 2009              | 2008   |
| Medicare                              | 22.4%                     | 20.4%  | 23.2%             | 23.1%  | 23.7%                      | 25.2%  | 24.6%             | 25.9%  |
| Medicaid                              | 4.9%                      | 3.7%   | 4.7%              | 4.3%   | 11.4%                      | 10.8%  | 11.2%             | 10.8%  |
| Commercial insurance and managed care | 50.2%                     | 42.6%  | 50.5%             | 47.0%  | 42.9%                      | 41.9%  | 42.7%             | 41.9%  |
| Self-pay                              | 3.8%                      | 4.0%   | 3.9%              | 4.3%   | 22.0%                      | 22.2%  | 21.5%             | 21.4%  |
| Subsidies & fees                      | 18.7%                     | 29.3%  | 17.7%             | 21.3%  |                            |        |                   |        |
| Total                                 | 100.0%                    | 100.0% | 100.0%            | 100.0% | 100.0%                     | 100.0% | 100.0%            | 100.0% |

In addition to continually monitoring our payor mix, we also analyze certain measures in each of our business segments.

### **AMR**

Approximately 88% of AMR's net revenue for the nine months ended September 30, 2009 was transport revenue derived from the treatment and transportation of patients, including fixed wing medical transportation services, based on billings to third party payors, healthcare facilities and patients. The balance of AMR's net revenue is derived from direct billings to communities and government agencies for the provision of training, dispatch center and other services. AMR's measures for net revenue include transports (segregated into ambulance and wheelchair transports and weighted in certain analyses) and net revenue per transport.

The change from period to period in the number of transports is influenced by increases in transports in existing markets from both new and existing facilities we serve for non-emergency transports, the effects of general community conditions for emergency transports and the impact of newly acquired businesses and exited markets.

The costs we incur in our AMR business segment consist primarily of compensation and benefits for medical crews and support personnel, direct and indirect operating costs to provide transportation services, and costs related to accident and insurance claims. AMR's key cost measures include unit hours and cost per unit hour (to measure compensation-related costs and the efficiency of our ambulance deployment), operating costs per transport, and accident and insurance claims.

We have focused our risk mitigation efforts on employee training for proper patient handling techniques, development of clinical and medical equipment protocols, driving safety, implementation of technology to reduce auto incidents and other risk mitigation processes which we believe have resulted in a reduction in the frequency, severity and development of claims.

### **EmCare**



Of EmCare's net revenue for the nine months ended September 30, 2009, approximately 85% was derived from our hospital contracts for emergency department staffing and approximately 15% was derived from hospitalist, anesthesiology, radiology and other hospital management services. Approximately 80% of EmCare's net revenue was generated from billings to third party payors and patients for patient encounters and approximately 20% was generated from billings to hospitals and affiliated physician groups for professional services. EmCare's key net revenue measures are patient encounters (segregated into emergency department visits, radiology reads, and anesthesiology and hospitalist encounters, and weighted in certain analyses), net revenue per patient encounter, and number of contracts. Due to our expansion in the radiology and anesthesiology markets which typically generate lower net revenue per encounter than emergency room visits, patient encounters are now being weighted to make net revenue per encounter comparable across all of EmCare's markets.

The change from period to period in the number of patient encounters under our same store contracts is influenced by general community conditions as well as hospital-specific elements, many of which are beyond our direct control.

The costs incurred in our EmCare business segment consist primarily of compensation and benefits for physicians and other professional providers, professional liability costs, and contract and other support costs. EmCare's key cost measures include provider compensation per patient encounter and professional liability costs.

We have developed extensive professional liability risk mitigation processes, including risk assessments on medical

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professionals and hospitals, extensive incident reporting and tracking processes, clinical fail-safe programs, training and education and other risk mitigation programs which we believe have resulted in a continued reduction in the frequency, severity and development of claims.

***Recent Developments***

Effective January 1, 2009, we adopted changes in requirements for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed and any noncontrolling interests. The impact to our consolidated financial statements and related disclosures will depend on the nature and terms of the business combinations entered into subsequent to January 1, 2009.

***Factors Affecting Operating Results***

**Federal Emergency Management Agency Contract**

In 2007, the Federal Emergency Management Agency, or FEMA, awarded AMR with a national contract to provide ambulance, para-transit, and rotary and fixed-wing air ambulance transportation services to supplement federal and military responses to disasters, acts of terrorism and other public health emergencies. The contract covered the 21 states along the Gulf and Atlantic coasts and was expanded by FEMA to the full 48 contiguous states on October 1, 2009. FEMA has the option to renew the contract for different zones in the contract at various points during 2010 and 2011. In August 2008, AMR was deployed under this contract to provide patient evacuations and disaster relief efforts in three Gulf Coast states for hurricanes Gustav and Ike and recorded approximately \$101 million in net revenue, which included approximately \$11 million of expense pass-throughs, during the three months and nine months ended September 30, 2008. There were no FEMA related deployments during the three months ended September 30, 2009.

**Changes in Net New Contracts**

Our operating results are affected directly by the number of net new contracts and related volumes we have in a period, reflecting the effects of both new contracts and contract expirations. We regularly bid for new contracts, frequently in a formal competitive bidding process that often requires written responses to a Request for Proposal, or RFP, and, in any fiscal period, certain of our contracts will expire. We may elect not to seek extension or renewal of a contract, or may reduce certain services, if we determine that we cannot continue to provide such services on favorable terms. With respect to expiring contracts we would like to renew, we may be required to seek renewal through an RFP, and we may not be successful in retaining any such contracts, or retaining them on terms that are as favorable as present terms.

**Inflation**

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Certain of our expenses, such as wages and benefits, insurance, fuel and equipment repair and maintenance costs, are subject to normal inflationary pressures. Excluding the impact of the FEMA contract in 2008, fuel expense represented 9.7% and 16.2% of AMR's operating expenses for the three months ended September 30, 2009 and 2008, respectively, and 8.9% and 15.2% for the nine months ended September 30, 2009 and 2008, respectively. Although we have generally been able to offset inflationary and other cost increases through increased operating efficiencies and successful negotiation of fees and subsidies, we can provide no assurance that we will be able to offset any future fuel and inflationary cost increases through similar efficiencies and fee changes.

### *Critical Accounting Policies*

#### **Revenue Recognition**

Management regularly analyzes the ultimate collectability of accounts receivable after certain stages of the collection cycle using a look-back analysis to determine the amount of receivables subsequently collected. Adjustments related to this analysis were less than 1% of net revenue for the three and nine month periods ended September 30, 2009 and 2008.

#### **Results of Operations**

#### **Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008**

The following tables present a comparison of financial data from our unaudited consolidated statements of operations for the three and nine months ended September 30, 2009 and for the three and nine months ended September 30, 2008 for EMSC and our two operating segments.

Table of Contents**Non-GAAP Measures**

*Adjusted EBITDA.* Adjusted EBITDA is defined as net income before equity in earnings of unconsolidated subsidiary, income tax expense, interest and other income, realized gain on investments, interest expense and depreciation and amortization. Adjusted EBITDA is commonly used by management and investors as a performance measure and liquidity indicator. Adjusted EBITDA is not considered a measure of financial performance under U.S. generally accepted accounting principles, or GAAP, and the items excluded from Adjusted EBITDA are significant components in understanding and assessing our financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in our financial statements as an indicator of financial performance or liquidity. Since Adjusted EBITDA is not a measure determined in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The tables set forth a reconciliation of Adjusted EBITDA to net income and cash flows provided by operating activities.

**Unaudited Consolidated Results of Operations and as a Percentage of Net Revenue**

(dollars in thousands)

**EMSC**

|   | Quarter ended<br>September 30, 2009 |                     | Quarter ended<br>September 30, 2008 |                     | Nine months ended<br>September 30, 2009 |                     | Nine months ended<br>September 30, 2008 |                     |
|---|-------------------------------------|---------------------|-------------------------------------|---------------------|---|---------------------|---|---------------------|
|   |                                     | % of net<br>revenue |                                     | % of net<br>revenue |   | % of net<br>revenue |   | % of net<br>revenue |
| Net revenue                                     | \$ 665,056                          | 100.0%              | \$ 679,328                          | 100.0%              | \$ 1,915,369                            | 100.0%              | \$ 1,816,193                            | 100.0%              |
| Compensation and benefits                       | 467,625                             | 70.3                | 426,755                             | 62.8                | 1,332,787                               | 69.6                | 1,221,607                               | 67.3                |
| Operating expenses                              | 85,510                              | 12.9                | 135,087                             | 19.9                | 252,355                                 | 13.2                | 302,014                                 | 16.6                |
| Insurance expense                               | 24,845                              | 3.7                 | 25,109                              | 3.7                 | 75,706                                  | 4.0                 | 63,640                                  | 3.5                 |
| Selling, general and administrative expenses    | 15,871                              | 2.4                 | 20,509                              | 3.0                 | 47,186                                  | 2.5                 | 50,621                                  | 2.8                 |
| Interest income from restricted assets          | (1,082)                             | (0.2)               | (1,623)                             | (0.2)               | (3,468)                                 | (0.2)               | (5,113)                                 | (0.3)               |
| Adjusted EBITDA                                 | \$ 72,287                           | 10.9%               | \$ 73,491                           | 10.8%               | \$ 210,803                              | 11.0%               | \$ 183,424                              | 10.1%               |
| Depreciation and amortization expenses          | (15,733)                            | (2.4)               | (16,993)                            | (2.5)               | (48,658)                                | (2.5)               | (52,156)                                | (2.9)               |
| Interest expense                                | (10,280)                            | (1.5)               | (11,117)                            | (1.6)               | (30,749)                                | (1.6)               | (31,387)                                | (1.7)               |
| Realized gain on investments                    | 544                                 | 0.1                 | 768                                 | 0.1                 | 2,030                                   | 0.1                 | 3,011                                   | 0.2                 |
| Interest and other income                       | 502                                 | 0.1                 | 508                                 | 0.1                 | 1,442                                   | 0.1                 | 1,097                                   | 0.1                 |
| Income tax expense                              | (18,533)                            | (2.8)               | (18,138)                            | (2.7)               | (53,144)                                | (2.8)               | (40,170)                                | (2.2)               |
| Equity in earnings of unconsolidated subsidiary | 91                                  | 0.0                 | 98                                  | 0.0                 | 244                                     | 0.0                 | 152                                     | 0.0                 |
| Net income                                      | \$ 28,878                           | 4.3%                | \$ 28,617                           | 4.2%                | \$ 81,968                               | 4.3%                | \$ 63,971                               | 3.5%                |

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Unaudited Reconciliation of Adjusted EBITDA to Cash Flows Provided by Operating Activities

(dollars in thousands)

|  | Quarter ended September 30, |           | Nine months ended September 30, |            |
|--|-----------------------------|-----------|---------------------------------|------------|
|  | 2009                        | 2008      | 2009                            | 2008       |
| Adjusted EBITDA                              | \$ 72,287                   | \$ 73,491 | \$ 210,803                      | \$ 183,424 |
| Interest paid                                | (9,773)                     | (10,644)  | (29,424)                        | (29,808)   |
| Change in accounts receivable                | 7,574                       | (40,747)  | 8,448                           | (54,499)   |
| Change in other operating assets/liabilities | (2,956)                     | 51,307    | 16,000                          | 29,226     |
| Equity based compensation                    | 1,121                       | 717       | 2,875                           | 1,841      |
| Other  | 609                         | 923       | 1,099                           | 242        |
| Cash flows provided by operating activities  | \$ 68,862                   | \$ 75,047 | \$ 209,801                      | \$ 130,426 |

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(dollars in thousands)

**AMR**

|   | <b>Quarter ended<br/>September 30, 2009</b> |        | <b>Quarter ended<br/>September 30, 2008</b> |        | <b>Nine months ended<br/>September 30, 2009</b> |        | <b>Nine months ended<br/>September 30, 2008</b> |        |
|---|---|--------|---|--------|---|--------|---|--------|
|   | <b>% of net<br/>revenue</b>                 |        | <b>% of net<br/>revenue</b>                 |        | <b>% of net<br/>revenue</b>                     |        | <b>% of net<br/>revenue</b>                     |        |
| Net revenue   | \$ 338,768                                  | 100.0% | \$ 425,335                                  | 100.0% | \$ 1,010,718                                    | 100.0% | \$ 1,075,323                                    | 100.0% |
| Compensation and benefits                                   | 211,921                                     | 62.6   | 226,942                                     | 53.4   | 628,015   | 62.1   | 635,031   | 59.1   |
| Operating expenses  | 75,677                                      | 22.3   | 126,154                                     | 29.7   | 222,296   | 22.0   | 275,936   | 25.7   |
| Insurance expense   | 10,417                                      | 3.1    | 10,694                                      | 2.5    | 35,433  | 3.5    | 30,794  | 2.9    |
| Selling, general and administrative expenses                | 9,410                                       | 2.8    | 15,066                                      | 3.5    | 28,308  | 2.8    | 34,073  | 3.2    |
| Interest income from restricted assets                      | (495)                                       | (0.1)  | (705)                                       | (0.2)  | (1,485)   | (0.1)  | (2,069)   | (0.2)  |
| Adjusted EBITDA   | \$ 31,838                                   | 9.4%   | \$ 47,184                                   | 11.1%  | \$ 98,151                                       | 9.7%   | \$ 101,558                                      | 9.4%   |
| Reconciliation of Adjusted EBITDA to income from operations |   |        |   |        |   |        |   |        |
| Adjusted EBITDA   | 31,838                                      | 9.4    | 47,184                                      | 11.1   | 98,151  | 9.7    | 101,558   | 9.4    |
| Depreciation and amortization expense                       | (12,199)                                    | (3.6)  | (13,447)                                    | (3.2)  | (37,147)  | (3.7)  | (41,951)  | (3.9)  |
| Interest income from restricted assets                      | (495)                                       | (0.1)  | (705)                                       | (0.2)  | (1,485)   | (0.1)  | (2,069)   | (0.2)  |
| Income from operations                                      | \$ 19,144                                   | 5.7%   | \$ 33,032                                   | 7.8%   | \$ 59,519                                       | 5.9%   | \$ 57,538                                       | 5.4%   |

**EmCare**

|  | <b>Quarter ended<br/>September 30, 2009</b> |        | <b>Quarter ended<br/>September 30, 2008</b> |        | <b>Nine months ended<br/>September 30, 2009</b> |        | <b>Nine months ended<br/>September 30, 2008</b> |        |
|--|---|--------|---|--------|---|--------|---|--------|
|  | <b>% of net<br/>revenue</b>                 |        | <b>% of net<br/>revenue</b>                 |        | <b>% of net<br/>revenue</b>                     |        | <b>% of net<br/>revenue</b>                     |        |
| Net revenue                                  | \$ 326,288                                  | 100.0% | \$ 253,993                                  | 100.0% | \$ 904,651                                      | 100.0% | \$ 740,870                                      | 100.0% |
| Compensation and benefits                    | 255,704                                     | 78.4   | 199,813                                     | 78.7   | 704,772   | 77.9   | 586,576   | 79.2   |
| Operating expenses                           | 9,833                                       | 3.0    | 8,933                                       | 3.5    | 30,059  | 3.3    | 26,078  | 3.5    |
| Insurance expense                            | 14,428                                      | 4.4    | 14,415                                      | 5.7    | 40,273  | 4.5    | 32,846  | 4.4    |
| Selling, general and administrative expenses | 6,461                                       | 2.0    | 5,443                                       | 2.1    | 18,878  | 2.1    | 16,548  | 2.2    |
| Interest income from restricted assets       | (587)                                       | (0.2)  | (918)                                       | (0.4)  | (1,983)   | (0.2)  | (3,044)   | (0.4)  |
| Adjusted EBITDA                              | \$ 40,449                                   | 12.4%  | \$ 26,307                                   | 10.4%  | \$ 112,652                                      | 12.5%  | \$ 81,866                                       | 11.0%  |

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Reconciliation of  
Adjusted EBITDA to  
income from  
operations

|  |           |       |           |       |           |       |           |       |
|--|-----------|-------|-----------|-------|-----------|-------|-----------|-------|
| Adjusted EBITDA                              | 40,449    | 12.4  | 26,307    | 10.4  | 112,652   | 12.5  | 81,866    | 11.0  |
| Depreciation and<br>amortization<br>expenses | (3,534)   | (1.1) | (3,546)   | (1.4) | (11,511)  | (1.3) | (10,205)  | (1.4) |
| Interest income from<br>restricted assets    | (587)     | (0.2) | (918)     | (0.4) | (1,983)   | (0.2) | (3,044)   | (0.4) |
| Income from<br>operations                    | \$ 36,328 | 11.1% | \$ 21,843 | 8.6%  | \$ 99,158 | 11.0% | \$ 68,617 | 9.3%  |

*Quarter ended September 30, 2009 compared to the quarter ended September 30, 2008*

### *Consolidated*

Our results for the three months ended September 30, 2009 reflect a decrease in net revenue of \$14.3 million and an increase in net income of \$0.3 million compared to the three months ended September 30, 2008. We recorded approximately \$101 million of revenue related to our FEMA deployment during the three months ended September 30, 2008. Excluding the impact of FEMA deployment revenue and related income from operations, we experienced growth in income from operations and a decrease in

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interest expense, partially offset by increased income tax expense. Basic and diluted earnings per share were \$0.67 and \$0.66, respectively, for the three months ended September 30, 2009. Basic and diluted earnings per share were \$0.69 and \$0.66, respectively, for the same period in 2008.

*Net revenue.* For the three months ended September 30, 2009, we generated net revenue of \$665.1 million compared to \$679.3 million for the three months ended September 30, 2008, representing a decrease of 2.1%. Although there were increases in rates and volumes on existing contracts and increased volume from net new contracts and acquisitions, these increases were offset by \$101.1 million of FEMA deployment revenue recorded in the three months ended September 30, 2008.

*Adjusted EBITDA.* Adjusted EBITDA was \$72.3 million, or 10.9% of net revenue, for the three months ended September 30, 2009 compared to \$73.5 million, or 10.8% of net revenue for the three months ended September 30, 2008. The 2008 period includes the positive impact to Adjusted EBITDA related to our deployment under the FEMA contract.

*Interest expense.* Interest expense for the three months ended September 30, 2009 was \$10.3 million compared to \$11.1 million for the three months ended September 30, 2008.

*Income tax expense.* Income tax expense for the three months ended September 30, 2009 was \$18.5 million compared to \$18.1 million for the same period in 2008. Our effective tax rate for the three months ended September 30, 2009 was 39.2%, compared to 38.9% for the same period in 2008.

**AMR**

*Net revenue.* Net revenue for the three months ended September 30, 2009 was \$338.8 million, a decrease of \$86.6 million, or 20.4%, from \$425.3 million for the same period in 2008. The 2008 period includes \$101.1 million of FEMA deployment revenue. Excluding the impact of the FEMA deployment, net revenue per weighted transport increased 6.7%, or \$21.6 million, and was offset by a decrease of 2.2%, or \$7.1 million, in weighted transport volume. Of the increase in net revenue per weighted transport, 5.1% is attributable primarily to various rate increases, including a Medicare fee increase effective January 1, 2009, and the remainder is due primarily to growth in our managed transportation business. Weighted transports decreased 16,200 from the same quarter last year due to a decrease in weighted transports of 17,200 from the exit of markets, partially offset by a slight increase in weighted transport volume in existing markets.

*Compensation and benefits.* Compensation and benefit costs for the three months ended September 30, 2009 were \$211.9 million, or 62.6% of net revenue, compared to \$226.9 million, or 53.4% of net revenue, for the same period in 2008. The \$15.0 million decrease was due primarily to compensation costs incurred during the third quarter of 2008 as a result of the FEMA deployment. Excluding the impact of the FEMA deployment, ambulance crew wages per ambulance unit hour increased by approximately 3.5%, or \$4.1 million primarily attributable to wage rate increases. Ambulance unit hours decreased by 2.9%, or \$3.4 million, due primarily to the reduction in volume in existing markets and improvements in our deployment. Benefit costs increased by \$2.2 million, excluding the FEMA deployment, for the three months ended September 30, 2009 compared to the same period in 2008. The change is primarily attributable to increased health insurance costs. Excluding the impact of the FEMA deployment, compensation and benefits decreased as a percentage of net revenue due also to the growth in our managed transportation business; our managed transportation costs are reflected primarily in operating expenses.



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*Operating expenses.* Operating expenses for the three months ended September 30, 2009 were \$75.7 million, or 22.3% of net revenue, compared to \$126.2 million, or 29.7% of net revenue, for the three months ended September 30, 2008. The change is due primarily to a decrease of \$49.6 million related to our FEMA deployment in the third quarter of 2008 and decreased fuel costs of \$5.1 million, including approximately \$4.4 million related to lower fuel rates, partially offset by an increase of \$4.1 million in operating expenses associated with growth in our managed transportation business.

*Insurance expense.* Insurance expense for the three months ended September 30, 2009 was \$10.4 million, or 3.1% of net revenue, compared to \$10.7 million, or 2.5% of net revenue, for the same period in 2008. We recorded a reduction of prior year insurance provisions of \$2.1 million during the three months ended September 30, 2009 and \$1.7 million during the three months ended September 30, 2008.

*Selling, general and administrative.* Selling, general and administrative expense for the three months ended September 30, 2009 was \$9.4 million, or 2.8% of net revenue, compared to \$15.1 million, or 3.5% of net revenue, for the three months ended September 30, 2008. The change is due primarily to travel and other administrative costs associated with the FEMA deployment during the three months ended September 30, 2008.

*Depreciation and amortization.* Depreciation and amortization expense for the three months ended September 30, 2009 was \$12.2 million, or 3.6% of net revenue, compared to \$13.4 million, or 3.2% of net revenue, for the same period in 2008.

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***EmCare***

*Net revenue.* Net revenue for the three months ended September 30, 2009 was \$326.3 million, an increase of \$72.3 million, or 28.5%, from \$254.0 million for the three months ended September 30, 2008. The increase was due primarily to an increase in patient encounters from net new hospital contracts and net revenue increases in existing contracts. Following June 30, 2008, we added 87 net new contracts which accounted for a net revenue increase of \$44.4 million for the three months ended September 30, 2009. Of the 87 net new contracts added since June 30, 2008, 59 were added in 2008 resulting in an incremental increase in 2009 net revenue of \$13.2 million. Of the 59 net new contracts added in 2008, 45 were from our acquisition of Clinical Partners in August 2008 with related management fee revenue totaling \$2.3 million during the three months ended September 30, 2009. EmCare has added 71 new contracts and terminated 43 contracts to date in 2009, resulting in an increase in net revenue of \$31.3 million for the three months ended September 30, 2009. Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased \$27.4 million, or 12.2%, for the three months ended September 30, 2009. The change is due to a 5.0% increase in revenue per weighted patient encounter and an increase in same store weighted patient encounters of 7.2% over the prior period.

*Compensation and benefits.* Compensation and benefits costs for the three months ended September 30, 2009 were \$255.7 million, or 78.4% of net revenue, compared to \$199.8 million, or 78.7% of net revenue, for the same period in 2008. Provider compensation and benefits costs increased \$35.4 million from net new contract additions. Same store provider compensation and benefits costs were \$11.1 million over the prior period due primarily to a 7.2% increase in same store weighted patient encounters. Non-provider compensation and benefits costs increased by \$8.7 million due primarily to our recent acquisitions, organic growth, and additional incentive related accruals.

*Operating expenses.* Operating expenses for the three months ended September 30, 2009 were \$9.8 million, or 3.0% of net revenue, compared to \$8.9 million, or 3.5% of net revenue, for the same period in 2008. Operating expenses increased \$0.9 million due primarily to higher collection agency and billing fees incurred in connection with the expansion of our anesthesiology and radiology businesses.

*Insurance expense.* Professional liability insurance expense for the three months ended September 30, 2009 was \$14.4 million, or 4.4% of net revenue, compared to \$14.4 million, or 5.7% of net revenue, for the three months ended September 30, 2008. We recorded an increase in prior year insurance provisions of \$1.3 million for the three months ended September 30, 2009 and \$3.9 million for the same period in 2008.

*Selling, general and administrative.* Selling, general and administrative expense for the three months ended September 30, 2009 was \$6.5 million, or 2.0% of net revenue, compared to \$5.4 million, or 2.1% of net revenue, for the three months ended September 30, 2008.

*Depreciation and amortization.* Depreciation and amortization expense for the three months ended September 30, 2009 was \$3.5 million, or 1.1% of net revenue, compared to \$3.5 million, or 1.4% of net revenue, for the three months ended September 30, 2008.

***Nine months ended September 30, 2009 compared to the nine months ended September 30, 2008***

***Consolidated***

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Our results for the nine months ended September 30, 2009 reflect an increase in net revenue of \$99.2 million and an increase in net income of \$18.0 million compared to the nine months ended September 30, 2008. We recorded approximately \$101 million of revenue related to our FEMA deployment during the nine months ended September 30, 2008. Excluding the impact of FEMA deployment revenue and related income from operations, we experienced growth in income from operations, partially offset by increased income tax expense. Basic and diluted earnings per share were \$1.93 and \$1.89, respectively, for the nine months ended September 30, 2009. Basic and diluted earnings per share were \$1.54 and \$1.49, respectively, for the same period in 2008.

*Net revenue.* For the nine months ended September 30, 2009, net revenue was \$1,915.4 million compared to \$1,816.2 million for the nine months ended September 30, 2008, representing an increase of 5.5%. The increase is attributable primarily to increases in rates and volumes on existing contracts and increased volume from net new contracts and acquisitions, partially offset by \$101.1 million of FEMA hurricane deployment revenue recorded in 2008.

*Adjusted EBITDA.* Adjusted EBITDA was \$210.8 million, or 11.0% of net revenue, for the nine months ended September 30,

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2009 compared to \$183.4 million, or 10.1% of net revenue for the nine months ended September 30, 2008. The 2008 period includes the positive impact to Adjusted EBITDA related to our hurricane deployment under the FEMA contract.

*Interest expense.* Interest expense for the nine months ended September 30, 2009 was \$30.7 million compared to \$31.4 million for the nine months ended September 30, 2008.

*Income tax expense.* Income tax expense increased \$13.0 million for the nine months ended September 30, 2009, compared to the same period in 2008, resulting primarily from increased operating income. Our effective tax rate for the nine months ended September 30, 2009 was 39.4% compared with 38.6% for the same period in 2008.

**AMR**

*Net revenue.* Net revenue for the nine months ended September 30, 2009 was \$1,010.7 million, a decrease of \$64.6 million, or 6.0%, from \$1,075.3 million for the same period in 2008. The change in net revenue was due primarily to \$101.1 million related to the FEMA hurricane deployment revenue recorded in 2008. Excluding the impact of the 2008 FEMA deployment, net revenue per weighted transport increased 6.1%, or \$60.1 million, and was offset by a decrease of 2.4%, or \$23.6 million, in weighted transport volume. Of the increase in net revenue per weighted transport, 4.6% is attributable primarily to various rate increases, including a Medicare fee increase effective January 1, 2009, and the remainder is due primarily to growth in our managed transportation business. Weighted transports decreased 54,600 from the same period last year. The change was due to a decrease in weighted transports of 39,500 from the exit of markets, a decrease in weighted transport volume in existing markets of 31,900, or 1.4%, offset by 16,800 weighted transports from entrance into new markets.

*Compensation and benefits.* Compensation and benefit costs for the nine months ended September 30, 2009 were \$628.0 million, or 62.1% of net revenue, compared to \$635.0 million, or 59.1% of net revenue, for the same period in 2008. The decrease of \$7.0 million was due primarily to compensation costs incurred during 2008 as a result of the FEMA deployment. Excluding the impact of the 2008 FEMA deployment, ambulance crew wages per ambulance unit hour increased by approximately 3.8%, or \$12.8 million primarily attributable to wage rate increases. Ambulance unit hours decreased period over period by 1.8%, or \$6.0 million, due primarily to the reduction in volume in existing markets and improvements in our deployment. Benefit costs increased by \$5.4 million excluding the impact of the 2008 FEMA deployment costs for the nine months ended September 30, 2009 compared to the same period in 2008. The change is primarily attributable to increased health insurance costs. Excluding the impact of the 2008 FEMA deployment, compensation and benefits decreased as a percentage of net revenue due to the growth in our managed transportation business; our managed transportation costs are reflected primarily in operating expenses.

*Operating expenses.* Operating expenses for the nine months ended September 30, 2009 were \$222.3 million, or 22.0% of net revenue, compared to \$275.9 million, or 25.7% of net revenue, for the nine months ended September 30, 2008. The change is due primarily to a decrease of \$49.7 million related to our FEMA deployment in 2008 and decreased fuel costs of \$14.5 million, including approximately \$12.4 million related to lower fuel rates, partially offset by an increase of \$12.1 million in operating expenses associated with growth in our managed transportation business.

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*Insurance expense.* Insurance expense for the nine months ended September 30, 2009 was \$35.4 million, or 3.5% of net revenue, compared to \$30.8 million, or 2.9% of net revenue, for the same period in 2008. We recorded a reduction of prior year insurance provisions of \$0.2 million during the nine months ended September 30, 2009 and \$5.3 million during the same period in 2008.

*Selling, general and administrative.* Selling, general and administrative expense for the nine months ended September 30, 2009 was \$28.3 million, or 2.8% of net revenue, compared to \$34.1 million, or 3.2% of net revenue, for the nine months ended September 30, 2008. The change is due primarily to travel and other administrative costs recorded during 2008 associated with the FEMA deployment.

*Depreciation and amortization.* Depreciation and amortization expense for the nine months ended September 30, 2009 was \$37.1 million, or 3.7% of net revenue, compared to \$42.0 million, or 3.9% of net revenue, for the same period in 2008.

### ***EmCare***

*Net revenue.* Net revenue for the nine months ended September 30, 2009 was \$904.7 million, an increase of \$163.8 million, or 22.1%, from \$740.9 million for the nine months ended September 30, 2008. The increase was due primarily to an increase in patient encounters from net new hospital contracts and net revenue increases in existing contracts. Following December 31, 2007, we added 107 net new contracts which accounted for a net revenue increase of \$110.1 million for the nine months ended September 30, 2009. Of the 107 net new contracts added since December 31, 2007, 79 were added in 2008 resulting in an incremental increase in 2009 net revenue of \$62.1 million. Of the 79 net new contracts added in 2008, 45 were from our

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acquisition of Clinical Partners in August 2008 with related management fee revenue totaling \$6.3 million during the nine months ended September 30, 2009. EmCare has added 71 new contracts and terminated 43 contracts to date in 2009, resulting in an increase in net revenue of \$48.1 million for the nine months ended September 30, 2009. Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased \$49.3 million, or 8.2%, for the nine months ended September 30, 2009. The change is due to a 4.0% increase in revenue per weighted patient encounter and an increase in same store weighted patient encounters of 4.2% over the prior period.

*Compensation and benefits.* Compensation and benefits costs for the nine months ended September 30, 2009 were \$704.8 million, or 77.9% of net revenue, compared to \$586.6 million, or 79.2% of net revenue, for the same period in 2008. Provider compensation and benefits costs increased \$77.4 million from net new contract additions. Same store provider compensation and benefits costs were \$21.4 million over the prior period due to a 1.2% increase in provider compensation per weighted patient encounter and a 4.2% increase in same store weighted patient encounters. Non-provider compensation and benefits costs increased by \$19.3 million due primarily to our recent acquisitions, organic growth, and additional incentive related accruals.

*Operating expenses.* Operating expenses for the nine months ended September 30, 2009 were \$30.1 million, or 3.3% of net revenue, compared to \$26.1 million, or 3.5% of net revenue, for the same period in 2008. Operating expenses increased \$4.0 million due primarily to higher collection agency and billing fees incurred in connection with the expansion of our anesthesiology and radiology businesses.

*Insurance expense.* Professional liability insurance expense for the nine months ended September 30, 2009 was \$40.3 million, or 4.5% of net revenue, compared to \$32.8 million, or 4.4% of net revenue, for the nine months ended September 30, 2008. We recorded an increase of prior year insurance provisions of \$4.5 million during the nine months ended September 30, 2009 and \$1.3 million during the same period in 2008.

*Selling, general and administrative.* Selling, general and administrative expense for the nine months ended September 30, 2009 was \$18.9 million, or 2.1% of net revenue, compared to \$16.5 million, or 2.2% of net revenue, for the nine months ended September 30, 2008. The increase is due primarily to an increase in regional travel expense and other support costs associated with the increase in contracts during the period.

*Depreciation and amortization.* Depreciation and amortization expense for the nine months ended September 30, 2009 was \$11.5 million, or 1.3% of net revenue, compared to \$10.2 million, or 1.4% of net revenue, for the nine months ended September 30, 2008.

**Critical Accounting Policies**

For a discussion of accounting policies that we consider critical to our business operations and the understanding of our results of operations that affect the more significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements, please refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies contained in our annual report on Form 10-K for the year ended December 31, 2008 and incorporated by reference herein. As of September 30, 2009, there were no significant changes in our critical accounting policies or estimation procedures.

**Liquidity and Capital Resources**

Our primary source of liquidity is cash flows provided by our operating activities. We can also use our revolving senior secured credit facility, described below, to supplement cash flows provided by our operating activities if we decide to do so for strategic or operating reasons. Our liquidity needs are primarily to service long-term debt and to fund working capital requirements, capital expenditures related to the acquisition of vehicles and medical equipment, technology-related assets and insurance-related deposits.

We believe our cash and cash equivalents, cash provided by our operating activities, and amounts available under our senior secured credit facility will meet the liquidity requirements of our business through at least the next 12 months. We have available to us, upon compliance with customary conditions, \$100.0 million under the revolving credit facility, less outstanding letters of credit of \$43.6 million at September 30, 2009. Further, we have a conditional right under our senior secured credit facility to request new or existing lenders to provide up to an additional \$100.0 million of term debt (in \$20.0 million increments).

**Cash Flow**

The table below summarizes cash flow information derived from our statements of cash flows for the periods indicated, amounts in thousands.

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|                                 | Nine months ended  |          | Nine months ended  |          |
|---------------------------------|--------------------|----------|--------------------|----------|
|                                 | September 30, 2009 |          | September 30, 2008 |          |
| Net cash provided by (used in): |                    |          |                    |          |
| Operating activities            | \$                 | 209,801  | \$                 | 130,426  |
| Investing activities            |                    | (31,674) |                    | (30,357) |
| Financing activities            |                    | 6,805    |                    | 6,699    |

*Operating activities.* Net cash provided by operating activities was \$209.8 million for the nine months ended September 30, 2009 compared to \$130.4 million for the same period last year. The increase in operating cash flows relates primarily to an increase in net income, further reductions in days sales outstanding, or DSO, and changes in insurance accruals, partially offset by a reduced impact from change in accounts payable and accrued liabilities. Decreases in accounts receivable increased operating cash flows by \$8.4 million for the nine months ended September 30, 2009. During the same period in 2008, increases in accounts receivable decreased operating cash flows by \$54.5 million due to FEMA deployment receivables outstanding as of September 30, offset by increased collections for receivables delayed in 2007 for billing system conversions and for delays in obtaining provider numbers. Increases in accounts payable and accrued liabilities increased operating cash flows by \$10.6 million in 2009 compared to \$42.0 million in 2008 primarily as a result of FEMA-related deployment accruals outstanding as of September 30, 2008.

We regularly analyze DSO which is calculated by taking our net revenue for the quarter divided by the number of days in the quarter. The result is divided into net accounts receivable at the end of the period. DSO provides us with a gauge to measure receivables, revenue and collection activities. The reductions since December 31, 2008 shown below are due to additional collections on accounts receivable as a result of continued billing and collection process enhancements at both AMR and EmCare. The following table outlines our DSO by segment and in total excluding the impact of AMR's 2008 deployments under its contract with the Federal Emergency Management Agency:

|        | Q3 2009 | Q2 2009 | Q1 2009 | Q4 2008 | Q3 2008 | Q2 2008 |
|--------|---------|---------|---------|---------|---------|---------|
| AMR    | 70      | 73      | 74      | 79      | 83      | 86      |
| EmCare | 58      | 61      | 65      | 68      | 72      | 76      |
| EMSC   | 64      | 67      | 70      | 74      | 78      | 82      |

*Investing activities.* Net cash used in investing activities was \$31.7 million for the nine months ended September 30, 2009 compared to \$30.4 million for the same period in 2008. The change in cash flows used in investing activities was affected by changes to insurance collateral requirements and increased net capital expenditures, offset by reduced business acquisition activity. Net insurance collateral requirements provided \$4.1 million during 2009 compared to \$16.0 million during the 2008 period. Net capital expenditure spending was \$33.6 million during the nine months ended September 30, 2009 compared to \$21.4 million for the same period last year due primarily to the timing of capital purchases. Cash used in the acquisition of businesses during the nine months ended September 30, 2009 was \$1.4 million compared to \$28.3 million during the same period in 2008.

*Financing activities.* For the nine months ended September 30, 2009, net cash provided by financing activities was \$6.8 million compared to \$6.7 million for the nine months ended September 30, 2008. At September 30, 2009, there were no amounts outstanding under our revolving credit facility.



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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our primary exposure to market risk consists of changes in interest rates on certain of our borrowings. While we have entered into transactions to mitigate our exposure to both changes in interest rates and fuel prices, we do not use these instruments for speculative or trading purposes.

We monitor the risk from changing interest rates and evaluate ways to mitigate possible exposures, as appropriate, using derivative and hedging instruments. Our use of derivative instruments is limited to highly effective fixed interest rate swap agreements used to manage well-defined interest rate risk exposures. In March 2009, we amended the interest rate swap agreement originally entered into in December 2007. The amendment changed the hedged interest rate from the 3-month LIBOR to the 1-month LIBOR. The amended swap agreement is with major financial institutions and amounts to \$200 million of our variable rate debt. This swap agreement effectively converts \$200 million of variable rate debt to fixed rate debt with an effective rate of 6.1%. We continue to make interest payments based on the variable rate associated with the debt (based on LIBOR which had a rate of less than 1% at September 30, 2009) and periodically settle with our counterparties for the difference between the rate paid and the fixed rate. The swap agreement expires in December 2009.

As of September 30, 2009, we had \$451.7 million of debt excluding capital leases, of which \$0.3 million was variable rate debt under our senior secured credit facility (\$200 million of which was fixed through an interest rate swap which expires in December 2009) and the balance was fixed rate debt, including aggregate principal amount of our senior subordinated notes. An increase or decrease in interest rates of 0.125% will change our interest costs on our senior secured credit facility by less than \$0.1 million per year based on outstanding indebtedness at September 30, 2009.

**ITEM 4. CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

We maintain a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) that are designed to ensure that information required to be disclosed in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or furnishes under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their evaluation of our disclosure controls and procedures conducted within 90 days of the date of filing this Report on Form 10-Q, our principal executive officer and our principal financial officer have concluded that, as of the date of their evaluation, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) are effective.

*Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**EMERGENCY MEDICAL SERVICES CORPORATION**

**PART II. OTHER INFORMATION**

**FOR THE THREE AND NINE MONTHS ENDED**

**SEPTEMBER 30, 2009**

**ITEM 1. LEGAL PROCEEDINGS**

For additional information regarding legal proceedings, please refer to note 8, under the caption "Commitments and Contingencies" of the notes accompanying the consolidated financial statements included herein, to our Annual Report on Form 10-K filed with the SEC on February 23, 2009 and to our Quarterly Reports on Form 10-Q filed with the SEC on May 6, 2009 and August 4, 2009.

**ITEM 1A. RISK FACTORS**

Other than with respect to the risk factors below, there have been no material changes from the risk factors disclosed in the "Risk Factors" sections of the Company's Annual Report on Form 10-K for the year ended December 31, 2008 and in the Company's Quarterly Report for the quarter ended June 30, 2009.

**Risk Factors Related to Our Capital Structure**

*We do not intend to pay cash dividends.*

We do not intend to pay cash dividends on our class A common stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our current, as well as any future, financing agreements may preclude us from paying any dividends. As a result, capital appreciation, if any, of our class A common stock will be your sole source of potential gain for the foreseeable future.

**Risk Factors Related to Healthcare Regulation**

*Under recently enacted amendments to federal privacy law, we are subject to more stringent penalties in the event we improperly use or disclose protected health information regarding our patients.*

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The Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act of 1996, or HIPAA, required the Department of Health and Human Services, or HHS, to adopt standards to protect the privacy and security of certain health-related information. The HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information by covered entities, which include AMR and EmCare.

In addition to the privacy requirements, HIPAA covered entities must implement certain administrative, physical, and technical security standards to protect the integrity, confidentiality and availability of certain electronic health information received, maintained, or transmitted. HIPAA also implemented the use of standard transaction code sets and standard identifiers that covered entities must use when submitting or receiving certain electronic healthcare transactions, including activities associated with the billing and collection of healthcare claims.

The Health Information Technology for Economic and Clinical Health Act (HITECH Act), which was enacted as part of the ARRA, significantly expands the scope of the privacy and security requirements under HIPAA and increases penalties for violations. Prior to the HITECH Act, the focus of HIPAA enforcement was on resolution of alleged non-compliance through voluntary corrective action without fines or penalties in most cases. That focus changed under the HITECH Act, which now imposes mandatory penalties for violations of HIPAA that are due to willful neglect. For violations due to willful neglect, penalties start at \$10,000 and are not to exceed \$250,000. For violations due to willful neglect that are not corrected, penalties start at \$50,000 and are not to exceed \$1.5 million. For violations based on reasonable cause, penalties start at \$1,000 per violation and are not to exceed \$100,000. For violations determined to be made without knowledge, penalties start at \$100 per violation and are not to exceed \$25,000. The HITECH Act specifically allows the Office for Civil Rights (OCR) to continue to use corrective action without a penalty, but only in situations where the violation was made without knowledge. The HITECH Act also authorizes state attorneys general to file suit on behalf of their residents. Courts will be able to award damages, costs, and attorneys fees related to violations of HIPAA in such cases.

The HITECH Act and implementing regulations enacted by HHS further requires that patients be notified of any unauthorized acquisition, access, use, or disclosure of their unsecured protected health information ( Unsecured PHI ) that compromises the privacy or security of such information, with some exceptions related to unintentional or inadvertent use or disclosure by employees or authorized individuals within the same facility. The HITECH Act and implementing regulations specify that such notifications must be made without unreasonable delay and in no case later than 60 calendar days after discovery of the breach. If a breach affects 500 patients or more, it must be reported immediately to HHS, which will post the name of the breaching entity on its public web site. If a breach involves less than 500 people, the covered entity must record it in a log and notify HHS at least annually. Breaches affecting 500 patients or more in the same state or jurisdiction must be reported to the local media. The security breach notification requirements apply not only to unauthorized disclosures of Unsecured PHI to outside third parties, but also to unauthorized internal access to such PHI which compromises the security or privacy of the individual s PHI. This means that unauthorized employee snooping into medical records could trigger the notification requirements. These security breach notification requirements became effective on September 23, 2009, but HHS has indicated it will not take enforcement action until February of 2010.

Many states in which we operate also have laws that protect the privacy and security of confidential, personal information. These laws may be similar to or even more protective than the federal provisions. Not only may some of these state laws impose fines and penalties upon violators, but some may afford private rights of action to individuals who believe their personal information has been misused. California s patient privacy laws, for example, provide for penalties of up to \$250,000 and permit injured parties to sue for damages.

### ***Changes in the healthcare industry and in healthcare spending may adversely affect our revenue.***

Almost all of our revenue is either from the healthcare industry or could be affected by changes in healthcare spending or legislation. The healthcare industry is subject to changing political, regulatory and other influences. National healthcare reform is currently a major focus at the federal level, and congressional leaders are working on major healthcare reform legislation that could be enacted into law by the end of 2009. Among other things, healthcare reform may increase governmental involvement in healthcare, lower reimbursement rates from both governmental and private third party payors, migrate coverage amongst payers, or otherwise change the legal and economic environment in which we and our customers operate. Our customers may respond by reducing their expenditures or postponing expenditure decisions, including expenditures for our services.

*Changes in the rates or methods of third party reimbursements may adversely affect our revenue and operations.*

We derive a majority of our revenue from direct billings to patients and third party payors such as Medicare, Medicaid and private health insurance companies. As a result, any changes in the rates or methods of reimbursement for the services we provide could have a significant adverse impact on our revenue and financial results. Healthcare reform legislation currently pending in Congress could result in substantial cuts in Medicare and Medicaid coverage and/or funding, as well as reductions in coverage and/or amounts paid by private payors, which could have an adverse impact on our revenues from those sources.

Even if healthcare reform legislation currently pending in Congress is not enacted, government funding for healthcare programs is subject to statutory and regulatory changes, administrative rulings, interpretations of policy and determinations by intermediaries and governmental funding restrictions, all of which could materially impact program coverage and reimbursements for both ambulance and physician services. In recent years, Congress has consistently attempted to curb spending on Medicare, Medicaid and other programs funded in whole or part by the federal government. State and local governments have also attempted to curb spending on those programs for which they are wholly or partly responsible. This has resulted in cost containment measures such as the imposition of new fee schedules that have lowered reimbursement for some of our services and restricted the rate of increase for others, and new utilization controls that limit coverage of our services. For example, we estimate that the impact of a national fee schedule promulgated in 2002, as modified by subsequent legislation, resulted in a decrease in AMR's net revenue of approximately \$17 million in 2006, a decrease in AMR's net revenue of approximately \$7 million in 2007, and an increase in AMR's net revenue of approximately \$14 million in 2008. Based upon the current Medicare transport mix, we expect that the impact of these factors will be an increase in AMR's net revenue totaling approximately \$24 million for 2009 and a decrease in AMR's net revenue of approximately \$20 million in 2010.

In addition, state and local government regulations or administrative policies regulate ambulance rate structures in some jurisdictions in which we conduct transport services. We may be unable to receive ambulance service rate increases on a timely basis where rates are regulated, or to establish or maintain satisfactory rate structures where rates are not regulated.

We believe that regulatory trends in cost containment will continue. We cannot assure you that we will be able to offset reduced operating margins through cost reductions, increased volume, the introduction of additional procedures or otherwise. In addition, we cannot assure you that federal, state and local governments will not impose reductions in the fee schedules or rate regulations applicable to our services in the future. Any such reductions could have a material adverse effect on our business, financial condition or results of operations.

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**ITEM 6. EXHIBITS**

- 4.23 Supplemental Indenture No. 16, effective as of September 11, 2009, among EverRad, LLC, the Issuers named therein, the other Guarantors named therein and U.S. Bank Trust National Association, as trustee.\*
- 31.1 Certification of the Chief Executive Officer of Emergency Medical Services Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 31.2 Certification of the Chief Executive Officer of Emergency Medical Services Corporation, as general partner of Emergency Medical Services L.P., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 31.3 Certification of the Chief Financial Officer of Emergency Medical Services Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 31.4 Certification of the Chief Financial Officer of Emergency Medical Services Corporation, as general partner of Emergency Medical Services L.P., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Certification of the Chief Executive Officer and the Chief Financial Officer of Emergency Medical Services Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 32.2 Certification of the Chief Executive Officer and the Chief Financial Officer of Emergency Medical Services Corporation, as general partner of Emergency Medical Services L.P. pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

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\* Filed with this Report

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

**EMERGENCY MEDICAL SERVICES CORPORATION**

(registrant)

November 4, 2009  
Date

By: /s/ William A. Sanger  
William A. Sanger  
Chairman and Chief Executive Officer

By: /s/ Randel G. Owen  
Randel G. Owen  
Chief Financial Officer and Executive Vice  
President

**EMERGENCY MEDICAL SERVICES L.P.**

(registrant)

November 4, 2009  
Date

By: Emergency Medical Services Corporation, its  
General Partner

By: /s/ William A. Sanger  
William A. Sanger  
Chairman and Chief Executive Officer

By: /s/ Randel G. Owen  
Randel G. Owen  
Chief Financial Officer and Executive Vice  
President

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