



## THE CITY OF SAN DIEGO

July 31, 2013

Wayne Johnson, General Manager  
Rural/Metro of San Diego  
10405 Rancho Mission Road, Suite 200  
San Diego, CA 92108

Dear Mr. Johnson,

RE: Request for Information

The City is aware that Rural/Metro failed to make a recent interest payment on an unsecured bond. We are concerned that the City did not learn this information directly from Rural/Metro, and instead discovered this situation via news media. The City appreciates the assurances you provided via e-mail on July 19<sup>th</sup> as to Rural/Metro's commitment to providing the EMS services in San Diego and that from an operational perspective things are "business as usual."

However, as the City of San Diego has an obligation to the County of San Diego and State of California to be able to provide advanced life support emergency medical transport within its jurisdiction, we request further information about Rural/Metro's financial situation and Rural/Metro's ability to continue providing those services per the terms of our 2013 EMS Agreement.

Please respond to the following:

- 1) Why was the City not notified by Rural/Metro of these financial problems?
- 2) Is Rural/Metro paying its employees on time and in full?
- 3) Has Rural/Metro missed or delayed payment to any of its suppliers in the past ninety days?
- 4) Is Rural/Metro maintaining the San Diego ambulance fleet and related equipment in compliance with the standard set forth in the current contract as well as the laws of the State of California?
- 5) Is Rural/Metro current on its payments for all insurance premiums required under its contract with the City of San Diego?



### Emergency Medical Services Program

1010 Second Avenue, Suite 400 • San Diego, CA 92101

Tel (619) 533-4430 Fax (619) 533-3835



- 6) Is Rural/Metro current on its payments for the performance bond required under its EMS Agreement with the City of San Diego? The City also requests a contact name and number from the Platt River Insurance Company.
- 7) Does Rural/Metro expect any delays in paying the City the balance of the EMS Operational Fee due on August 15, 2013, or any future quarterly installments as required under the current EMS Agreement?
- 8) Will Rural/Metro be able to fulfill its obligations regarding the purchasing of the ePCR system as required under the current EMS Agreement?
- 9) Will Rural/Metro's current corporate restructuring detrimentally affect the current contract with the City in any way?
- 10) How large is the payment Rural/Metro needs to make in order to avoid a default?

We ask that Rural/Metro respond to this letter by 5pm on Wednesday, August 7, 2013. The City is committed to keeping Rural/Metro's responses confidential, to the extent allowable by law. After we receive your response, we may ask senior Rural/Metro management to participate in a teleconference or meeting with City Officials in order to clarify Rural/Metro's financial situation.

Sincerely,



Nelson Hernandez, Director of Policy

Cc: Walt Ekard, Chief Operating Officer  
Scott Chadwick, Assistant Chief Operating Officer  
Javier Mainar, Fire Chief  
Noah Brazier, Deputy City Attorney  
Alyssa Ross, EMS Program Manager



August 28, 2013

*VIA HAND DELIVERY*

Nelson Hernandez, Director of Policy  
Office of the Mayor  
1010 Second Avenue, Suite 400  
San Diego, CA 92101

RE: Request for Information

Dear Mr. Hernandez:

This letter serves as a follow up to your July 31, 2013, correspondence and the meeting held with Rural/Metro Management on August 8, 2013. On behalf of Rural/Metro, we certainly appreciate the opportunity to address your questions. We are pleased to report that we expect it will remain business as usual from an operational perspective throughout our restructuring process. We also provide assurances that Rural/Metro continues to hold the expertise, integrity, fiscal competence and resources necessary to provide ambulance services to its communities.

Although we include responses to your specific requests further below, since the time of your initial letter, Rural/Metro elected to file voluntary petitions under Chapter 11 of the United States Bankruptcy Code on August 4, 2013. We intend to use this process to significantly reduce our debt and free up capital for investments so that we can strengthen our business and further improve patient care. With the support of our lenders and bondholders, we plan to move through the Court-supervised process quickly, and currently expect to complete our restructuring in the fourth quarter of 2013.

We are also pleased that Rural/Metro has reached an agreement-in-principle with the majority of our senior lenders and bondholders on the terms of a prearranged, comprehensive financial restructuring plan. Among other things, the plan will reduce our outstanding debt by approximately 50 percent and provide us with a significant infusion of new equity capital, which will give us the financial flexibility we need to continue investing in our business, meeting the needs of our stakeholders and further improving service. This agreement is good news for Rural/Metro and for the communities and customers we serve.



This solution will keep our operations moving forward while cutting our debt in half. Notably, we believe this agreement with our lenders underscores their confidence in the value of our business, and will help ensure that we have a strong financial footing to resume growth and investment while honoring our agreements and continuing to provide outstanding service and patient care.

Please additionally find more specific responses to your questions below:

- **Why was the City not notified by Rural/Metro of its financial problems?**

Scott Bartos and John Wilson met with City officials this summer and did discuss the need to restructure Rural/Metro's financial situation. Because the company's debt is traded in public markets, the company was precluded from communicating insider information to anyone outside of the company. Once definitive action was taken and announced, Rural/Metro communicated openly with the City. In order to communicate consistent information to all customers and interested parties, the company created the communication portal listed below to provide comprehensive information in a legally compliant manner.

- **Is Rural/Metro paying its employees on time and in full?**

Yes. Rural/Metro is paying its employees on time and in full. The Court has granted several motions which have ensured that we are able to continue serving our customers without interruption. Importantly, we have also received a commitment for \$75 million in financing from certain of our secured lenders, which, pending Court approval, will provide us with additional liquidity to meet the needs of our business and the communities we serve.

- **Has Rural/Metro missed or delayed payment to any of its suppliers in the past ninety days?**

Yes, however, Rural/Metro has requested that its Critical Vendors be paid. Although we are unable to provide specific details surrounding the company's bankruptcy plan beyond that already publicly filed, the following website can be used to track all official court proceedings, including payments made to its suppliers: <http://www.donlinrecano.org/el/Dockets/rmc>

- **Is Rural/Metro maintaining the San Diego ambulance fleet and related equipment in compliance with the standard set forth in the current contract as well as the laws of the State of California?**

Yes, there has been no change in our operating procedures although some vendors may have been added to serve our needs.

- **Is Rural/Metro current on its payment for all insurance premiums required under its contract with the City of San Diego?**

Yes, Rural/Metro intends to meet its contractual obligations, including the payment of its insurance premiums.

- **Is Rural/Metro current on its payment for the performance bond required under its EMS Agreement with the City of San Diego? The City also requests a contact name and number from the Platt River Insurance Company.**

Yes, Rural/Metro intends to meet its contractual obligations, including the payment of its performance bond.

- **Does Rural/Metro expect any delays in paying the City the balance of the EMS Operational fee due on August 15, 2013, or any future quarterly installments as required under the current EMS Agreement?**

The City may experience a delay in payment of 4 days of fees representing August 1-4. All fees after August 4 will be paid in accordance with contractual terms. Rural/Metro will be in contact with the City regarding the delay of payment.

- **Will Rural/Metro be able to fulfill its obligations regarding the purchasing of the ePCR system as required under the current EMS Agreement?**

Rural/Metro will begin to negotiate an agreement with WATER and may need the City's assistance in securing an agreement that works for all parties. Additionally, the recent announcement that the RFP may be released in the immediate future has resulted in a challenge for Rural/Metro. The approval of nearly \$300,000 in

start-up costs and \$300,000 in annual fees with the possibility of only 10 months left in the contract will likely make necessary court approvals difficult to obtain.

- **Will Rural/Metro's corporate restructuring detrimentally affect the current contract with the City in any way?**

No. As outlined, from an operational perspective, we expect it to be business as usual throughout the restructuring process. Our financial restructuring will be managed from our corporate offices, and our field operations will continue to operate normally. The Court has also granted several customary motions, which have ensured that we are able to continue serving our customers without interruption. Importantly, we have also received a commitment for \$75 million in financing from certain of our secured lenders, which, pending Court approval, will provide us with additional liquidity to meet the needs of our business and the communities we serve.

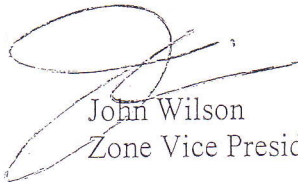
- **How large is the payment Rural/Metro needs to make in order to avoid a default?**

As noted above, Rural/Metro's decision to file a voluntary petition under Chapter 11 will allow it to keep our operations moving forward while cutting our debt in half.

**All of the above outlined steps are designed to ensure that we can continue to serve you as we have in the past. Our top priority is to continue meeting the needs of our customers and patients throughout the country.**

Again, Rural/Metro values each of its customers and remains committed to providing the highest-quality ambulance services to our communities. We appreciate the opportunity to respond to your questions. We will continue to keep you updated on our progress, but if you have any questions regarding this correspondence, please do not hesitate to contact me at (702) 249-3321 or [jwilson@pmtambulance.com](mailto:jwilson@pmtambulance.com).

Very truly yours,



John Wilson  
Zone Vice President



Citywide Standard\*: 90%      Zone Standard: 90%

**FINAL**

\*Per County EMS Guidelines and EMS Agreement Terms

**Rural/Metro Ambulance Response**

**12 Minute Compliance - Level 1 (Emergency)**

AREA	12 MINUTE CITYWIDE	ZONE 1	ZONE 2	ZONE 3	ZONE 4
Total Volume	23,594	1,821	7,776	6,379	7,618
NATS*	0	0	0	0	0
Adjusted Volume	23,594	1,821	7,776	6,379	7,618
Response Time Exceeded	3,122	283	867	910	1,062
<b>Percentage Response Time Met (Pre-Exceptions)</b>	<b>86.8%</b>	<b>84.5%</b>	<b>88.9%</b>	<b>85.7%</b>	<b>86.1%</b>
Approved Exceptions**	2,490	217	699	746	828
Adjusted Response Time Exceeded	632	66	168	164	234
<b>Contractual Compliance (Post Allowable Exceptions)</b>	<b>97.3%</b>	<b>96.4%</b>	<b>97.8%</b>	<b>97.4%</b>	<b>96.9%</b>

**15 Minute Compliance - Level 3 (Urgent)**

AREA	15 MINUTE CITYWIDE
Total Volume	2,599
NATS*	0
Adjusted Volume	2,599
Response Time Exceeded	413
<b>Percentage Response Time Met (Pre-Exceptions)</b>	<b>84.1%</b>
Approved Exceptions**	311
Adjusted Response Time Exceeded	102
<b>Contractual Compliance (Post Allowable Exceptions)</b>	<b>96.1%</b>

**30 Minute Compliance - Level 4 (Non-Emergency)**

AREA	30 MINUTE CITYWIDE
Total Volume	1,810
NATS*	0
Adjusted Volume	1,810
Response Time Exceeded	17
<b>Percentage Response Time Met (Pre-Exceptions)</b>	<b>99.1%</b>
Approved Exceptions**	16
Adjusted Response Time Exceeded	1
<b>Contractual Compliance (Post Allowable Exceptions)</b>	<b>99.9%</b>

\* NATS = Ambulance arrived but no "at-scene time" was recorded.

\*\*Per EMS contract, there are conditions by which certain calls may be allowed exceptions.