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VIA E-MAIL AND HAND-DELIVERY

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County of Sonoma
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**Re: Protest of Award for County of Sonoma's Request for Proposal for Emergency
Ground Ambulance Transport (SC001-0000001592 / 22-023)**

Dear Ms. Sugiyama:

This letter constitutes a protest by American Medical Response West ("AMR") of the County of Sonoma's ("County") April 24, 2023 Notice of Intent to Award Emergency Advanced Life Support Ground Ambulance Services for an Exclusive Operating Area in Sonoma County ("Award") to Sonoma County Fire District ("SCFD") and its subcontractor and "partner in care" Medic Ambulance Service Inc. ("Medic") in connection with RFP No. SC001-0000001592 ("RFP"). AMR timely files this protest within seven (7) calendar days after the County issued its Award, pursuant to Section 2.13 of the RFP and the County's policy and procedure governing Protests and Appeals for Goods and Professional Services Procurements.¹

In recent years, the County has had to transfer County funds to SCFD to cover SCFD budget shortfalls.² SCFD has also rapidly expanded its territory through consolidations with other fire districts. During this RFP process, the County could be perceived as favoring SCFD to ensure that SCFD can capture an additional source of revenue through the Exclusive Operating Area-1 ("EOA-1") contract thereby avoiding future SCFD budget shortfalls. While understandable from a political perspective, the County knows that Health & Safety Code Section 1797.224, the RFP, and the County's own laws all dictate that the County operate a fair and competitive bid process regardless of its impact on its budget.

¹ See Protest Procedures, available at: [https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/sonoma-public-infrastructure-\(formerly-gs\)/divisions/purchasing/doing-business-with-the-county/protests-and-appeals](https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/sonoma-public-infrastructure-(formerly-gs)/divisions/purchasing/doing-business-with-the-county/protests-and-appeals).

² See Sonoma County Press Release, Sonoma County commits \$9 million to unify and improve fire services (Jan. 26, 2022), available at: <https://sonomacounty.ca.gov/county-commits-9-million-to-unify-improve-fire-services>.

The grounds outlined below for AMR's protest are that the RFP process was defective, infected by a clear conflict of interest, and completed in a manner inconsistent with the California Constitution, California law governing conflicts of interest, and the RFP's requirements and prohibition on *ex parte* communications. In addition, the material deficiencies and inherent bias in the RFP process were inherently prejudicial to AMR and favored SCFD and Medic.

AMR hereby requests (1) that the Department of Health Services stay further action on the Award and refrain from sending the Award to the County of Sonoma Board of Supervisors for approval at this time, (2) rescind the Award to SCFD and disqualify SCFD from the award process, and (3) enter contract negotiations with AMR to obtain the best value for the County and its residents. Alternatively, AMR requests that the County cancel the entire RFP and begin a new RFP process in accordance with the California Emergency Medical Services Authority's competitive bidding requirements for contracts in exclusive operating areas pursuant to Health & Safety Code section 1797.224. The County can still remedy the errors.

EXECUTIVE SUMMARY OF GROUNDS OF THIS PROTEST

- 1. Amy Gnojek Had an Undisclosed, Material, and Disqualifying Conflict of Interest That Infected the Entire RFP Process:** Amy Gnojek is a certified public accountant whom the County appointed to the Proposal Review Committee ("PRC"). The County separately engaged Ms. Gnojek as a consultant to advise the entire PRC and opine on whether AMR and SCFD satisfied the "Financial and Administrative Requirements" of the RFP. As outlined below, Ms. Gnojek had an obvious conflict of interest and bias in favor of SCFD's subcontractor Medic that should have disqualified her. This conflict made it impossible for AMR to compete on an even playing field.

In November 2022, Ms. Gnojek founded an organization called Women in Emergency Services ("WiES"). Ms. Gnojek admitted that WiES is a "long-time dream" of hers. Since its founding, Ms. Gnojek has promoted and participated in fundraising for WiES. During the RFP process, WiES announced that Medic was one of three "Founding Sponsors," for which it donated at least \$10,000.³ Ms. Gnojek knew about the sponsorship.

AMR fully supports WiES' laudable mission of promoting women in the world of emergency services. However, this noble goal does not immunize Ms. Gnojek or the County from conflict of interest laws or the Sonoma County EMS Ordinance. Nor does it allow Ms. Gnojek to operate with impunity and infect the RFP process with her own personal biases in favor of Medic to the detriment of bidders like AMR, and its local EMTs, paramedics, and support

³ Currently, it appears that WiES has four Founding Sponsors. However, as of April 25, 2023, only three Founding Sponsors were identified on its website. See **Exhibit 5**.

staff, who have worked tirelessly to provide the highest quality of care to patients in the County over the last 30 years. The end does not justify the means.

Ms. Gnojek participated in the RFP process with full knowledge of her conflicting financial, reputational, and personal ties to Medic and SCFD. In SCFD's RFP proposal, it touted Medic's "sponsorship" of WiES. **SCFD RFP, p. 119.** SCFD also pledged that it would partner with WiES and provide mentorship opportunities if it was ultimately awarded the contract.

Despite the obvious conflict of interest between her role on the PRC and her passion project, Ms. Gnojek did not recuse herself. To the contrary, Ms. Gnojek used her clout as the County's "expert" in EMS finances to favor Medic, overlook its failure to submit audited financials and negatively skew AMR's scores in the "Financial and Administrative Requirements" category so that SCFD and Medic (and her organization) would win. Ms. Gnojek succeeded in that objective. The deciding scores were in two categories in the Financial and Administrative Requirements. While prevailing in other categories, in the two categories dependent upon Ms. Gnojek's analysis, Medic scored significantly higher than AMR.

AMR's reduced scores for the "Financial and Administrative Requirements" are attributable to an honest mistake that could have, and would have, been easily cured in an unbiased and conflict-free process.⁴ In its proposal, AMR stated that it complied with the RFP by including five years of audited financial statements for its parent company. However, it appears that three of those financial statements were inadvertently left out during the assembly process (the bid was quite lengthy). The County did not notify AMR about the missing financials and AMR continued to believe that they were included until it was informed on April 20 during the oral presentation that they were missing. During the presentations, the County made it clear that no further records could be submitted. This decision unfairly hurt AMR. Both bidders should have been permitted to provide the missing audited financials.

SCFD and Medic made a similar mistake but were treated more favorably. Contrary to the RFP's requirements, SCFD did not include Medic's audited financial statements, which were expressly required by the RFP. **RFP, Section 3.1.** Instead, SCFD's submission only included *reviewed* financial statements, which are different. **See SCFD RFP, p. 1121.** Ms. Gnojek and the County turned a blind eye to SCFD and Medic's mistakes. Ultimately, Ms. Gnojek and the County did not disqualify Medic and did not deduct many points thereby paving the way for SCFD to win the RFP.

⁴ There was no reason why AMR should not have been given an opportunity to provide the missing financials. The financial statements were already prepared and AMR could have immediately provided them to ensure that the PRC had all the information that it needed to confirm AMR's financial stability and make the best decision for the residents of the County. Medic could have also been provided with the same opportunity to provide its missing audited financials.

In over 30 years of serving residents in EOA-1, there has never been a question about AMR's financial stability, and it currently provides quarterly financial reports to the County. Under California law and the RFP itself, AMR deserved to have an unbiased PRC and conflict-free expert advising them, such that they would equally apply standards and objectively score the two proposals. That did not happen. This is why conflict of interest laws exist and why the Award is void and unenforceable.

2. **SCFD's Bid Price Violates California's Constitution by Imposing an Illegal Tax:** The California Constitution, as amended by a series of voter initiatives including Proposition 26, places limitations on the authority of local governments to collect revenue through taxes, fees, charges, and other types of levies. (Cal. Const., arts. XIII A, XIII C, XIII D.) Local government agencies such as the County and SCFD cannot impose a new tax upon the residents unless the voters have passed the new tax by a two-thirds approval rate. SCFD's bid for ambulance services imposes an illegal tax because the amounts charged exceed its costs for providing the services and are malapportioned to the detriment of certain residents. Despite assertions by SCFD that its plan is permissible, in fact it is not, and the County will bear the burden of justifying SCFD's revenue generating plan. SCFD's bid imposes an illegal tax. The Award is not enforceable.
3. **The RFP Process Has Been Irreparably Tainted by SCFD's Repeated Violations of the RFP's Gag Rule:** SCFD improperly sought to influence the RFP process and violated the RFP's gag rule by engaging in *ex parte* contacts and communications with members of the Board of Supervisors, the Director of Health Services, and at least one member of the PRC.

BACKGROUND

For over 30 years, AMR's dedicated EMTs, paramedics, and support staff have provided innovative, responsive, and community focused healthcare to the residents of the County in the exclusive operating area known as EOA-1. **AMR RFP, p. 2.** During this time, AMR has supported the County and its residents in times of need and invested substantial sums of money in technological advancements, equipment, and infrastructure improvements that were (and are) necessary to operate a fully functional and highly efficient EMS system.

On November 2, 2022, the County issued the current RFP. **RFP, p. 1.** The closing date for the submission of proposals for the RFP was March 1, 2023, and AMR timely submitted its lengthy proposal in response to the RFP. **RFP, p. 1.** The County had more than enough time to request and review AMR and Medic's omitted audited financial statements. Oral presentations were initially scheduled to take place on March 10, 2022—i.e., 9 days after the submissions were provided by SCFD and AMR. However, the County ultimately delayed the oral presentations to April 20, 2022—i.e., 50 days after the submission date. Notably, the County has previously delayed the RFP to accommodate SCFD. The treatment of the two bidders has not been even-handed.

On April 24, 2023, the County notified AMR of the Award to SCFD. **Exhibit 1.** In addition, the County made available certain documents, including (1) the proposal submitted by SCFD, (2) the identities of each appointee to the PRC, (3) the County's instructions to members of the PRC, (4) an RFP scoring summary with the average scores for SCFD and AMR in each rating category, and (5) videos of the oral presentations given by AMR and SCFD.

On April 25, 2023, AMR submitted a request under the California Public Records Act ("PRA") for individual score sheets and records relating to conflicts of interest disclosures and contracts signed by members of the PRC. **Exhibit 2.** On April 27, 2023, the County provided (1) individual score sheets that anonymously identified each rater as Rater #1, Rater #2, etc., (2) Confidentiality and Non-Conflict Acknowledgements executed by each PRC member, and (3) an Agreement for Services signed by Ms. Gnojek on March 1, 2023 ("Services Agreement") on behalf of another company she owned, Apex360, LLC.

On April 26, 2023, AMR submitted a supplemental request under the PRA for (1) any reports, draft reports, or analysis prepared by Ms. Gnojek under the Services Agreement, and (2) records reflecting any analysis relating to the RFP and discussing material financial concerns, including financial sustainability, financial performance, and long-term feasibility. AMR has not received any records in response to the latest request. AMR reserves all rights, including the right to supplement this protest.

GROUND'S FOR PROTEST

1. Amy Gnojek Had an Undisclosed, Material, and Disqualifying Conflict of Interest That Infected the Entire RFP Process.

A. Ms. Gnojek's Conflicts of Interest and Personal Bias Skewed the PRC's Scoring and Put AMR at a Substantial Competitive Disadvantage.

Ms. Gnojek, the CPA on the review panel, is one of three individuals who founded WiES at around the same time that the RFP was issued in November 2022. **Exhibit 3; Exhibit 4, pp. 1-2.** At that time, Ms. Gnojek stated on her LinkedIn account: "I am SO excited to announce that ... I am a Founding Advisor for a new founded national organization, Women in Emergency Services. **This has been a long-time dream** and need in our industry and it's finally here!" **Exhibit 4, p. 2** (emphasis added). Since then, Ms. Gnojek has been actively involved with the company, attending conferences, and appearing in podcasts. According to WiES' website, she also maintains a company email account. **See Exhibit 5.**

On February 28, 2023, Ms. Gnojek executed the Confidentiality and Non-Conflict Acknowledgement affirming her understanding that members of the PRC "must have no conflict of interest with regard to any proposal, including with regard to any recommendation for selection or award. A real or apparent conflict of interest exists if a person ... stands to, or could appear to

potentially, benefit persons, professionally, and/or financially from the outcome of a particular decision or an awarded contract.” **Exhibit 6, p. 1.** She also promised to notify the Procurement Officer immediately if she (1) “had a real or apparent conflict of interest,” (2) “obtained information outside of this evaluation process that could impair or could create the appearance of impairing [her] ability to evaluate any proposal fairly and impartially,” and (3) if any unauthorized person “contacted or attempted to contact [her] about any proposal, the evaluation, **or any related matter.**” *Id.*, p. 2.

On March 1, 2023, Ms. Gnojek executed the Services Agreement with the County to act as the “Principal Consultant” and to provide “financial-review-and-analysis services for the purpose of evaluating” the proposals submitted by AMR and SCFD. **Exhibit 7.** The scope of work included the following (directly quoted from the RFP):

- Review and analyze quantitative and qualitative responses as they relate to the financial performance and sustainability of the respondents;
- Score and provide overall evaluation of respondents’ submissions to RFP using County-prepared Scoring Table in Exhibit 3 of the RFP;
- Based upon the above review, assist in analyzing any material financial concerns, including financial sustainability, financial performance, and long-term feasibility; and
- Submit a draft a report to County detailing and addressing the results of the above process.

Id., p. 16.

Ms. Gnojek, however, failed to uphold these standards. First, while Ms. Gnojek was reviewing the bids, SCFD’s subcontractor, Medic, became one of only three “Founding Sponsors” of WiES. *See Exhibit 5, p. 3.* After SCFD submitted its proposal, and on April 19, 2023 – **one day before** Medic made an oral presentation to Ms. Gnojek in connection with the RFP, WiES announced that Medic had just become a “Founding Sponsor” thus confirming to the world that Medic had just paid \$10,000 to Ms. Gnojek’s passion project, WiES. **Exhibit 4, p. 3.** It is thus reasonable to conclude that Medic paid WiES its founding donation of at least \$10,000 on or about April 19, 2023. In its post, WiES extolled Medic as “a family business with strong ties to the community,” and “standard[s] of excellence in everything from response times, to fleet maintenance, to operations.” *Id.*

The conflict was apparent to Ms. Gnojek. Aside from Ms. Gnojek’s personal knowledge of the connection between Medic and WiES, SCFD’s proposal—submitted on March 1, 2023—touts Medic’s “sponsorship” of WiES on page 119:

services to diverse areas such as Sonoma, Sacramento, and Solano counties. **MEDIC also supports women professionals in emergency services through their sponsorship of Women in Emergency Services (WiES), providing resources for career advancement and empowerment.**

Medic's sponsorship of WiES is not a trivial matter. The minimum amount required to be considered a "sponsor" of WiES is \$10,000. **Exhibit 8.** Thus, it is fair to conclude that Medic paid WiES at least \$10,000 in 2023 during the heart of the RFP process.

Equally concerning, SCFD promises on page 120 of its proposal that it will be "partnering" with Ms. Gnojek's organization if SCFD and Medic are awarded the contract:

To support women and at-risk youth in pursuing careers in EMS, SCFD-EMS will develop a mentorship program. We are partnering with Women in Emergency Services (WiES), an organization that provides resources and support for women professionals in the field. Through WiES, SCFD-EMS will match mentees with experienced mentors, including leaders from our Partner in Care, MEDIC. We believe this mentorship program will provide valuable guidance and support to help individuals from underrepresented groups achieve their career potential in EMS.

Ms. Gnojek's conflicts should have disqualified her to serve as a consultant and a panelist. Ignoring such, she leaned heavily and obviously toward the SCFD / Medic team and against AMR providing SCFD an unfair competitive advantage. Under Section 3.1.B of the RFP, proposers were required to "include their own independent (outside of agency) or external **audited** financial statements for the most recent five years." **RFP § 3.1.B.3** (emphasis added). Under Sections 2.1 and 3.1, "[i]f proposers [chose] to submit a proposal with a subcontractor, both the proposer and subcontractor" were required to meet "the standards within [the] RFP," including the "minimum qualifications," and the requirement to submit audited financial statements.

Both SCFD (Medic) and AMR made mistakes when submitting audited financials on March 1, 2023. Indeed, AMR's submission shows that it intended to comply with the RFP's requirements. In this respect, AMR's submission stated "Please see the following pages for copies of our externally audited financial statements *for the most recent five years* from our parent company, AMR HoldCo, Inc." *See AMR RFP, p. 997* (emphasis added).⁵ However, through an inadvertent document assembly error, AMR submitted audited financial statements for 2017 and 2018, but did not attach its pre-existing audited financial statements for 2019-2021 for the bidding entity's parent company. *See AMR RFP.*

In an analogous mistake, SCFD failed to submit **audited** financial statements for Medic. Instead, SCFD submitted reviewed financial statements for Medic. **SCFD RFP, pp. 1119-1196.** While they may appear to be the same, a review is not an audit. *See id.*, pp. 1121, 1136, 1151, 1166, 1182 ("A review is substantially less in scope than audit, the objective of which is the expression of

⁵ Ms. Gnojek's statements to AMR during the oral presentation do not comport with the scores that AMR ultimately received. After mentioning the absence of the omitted financial statements for AMR HoldCo, Inc., she discussed "questions of overall financial sustainability" and then stated, "I don't think that is an issue certainly at the parent company." *See AMR Oral Presentation at 1:29:16-1:29:43.* Thus, the inadvertent omission was immaterial and does not support the PRC's scoring on this point.

an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.”)

Both SCFD (Medic) and AMR were prepared to participate in oral presentations when they were originally scheduled on March 10, 2023. The panelists, including Ms. Gnojek, were also ready to hear presentations that day and had undoubtedly reviewed and analyzed both parties’ proposals and were prepared to ask questions. Therefore, Ms. Gnojek was likely aware of the mistakes in both parties’ submissions of audited financials for five years. She and the County could have requested that AMR and SCFD cure these deficiencies when the oral presentations were postponed for an additional 41 days. She and the County, however, took no such action. Had Ms. Gnojek done so, AMR would have recognized the inadvertent mistake and readily provided these documents. *See Exhibit 10 (2019-2021 audited financials)*. Medic would have had the opportunity to do the same.

Instead, Ms. Gnojek significantly docked AMR’s score on the financials, while turning a blind eye to Medic’s failure to provide audited financial information. The reviewers gave SCFD 15.2 points and AMR 7.2 points on the Budget and Fiscal Sustainability section. Ms. Gnojek did not dock SCFD’s score at all even though it failed to submit audited financial documents for Medic. Ms. Gnojek’s conduct, coupled with her connection to Medic through WiES, reeks of favoritism and bias. Any suggestion that failing to attach these audited financials was anything other than a simple mistake by AMR would be disingenuous. AMR has submitted these financials in response to other California RFPs which are of public record.

Based on the foregoing, no one could reasonably expect Ms. Gnojek to be objective and unbiased as required by the RFP. Ms. Gnojek was in no position to evaluate and score the proposals. At the very time that Ms. Gnojek was to be impartial in the County’s RFP process, she actively promoted, interacted with, received money from, and formulated professional plans with Medic and SCFD. She also blatantly ignored issues with Medic’s financial documents while significantly docking AMR’s score for similar reasons. As a result of Ms. Gnojek’s biased participation, the County’s RFP process has been undoubtedly violated and irreversibly tainted.

B. The Award Violates the Political Reform Act and Government Code § 1090.

Ms. Gnojek’s participation in the RFP process violates California’s conflict of interest laws. The consequences of such actions are clear. The County’s award to SCFD is void and unenforceable under the Political Reform Act (“PRA”) and Government Code section 1090 (“Section 1090”).

First, the PRA provides that a “public official at any level of state or local government shall not make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.” (Gov. Code, § 87100.) Under the PRA, a “public official” includes “a member, officer, employee, or consultant of a state or local government agency.” (Gov. Code, § 82048; Cal. Code Reg., tit. 2 §

18700.)⁶ In applying Regulation 18700(c), the California Fair Political Practices Commission has also stated that it “considers the RFP to be an integral part of a contract and, as such, decisions leading up to the contract, such as the decision that sets the foundation for the contractual relationship, are decisions concerning a contract.” (*Mr. Robert J. Logan*, CA FPPC Adv. A-96-227, 1996 WL 779431, at *2.) Here, as an appointed member of the PRC, Ms. Gnojek’s role was integral to the County’s decision to select SCFD because she reviewed, scored, and recommended SCFD and advised the County and the entire PRC as a consultant under the Services Agreement. **RFP, p. 48.** Ms. Gnojek did not participate in a vacuum, but instead, evaluated SCFD with full knowledge of her financial and professional interest tied to Medic and SCFD through WiES.

Second, Section 1090 provides that “county ... officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members,” unless the financial interest is deemed “remote” or a “noninterest.” (Gov. Code, § 1090; 1091-1091.5.) Section 1090 applies to Ms. Gnojek as an advisor and consultant for the County in its RFP process. (*People v. Superior Court (Sahlolbei)* (2017) 3 Cal.5th 230, 238 (applying § 1090 to advisors and independent contractors).)⁷

Like Ms. Gnojek, “a contractor who has been retained or appointed by a public entity and whose actual duties include engaging in or advising on public contracting is charged with acting on the government’s behalf,” and is included within the parameters of § 1090. (*Sahlolbei, supra*, 3 Cal.5th at 240.) It does not matter whether the interest is direct or indirect. The interest can include “any monetary or proprietary benefits, or gain of any sort, or the contingent possibility of monetary or proprietary benefits.” (*People v. Gnass* (2002) 101 Cal.App.4th 1271, 1299.) The interest can also potentially include prestige and goodwill. (86 Ops.Cal.Atty.Gen. 138, (2003).) The “law does not require that the defendant share directly in the profits to be realized from the contract in order to have an ‘interest’ prohibited under [§ 1090].” (*People v. Vallerga* (1977) 67 Cal.App.3d 847, 865.)

In this case, it is apparent that Ms. Gnojek has an “interest” in the County awarding SCFD and Medic the EMS contract. At the same time Ms. Gnojek was responsible for acting impartially in the RFP process, Medic donated \$10,000 to WiES and SCFD expressly stated in its proposal it intended to partner with, promote, and support WiES’ objectives and goals. This donation of \$10,000 alone

⁶ See also *Rotman, Doreet, et. al.*, 10 FPPC 1, 1 (No. 86-001, May 12, 1987) (holding that individuals on redevelopment project area committees are members of local governmental agencies and thus public officials); *Siegel, Samuel, City Attorney, Pico Rivera*, 3 FPPC 62, 67 (No. 76-054, July 6, 1977) (holding that members of the board of directors of a water development agency corporation are public officials); *Kirchmann v. Lake Elsinore Unified School Dist.* (1997) 57 Cal.App.4th 595, 602 (noting public official includes “every member, officer, employee or consultant of a state or local government agency”)

⁷ See *Hub City Solid Waste Services, Inc. v. City of Compton* (2010) 186 Cal.App.4th 1114, 1125 (applying § 1090 to consultants); *Millbrae Ass’n for Residential Survival v. City of Millbrae* (1968) 262 Cal.App.2d 222, 237 (applying § 1090 to advisors). Indeed, courts read Section 1090 and the Political Reform Act “as consistent” and will “incorporat[e] congruent principles” to “render the laws governing government contracts consistent with those governing government decisions more generally.” (*Sahlolbei, supra*, at 240.)

impermissibly violates California’s conflict of interest laws—full stop. Beyond this, Ms. Gnojek’s passion project expressly stands to gain from additional financial support, as well as prestige and goodwill from its connection to SCFD and Medic. As a result, Ms. Gnojek has violated the PRA and Section 1090, and the County’s Award is void.

B. The Award Violates the Sonoma County EMS Ordinance and RFP Requirements.

Assuming *arguendo* that Ms. Gnojek did not violate California’s financial conflict of interest laws—which she did—her role as a consultant for the County and member of the PRC is also in direct contravention to the Sonoma County EMS Ordinance and the RFP conflict of interest requirements. Ms. Gnojek’s conduct cannot escape these broader protections of the public.

Under Sonoma County EMS Ordinance § 28-17(g)(4), Ms. Gnojek was required to “review, rate and rank all proposals based on objective criteria,” and not based on favoritism, bias, or personal financial gain. Sonoma County EMS Ordinance § 28-17(g)(4). This standard goes well beyond financial interests to prohibit bias and favoritism. Furthermore, under the terms of the RFP, the County was required to “select a *non-biased* Proposal Review Committee (PRC) consistent with Sonoma County Code Sec. 28-17.” **RFP, § 2.11.B** (emphasis added). PRC members were also “bound by the terms of a conflict-of-interest statement and confidentiality agreement.” *Id.*, p. 111.

Similarly, the RFP itself prohibits proposers and members of the PRC from having any conflict of interest. In submitting the proposals, AMR and SCFD both certified under penalty of perjury that “[n]either Proposer, its employees, *nor any affiliated firm providing the requested goods and services* has prepared plans, specifications, terms, or requirements for this solicitation, or *has any other actual or potential conflict of interest*.” *Id.*, p. 18. The County, SCFD, and Ms. Gnojek failed to comply with these requirements.

It is well established that “[c]ompetitive bidding is ‘for the purpose of inviting competition, to guard against favoritism.’” (*First Student, Inc. v. San Francisco Unified School District* (Cal. Ct. App., Nov. 22, 2022, No. A163368) 2022 WL 17100965, at *1.) Indeed, “[t]he importance of maintaining integrity in government and the ease with which policy goals underlying the requirement for open competitive bidding may be surreptitiously undercut,” is well known. (*Eel River Disposal & Resource Recovery, Inc. v. County of Humboldt* (2013) 221 Cal.App.4th 209, 239.)

Yet, contrary to the Sonoma County EMS Ordinance and the RFP, it is apparent that Ms. Gnojek has an unavoidable and disqualifying conflict of interest and bias in favor of SCFD and Medic’s proposal. Ms. Gnojek unabashedly promoted her financial and professional connections to, and support for, Medic and its chief officers. **See Exhibit 4, pp. 3-6.** At a minimum, Ms. Gnojek should have disqualified herself based on the express language in SCFD’s RFP because SCFD admitted that it planned to partner with WiES if it obtained the Award. Finally, Ms. Gnojek’s uneven and biased treatment regarding the missing audited financials for both bidders proves the point. She

was the financial consultant, and the rest of the panel looked to her to lead and guide them regarding the financial analysis. Her ignoring of Medic's failures and downgrading of AMR's parallel failure demonstrates that she exercised her power and discretion to favor the bidder with whom she has been and will be in the future connected if SCFD wins the bid. Such conduct directly evidences improper favoritism.

Based on the foregoing reasons, Ms. Gnojek should have recused herself as soon as she realized that she was reviewing a proposal with Medic as a subcontractor. She failed to do so, and as a result, violated the County's RFP conflict of interest rules.

2. SCFD's Bid Price Violates California's Constitution by Imposing an Illegal Tax.

SCFD's bid violates California's Constitution by imposing an illegal tax. For purposes of imposing limitations on the taxing authority of local governments, Proposition 218 defines a "special tax" as any tax "imposed for specific purposes," including one the proceeds of which are placed into a general fund. (Cal. Const., art. XIII C, § 1(d).) General taxes are any taxes "imposed for general governmental purposes." (Cal. Const., art. XIII C, § 1(a).) All taxes imposed by any local government, which means a county, city, charter city, special district, or other local or regional governmental entity, Cal. Const., art. XIII C, § 1(b), are either general or special taxes, Cal. Const., art. XIII C, § 2(a). Two-thirds approval by the electorate is required for the imposition, extension, or increase of a special tax. (Cal. Const., art. XIII C, § 2(d).) Citing a concern that "local governments have disguised new taxes as 'fees' in order to extract even more revenue from California taxpayers without having to abide by" the constitutional voting requirements of Proposition 218, in 2010 Proposition 26 amended Cal. Const., art. XIII C, § 1. (*See Brooktrails Township Community Services Dist. v. Board of Supervisors of Mendocino County* (2013) 218 Cal.App.4th 195, 205 [amendment did not have retroactive effect; local initiative concerning sewer and water connection charges, passed by simple majority before Proposition 26, was therefore valid].) Cal. Const., art. XIII C, § 1(e), added by Proposition 26 in 2010, defines a tax, whether general or special, as "any levy, charge, or exaction of any kind imposed by a local government," except the following in pertinent part:

(b) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and that does not exceed the reasonable costs to the local government of providing the service or product.

(Cal. Const., art. XIII C, § 1(e)(2).)

To fall within this exemption, the government agency must establish that the amount of the charge may be "no more than necessary to cover the reasonable costs of the governmental activity," and "the manner in which those costs are allocated to a payor" must "bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." (*City of San Buenaventura v. United Water Conservation Dist.* (2017) 3 Cal.5th 1191, 1200.) "A 'special tax'

under section 4 [of California Constitution article XIII A] does not embrace fees charged in connection with regulatory activities which do not exceed the reasonable cost of providing services necessary to the activity for which the fee is charged and are not levied for unrelated revenue purposes.” (*Griffith v. City of Santa Cruz* (2012) 207 Cal.App.4th 982 [citing *Sinclair Paint Co. v. State Bd. of Equalization* (1997) 15 Cal.4th 866, 878 (limited on other grounds)].) Proposition 26 therefore imposes two requirements: “To qualify as a nontax “fee” under article XIII C, as amended, a charge must satisfy both the requirement that it be fixed in an amount that is ‘no more than necessary to cover the reasonable costs of the governmental activity,’ and the requirement that ‘the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.’ (Cal. Const., art. XIII C, § 1, subd. (e).)” (*City of San Buenaventura, supra*, 3 Cal.5th at p. 1214.)

SCFD admits that Proposition 26 applies to publicly operated ambulance services. **SCFD RFP, p. 227, 230 & 246.** However, SCFD’s assertion – without any legal briefing to support the assertion – that transferring millions in profit into a reserve or enterprise fund washes away the profit title contradicts the general definition of what a profit is, “a financial gain, especially the difference between the amount earned and the amount spent in buying, operating, or producing something.” (Oxford dictionary). The fact is that SCFD’s bid fails both prongs of *City of San Buenaventura*. According to its bid, SCFD is going to generate profits over \$10 million in the first 3 years of the contract. **SCFD RFP, p. 1234.** The size of these profits demonstrates that SCFD’s bid establishes a prima facie violation of the first prong of *City of San Buenaventura* because when a government entity’s charges exceed the “reasonable costs of the governmental activity” it is presumptively an impermissible tax. SCFD’s bid also fails the second prong of *City of San Buenaventura* because the way those costs are paid by commercially insured patients do not bear a “fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.”

SCFD’s cost per transport is \$820 in year one, \$839 in year two, and \$870 in year three. **SCFD RFP, p. 1235.** SCFD’s minimum charge rate of \$3,100 for an ALS ambulance to respond and transport a patient is more than triple SCFD’s cost to provide the service. **SCFD RFP, p. 1229.** Under this billing structure, 87% of patients will pay below SCFD’s actual cost providing the service, and the remaining 13% of commercially insured patients will pay more than three times the actual cost of providing the service even though commercially insured patients place the smallest burden on the system. **SCFD RFP, p. 1235.** Additionally, commercially insured patients are impacted further because they are the only patients charged an additional \$225 in a SCFD responder fee, a cost already covered through taxpayer funding. *See* SCFD Ordinance 2020-02.

Thus, commercially insured patients and private pay patients who pay \$3,100 a transport when SCFD’s cost per transport is below \$900 are being illegally taxed. If the County awards the contract to SCFD, SCFD and the County would both need to obtain two-thirds voter approval before imposing a tax on the residents of Sonoma County. Given the timeline imposed under the RFP, it is highly unlikely that residents could vote on the tax before SCFD would begin providing services and charging

the excessive rate. That said, as a private company, AMR is not subject to the provisions of *City of San Buenaventura* or Proposition 26.

SCFD seeks to justify its generation of excess revenues by arguing that “Proposition 26 does allow public agencies the ability to create enterprise funds and maintain reserve accounts.” **SCFD RFP, pp. 227-230 (Proposal 1)**. First, the text of the California Constitution at issue does not permit public agencies to keep excess revenue by creating an “enterprise fund” or maintaining reserves. Second, this assertion has not been tested and accepted in Court after the landmark Supreme Court decision in 2017 in *City of San Buenaventura*. Further, no prior court decision rests on facts like those present here. The County and SCFD will bear the burden of convincing a Court as the merits of this untested legal theory. Third, the notion is not logically sound.

The whole purpose of Proposition 26 was to curb local governments’ quest for additional revenues disguised as fees. When SCFD plans to raise millions of excess monies through the direct provision of services to the residents, that action is in fact levying a new tax on the residents. It violates both prongs of the *City of San Buenaventura* test announced by the California Supreme Court and fails to address the second prong’s requirement that individual taxpayers not pay more than the public service costs.

Finally, SCFD has failed to pass an enacting legislation for such a fund that the County and AMR could review during the RFP process. Instead, SCFD makes vague promises of future conduct: “SCFD **will create** an EOA-1 contingency fund with an initial investment of \$2 million dollars with a target of achieving a \$6 million-dollar contingency fund. This fund is separate from our emergency medical services reserve fund.” No such fund in fact exists. By its failure to enact such legislation, SCFD has failed to include all necessary elements of its plan in its bid.

The County and SCFD bear the burden of justifying their actions – the Constitution is clear on this point. The general concepts included are insufficient to meet this burden. If the County sides with SCFD on this point, it is in fact going to implement an illegal tax. Accordingly, AMR believes that SCFD’s bid should be disqualified as void and unenforceable for violation of the California Constitution.

3. Improper *Ex Parte* Communications in Violation of Section 2.7 of the RFP.

AMR protests the Award on the grounds that SCFD violated the gag clause in Section 2.7 of the RFP. See **Exhibit 9** (earlier protest filed and now renewed). AMR also protests the Award on the ground that Medic violated the gag clause by communicating *ex parte* with a panelist, Ms. Gnojek.

Section 2.7 prohibits all *ex parte* contacts with each member of the Board of Supervisors, the selection committee, and all officers, agents, and employees of Sonoma County including Tina Rivera (the “Prohibited Persons”). Any meeting, telephone call, email or message sent to a Prohibited Person attempting to influence such person regarding the RFP violates the gag clause.

Website: Beginning on or about February 3, 2023 when the “safersonoma.com” website was initiated, County Fire began attempting to influence each member of the Board of Supervisors, and Tina Rivera to recommend to the Board of Supervisors, that the Board of Supervisors “award the Sonoma County Fire District the 9-1-1 Advanced Life Support ambulance service contract *** to the Sonoma County Fire District[.]” **Exhibit 9, Exhibit B.** This website includes photographs of individuals in County Fire uniforms driving or standing next to County Fire emergency vehicles, ambulances responding to calls, and a County Fire station. **Exhibit 9, Exhibit A.** The website includes a recorded “Message From Your Hometown Fire Fighters,” text advocating for County Fire as the next EMS provider, and a video narrated by County Fire Captain Michael Stornetta. During SCFD’s oral presentation on April 20, 2023 to the PRC, SCFD showed the same video footage that “safersonoma.com” played during its website video. *See* 4.20.23 SCFD Proposer Presentation at 46:50 (time stamp).

This is not accidental—all these advocacy pieces were orchestrated by SCFD. In the “safersonoma.com” video, Captain Stornetta asserted that choosing County Fire as the next ambulance provider will “ensure that you and your loved ones have access to the best emergency care possible.” Captain Stornetta attacked AMR by stating: “In contrast, for-profit EMS companies’ primary focus is their bottom line and not your loved ones’ care. For-profit ambulance service providers have a history of browning out ambulances and relying on the taxpayer fire-based ambulances as a backup.”⁸ Most importantly, Captain Stornetta asks viewers to “urge our elected officials to prioritize public safety” by signing the “Petition For Your Safety.”⁹

Captain Stornetta’s petition is directed to “Sonoma County Leaders” and notifies the signer that it will be sent to the Director of the Department of Health Services and each of the members of the Board of Supervisors. Captain Stornetta’s petition asks these six persons to “award the Sonoma County Fire District the 9-1-1 Advanced Life Support ambulance service contract *** to the Sonoma County Fire District[.]” **Exhibit 9, Exhibit B.**

Advertisement. The “safersonoma.com” team also marshalled residents to contact County leaders by placing an advertisement in a local newspaper, the Santa Rosa Press Democrat. **Exhibit 9, Exhibit C.** The advertisement repeats the key information from the website, has a place to click for

⁸ Indeed, SCFD has partnered with Medic, which is a private, for-profit ambulance company. Medic is supplying the ambulances and, most importantly, the clinicians. Presumably, at SCFD’s direction, Medic will attempt to negotiate a new collective bargaining agreement that significantly decreases the compensation and benefits from the current compensation structure under the current collective bargaining agreement, which would be contrary to the purpose and intent of AB 389.

⁹ *See* Safer Sonoma Website and Video, last visited April 28, 2023, *available at*: <https://www.safersonoma.com/> and <https://www.youtube.com/watch?v=qLRqUtOVsVc&t=8s>.

RFP SC001-0000001592 / 22-023

April 28, 2023

Page 15

more information, and urges the readers to “SUPPORT FIRE-BASED EMS.” *Id.* This advertisement began running on approximately March 23, 2023.

The “safersonoma.com” team also advertised on social media and received direct support from high-ranking officials at County Fire. For example, “safersonoma.com” was recently promoted on Facebook. **Exhibit 9, Exhibit D.** County Fire’s Division Chief, Cyndi Foreman, promoted the advertisement to the Facebook community by posting “Well done!!” in the comments. *Id.*

Medic and Ms. Gnojek’s Ex Parte Communications: The gag clause also forbids parties, including Medic, from having *ex parte* contacts with “any member of the selection committee.” **RFP § 2.7.B.** Similarly, Ms. Gnojek expressly agreed in the Confidentiality and Non-Conflict Acknowledgment to notify the Procurement Officer if any unauthorized person “contacted or attempted to contact [her] about any proposal, the evaluation, **or any related matter.**” **Exhibit 6, p. 2** (emphasis added).

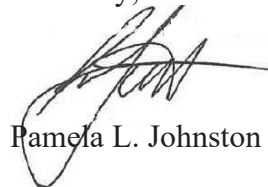
Here, it is apparent that Medic and Ms. Gnojek violated these requirements. As discussed above, SCFD’s proposal specifically referred to Medic’s sponsorship of WiES. SCFD also promised to partner with WiES if it prevailed in the RFP process. Nonetheless, one of the “SCFD-EMS leadership team” (i.e., James Pierson) interacted with Ms. Gnojek throughout the RFP process on social media about WiES and on other related topics. *See, e.g., Exhibit 4, pp. 30, 32.*

The concerted advocacy campaign by SCFD and Medic was prohibited by the RFP and unfairly prejudiced AMR in the RFP process. SCFD’s proposal should be disqualified because of these *ex parte* contacts.

CONCLUSION

The Award is void and unenforceable as a matter of law. AMR hereby requests (1) that the Department of Health Services stay further action on the Award and refrain from sending the Award to the County of Sonoma Board of Supervisors for approval at this time, (2) rescind the Award to SCFD and disqualify SCFD from the award process, and (3) enter contract negotiations with AMR to obtain the best value for the County and its residents. Alternatively, AMR requests that the County cancel the entire RFP and begin a new RFP process in accordance with the California Emergency Medical Services Authority’s competitive bidding requirements for contracts in exclusive areas of operation pursuant to Health & Safety Code section 1797.224.

Sincerely,



Pamela L. Johnston

RFP SC001-0000001592 / 22-023

April 28, 2023

Page 16

cc: Jordan Kearney, Esq., Counsel to Sonoma County
Elizabeth Basnett, Acting EMSA Director (Elizabeth.basnett@emsa.ca.gov)
Walter Landen, Esq., AMR
F. Phillip Hosp, Foley & Lardner LLP
Troy S. Tessem, Foley & Lardner LLP

INDEX OF EXHIBITS

**American Medical Response West
Protest of Award for County of Sonoma's Request for Proposal for Emergency Ground
Ambulance Transport (SC001-0000001592 / 22-023)**

Exhibit	Description
1	RFP 22-023 Notice of Intent to Award 4-24-2023
2	AMR Public Records Request to Sonoma County 4-25-2023
3	Print-out of WiES Website – Founding Page
4	LinkedIn and Facebook Posts
5	Print-out of WiES Website – Founders
6	Amy Gnojek Confidentiality and Non-Conflict Acknowledgement
7	Agreement for Services dated March 1, 2023
8	Print-out of WiES Website – Founding Sponsors
9	AMR Protest Letter 4-03-2023 a. Safer Sonoma Webpage b. Safer Sonoma Petition c. The Press Democrat – Safer Sonoma Advertisement d. Safer Sonoma Facebook Post
10	AMR HoldCo, Inc. Audited Financial Statements for 2019, 2020, 2021

EXHIBIT 1



April 24, 2023

NOTICE OF INTENT TO AWARD

Emergency Advanced Life Support Ground Ambulance Services for an Exclusive Operating Area in Sonoma County

SC001-0000001592

The evaluation panel carefully reviewed and analyzed the proposals received in response to the above referenced solicitation. Based upon that review and analysis, Sonoma County Fire District received the highest score among all proposers.

Thank you for your interest in working with the County of Sonoma, and we hope you continue to submit proposals to the County for future projects.

Tina Rivera
Director, Department of Health Services

EXHIBIT 2

VIA EMAIL

April 25, 2023

County of Sonoma
Department of Health Services
1450 Neotomas Avenue, Suite 200
Santa Rosa, CA 95405
DHS-PublicRecords@sonoma-county.org

Re: American Medical Response Request for Public Records

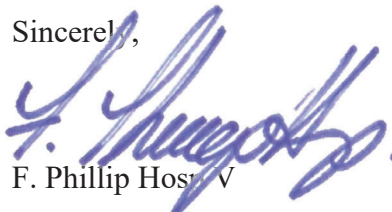
On behalf of American Medical Response (“AMR”), we request the following records under California’s Public Records Act pertaining to the County of Sonoma’s Request for Proposal for Emergency Ground Ambulance Transport (SC001-0000001592) (“RFP”):

1. Individual scoring sheets for each member of the Proposal Review Committee;
2. Conflict of interest statements and disclosures provided by members of the Proposal Review Committee;
3. Contracts executed by members of the Proposal Review Committee; and
4. Calendar entries of Tina Rivera reflecting any meeting, call, event, or appointment from April 14, 2023 to the date of this Request.

The documents in the Request are relevant and necessary for a protest to the RFP. Accordingly, we hereby request that the requested records be made available **by email no later than 5:00 PM (Pacific Daylight Time) on Thursday, April 27, 2023.** As you know, Government Code § 7922.530 provides that public agencies “shall make the records promptly available” to a requesting party. AMR is prepared to pay any necessary copying charges for the requested records to the extent that they are permitted under the California Public Records Act.

Please feel free to contact me if you have any questions.

Sincerely,



F. Phillip Hosp V

AUSTIN
BOSTON
CHICAGO
DALLAS
DENVER

DETROIT
HOUSTON
JACKSONVILLE
LOS ANGELES
MADISON

MEXICO CITY
MIAMI
MILWAUKEE
NEW YORK
ORLANDO

SACRAMENTO
SAN DIEGO
SAN FRANCISCO
SILICON VALLEY
TALLAHASSEE

TAMPA
WASHINGTON, D.C.
BRUSSELS
TOKYO



April 25, 2023
Page 2

cc: Tina Rivera (tina.rivera@sonoma-county.org)
Pamela L. Johnston (pjohnston@foley.com)

EXHIBIT 3


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Women in Emergency Services, A Nonprofit Membership Group, Launches Today

 by [WIES Headquarters](#)

 Category: [WIES News](#)

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[WIES @ PWW abc360](#)

Category: Events

Mon Jun 26, 2023

[WIES @ American Ambulance Association](#)

Category: Events

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Oct 01 **FOR IMMEDIATE RELEASE**
CONTACT: ENDSLEY EGGERT, 303-731-0077

WOMEN IN EMERGENCY SERVICES, A NONPROFIT MEMBERSHIP GROUP, LAUNCHES TODAY The Organization's Website and Innovative 'WiES Community' Are Set to Debut on Oct. 15

AURORA, CO – Oct. 1, 2022 – Women in Emergency Services, a 501(c)3 project focused on the empowerment and advancement of women in Emergency Response and Emergency Management, formally launched today, project leaders announced.



The group will soon begin its initial membership drive, and it seeks partnerships with associations, corporations, and governments to drive this initiative for the industry and its organizations to find and retain much-needed talent.

WiES' mission is to support and advance women's careers in the emergency services industry, from field providers to national leadership, through four "pillars" -- empowerment, networking, mentorship, and education. WiES' vision is to create a platform for women in emergency services to provide resources needed to achieve their full potential in their careers, connect with peers, and empower others.

WiES believes through its pillars, defined below, it will be able to influence and impact the lives of thousands of women working in the emergency services industry.

- **Empowerment:** We celebrate women in emergency services and create an inclusive environment for women to be their true selves. Women will grow their personal and professional networks through self-empowerment and mutual support.
- **Networking:** By providing unique opportunities for women to connect and learn from others, they will be able to create strong and supportive networks amongst peers to gain knowledge and advance their careers.
- **Mentorship:** Women will develop relationships to mentor and empower women in the emergency services industry. Women will feel confident to advocate for themselves and achieve excellence in their careers.
- **Education:** Create high-quality learning opportunities for women to build successful careers in the evolving emergency services industry. These educational opportunities will focus on professional development, self-advocacy, and technical expertise.

WiES is a fiscal sponsor project of the Denver-based National Trust for Nonprofits.

ABOUT WIES: Women in Emergency Services is newly established in 2022 seeking to launch the careers of talented entrants in Emergency Response and Emergency Management and to smooth their path into management and other leadership positions. The association is based in suburban



###

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Women in Emergency Services

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Mail: P.O. Box 3406, Englewood, CO 80155

P: (720)902-4935 | Fax: 303-200-7099

e: hello@womeninemergencyservices.org



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EXHIBIT 4



Women in Emergency Services

December 21, 2022 · 🌐

...

Introducing WIES Founding Advisor - Amy Gnojek, CPA, MPA, CACO.

Amy has over 22 years of experience combining all aspects of administration, finance, management, and leadership for organizations in the first response, nonprofit, government, and healthcare sectors.

Most recently she was CFO and Interim Co-CEO for one of the country's most progressive EMS agencies. She is an active CPA and applies her financial acumen with a leader's brushstroke.

Amy sits on several boards and committees and is passionate about policy-making and advocacy in EMS. She was a recipient of the 2022 Government Finance Officers Association Hero Award.

Learn more about WIES Founding Advisors here: https://loom.ly/e5bU5_I

#womeninemergencyservices #womeninemergencymanagement #womeninemergencyresponse #womeninems #ems #emergencyservices #emergencyservice



WOMEN
IN EMERGENCY SERVICES



Amy Gnojek
Founding Advisor



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Amy Gnojek, CPA, MPA, CACO, CAFO • 3rd+
Experienced Leader | Healthcare & EMS Consulta...
5mo • 🌐

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I am SO excited to announce that along with Michelle Anderson and Andrea Abbas, I am a Founding Advisor for a newly founded national organization, Women in Emergency Services. This has been a long-time dream and need in our industry and it's finally here! Working together, WIES members are bringing the industry to a new level of excellence by supporting and promoting the contributions of women as an essential component to the future of emergency services. Join today using the link below and use discount code FIRST100 at checkout for a 25% discount off individual membership.

<https://lnkd.in/gvVX3sbK>

#WIES #womenempoweringwomen #mentorship #networking #EMS #Fire
#PublicSafety



WOMEN
IN EMERGENCY SERVICES

Find your **community**

WIES provides a platform for women in emergency services to provide resources needed to achieve their full potential in their careers, connect with peers, and empower others.

JOIN NOW



womeninemergencyservices.org



Amy Gnojek
Founding Advisor

👍❤️ 57

5 comments • 3 reposts



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Comment



Repost



Send



Women in Emergency Services

April 19 at 10:02 AM · 🌐

...

We are so excited to announce WiES Founding Sponsor, Medic Ambulance. Medic Ambulance has a rich history of providing quality advanced life support ambulance services in the North San Francisco Bay area. Medic Ambulance is a family business with strong ties to the community. Medic maintains a standard of excellence in everything from response times, to fleet maintenance, to operations. [#womeninemergencyservices](#)

FOUNDING SPONSOR



Andrea Abbas
Angela Anzaldo Williamson
Amy Gnojek





Rob Lawrence

January 18 · 🌐

Great day of interviews and prep for our upcoming legislative campaign! Thank you [Jimmy Pierson](#) and amazing team and [Brian Lochrie](#) on camera and [Diana Moreno](#) for the social media support today.



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Amy Gnojek, CPA, MPA, CACO, CAFO • 3rd+

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I am SO proud of the work that [Women In Emergency Services](#) is doing. This association is incredibly important to the development and support of women in this field and I encourage anyone in this space who is reading to join. Whethr ...see more



Pillars of Empowerment

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32

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EXHIBIT 5


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Founding Advisors

WiES has been made possible by the involvement of our founding advisors who have helped develop the mission, vision, and purpose of the organization.



Andrea S Abbas MS, NRP, IC, CP-CEMS
Programs Manager; Michigan State Office of Rural Health

Andrea is the EMS Programs Manager for the Michigan State Office of Rural Health, EMS Innovation Coordinator for a Michigan EMS agency and the owner and author of The EMS Professional. With over 20 years of EMS industry experience in a variety of EMS leadership roles, Andrea is skilled in system management, training & education, administration, and project management. In addition to her EMS leadership experience, she brings years of experience teaching college level biology courses. Andrea holds her National Registry Paramedic license, Community Paramedic certification and Instructor Coordinator license in addition to her formal education and degrees. Andrea is an avid EMS blogger, national speaker, educator and consultant.

Contact: aabbas@womeninemergencyservices.org



Michelle Anderson, BA
Lakes Region EMS; Director of Administration

Michelle Anderson serves as the Director of Administration for Lakes Region EMS. She joined the Lakes Region EMS family as an EMT-B in 2008, serving in this role for 6 years, transitioning into the Education and Community Outreach Manager in 2014. While serving as an EMT, she was awarded the American Ambulance Association Star of Life Award, in 2011. Michelle took on the role of the Director of Administration in 2019. In this role, she has increased efficiencies and streamlined processes by reorganizing the workload and vetting new opportunities. Her dedication to EMS has led to her serving on the Workforce Committee and faculty for the Cost Data Collection education through the American Ambulance Association. She is currently working toward her MBA in Strategy and Execution through Bethel University.

Contact: manderson@womeninemergencyservices.org



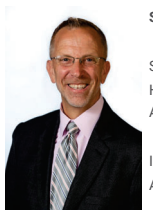
Amy Gnojek, CPA, MPA, CACO
Founder/Principal Consultant; Apex360

Amy has over 22 years' experience combining all aspects of administration, finance, management and leadership for organizations in the first response, nonprofit, government, and healthcare sectors. Most recently she was CFO and Interim Co-CEO for one of the country's most progressive EMS agencies. She is an active CPA, and applies her financial acumen with a leader's brushstroke.

Amy sits on several boards and committees and is passionate about policy-making and advocacy in EMS. She was a recipient of the 2022 Government Finance Officers Association Hero Award.

"While I loved working for organizations as an executive for many years, I became passionate about the idea of helping more agencies succeed. I began to see a pattern in EMS and Healthcare and saw an opportunity to improve effectiveness and efficiency, fix understaffing issues, and greatly boost undertrained and overburdened administrative departments - even in the most clinically progressive and adept organizations. After some time away to do some further investigating of this perceived gap, I knew the opportunity had finally arrived. Within the year Apex360, LLC was born. I now have the pleasure to work with leaders, line staff, policy makers, and go-getters in the field, across the nation to improve these under appreciated yet critical functions."

Contact: agnojek@womeninemergencyservices.org



Scott Moore

Scott is a Massachusetts licensed attorney and possesses certifications as both a Professional in Human Resources (PHR) and the Society for Human Resources Management Certified Professional (SHRM-CP). He is a member of the American Bar Association (ABA), the Massachusetts Bar Association (MBA), the Northeast Human Resource Association (NEHRA), and the Society for Human Resource Management (SHRM).

In addition, Scott is an active member of the American Ambulance Association and has been a Site Reviewer for the Commission for the Accreditation of Ambulance Services (CAAS) for many years.

Scott is still an active EMT and continues to respond to emergencies as a Call Fire Fighter in his home town.



Martha Peribonio

Martha Peribonio is the Executive Director of the National Association of Mobile Integrated Healthcare Providers. She originally studied Education and concentrated on teaching students and training teachers in foreign countries for the first years of her career while living abroad. Upon her return to the United States almost 20 years ago, Martha became more involved in the management aspect of schools. That path quickly led to her involvement with students, families, and populations that needed resources and assistance beyond the educational landscape in order to be more successful. This led to her work the past 15 years with non-profit organizations.

Within her work, Martha has been instrumental in forming and developing teams to be successful. In her current endeavor with NAMIHP, she has helped the organization grow in the last two years to have members from over 40 states who are networking and collaborating to help the industry of Mobile Integrated Healthcare advance. Martha is passionate about this industry because it aims to help each patient beyond an episodic intervention but rather seeks to address the patient from a holistic standpoint and through the coordination of an interdisciplinary team which seeks to improve the patient's quality of life. Martha is driven by a deep passion for connecting people and seeing each team member use their talents and abilities to become a part of a team that is successful as a whole.

Staff

WiES is staffed by Civica Management, Colorado's largest association management company for nonprofit trade associations and professional societies. The company is privately held with its headquarters at 2851 S. Parker Road, Suite 1210, Aurora, CO 80014.

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EXHIBIT 6



COUNTY OF SONOMA

GENERAL SERVICES PURCHASING DIVISION

2300 COUNTY CENTER DRIVE, SUITE A208
SANTA ROSA, CALIFORNIA 95403
(707) 565-2433 Fax: (707) 565-6107

RFP/RFQ Evaluation

Confidentiality and Non-Conflict Acknowledgment

Evaluator Name: Anny Gnojek / Apex 360, LLC

Request for Proposal/Qualification (RFP/Q): _____

The undersigned has been asked by the County of Sonoma (County) to review information and participate in evaluating proposals regarding the above solicitation. As a condition of my participation, I acknowledge and understand the following:

Conflicts of Interest

Members of a Request for Proposals (RFP) Evaluation Committee (EC) must have no conflict of interest with regard to any proposal, including with regard to any recommendation for selection or award. A real or apparent conflict of interest exists if a person, his/her family, or his/her employer stands to, or could appear to potentially, benefit personally, professionally, and/or financially from the outcome of a particular decision or an awarded contract.

Examples of a conflict of interest include, but are not limited to, the following relationships with a program or proposer under consideration:

- Ownership of financial interest
- Director, trustee or officer
- Employee
- Relative, spouse, domestic partner
- Provider of goods or services, material or other substantial interest that might inhibit objective decisions.

Confidentiality

1. Unless and until otherwise notified by County, all information I receive as part of this process, including but not limited to my evaluations and those of other evaluators, rankings and discussions, constitutes "Confidential Information."
2. Any unauthorized disclosure of Confidential Information could, among other things, compromise the fairness of the procurement process.

I am required to:

- a. Hold all Confidential Information in strictest confidence;
- b. Not disclose Confidential Information to any person other than evaluators and Procurement representatives unless I have prior written permission from the Procurement Officer to make a disclosure;

- c. Not have any direct or indirect contact or discussions regarding this RFP/Q or the evaluation process with any third party, including any proposer (i.e., outside of the authorized evaluation process and authorized persons);
- d. if any proposer representative, proposed subcontractor, or any other person related to a proposal or proposer attempts to communicate with me regarding the any proposal, the evaluation, or any related matter, I will direct them to put their questions in writing to the Procurement Officer and have no further contact unless otherwise authorized; and
- e. Notify the Procurement Officer immediately if:
 - i. I have, or think I may have, a real or apparent conflict of interest;
 - ii. I or any member of my immediate family acquires a direct interest in any company or business that submits a proposal subject to this evaluation;
 - iii. I obtain information outside of this evaluation process that could impair or could create the appearance of impairing my ability to evaluate any proposal fairly and impartially; or
 - iv. any person who is not a member of the evaluation team or Procurement representative contacts or attempts to contact me about any proposal, the evaluation, or any related matter.

I have reviewed and understand the conditions above and that I am prohibited by law from making any unauthorized disclosure or use of any trade secrets, confidential commercial information, confidential financial information, or any other information protected by law obtained as part of the evaluation process.

Authorized Signature: _____

Amy Enos

Date: _____

2/28/23

EXHIBIT 7

COUNTY OF SONOMA
AGREEMENT FOR SERVICES

This agreement ("Agreement"), dated as of March 01, 2023 ("Effective Date"), is by and between the County of Sonoma, a political subdivision of the State of California, (hereinafter "County") and Apex360, LLC (hereinafter "Contractor").

RECITALS

WHEREAS, Contractor represents that it is a duly qualified Certified Public Accountant with expertise in emergency Medical services and evaluation of requests for proposals and related services; and

WHEREAS, in the judgment of the Board of Supervisors, it is necessary and desirable to use the services of Contractor to evaluate Requests for Proposals for ground ambulance emergency services.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, the parties hereto agree as follows:

AGREEMENT

1. Scope of Services

1.1. Contractor's Specified Services

Contractor shall perform the services described in Exhibit A (Scope of Work), attached hereto and incorporated herein by this reference (hereinafter "Exhibit A"), within the times or by the dates provided for in Exhibit A and pursuant to Article 7 (Prosecution of Work). In the event of a conflict between the body of this Agreement and Exhibit A, the provisions in the body of this Agreement shall control.

1.2. Cooperation With County

Contractor shall cooperate with County and County staff in the performance of all work hereunder.

1.3. Performance Standard

Contractor shall perform all work hereunder in a manner consistent with the level of competency and standard of care normally observed by a person practicing in Contractor's profession. County has relied upon the professional ability and training of Contractor as a material inducement to enter into this Agreement. Contractor hereby agrees to provide all services under this Agreement in accordance with generally accepted professional practices and standards of care, as well as the requirements of applicable federal, state, and local laws, it being understood that acceptance of Contractor's work by County shall not operate as a waiver or release. If County determines that any of Contractor's work is not in accordance with such level of competency and standard of care, County, in its sole discretion, shall have the right to do any or all of the following: (a) require Contractor to meet with County to review the quality of the work and resolve matters of concern; (b) require Contractor to repeat the work at no additional charge until it is satisfactory; (c) terminate this Agreement pursuant to the provisions of Article 4 (Termination); or (d) pursue any and all other remedies at law or in equity.

1.4. Assigned Personnel

- a. Contractor shall assign only competent personnel to perform work hereunder. In the event that at any time County, in its sole discretion, desires the removal of any person or persons assigned by Contractor to perform work hereunder, Contractor shall remove such person or persons immediately upon receiving written notice from County.
- b. Any and all persons identified in this Agreement or any exhibit hereto as the project manager, project team, or other professional performing work hereunder are deemed by County to be key personnel whose services were a material inducement to County to enter into this Agreement, and without whose services County would not have entered into this Agreement. Contractor shall not remove, replace, substitute, or otherwise change any key personnel without the prior written consent of County.
- c. In the event that any of Contractor's personnel assigned to perform services under this Agreement become unavailable due to resignation, sickness, or other factors outside of Contractor's control, Contractor shall be responsible for timely provision of adequately qualified replacements.

1.5. Contract Exhibits

This Agreement includes the following exhibits, which are hereby incorporated by reference as though fully set forth herein:

- Exhibit A. Scope of Work
- Exhibit B. Budget
- Exhibit C. Insurance Requirements
- Exhibit D. Waiver of Insurance Requirements

2. Payment

For all services and incidental costs required hereunder, Contractor shall be paid in accordance with the following terms:

2.1. Payment for Services

Contractor shall be paid multiple lump sums in accordance with Exhibit B (Budget), attached hereto and incorporated herein by this reference (hereinafter "Exhibit B"), regardless of the number of hours or length of time necessary for Contractor to complete the services. Contractor shall not be entitled to any additional payment for any expenses incurred in completion of the services. Exhibit B includes a breakdown of costs used to derive the lump sum amount, including but not limited to hourly rates, estimated travel expenses, and other applicable rates.

Upon completion of the work, Contractor shall submit its bill[s] for payment in a form approved by County's Auditor and the Head of County department receiving the services. The bill[s] shall identify the services completed and the amount charged.

Unless otherwise noted in this Agreement, payments shall be made within the normal course of County business after presentation of an invoice in a form approved by County for

services performed. Payments shall be made only upon the satisfactory completion of the services as determined by County.

2.2. Maximum Payment Obligation

In no event shall County be obligated to pay Contractor more than the total sum of \$6,500 under the terms and conditions of this Agreement.

2.3. California Franchise Tax Withhold

Pursuant to California Revenue and Taxation Code (R&TC) Section 18662, County shall withhold seven percent of the income paid to Contractor for services performed within the State of California under this Agreement for payment and reporting to the California Franchise Tax Board if Contractor does not qualify as: (1) a corporation with its principal place of business in California, (2) an LLC or partnership with a permanent place of business in California, (3) a corporation/LLC or partnership qualified to do business in California by the Secretary of State, or (4) an individual with a permanent residence in the State of California.

If Contractor does not qualify, County requires that a completed and signed California Form 587 be provided by Contractor in order for payments to be made. If Contractor is qualified, then County requires a completed California Form 590. California Forms 587 and 590 remain valid for the duration of the Agreement provided there is no material change in facts. By signing either form, Contractor agrees to promptly notify County of any changes in the facts. Forms should be sent to County pursuant to Article 12 (Method and Place of Giving Notice, Submitting Bills, and Making Payments). To reduce the amount withheld, Contractor has the option to provide County with either a full or partial waiver from the State of California.

2.4. Overpayment

If County overpays Contractor for any reason, Contractor agrees to return the amount of such overpayment to County, or at County's option, permit County to offset the amount of such overpayment against future payments owed to Contractor under this Agreement or any other agreement.

2.5. Disallowance of Payment

In the event that Contractor claims or receives payment from County for a service, reimbursement for which is later disallowed by County, State of California, or the United States Government, then Contractor shall promptly refund the disallowed amount to County upon request, or at its option, County may offset the amount disallowed from any payment due or that becomes due to Contractor under this Agreement or any other agreement.

2.6. Budget Line Amendments

County Department of Health Services Director is authorized to approve and execute a "Budget Revision Form", which revises program funds in the line items set forth in the Program Budget Summary, so long as changes do not result in an increase in County's maximum payment obligation as set forth in Article 2 (Payment) of this Agreement.

2.7. Federal Funding

This Section 2.7 is applicable if all or part of this Agreement will be paid with federal awards.

2.7.1. Required Information

As a pass-through entity, County is required to provide certain information regarding federal award(s) to Contractor as a subrecipient. In signing this Agreement, Contractor acknowledges receipt of the following information regarding federal award(s) that will be used to pay this Agreement:

- a. CFDA Number: n/a
- b. CFDA Title: n/a
- c. Federal Agency: n/a
- d. Award Name: n/a
- e. Federal Award(s) Amount: n/a
- f. Unique Entity Identifier (UEI/DUNS Number): n/a

2.7.2. Title 2 Code of Federal Regulations Part 200

As a subrecipient of federal awards, Contractor is subject to the provisions of Title 2 Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (hereinafter "2 CFR Part 200"). In signing this Agreement, Contractor acknowledges that it understands and will comply with the provisions of 2 CFR Part 200. One provision of 2 CFR Part 200 requires a subrecipient that expends \$750,000 in federal awards during its fiscal year to have an audit performed in accordance with 2 CFR Part 200. If such an audit is required, Contractor agrees to provide County with a copy of the audit report within 9 months of Contractor's fiscal year-end. Questions regarding 2 CFR Part 200 can be directed to County's Auditor-Controller-Treasurer-Tax Collector's Office – General Accounting Division.

2.7.3. Audits

Contractor agrees that all expenditures of state and federal funds furnished to Contractor pursuant to this Agreement are subject to audit by County, state agencies, and/or federal agencies. Contractor warrants that it shall comply with the audit requirements as set forth in 2 CFR Part 200. County agrees to provide 14-days notice of intent of County to audit Contractor. Contractors subject to the Single Audit Act of 1984 and Single Audit Act Amendments of 1996 shall annually submit an independent audit conforming to 2 CFR Part 200, which applies to non-profit organizations.

2.7.4. Copy of Audit

Contractor agrees that a copy of audits performed shall be submitted to County no later than 30 days after completion of the audit report, or no later than 9 months after the end of Contractor's fiscal year, whichever comes first. The Contractor's agreement(s) with audit firms shall have a clause to permit access by County, state agencies, and/or federal agencies to the working papers of the external independent auditor.

2.7.5. Retention of Audit Report

Contractor agrees that audit reports and work papers shall be retained for a minimum of 7 years from the date of the audit report, unless the auditor is notified in writing by County, a state agency, and/or a federal agency to extend the retention period.

2.7.6. Repayment

Contractor is responsible for the repayment of all audit exceptions and disallowances taken by County, state agencies, and/or federal agencies related to services provided by Contractor under this Agreement. Unallowable costs that have been claimed and reimbursed will be refunded to the program that reimbursed the unallowable costs either by cash refund or by offset to subsequent claims.

3. Term of Agreement

The term of this Agreement shall be from February 22, 2023 to June 30, 2023 unless terminated earlier in accordance with the provisions of Article 4 (Termination).

4. Termination

4.1. Termination Without Cause

Notwithstanding any other provision of this Agreement, at any time and without cause, County shall have the right, in its sole discretion, to terminate this Agreement by giving 5 days advance written notice to Contractor.

4.2. Termination for Cause

Notwithstanding any other provision of this Agreement, should Contractor fail to perform any of its obligations hereunder within the time and in the manner herein provided or otherwise violate any of the terms of this Agreement, County may immediately terminate this Agreement by giving Contractor written notice of such termination, stating the reason for termination.

4.3. Delivery of Work Product and Final Payment Upon Termination

In the event of termination, Contractor, within 14 days following the date of termination, shall deliver to County all materials and work product subject to Section 9.11 (Ownership and Disclosure of Work Product) and all reports, original drawings, graphics, plans, studies, and other data or documents, in whatever form or format, assembled or prepared by Contractor or Contractor's subcontractors, consultants, and other agents in connection with this Agreement, and shall submit to County an invoice showing the services performed, hours worked, and copies of receipts for reimbursable expenses up to the date of termination.

4.4. Payment Upon Termination

Upon termination of this Agreement by County, Contractor shall be entitled to receive, as full payment for all services satisfactorily rendered and reimbursable expenses properly incurred hereunder, an amount which bears the same ratio to the total payment specified in the Agreement as the services satisfactorily rendered hereunder by Contractor bear to the total services otherwise required to be performed for such total payment; provided, however, that if services which have been satisfactorily rendered are to be paid on a per-hour or per-day basis, Contractor shall be entitled to receive as full payment an amount equal to the number of hours or days actually worked prior to the termination times the applicable hourly or daily rate; and further provided, however, that if County terminates the Agreement for cause pursuant to Section 4.2 (Termination for Cause), County shall deduct from such amount the amount of damage, if any, sustained by County by virtue of the breach of the Agreement by Contractor.

4.5. Authority to Terminate

The Board of Supervisors has the authority to terminate this Agreement on behalf of County. In addition, the Purchasing Agent or Department of Health Services' Head, in consultation with County Counsel, shall have the authority to terminate this Agreement on behalf of County.

4.6. Obligations After Termination

The following shall remain in full force and effect after termination of this Agreement: (1) Section 2.7 (Federal Funding), (2) Article 5 (Indemnification), (3) Section 9.5 (Records Maintenance), (4) Section 9.5.1 (Right to Audit, Inspect, and Copy Records), (5) Section 9.15 (Confidentiality), and (6) Section 13.5 (Applicable Law and Forum).

4.7. Change in Funding

Contractor understands and agrees that County shall have the right to terminate this Agreement immediately upon written notice to Contractor in the event that (1) any state and/or federal agency and/or other funder(s) reduces, withholds, or terminates funding which County anticipated using to pay Contractor for services provided under this Agreement, or (2) County has exhausted all funds legally available for payments due under this Agreement.

5. Indemnification

Contractor agrees to accept all responsibility for loss or damage to any person or entity, including County, and to indemnify, hold harmless, and release County, its officers, agents, and employees from and against any actions, claims, damages, liabilities, disabilities, or expenses that may be asserted by any person or entity, including Contractor, that arise out of, pertain to, or relate to Contractor's or its agents', employees', contractors', subcontractors', or invitees' performance or obligations under this Agreement. Contractor agrees to provide a complete defense for any claim or action brought against County based upon a claim relating to such Contractor's or its agents', employees', contractors', subcontractors', or invitees' performance or obligations under this Agreement. Contractor's obligations under this Article apply whether or not there is concurrent or contributory negligence on County's part, but to the extent required by law, excluding liability due to County's conduct. County shall have the right to select its legal counsel at Contractor's expense, subject to Contractor's approval, which shall not be unreasonably withheld. This indemnification obligation is not limited in any way by any limitation on the amount or type of damages or compensation payable to or for Contractor or its agents under workers' compensation acts, disability benefits acts, or other employee benefit acts.

6. Insurance

With respect to performance of work under this Agreement, Contractor shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain insurance as described in Exhibit C (Insurance Requirements), which is attached hereto and incorporated herein by this reference (hereinafter "Exhibit C").

7. Prosecution of Work

The execution of this Agreement shall constitute Contractor's authority to proceed immediately with the performance of this Agreement. Performance of the services hereunder shall be completed within the time required herein, provided, however, that if the performance is delayed by earthquake, flood, high water, or other Act of God, or by strike, lockout, or similar labor

disturbances, the time for Contractor's performance of this Agreement shall be extended by a number of days equal to the number of days Contractor has been delayed.

8. Extra or Changed Work

Extra or changed work or other changes to the Agreement may be authorized only by written amendment to this Agreement, signed by both parties. Changes which do not exceed the delegated signature authority of the Department may be executed by the Department Head in a form approved by County Counsel. The Board of Supervisors or Purchasing Agent must authorize all other extra or changed work which exceeds the delegated signature authority of the Department Head. The parties expressly recognize that, pursuant to Sonoma County Code Section 1-11, County personnel are without authorization to order extra or changed work or waive Agreement requirements. Failure of Contractor to secure such written authorization for extra or changed work shall constitute a waiver of any and all right to adjustment in the Agreement price or Agreement time due to such unauthorized work and thereafter Contractor shall be entitled to no compensation whatsoever for the performance of such work. Contractor further expressly waives any and all right or remedy by way of restitution and quantum meruit for any and all extra work performed without such express and prior written authorization of the County.

9. Representations of Contractor

9.1. Standard of Care

County has relied upon the professional ability and training of Contractor as a material inducement to enter into this Agreement. Contractor hereby agrees that all its work will be performed and that its operations shall be conducted in accordance with generally accepted and applicable professional practices and standards as well as the requirements of applicable federal, state, and local laws, it being understood that acceptance of Contractor's work by County shall not operate as a waiver or release.

9.2. Status of Contractor

The parties intend that Contractor, in performing the services specified herein, shall act as an independent contractor and shall control the work and the manner in which it is performed. Contractor is not to be considered an agent or employee of County and is not entitled to participate in any pension plan, workers' compensation plan, insurance, bonus, or similar benefits that County provides its employees. In the event County exercises its right to terminate this Agreement pursuant to Article 4 (Termination), Contractor expressly agrees that it shall have no recourse or right of appeal under rules, regulations, ordinances, or laws applicable to employees.

9.3. No Suspension or Debarment

Contractor warrants that it is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in covered transactions by any federal department or agency. Contractor also warrants that it is not suspended or debarred from receiving federal funds as listed in the "List of Parties Excluded from Federal Procurement or Nonprocurement Programs" issued by the General Services Administration. If Contractor becomes debarred, Contractor has the obligation to inform County.

9.4. Taxes

Contractor agrees to file federal and state tax returns and pay all applicable taxes on amounts paid pursuant to this Agreement, and shall be solely liable and responsible to pay such taxes and other obligations, including but not limited to state and federal income and FICA taxes. Contractor agrees to indemnify and hold County harmless from any liability which it may incur to the United States or to the State of California as a consequence of Contractor's failure to pay, when due, all such taxes and obligations. In case County is audited for compliance regarding any withholding or other applicable taxes, Contractor agrees to furnish County with proof of payment of taxes on these earnings.

9.5. Records Maintenance

Contractor shall keep and maintain full and complete documentation and accounting records concerning all services provided under this Agreement. Records shall include all medical records, accounting records, and administrative records related to services provided hereunder. Contractor agrees to preserve and maintain such records for a period of at least 7 years following the close of County and state fiscal year in which the services were provided. If an audit has been started, records must be retained until completion and final resolution of any and all issues that might arise. Final settlement shall be made at the end of the audit and appeal process. All accounting records shall be maintained so that they clearly reflect the source of funding for each type of service for which reimbursement is claimed by Contractor. Accounting records include, but are not limited to, all ledgers, books, vouchers, time sheets, payrolls, appointment schedules, client data cards, and schedules for allocating costs.

9.5.1. Right to Audit, Inspect, and Copy Records

Contractor agrees to permit County and any authorized state or federal agency to audit, inspect, and copy all records, notes, and writings of any kind in connection with the services provided by Contractor under this Agreement, to the extent permitted by law, for the purpose of monitoring the quality and quantity of services, monitoring the accessibility and appropriateness of services, and ensuring fiscal accountability. All such audits, inspections, and copying shall occur during normal business hours. Upon request, Contractor shall supply copies of any and all such records to County. Failure to provide the above-noted documents requested by County within the requested time frame indicated may result in County withholding payments due under this Agreement. In those situations required by applicable law(s), Contractor agrees to obtain necessary releases to permit County or governmental or accrediting agencies to access patient medical records.

9.6. Conflict of Interest

Contractor covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, that represents a financial conflict of interest under state law or that would otherwise conflict in any manner or degree with the performance of its services hereunder. Contractor further covenants that in the performance of this Agreement, no person having any such interests shall be employed. In addition, if requested to do so by County, Contractor shall complete and file and shall require any other person doing work under this Agreement to complete and file a "Statement of Economic Interest" with County disclosing Contractor's or such other person's financial interests.

9.7. Statutory Compliance/Living Wage Ordinance

Contractor agrees to comply, and to ensure compliance by its subconsultants or subcontractors, with all applicable federal, state and local laws, regulations, statutes and policies, including but not limited to the County of Sonoma Living Wage Ordinance, applicable to the services provided under this Agreement as they exist now and as they are changed, amended, or modified during the term of this Agreement. Without limiting the generality of the foregoing, Contractor expressly acknowledges and agrees that this Agreement is subject to the provisions of Article XXVI of Chapter 2 of the Sonoma County Code, requiring payment of a living wage to covered employees. Noncompliance during the term of the Agreement will be considered a material breach and may result in termination of the Agreement or pursuit of other legal or administrative remedies.

9.8. Nondiscrimination

Without limiting any other provision hereunder, Contractor shall comply with all applicable federal, state, and local laws, rules, and regulations in regard to nondiscrimination in employment because of race, color, ancestry, national origin, religious creed, belief or grooming, sex (including sexual orientation, gender identity, gender expression, transgender, pregnancy, childbirth, medical conditions related to pregnancy, childbirth or breast feeding), marital status, age, medical condition, physical or mental disability, genetic information, military or veteran status, or any other legally protected category or prohibited basis, including without limitation, the County's Non-Discrimination Policy. All nondiscrimination rules or regulations required by law to be included in this Agreement are incorporated herein by this reference.

9.9. AIDS Discrimination

Contractor agrees to comply with the provisions of Chapter 19, Article II, of the Sonoma County Code prohibiting discrimination in housing, employment, and services because of AIDS or HIV infection during the term of this Agreement and any extensions of the term.

9.10. Assignment of Rights

Contractor assigns to County all rights throughout the world in perpetuity in the nature of copyright, trademark, patent, and right to ideas in and to all versions of the plans and specifications, if any, now or later, prepared by Contractor in connection with this Agreement. Contractor agrees to take such actions as are necessary to protect the rights assigned to County in this Agreement, and to refrain from taking any action which would impair those rights. Contractor's responsibilities under this provision include, but are not limited to, placing proper notice of copyright on all versions of the plans and specifications as County may direct, and refraining from disclosing any versions of the plans and specifications to any third party without first obtaining written permission of County. Contractor shall not use or permit another party to use the plans and specifications in connection with this or any other project without first obtaining written permission of County.

9.11. Ownership and Disclosure of Work Product

All reports, original drawings, graphics, plans, studies, and other data or documents ("documents"), in whatever form or format, assembled or prepared by Contractor or Contractor's subcontractors, consultants, and other agents in connection with this Agreement, shall be the property of County. County shall be entitled to immediate possession of such documents upon completion of the work pursuant to this Agreement. Upon expiration or termination of this

Agreement, Contractor shall promptly deliver to County all such documents which have not already been provided to County in such form or format as County deems appropriate. Such documents shall be and will remain the property of County without restriction or limitation. Contractor may retain copies of the above-described documents, but agrees not to disclose or discuss any information gathered, discovered, or generated in any way through this Agreement without the express written permission of County.

9.12. Authority

The undersigned hereby represents and warrants that he or she has authority to execute and deliver this Agreement on behalf of Contractor.

9.13. Sanctioned Employee

Contractor agrees that it shall not employ in any capacity, or retain as a subcontractor in any capacity, any individual or entity that is listed on any list published by the Federal Office of Inspector General regarding the sanctioning, suspension, or exclusion of individuals or entities from the federal Medicare and Medicaid programs. Contractor agrees to monthly review said state and federal lists to confirm the status of current employees, subcontractors, and contractors. In the event Contractor does employ such individual(s) or entity(ies), Contractor agrees to assume full liability for any associated penalties, sanctions, loss, or damage that may be imposed on County by the Medicare or Medicaid programs.

9.14. Compliance with County Policies and Procedures

Contractor agrees to comply with all County policies and procedures as they may relate to services provided hereunder, including, but not limited to, County's policies and procedures, manuals, programs, and processes related to selection, retention, credentialing and recredentialing providers, utilization management, quality management, compliance, grievances, appeals, and expedited appeals, advanced directives, and administrative manual.

9.15. Confidentiality

Contractor agrees to maintain the confidentiality of all patient medical records and client information in accordance with all applicable state and federal laws and regulations. This Section 9.15 shall survive termination of this Agreement.

9.16. Lobbying

If any federal funds are to be used to pay for any services under this Agreement, Contractor shall fully comply with all certifications and disclosure requirements prescribed by Section 319 of the Public Law 101-121 (31 United States Code Section 1352) and any implementing regulations, and shall ensure that each of its subcontractors receiving funds under this Agreement also fully complies with all such certification and disclosure requirements.

9.17. Subcontractors

Contractor agrees that any employees or agents of Contractor that assist Contractor in the provision of services shall also satisfy the requirements of this Agreement. In this regard, Contractor understands and agrees that all obligations and prohibitions imposed on Contractor pursuant to this Agreement are equally applicable to each and every individual providing services through Contractor under this Agreement, and Contractor shall assure that such individuals agree to comply with such obligations and prohibitions.

9.18. Licensure and Staffing

Contractor warrants that it and all its employees and sub-contractors providing or supervising services under this Agreement have all necessary licenses, permits, and certificates to provide services under this Agreement, as required by applicable state and federal laws, rules, and regulations. Contractor agrees to maintain said licenses, permits, and certificates in good standing for the duration of this Agreement. A copy of each such licenses, permits, and certificates shall be made available upon request, not to exceed three (3) business days after the initial request, for inspection, review, and/or audit by authorized representatives and designees of County, state, and/or federal governments during the term of this Agreement and for the applicable records retention period. Failure to maintain said licenses, permits, and/or certificates in effect for the duration of this Agreement shall be deemed a material breach of this Agreement and constitutes grounds for immediate termination of this Agreement by County. Staff shall only function within the scope of practice as dictated by licensing boards/bodies. At all times during the term of this Agreement, Contractor shall have available and shall provide upon request to authorized representatives of County a list of all persons by name, title, professional degree, and experience who are providing any services under this Agreement.

9.19. Charitable Choice/Faith-Based Organizations

Contractor agrees and acknowledges that County may make funds available for programs or services affiliated with religious organizations under the following conditions: (i) the funds are made available on an equal basis for programs or services affiliated with non-religious organizations; (ii) the program funded does not have the substantial effect of supporting religious activities; (iii) the funding is indirect, remote, or incidental to the religious purpose of the organization.

Contractor agrees and acknowledges that County may not make funds available for programs or services affiliated with a religious organization that (i) has denied or continues to deny access to services on the basis of race, color, religion, ancestry, national origin, sex, citizenship, or known disability; (ii) will use the funds for a religious purpose; (iii) will use the funds for a program or service that subjects its participants to religious education.

Contractor agrees and acknowledges that all recipients of funding from County must (i) comply with all legal requirements and restrictions imposed upon government-funded activities set forth in Article IX, Section 8 and Article XVI, Section 5 of the California Constitution and in the First Amendment to the United States Constitution; and (ii) segregate such funding from all funding used for religious purposes.

10. Demand for Assurance

Each party to this Agreement undertakes the obligation that the other party's expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arise with respect to the performance of either party, the other party may in writing demand adequate assurance of due performance, and until such assurance is received may, if commercially reasonable, suspend any performance for which the agreed return has not been received. "Commercially reasonable" includes not only the conduct of a party with respect to performance under this Agreement, but also conduct with respect to other agreements with parties to this Agreement or others. After receipt of a justified demand, failure to provide within a reasonable time, but not exceeding 30 days, such assurance of due performance as is adequate under the

circumstances of the particular case is a repudiation of this Agreement. Acceptance of any improper delivery, service, or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance. Nothing in this Article limits County's right to terminate this Agreement pursuant to Article 4 (Termination).

11. Assignment and Delegation

Neither party hereto shall assign, delegate, sublet, or transfer any interest in or duty under this Agreement without the prior written consent of the other party, and no such transfer shall be of any force or effect whatsoever unless and until the other party shall have so consented.

12. Method and Place of Giving Notice, Submitting Bills, and Making Payments

All notices, bills, and payments shall be made in writing and shall be given by personal delivery or by U.S. Mail or courier service. Notices, bills, and payments shall be addressed as follows:

To County:	To Contractor:
Ken Tasseff HIPAA Privacy & Security Officer Department of Health Services County of Sonoma 1450 Neotomas Avenue Santa Rosa CA 95405 707-565-4703 ken.tasseff@sonoma-county.org	Amy Gnojek Principal Analyst Apex360, LLC 96 Snow Peak Court Dillon CO 80435 970-485-2867 amy.gnojek@apex360llc.com

When a notice, bill, or payment is given by a generally recognized overnight courier service, the notice, bill, or payment shall be deemed received on the next business day. When a copy of a notice, bill, or payment is sent by facsimile or email, the notice, bill, or payment shall be deemed received upon transmission as long as: (1) the original copy of the notice, bill, or payment is promptly deposited in the U.S. Mail and postmarked on the date of the facsimile or email (for a payment, on or before the due date); (2) the sender has a written confirmation of the facsimile transmission or email; and (3) the facsimile or email is transmitted before 5 p.m. (recipient's time). In all other instances, notices, bills, and payments shall be effective upon receipt by the recipient. Changes may be made in the names and addresses of the person to whom notices are to be given by giving notice pursuant to this Article 12.

13. Miscellaneous Provisions

13.1. No Waiver of Breach

The waiver by County of any breach of any term or promise contained in this Agreement shall not be deemed to be a waiver of such term or provision or any subsequent breach of the same or any other term or promise contained in this Agreement.

13.2. Construction

To the fullest extent allowed by law, the provisions of this Agreement shall be construed and given effect in a manner that avoids any violation of statute, ordinance, regulation, or law. The parties covenant and agree that in the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired,

or invalidated thereby. Contractor and County acknowledge that they have each contributed to the making of this Agreement and that, in the event of a dispute over the interpretation of this Agreement, the language of the Agreement will not be construed against one party in favor of the other party. Contractor and County acknowledge that they have each had an adequate opportunity to consult with counsel in the negotiation and preparation of this Agreement.

13.3. Consent

Wherever in this Agreement the consent or approval of one party is required to an act of the other party, such consent or approval shall not be unreasonably withheld or delayed.

13.4. No Third-Party Beneficiaries

Nothing contained in this Agreement shall be construed to create and the parties do not intend to create any rights in third parties.

13.5. Applicable Law and Forum

This Agreement shall be construed and interpreted according to the substantive law of California, regardless of the law of conflicts to the contrary in any jurisdiction. Any action to enforce the terms of this Agreement or for the breach thereof shall be brought and tried in the City of Santa Rosa or the forum nearest to the City of Santa Rosa in the County of Sonoma.

13.6. Captions

The captions in this Agreement are solely for convenience of reference. They are not a part of this Agreement and shall have no effect on its construction or interpretation.

13.7. Merger

This writing is intended both as the final expression of the Agreement between the parties hereto with respect to the included terms and as a complete and exclusive statement of the terms of the Agreement, pursuant to Code of Civil Procedure Section 1856. Each party acknowledges that, in entering into this Agreement, it has not relied on any representation or undertaking, whether oral or in writing, other than those which are expressly set forth in this Agreement. No modification of this Agreement shall be effective unless and until such modification is evidenced by a writing signed by both parties.

13.8. Survival of Terms

All express representations, waivers, indemnifications, and limitations of liability included in this Agreement will survive its completion or termination for any reason.

13.9. Time of Essence

Time is and shall be of the essence of this Agreement and every provision hereof.

13.10. Counterparts and Electronic Copies

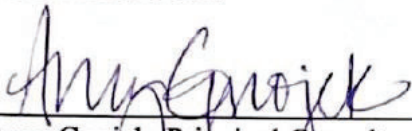
The parties agree that this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and together which when executed by the requisite parties shall be deemed to be a complete original agreement. Counterparts may be delivered via facsimile, electronic mail (including PDF), or other transmission method, and any counterpart so delivered shall be deemed to have been duly and validly delivered, be valid and effective for all purposes, and shall have the same legal force and effect as an original document. This Agreement, and any counterpart, may be electronically signed by each or any of the parties

through the use of any commercially available digital and/or electronic signature software or other electronic signature method in compliance with the U.S. federal ESIGN Act of 2000, California's Uniform Electronic Transactions Act (Cal. Civil Code § 1633.1 et seq.), or other applicable law. By its use of any electronic signature below, the signing party agrees to have conducted this transaction and to execute this Agreement by electronic means.

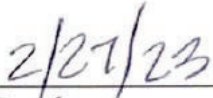
§ The remainder of this page has intentionally been left blank. §

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

CONTRACTOR:



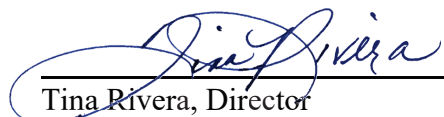
Amy Gnojek, Principal Consultant
Apex360, LLC



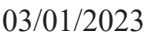
Dated

COUNTY OF SONOMA:

Approved; Certificates of Insurance on File with County:



Tina Rivera, Director
Department of Health Services



Dated

Exhibit A. Scope of Work

Contractor shall provide financial-review-and-analysis services for the purpose of evaluating request for proposals (RFP) for the provision of Emergency Medical Services (EMS) by a third party to County.

Contractor's review and analysis shall include, but not be limited to, the following:

- Conduct documentation review of RFP.
- Calculate and analyze various financial and revenue cycle ratios and key performance indicators of respondents.
- Review and analyze quantitative and qualitative responses as they relate to the financial performance and sustainability of the respondents.
- Score and provide overall evaluation of respondents' submissions to RFP using County-prepared Scoring Table in Exhibit 3 of the RFP.
- Based upon the above review, assist in analyzing any material financial concerns, including financial sustainability, financial performance, and long-term feasibility.
- Submit a draft a report to County detailing and addressing the results of the above process.
- Attend virtual review meetings at scheduled times on March 9 & 10, 2023.
- Be available post-award for virtual meetings as needed and scheduled in advance.

Exhibit B. Budget

Contractor shall bill County as follows:

- 1) \$2,000 invoiced February 10, 2023 upon review of County-prepared RFP and initial preparation for review process.
- 2) \$4,500 invoiced March 15, 2023 upon completion of review process.

Exhibit C. Insurance Requirements
(Template 3 – Rev 2018 Sep 13)

With respect to performance of work under this Agreement, Contractor shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain insurance as described below unless such insurance has been expressly waived by the attachment of a Waiver of Insurance Requirements. Any requirement for insurance to be maintained after completion of the work shall survive this Agreement.

County reserves the right to review any and all of the required insurance policies and/or endorsements, but has no obligation to do so. Failure to demand evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve Contractor from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

1. Workers Compensation and Employers Liability Insurance

- a. Required if Contractor has employees as defined by the Labor Code of the State of California.
- b. Workers Compensation insurance with statutory limits as required by the Labor Code of the State of California.
- c. Employers Liability with minimum limits of \$1,000,000 per Accident; \$1,000,000 Disease per employee; \$1,000,000 Disease per policy.
- d. ***Required Evidence of Insurance:*** Certificate of Insurance.
- e. If Contractor currently has no employees as defined by the Labor Code of the State of California, Contractor agrees to obtain the above-specified Workers Compensation and Employers Liability insurance should employees be engaged during the term of this Agreement or any extensions of the term.

2. General Liability Insurance

- a. Commercial General Liability Insurance on a standard occurrence form, no less broad than Insurance Services Office (ISO) form CG 00 01.
- b. Minimum Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate; \$2,000,000 Products/Completed Operations Aggregate. The required limits may be provided by a combination of General Liability Insurance and Commercial Excess or Commercial Umbrella Liability Insurance. If Contractor maintains higher limits than the specified minimum limits, County requires and shall be entitled to coverage for the higher limits maintained by Contractor.
- c. Any deductible or self-insured retention shall be shown on the Certificate of Insurance. If the deductible or self-insured retention exceeds \$25,000, it must be approved in advance by County. Contractor is responsible for any deductible or self-insured retention and shall fund it upon County's written request, regardless of whether Contractor has a claim against the insurance or is named as a party in any action involving the County.

- d. **"County of Sonoma, its Officers, Agents, and Employees"** shall be endorsed as **additional insureds** for liability arising out of operations by or on behalf of the Contractor in the performance of this Agreement.
- e. The insurance provided to the additional insureds shall be primary to, and non-contributory with, any insurance or self-insurance program maintained by them.
- f. The policy definition of "insured contract" shall include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (broad form contractual liability coverage including the "F" definition of insured contract in ISO form CG 00 01, or equivalent).
- g. The policy shall cover inter-insured suits between the additional insureds and Contractor and include a "separation of insureds" or "severability" clause which treats each insured separately.
- h. ***Required Evidence of Insurance***
 - i. Copy of the additional insured endorsement or policy language granting additional insured status; and
 - ii. Certificate of Insurance.

3. Automobile Liability Insurance

- a. Minimum Limit: \$1,000,000 combined single limit per accident. The required limit may be provided by a combination of Automobile Liability Insurance and Commercial Excess or Commercial Umbrella Liability Insurance.
- b. Insurance shall cover all owned autos. If Contractor currently owns no autos, Contractor agrees to obtain such insurance should any autos be acquired during the term of this Agreement or any extensions of the term.
- c. Insurance shall cover hired and non-owned autos.
- d. ***Required Evidence of Insurance***: Certificate of Insurance.

4. Standards for Insurance Companies

Insurers, other than the California State Compensation Insurance Fund, shall have an A.M. Best's rating of at least A:VII.

5. Documentation

- a. All required Evidence of Insurance shall be submitted prior to the execution of this Agreement. Contractor agrees to maintain current Evidence of Insurance on file with County for the entire term of this Agreement and any additional periods if specified in Sections 1, 2 or 3 above.

- b. The name and **address** for Additional Insured endorsements and Certificates of Insurance is:

County of Sonoma, its Officers, Agents, and Employees
Attn: DHS – Contract & Board Item Development Unit
1450 Neotomas Avenue, Suite 200
Santa Rosa CA 95405
Email: DHS-Contracting@sonoma-county.org

- c. Required Evidence of Insurance shall be submitted for any renewal or replacement of a policy that already exists, at least ten (10) days before expiration or other termination of the existing policy.
- d. Contractor shall provide immediate written notice if: (1) any of the required insurance policies is terminated; (2) the limits of any of the required policies are reduced; or (3) the deductible or self-insured retention is increased.
- e. Upon written request, certified copies of required insurance policies must be provided within thirty (30) days.

6. Policy Obligations

Contractor's indemnity and other obligations shall not be limited by the foregoing insurance requirements.

7. Material Breach

If Contractor fails to maintain insurance which is required pursuant to this Agreement, it shall be deemed a material breach of this Agreement. County, at its sole option, may terminate this Agreement and obtain damages from Contractor resulting from said breach. Alternatively, County may purchase the required insurance, and without further notice to Contractor, County may deduct from sums due to Contractor any premium costs advanced by County for such insurance. These remedies shall be in addition to any other remedies available to County.

Exhibit D. Waiver of Insurance Requirements


Exhibit D Waiver of Insurance Requirements					
This Exhibit modifies the insurance requirements as specified in Exhibit C					
Department	Health Services	Dept Contact	Ken Tasseff	Phone	565.4703
Contractor, Consultant, Vendor, Licensee, Tenant		Apex360, LLC			
Contact Person	Amy Gnojek	Phone	970-485-2867		
Contract Term	2023 Feb 22 - 2023 Jun 30	Contract Cost	\$6,500	Template #	3
Was there an RFP/RFQ or other competitive process for this agreement? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>					
If yes, was an exception to the Insurance Requirements noted in the Vendor's proposal? Yes <input type="checkbox"/> No <input type="checkbox"/>					
<p>♦ If only Section I waivers are required, submit to your Department Head or designee for signature. Do not submit to Risk. ♦ If only Section II waivers or a combination of Section I and II waivers are required, submit to Risk.</p> <p>Section I - Department Waivers (Must be designated "Department Waiver" in the Template Assistant)</p> <p>Requirement to be Waived and Reason</p> <p><input type="checkbox"/> Workers Compensation: Waive Subrogation Waiver.</p> <p><input type="checkbox"/> General Liability: Waive General Aggregate per location or per project. General Aggregate is at least double the Occurrence Limit.</p> <p><input type="checkbox"/> General Liability: Waive requirement for Subrogation Waiver, because insurer will not provide the coverage.</p> <p><input type="checkbox"/> General Liability (Suppliers of Products): Waive "Additional Insured – Vendors". County does not distribute the product to the public.</p> <p><input type="checkbox"/> General Liability (Special Events): Waive Products/Completed Operations Coverage. Licensee will not sell or distribute food or other tangible items at the event.</p> <p><input type="checkbox"/> General Liability (Instructors/Trainers): Waive General Liability. Training does not involve the use of hazardous equipment, participation in physical activity, or medical training.</p> <p><input type="checkbox"/> General Liability (Therapists, Counselors, Social Workers, and Psychologists): Waive General Liability. All services are provided in the consultant's office or on County premises and acceptable evidence of professional liability insurance has been provided.</p> <p><input checked="" type="checkbox"/> Auto Liability: Waive coverage and/or limits. Consultant or Contractor does no driving on behalf of the County, or the driving is limited to attendance at meetings at County/Entity facilities.</p> <p><input type="checkbox"/> Auto Liability (Suppliers of Products): Waive coverage because vendor's goods are delivered by common carrier or contract carrier.</p> <p><input type="checkbox"/> Property Insurance (Long-Term Tenants): Waive Property Insurance requirement. Tenant has not made improvements to the property, or the current construction cost of the improvements is less than \$25,000.</p> <p><input type="checkbox"/> Mold Liability: Landlord cannot obtain the insurance.</p> <p><input type="checkbox"/> Standards for Insurance Companies: Waive A.M. Best's rating requirement.</p>					
				03/01/2023	
Approved by Department Head, Department Designee, or Risk Management				Date	

EXHIBIT 8



Founding Sponsorship Opportunity

Quick Links

Be first to the scene for the launch of Women in Emergency Services! Your company's partnership plays a significant role in making the launch of WIES successful as continue to grow the organization and impact our members. We are excited to offer Founding Sponsorship for the inaugural year of the association only. The founding sponsor level is a one-time commitment of \$10,000, and you will be recognized for the life of the organization.

[Learn More](#)

[Join Today](#)

For 2023 -- our founding year -- the Founding Sponsorship will be the only sponsorship available through WIES.

[Sponsorship Opportunities](#)

How your support helps the growth of WIES:

Operational and start-up costs to get WIES "up and running" including

- Brand development and enhancement
- Website and WIES Community buildout
- Software seat licenses and subscriptions
- Database and marketing-list management
- Advertising, promotions, and trade show booths
- Event Registration
- Operations, staffing, travel

Supporting the development of WIES's four pillars including:

1. Empowerment: We celebrate women in emergency services and create an inclusive environment for women to be their true selves. Women will grow their personal and professional networks through self-empowerment and mutual support.
2. Networking: By providing unique opportunities for women to connect and learn from others, they will be able to create strong and supportive networks among peers to gain knowledge and advance their careers.
3. Mentorship: Women will develop relationships to mentor and empower women in the emergency services industry. Women will feel confident to advocate for themselves and achieve excellence in their careers.
4. Education: Create high-quality learning opportunities for women to build successful careers in the evolving emergency services industry. These educational opportunities will focus on professional development, self-advocacy, and technical expertise.

[View Full Calendar](#)

Upcoming Events

Sun Jun 4, 2023	Category: Events
WIES @ PWIW abc360	
Mon Jun 26, 2023	Category: Events
WIES @ American Ambulance Association	

Founding Sponsor Benefits:

- Your company logo listed on the WiES website and online community as "Founding Sponsor"
- Recognition as Founding Sponsor in WiES emails and at WiES-attended events
- Use of the WiES Founding Sponsor logo to promote your support of women in the industry
- Code that allows your employees to join at a 25% discount
- Opportunity to provide educational content to members via webinar or town-hall sessions

Founding Sponsors



FERNO®



**CINDY ELBERT
INSURANCE
SERVICES**
www.AmbulanceInsurance.com

Women in Emergency Services

Street: 2851 S. Parker Road, Ste 1210, Aurora, CO 80014

Mail: P.O. Box 3406, Englewood, CO 80155

P: (720)902-4935 | Fax: 303-200-7099

e: hello@womeninemergencyservices.org

[Home](#)

[JOIN NOW](#)

[LOG IN](#)

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[Privacy Policy](#)

EXHIBIT 9

April 3, 2023

VIA E-MAIL AND HAND-DELIVERY

Signe Sugiyama
County of Sonoma
Purchasing Agent
2300 County Center Drive, Suite A-208
Santa Rosa, CA 95403
Signe.sugiyama@@sonoma-county.org

Russell Carpenter
Sonoma County Department of Health Services
1450 Neotomas Avenue, Suite 200
Santa Rosa, CA 95404
DHS-contracting@sonoma-county.org

**Re: Request for Proposal for Emergency Ground Ambulance
Transport – Sonoma County, RFP No. 10089374-20-K (“RFP”)**

Dear Ms. Sugiyama and Mr. Carpenter:

We represent American Medical Response (“AMR”). AMR requests that Sonoma County disqualify Sonoma County Fire District (“County Fire”) from further participation in the RFP process because County Fire has violated the gag clause in the RFP¹ through its fire-driven advocacy website and advertisements driving residents to the website. The website is seeking to cause persons to reach out to the Board of Supervisors and the Director of Health to persuade them to “award the Sonoma County Fire District the 9-1-1 Advanced Life Support ambulance service contract *** to the Sonoma County Fire District[.]”

AMR expects the County to follow its rules for the RFP. Failure to do so will result in the RFP being void as a matter of law. *See Pozar v. Dep’t of Transportation*, 145 Cal. App. 3d 269, 272 (Cal. Ct. App. 1983) (holding that Caltrans failed to uphold its ministerial duty where it did not follow its own rules in a bid submission).

County Fire’s Violation of the Gag Clause in the RFP.

Section 2.7 of the RFP provides:

2.7 CONTACT WITH COUNTY EMPLOYEES

Violation of the following prohibitions may result in a Proposer being found non-responsible, barred from participating in this or future procurements, and becoming subject to other legal penalties.

¹ See Section 2.7 of the RFP.

AUSTIN
BOSTON
CHICAGO
DALLAS
DENVER

DETROIT
HOUSTON
JACKSONVILLE
LOS ANGELES
MADISON

MEXICO CITY
MIAMI
MILWAUKEE
NEW YORK
ORLANDO

SACRAMENTO
SALT LAKE CITY
SAN DIEGO
SAN FRANCISCO
SILICON VALLEY

TALLAHASSEE
TAMPA
WASHINGTON, D.C.
BRUSSELS
TOKYO

Protest Re: RFP No. 10089374-20-K

April 3, 2023

Page 2

A. As of the issuance date of this RFP and continuing until it is canceled, or an award is made, no person, Proposer, or person acting on behalf of a prospective Proposer may discuss any matter relating to the RFP with any officer, agent, or employee of Sonoma County, other than the Authorized Contact Person, or as outlined in the evaluation or protest procedures.

B. Any party submitting a proposal or a party representing a proposer shall not influence or attempt to influence any member of the selection committee, any member of the Board of Supervisors, or any employee of the County of Sonoma, with regard to the acceptance of a proposal. Any party attempting to influence the RFP process through ex-parte contact may be subject to rejection of their proposal. Proposers may not agree to pay any consideration to any company or person to conduct lobbying activities to influence the award of a contract by the County. Nothing in this section precludes a proposer from engaging the services of a company or person to assist in the development of the response to the RFP.

(Emphasis Added). The RFP opened on November 23, 2022. All bidders, including County Fire, were required to submit their bids for the RFP by March 1, 2023. The process has been open for four months and is still open. During this period, the gag clause in Section 2.7 has been fully in effect. This clause forbids ex parte contacts with each member of the Board of Supervisors and all officers, agents, and employees of Sonoma County including Tina Rivera (the “Prohibited Persons”).² Any telephone call, email or message sent to a Prohibited Person attempting to influence such person regarding the RFP violates the gag clause.

Website. Beginning on or about February 3, 2023 when the “safersonoma.com” website was initiated, County Fire began attempting to influence each member of the Board of Supervisors, and Tina Rivera to recommend to the Board of Supervisors, that the Board of Supervisors “award the Sonoma County Fire District the 9-1-1 Advanced Life Support ambulance service contract *** to the Sonoma County Fire District[.]” See Exhibit A. This website includes photographs of individuals in County Fire uniforms driving or standing next to County Fire emergency vehicles, ambulances responding to calls, and a County Fire station. The website includes a recorded “Message From Your Hometown Fire Fighters,” text advocating for County Fire as the next EMS provider, and a video narrated by County Fire Captain Michael Stornetta. Captain Stornetta asserts that choosing County Fire as the next ambulance provider will “ensure that you and your loved ones have access to the best emergency care possible.” Captain Stornetta attacks AMR by stating: “In contrast, for-profit EMS companies’ primary focus is their bottom line and not your loved ones’ care. For-profit ambulance service providers have a history of browning out ambulances and relying on the taxpayer fire-based

² The only excluded employee is the Authorized Contact Person, Russell Carpenter.



FOLEY & LARDNER LLP

Protest Re: RFP No. 10089374-20-K

April 3, 2023

Page 3

ambulances as a backup.” Most importantly, Captain Stornetta asks viewers to “urge our elected officials to prioritize public safety” by signing the “Petition For Your Safety.” *See* Exhibit B.

Captain Stornetta’s petition is directed to “Sonoma County Leaders” and notifies the signer that it will be sent to the following individuals:

Tina Rivera, Director of the Sonoma County Department of Health Services
Susan Gorin, Supervisor
David Rabbitt, Supervisor
Chris Coursey, Supervisor
James Gore, Supervisor
Lynda Hopkins, Supervisor

Captain Stornetta’s petition asks these six persons to “award the Sonoma County Fire District the 9-1-1 Advanced Life Support ambulance service contract *** to the Sonoma County Fire District[.]”

Advertisement. The “safersonoma.com” team has reached out further to the community to rally residents to contact the Sonoma County leaders by placing an advertisement in a local newspaper, the Santa Rosa Press Democrat. *See* Exhibit C. The advertisement repeats the key information from the website, has a place to click for more information, and urges the readers to “SUPPORT FIRE-BASED EMS.” This advertisement began running on approximately March 23, 2023.

The “saftersonoma.com” team has also advertised on social media and received direct support from high-ranking officials at County Fire. For example, “safersonoma.com” was recently promoted on Facebook. *See* Exhibit D. County Fire’s Division Chief, Cyndi Foreman, promoted the advertisement to the Facebook community by posting “Well done!!” in the comments.

This advocacy clearly violates the gag clause and should not be tolerated. We ask you to disqualify County Fire because of this prohibited advocacy. We expect that County Fire may try to avoid disqualification by seeking to distance itself from the team who created this website and paid for the advertisement. The website purports to have been “Paid for by IAFF Local 1401 Sonoma County Firefighters Committee for a Safe Sonoma County.” We do not know if this assertion is true. Even if true, this assertion is irrelevant. Section 2.7(B) does not permit County Fire to seek to “influence or attempt to influence any member of the selection committee.” Michael Stornetta is a senior official with County Fire. It was impossible to create the video and website without cooperation with County Fire. Persons in the video appear in County Fire uniforms. The fire trucks in the video are County Fire trucks. The message being pressed benefits County Fire. It was done with County Fire’s assistance. This kind of political ploy should not be tolerated. County Fire should be exposed for its improper and forbidden actions here and should be disqualified.



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Protest Re: RFP No. 10089374-20-K

April 3, 2023

Page 4

Finally, we ask that all of the listed Sonoma County Leaders preserve and retain all emails, texts, letters and evidence of telephone calls connected to this advocacy campaign.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Johnston', written over the printed name.

Pamela L. Johnston

cc: Jordan Kearney, Hooper Lundy Bookman (jkearney@hooperlundy.com)
Elizabeth Basnett, Acting EMSA Director (Elizabeth.basnett@emsa.ca.gov)
Walter Landen, AMR (Walt.Landen@gmr.net)

EXHIBIT A



SAFER SONOMA

Stand with Sonoma's hometown fire fighters and their efforts to make our families safer. Support Fire-based EMS.

[PETITION FOR YOUR SAFETY](#)

[LEARN MORE](#)

A Message From Your Hometown Fire Fighters



PETITION FOR YOUR SAFETY



Attention Sonoma County!

As your hometown emergency responders who not only work in Sonoma County but also live here and are your neighbors, we have grown deeply concerned by our current emergency medical response system and its **inability** to provide the safe and efficient care that everyone deserves.

It's time to make a change! Fire-based Emergency Medical Services (EMS) are backed by comprehensive research proving their **efficacy** in providing quick responses with **higher quality patient care** than private ambulance companies can offer. By signing the



also live here and are your neighbors, we have grown deeply concerned by our current emergency medical response system and its **inability** to provide the safe and efficient care that everyone deserves.

It's time to make a change! Fire-based Emergency Medical Services (EMS) are backed by comprehensive research proving their **efficacy** in providing quick responses with **higher quality** patient care than private ambulance companies can offer. By signing the petition, you're supporting your **safety and health** - so please join us today!

Your signature will be a powerful statement of your commitment to keeping Sonoma County safe and affirming that you want your dedicated hometown Fire Fighters on the front lines delivering Emergency Medical Services.

PETITION FOR YOUR SAFETY

FACTS



Higher Survival Rates

Fire-based EMS provides a comprehensive approach to emergency care, with trained personnel capable of handling any complication. The bottom line – a better chance for patient survival – is the true measure of quality for any pre-hospital emergency medical



Rapid Response Times

The fire service is known for its rapid mobilization. Firefighters are the nation's emergency responders and fire-based EMS get to the scene faster.



Quality of Care

The teamwork, efficient job performance, and continuous patient contact enjoyed by the fire service, affects patient care in a way that cannot be qualified by dollars.

FACTS



Higher Survival Rates

Fire-based EMS provides a comprehensive approach to emergency care, with trained personnel capable of handling any complication. The bottom line – a better chance for patient survival – is the true measure of quality for any pre-hospital emergency medical system.



Rapid Response Times

The fire service is known for its rapid mobilization. Firefighters are the nation's emergency responders and fire-based EMS get to the scene faster.



Quality of Care

The teamwork, efficient job performance, and continuous patient contact enjoyed by the fire service, affects patient care in a way that cannot be qualified by dollars.

PETITION FOR YOUR SAFETY

Paid for by I.A.F.F. Local 1401 - Committee for a Safe Sonoma County ID #: 1228510

EXHIBIT B

This petition will be sent to:

Tina Rivera, Director of the Sonoma County Department of Health Services

Susan Gorin, Supervisor

David Rabbitt, Supervisor

Chris Coursey, Supervisor

James Gore, Supervisor

Lynda Hopkins, Supervisor

Implement Fire Service-Based EMS in Sonoma County

Dear Sonoma County Leaders,

I urge you to award the Sonoma County Fire District the 9-1-1 Advanced Life Support ambulance service contract. They are a service-oriented organization with a strong track record of prompt and efficient emergency response and excellent care for underserved populations.

The City of Santa Rosa and all of the other Fire/EMS ambulance providers in the area support their bid. They have provided emergency ambulance services in our county for over 40 years.

I respectfully request and urge the contract be granted to the Sonoma County Fire District to ensure our community receives the best possible emergency care.

Thank you for your time.

Prefix

Prefix

First name

First name

Last name

Last name

Street Address

Street Address

City

City

State

State

Zipcode

Zipcode

Email

Email

Phone

Phone

☒ Agree to [Terms & Conditions](#)

Send Signed Petition

Report Petition

EXHIBIT C

 eEdition 51°

The Press Democrat




NEWS OBITS SPORTS BUSINESS OPINION REAL ESTATE FOOD DINING A&E EVENTS GUIDE FUN CLASSIFIED JOBS NEWSLETTERS

Sign Up to receive our daily newsletter, breaking news alerts and more

 **4.25%** APY
High-Yield Money Market Account



So Sonoma - Best of Sonoma County

Share this article   



[Home](#) | [Dine and Drink](#) | [So Sonoma](#) | [Real Life](#)

Nomination Instructions

Fill in your favorite business in each field below. Only one entry per category grouping, per person. Each entry requires a unique and legitimate email address. You may use your same email for all of the category groupings (e.g. "Real Life," "Food and Drink," etc.). We encourage you to nominate 5 businesses within this category grouping.

Email Address *

#SAFERSONOMA

 **KEEP SONOMA SAFE.**

STAND WITH YOUR HOMETOWN FIRE FIGHTERS AND THEIR EFFORTS TO MAKE OUR FAMILIES SAFER. SUPPORT FIRE-BASED EMS.

CLICK HERE TO KEEP SONOMA SAFE

SAFERSONOMA.COM 

MOST POPULAR

Joe Rodota Trail encampment to be cleared as county homeless camp opens



Sheriff's Office says death being investigated in Rohnert Park

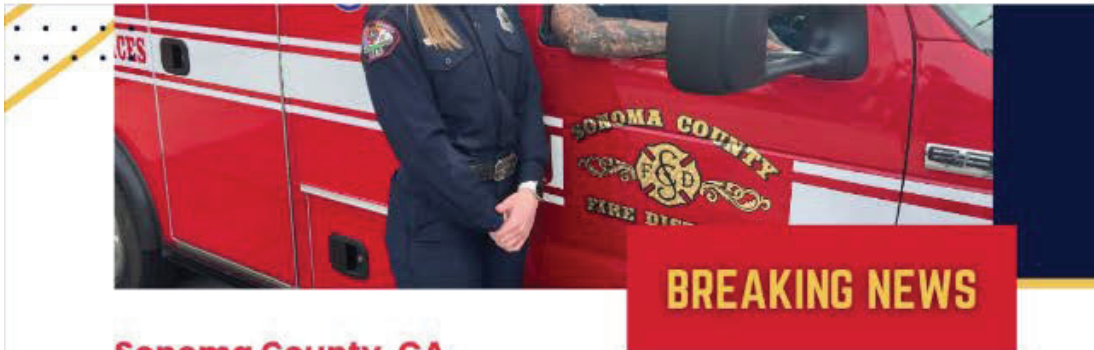


EXHIBIT D

10:23



< Professional Fire Fighters of Sonoma County, Lo... ⋮



Sonoma County, CA

STAND WITH YOUR SONOMA COUNTY'S HOMETOWN FIRE FIGHTERS



safersonoma.com

Stand with Sonoma's hometown fire
fighters.

Learn more



Like



Comment



Share



Karin Grummell Dowling and 74 others

3 Shares

All comments ▾



Cyndi McDonnell Foreman
Well done!!

13h Like Reply

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EXHIBIT 10



AMR HoldCo Inc.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019, THE PERIOD FROM MARCH 14, 2018 TO DECEMBER 31,
2018, THE PERIOD FROM JANUARY 1, 2018 TO MARCH 13, 2018 AND THE YEAR ENDED
DECEMBER 31, 2017**



KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Board of Directors
AMR HoldCo Inc.:

We have audited the accompanying consolidated financial statements of AMR HoldCo Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in equity, and cash flows for the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018, the period from January 1, 2018 to March 13, 2018 and the year ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMR HoldCo Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018, the period from January 1, 2018 to March 13, 2018 and the year ended December 31, 2017 in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

Changes in Accounting Principle

As discussed in note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue as of January 1, 2019 due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

As discussed in note 2 to the consolidated financial statements, the Company has changed its presentation of restricted cash in the statements of cash flows due to the adoption of ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

KPMG LLP

Denver, Colorado
April 22, 2020

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 194,122	\$ 237,645
Insurance collateral	123,844	90,102
Accounts receivable, net	448,830	383,711
Supplies inventory	43,774	39,061
Prepaid expenses	31,704	29,424
Other current assets	16,851	32,042
Total current assets	859,125	811,985
Property and equipment, net	341,932	364,837
Leased property under capital leases, net	1,637	—
Intangible assets, net	1,004,722	1,020,697
Goodwill	803,347	794,086
Other assets	19,505	21,916
Total assets	\$ 3,030,268	\$ 3,013,521
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 26,801	\$ 22,638
Accrued wages, benefits and taxes	119,852	107,203
Other accrued liabilities	163,859	164,528
Current portion of long-term debt and capital lease obligations	674	64
Total current liabilities	311,186	294,433
Long-term debt and capital lease obligations	1,948	995
Deferred income taxes	77,762	45,854
Insurance reserves	130,658	114,164
Other long-term liabilities	11,596	12,517
Total liabilities	533,150	467,963
Commitments and contingencies		
Equity:		
Investment by Parent	2,337,562	2,497,175
Accumulated other comprehensive income (loss)	5,523	4,084
Retained earnings (accumulated deficit)	154,033	44,299
Total equity	2,497,118	2,545,558
Total liabilities and equity	\$ 3,030,268	\$ 3,013,521

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Successor		Predecessor	
	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018	Year Ended December 31, 2017
Revenue	\$ 2,686,552	\$ 2,822,887	\$ 798,229	\$ 3,423,114
Provision for uncompensated care	—	(719,795)	(295,024)	(892,167)
Net revenue	2,686,552	2,103,092	503,205	2,530,947
Operating expenses:				
Employee wages, benefits and taxes	1,556,574	1,191,897	290,208	1,404,750
Maintenance, fuel and other direct expenses	163,320	130,156	34,981	161,362
Insurance expense	92,983	64,597	24,481	90,878
Other operating expenses	526,390	455,660	115,614	598,841
Acquisition, integration and other charges	47,420	75,111	11,694	37,255
Impairment charges	—	—	—	238,746
Depreciation and amortization	160,022	124,159	28,933	151,732
Total operating expenses	2,546,709	2,041,580	505,911	2,683,564
Operating income (loss)	139,843	61,512	(2,706)	(152,617)
Interest (income) expense, net	(676)	834	252	1,988
Equity in earnings of unconsolidated affiliates	478	380	54	549
Other income (loss), net	1,685	(22)	—	(16)
Net income (loss) before income taxes	142,682	61,036	(2,904)	(154,072)
Income tax (benefit) expense	32,147	16,737	3,038	(79,175)
Net income (loss)	\$ 110,535	\$ 44,299	\$ (5,942)	\$ (74,897)
Other comprehensive income (loss):				
Unrealized holding gains (losses) during the period	3,417	(1,117)	—	—
Defined benefit pension plan net gain (loss)	(2,442)	6,532	—	(4,449)
Deferred income tax benefit (expense), net	(337)	(1,331)	—	—
Total other comprehensive income (loss), net of income tax	638	4,084	—	(4,449)
Comprehensive income (loss)	\$ 111,173	\$ 48,383	\$ (5,942)	\$ (79,346)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Investment by Parent/ Prior Parent	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
Balance at January 1, 2017 (Predecessor)	\$ 2,471,404	\$ 2	\$ 3,474	\$ 2,474,880
Equity-based compensation	4,937	—	—	4,937
Net working capital distributed to Prior Parent	(112,729)	—	—	(112,729)
Allocation of Parent corporate overhead costs	43,840	—	—	43,840
Acquisitions funded by Prior Parent	119,374	—	—	119,374
Net income (loss)	—	—	(74,897)	(74,897)
Net change in defined benefit pension plan obligation	—	(4,449)	—	(4,449)
Balance at December 31, 2017 (Predecessor)	\$ 2,526,826	\$ (4,447)	\$ (71,423)	\$ 2,450,956
Net working capital distributed to Prior Parent	(71,372)	—	—	(71,372)
Net income (loss)	—	—	(5,942)	(5,942)
Predecessor balance prior to Acquisition on March 14, 2018	\$ 2,455,454	\$ (4,447)	\$ (77,365)	\$ 2,373,642
Elimination of Predecessor equity in connection with the Acquisition	(2,455,454)	4,447	77,365	(2,373,642)
Successor opening equity	2,388,431	—	—	2,388,431
Successor balance at March 14, 2018	\$ 2,388,431	\$ —	\$ —	\$ 2,388,431
Net working capital contributed by Parent	75,390	—	—	75,390
Acquisitions funded by Parent	33,354	—	—	33,354
Net income (loss)	—	—	44,299	44,299
Other comprehensive income (loss), net of tax expense of \$1,331	—	4,084	—	4,084
Balance at December 31, 2018 (Successor)	\$ 2,497,175	\$ 4,084	\$ 44,299	\$ 2,545,558
Cumulative-effect adjustment upon application of accounting change	—	801	(801)	—
Net working capital distributed to Parent	(180,850)	—	—	(180,850)
Acquisitions funded by Parent	21,237	—	—	21,237
Net income (loss)	—	—	110,535	110,535
Other comprehensive income (loss), net of tax expense of \$337	—	638	—	638
Balance at December 31, 2019 (Successor)	\$ 2,337,562	\$ 5,523	\$ 154,033	\$ 2,497,118

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Successor		Predecessor	
	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018	Year Ended December 31, 2017
Cash flows from operating activities:				
Net income (loss)	\$ 110,535	\$ 44,299	\$ (5,942)	\$ (74,897)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	160,022	124,159	28,933	151,732
Loss on disposal of property and equipment	1,780	825	303	1,399
Unrealized loss (gain) on marketable equity securities	(2,602)	—	—	—
Other, net	1,037	—	—	—
Equity in earnings of unconsolidated affiliates	(478)	(380)	(54)	(549)
Impairment charges	—	—	—	238,746
Deferred income taxes	31,614	21,064	2,688	(100,668)
Change in operating assets/liabilities, net of acquisitions:				
Accounts receivable, net	(65,662)	10,582	92,542	(60,639)
Accounts payable	4,163	(1,682)	7,824	(1,499)
Accrued wages, benefits and taxes	12,482	9,003	14,311	5,648
Accrued liabilities	(10,192)	6,745	(29,022)	21,824
Other assets and liabilities, net	22,904	2,496	5,861	(5,245)
Net cash provided by operating activities	265,603	217,111	117,444	175,852
Cash flows from investing activities:				
Purchases of property and equipment	(100,338)	(75,341)	(23,339)	(109,156)
Proceeds from the sale of property and equipment	554	923	160	2,355
Acquisition of businesses, net of cash acquired	(21,237)	(33,354)	(1,396)	(119,374)
Net change in investments held as insurance collateral	1,109	351	109	2,668
Purchases of marketable securities	(156,513)	(71,717)	—	—
Sales and maturities of marketable securities	106,499	15,145	—	—
Other investing activities, net	43	714	(363)	478
Net cash used in investing activities	(169,883)	(163,279)	(24,829)	(223,029)
Cash flows from financing activities:				
Net working capital, overhead allocations and other transfers contributed by (distributed to) Prior Parent	—	—	(77,288)	55,422
Net working capital and other transfers contributed by (distributed to) Parent	(159,613)	110,765	—	—
Other financing activities, net	(282)	(252)	(67)	(472)
Net cash provided by (used in) financing activities	(159,895)	110,513	(77,355)	54,950
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(1,060)	—	—	—
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(65,235)	164,345	15,260	7,773
Cash and cash equivalents, beginning of period (including cash and restricted cash equivalents of \$34.4 million, \$106.1 million, \$83.9 million and \$70.0 million, respectively)	272,009	107,664	92,404	84,631
Cash and cash equivalents, end of period (including cash and restricted cash equivalents of \$12.7 million, \$34.4 million, \$106.1 million and \$83.9 million, respectively)	\$ 206,774	\$ 272,009	\$ 107,664	\$ 92,404
Supplemental disclosure of cash flow information				
Cash paid during the period for				
Income taxes, net of refunds received	\$ (544)	\$ (3,020)	\$ —	\$ —

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Description of Business

AMR HoldCo Inc., along with its subsidiaries (collectively, “AMR” or the “Company”) operates in 39 states and the District of Columbia, providing a full range of healthcare transportation services, including emergency (“911”), non-emergency, managed transportation, fire protection services, fixed-wing ambulance and disaster response. In addition, AMR operates 911 call and response services for large and small communities all across the United States, offers contracted medical staffing, and provides telephone triage, transportation dispatch and demand management services.

Prior to March 14, 2018, the Company was a wholly-owned subsidiary of Envision Healthcare Corporation (“EVHC” or “Prior Parent”). On March 14, 2018, Global Medical Response, Inc. (“GMR” or “Parent”) completed the acquisition of all outstanding equity interests of AMR (the “Acquisition”). The impacts of this acquisition, as described in Note 4, have been recognized in our financial statements beginning on March 14, 2018. Since March 14, 2018, the Company has been a wholly-owned subsidiary of GMR.

As a result of the application of purchase accounting at the Acquisition date, as well as the adoption by the Company of accounting policies to conform to those of the Parent, the Predecessor and Successor periods presented are not comparable.

As used herein the term “Predecessor” refers to the Company prior to the Acquisition date, while “Successor” refers to the Company subsequent to the Acquisition date.

2. Summary of Accounting Policies

Consolidation

The consolidated financial statements of the Company include all of its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

During 2017, the Prior Parent allocated costs to AMR for a portion of its corporate overhead costs and any other costs relating to AMR that were paid under an agreement, policy or contract owned by EVHC.

A summary of allocated costs to AMR from EVHC follows (in thousands):

	Year Ended December 31, 2017
Salaries and benefits	\$ 19,463
General and administrative	8,744
Operating	7,908
Insurance	1,469
Depreciation	6,256
Total related party operating costs and expenses	<u>\$ 43,840</u>

The allocation of salaries and benefits included personnel in various shared corporate functions of the Prior Parent, including: C-Suite, IT/Telecom, HR/Benefits, Legal, Communications, Purchasing, Accounting/Shared Services, Compliance, Internal Audit, and Tax. General and administrative consists primarily of allocations for software licenses and maintenance, equipment rentals, travel costs for all shared functions, public relations, and recruiting. Operating expenses include outside legal, audit, tax, consulting, other professional fees, and rent for the shared corporate headquarters.

Corporate overhead costs were allocated to AMR using a methodology employed by the Prior Parent for all shared corporate functions. The charges for the shared corporate functions were based on the time devoted to each EVHC

Notes to Consolidated Financial Statements – Continued

operating division. Additionally, department managers developed allocation percentages for other cost groups, such as professional fees, consulting, travel, and all other G&A based on actual costs during the period. If possible for these cost categories, allocations were made on a specific-identification basis. During 2019 and 2018, the Prior or the Parent did not incur any costs on behalf of, or allocate costs to the Company for shared services, and thus no allocation of costs for shared corporate functions are included in the financial statements.

For the year ended December 31, 2017, the consolidated financial statements of AMR may not include all actual expenses that would have been incurred and may not reflect AMR's combined results of operations, financial position, or cash flows had it been a stand-alone company during the period. Actual costs that would have been incurred if AMR were a stand-alone company would depend on various factors, including organizational structure, capital structure, and strategic decisions made in various areas, such as information technology and infrastructure. Transactions resulting from shared corporate activities between AMR and the Prior Parent were considered to be effectively settled for cash at the time the transaction was recorded. The net effect of settlement of these transactions is reflected in the accompanying consolidated statement of cash flows as a financing activity and in the accompanying consolidated balance sheets as a net investment from Prior Parent.

Investment by Parent / Prior Parent

Investment by Parent/ Prior Parent, in the consolidated financial statements represents the Company's cumulative investment from the Parent or Prior Parent for the accumulation of

- Investments in AMR
- Net cash transfers to and from AMR
- Overhead cost allocations, if any
- Transactions between the Parent or Prior Parent and AMR
- Net cash transactions due to the Parent's or Prior Parent's centralized cash management.

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 including, but not limited to, estimates and assumptions for revenue, accounts receivable, insurance-related reserves and acquired or pushed-down intangible assets. Actual results may differ from those estimates under different assumptions or conditions.

Cash and Cash Equivalents

Cash and cash equivalents are comprised principally of demand deposits at banks and highly liquid short-term investments with a maturity generally three months or less at acquisition, and are recorded at cost, which approximates market value.

Supplies Inventory

Parts and supplies inventory is valued at cost, determined on a first in, first out basis. Durable medical supplies are capitalized as inventory and expensed as used.

Restricted Cash

At December 31, 2019 and 2018, the Company held restricted cash and cash equivalents of \$12.7 million and \$34.4 million, respectively, classified within "Insurance collateral" in the accompanying consolidated balance sheets. The cash was restricted for the purpose of satisfying the obligations of the Company's wholly-owned captive insurance subsidiary.

Notes to Consolidated Financial Statements – Continued

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Account Standards Board (“FASB”) or other standards setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the impact of any other recently issued standards that are not yet effective are either not applicable to the Company at this time or will not have a material impact on the Company’s consolidated financial statements upon adoption.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which eliminated the transaction and industry-specific revenue recognition guidance under current GAAP and replaced it with a principle-based approach using the following steps: identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14 “Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date,” which granted a one-year deferral of this ASU. In 2016 and 2017, the FASB issued the following ASUs to provide entities further clarity on the application of ASU 2014-09:

- ASU No. 2016-08 “Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”
- ASU No. 2016-10 “Identifying Performance Obligations and Licensing”
- ASU No. 2016-12 “Narrow-Scope Improvements and Practical Expedients”
- ASU No. 2016-20 “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers”
- ASU No. 2017-13 “Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments (SEC Update)”

The Company adopted the new standard effective January 1, 2019 using the modified retrospective method. No cumulative effect adjustment was recognized as a result of the adoption, other than changes to presentation discussed in Note 3. The adoption of the standard did not have a material impact on the Company’s consolidated financial position, results of operations, or cash flows. However, as a result of certain changes by ASU No. 2014-09 and the related ASUs, the majority of the Company’s provision for uncompensated care is recognized as a direct reduction to revenues, instead of separately as a deduction to arrive at revenue. Penalties incurred related to certain contracts will be recognized as a direct reduction to revenues, instead of separately as other operating expenses.

In January 2016, the FASB issued ASU No. 2016-01 “Financial Instruments – Overall,” as amended by ASU No. 2018-03, “Technical Corrections and Improvements to Financial Instruments (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities” in February 2018, which among other changes in accounting and disclosure requirements, replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes, and also eliminates the available-for-sale classification for marketable equity securities. Under the new guidance, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings. The Company adopted the provisions of ASU No. 2016-01 and ASU No. 2018-03 effective for the 2019 annual reporting period. Upon adoption, the Company has recognized a cumulative effect adjustment of approximately \$0.8 million to retained earnings and accumulated other comprehensive income related to the unrealized loss on corporate equity securities and has recognized the change in fair value on these equity securities as a component of other income (expense), net in the consolidated statements of operations.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”, and has modified the standard thereafter, which amends the existing accounting standards for lease accounting, including requiring lessees recognize right of use assets and lease liabilities for the vast majority of leases. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification is based on criteria that are largely

Notes to Consolidated Financial Statements – Continued

similar to those applied in current lease accounting, but without explicit bright lines. The accounting guidance for lessors remains largely unchanged.

The Company will adopt the new standard effective January 1, 2020 using the modified retrospective approach. Under the modified retrospective approach, the Company will recognize in beginning retained earnings as of January 1, 2020 an adjustment for the cumulative effect of adoption. The Company will also recognize right of use assets and lease liabilities for periods ending after January 1, 2020 for the majority of our operating leases, which will be the primary impact of the standard on our results. Our operating leases consist principally of real estate and other equipment.

As permitted under the standard, we do not intent to recognize right of use assets or lease liabilities for leases with a term of 12 months or less. In transition, we plan to apply practical expedients that permit us not to reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases, or (iii) whether previously capitalized initial direct costs would qualify for capitalization under the new standard. In addition, we do not intend to use hindsight during the transition. Based on the Company's evaluation of the new standard, the Company does not expect a material impact on our results of operations, cash flows or policies as a result of adopting the new standard.

Effective January 1, 2019, the Company retrospectively adopted a change in accounting principle related to the adoption of ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)". This revised standard is an effort by the FASB to reduce diversification in practice by providing specific guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The updated guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. As such, amounts generally described as restricted cash and restricted cash equivalents should be included in the "beginning-of-period" and "end-of-period" total amounts shown on the statement of cash flows. Accordingly, the Company used the retrospective transition method by restating its consolidated statement of cash flows to include restricted cash of \$34.4 million and \$106.1 million in the ending cash, cash equivalents, and restricted cash balances for the period from March 14 through December 31, 2018 and the period from January 1, 2018 through March 13, 2018. The cash was restricted for the purpose of satisfying the obligations of the Company's wholly-owned captive insurance subsidiary. For the year ended December 31, 2017, \$83.9 million was included in ending restricted cash balances and was restricted for purposes of satisfying the obligations related to the Prior Parent's wholly-owned captive insurance subsidiary.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805) - Clarifying the Definition of a Business" which changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. The guidance is effective for annual periods beginning after December 15, 2018. The Company adopted ASU No. 2017-01 as of January 1, 2019. This standard did not have an impact on the Company's consolidated financial statements, results of operations or cash flows upon adoption.

3. Revenue Recognition and Accounts Receivable

Revenue Recognition

On January 1, 2019, the Company adopted ASU No. 2014-09. The amounts of earnings from operations and net earnings were unchanged upon adoption of the new standard; however adoption of the new standard resulted in changes to the presentation of revenues and the provision for uncompensated care in the consolidated statements of operations. Previously, the estimate for unrealizable amounts was recorded to the provision for uncompensated care and presented as a separate deduction to arrive at net revenue. Upon adoption, the estimate for unrealizable amounts is now reflected as implicit price concessions that are a direct reduction to net revenue. Additionally, penalties incurred related to certain contracts are recognized as a direct reduction to revenues, instead of separately as other operating expenses.

Notes to Consolidated Financial Statements – Continued

The majority of our revenue is generated from fee for service patient revenue, which is derived principally through contracts originating from ground medical transport services provided to patients of healthcare facilities and communities served. Each transport constitutes a single performance obligation and, in most instances occur at readily determinable transaction prices. As a practical expedient, the Company adopted a portfolio approach to sources of patient revenue, applied by payor type. At this level, each portfolio shares the characteristics conducive to ensuring that the results do not materially differ from the new standard if it were to be applied to each individual patient contract related to each transport. Accordingly, there was not a change in the Company's method to recognize revenue. Subsequent changes in the customer's ability to pay, are recorded as bad debt within other operating expenses.

Other revenue primarily represents income earned from fire protection service contracts, standby, special event, community subsidies and income earned from our contract with the Federal Emergency Management Agency for disaster relief efforts. The transaction price for these arrangements may be fixed or variable, with determination periods generally ranging from one month to 16 months. In these instances, the Company will estimate variable consideration at contract commencement and recognize revenue monthly on a straight-line basis, which correlates with the performance obligation to stand ready.

Estimating revenue is a complex process, largely due to the volume of transactions, the number and complexity of contracts with payors, the limited availability, at times, of certain patient and payor information at the time services are provided, and the length of time it takes for collections to fully mature. Patients are billed for services provided, and the Company receives payments for these services from patients or their third-party payors. Payments for services provided are generally less than billed charges. The Company recognizes fee for service revenue, net of contractual adjustments and discounts for uninsured patients, at the time transport services are provided. In the period services are provided, the Company estimates gross charges based on: billed services plus an estimate for unbilled services based on pending case data collected, estimates of contractual allowances based on contracted rates and historical or actual cash collections (net of recoveries), when available, and estimates of the discount for uninsured patients based on historical cash collections (net of recoveries) from uninsured patients. For third-party payors, the specific benefits provided for under each patients' healthcare plan, mandated payment rates under the Medicare and Medicaid programs, as applicable, and historical cash collections are utilized. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient's healthcare plans, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries) in combination with expected collections from third party payors. In addition, the Company records net revenue from uninsured patients at an estimated realizable value based on historical cash collections (net of recoveries). The price concession includes an estimate of uncollectible balances due from uninsured patients, uncollectible co-pay and deductible balances due from insured patients and special charges, if any, for uncollectible balances due from managed care, commercial and governmental payors.

The relationship between gross charges and the transaction price recognized is significantly influenced by payor mix, as collections on gross charges may vary significantly depending on whether and with whom the patients the Company provides services to in the period are insured and the Company's contractual relationships with those payors. Payor mix is subject to change as additional patient and payor information is obtained after the period services are provided. The Company periodically assesses the estimates of unbilled revenue, contractual adjustments and discounts for uninsured patients and payor mix for a period of at least one year following the date of service by analyzing actual results, including cash collections, against estimates. Changes in these estimates are charged or credited to the consolidated statement of operations in the period that the assessment is made. Significant changes in payor mix, contractual arrangements with payors, specialty mix, acuity, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on estimates and significantly affect the results of operations and cash flows. Concentration of credit risk with respect to other payors is limited due to the large number of such payors.

In certain circumstances, federal law requires providers to render emergency medical services to any patient who requires care regardless of their ability to pay. Services to these patients are not considered to be charity care and provisions for

Notes to Consolidated Financial Statements – Continued

uncompensated care for these services are estimated accordingly. Although the Company does provide a level of charity care it is not significant to the Company's net revenues.

The Company's billing and accounting systems provide historical trends of cash collections and contractual write-offs, accounts receivable agings and established fee adjustments from third-party payors. These estimates are recorded and monitored monthly as revenues are recognized. The principal exposure for uncollectible fee for service visits is from self-pay patients and, to a lesser extent, for co-payments and deductibles from patients with insurance.

Net revenue (after provision for uncompensated care in 2018 and 2017) for the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018 (Successor), the period from January 1, 2018 to March 13, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor) consisted of the following (in thousands):

	Successor				Predecessor			
	Year Ended December 31, 2019		Period from March 14 to December 31, 2018		Period from January 1 to March 13, 2018		Year Ended December 31, 2017	
Medicare	\$ 839,445	31 %	\$ 640,424	30 %	\$ 162,516	32 %	\$ 727,218	29 %
Medicaid	310,035	12 %	186,859	9 %	47,418	9 %	223,400	9 %
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	898,071	33 %	668,772	32 %	169,709	34 %	810,123	32 %
Self-pay	116,688	4 %	76,636	4 %	19,447	4 %	86,522	3 %
Net fee for service revenue	2,164,239	80 %	1,572,691	75 %	399,090	79 %	1,847,263	73 %
Other revenue	522,313	20 %	530,401	25 %	104,115	21 %	683,684	27 %
Net revenue	<u>\$ 2,686,552</u>	<u>100 %</u>	<u>\$ 2,103,092</u>	<u>100 %</u>	<u>\$ 503,205</u>	<u>100 %</u>	<u>\$ 2,530,947</u>	<u>100 %</u>

Accounts Receivable

The Company manages accounts receivable by regularly reviewing its accounts and contracts and by providing appropriate adjustments to the estimate of the transaction price. Some of the factors considered by management in determining the adjustments are the historical trends of cash collections, contractual and uninsured write-offs, accounts receivable agings, established fee schedules, contracts with payors, changes in payor mix and procedure statistics. Actual collections of accounts receivable in subsequent periods may require changes in the estimated transaction price.

The Company tests its analysis by comparing cash collections to net fee for service revenues and monitoring self-pay utilization. In addition, when actual collection percentages differ from expected results, on a contract by contract basis, supplemental detailed reviews of the outstanding accounts receivable balances may be performed by the Company's billing operations to determine whether there are facts and circumstances existing that may cause a different conclusion as to the estimate of the collectability of that contract's accounts receivable from the estimate resulting from using the historical collection experience. Changes in these estimates, if any, are charged or credited to the consolidated statements of operations in the period of change. Material changes in estimates may result from unforeseen write-offs of patient or third-party accounts receivable, unsuccessful disputes with managed care payors, adverse macro-economic conditions which limit patients' ability to meet their financial obligations, or broad changes to government regulations that adversely impact reimbursement rates for services provided by the Company. Significant changes in payor mix, changes in contractual arrangements with payors, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on the Company's estimates and significantly affect its results of operations and cash flows. Consideration of credit risk is limited by the diversity and number of facilities, patients, payors and by the geographic dispersion of the Company's operations.

Notes to Consolidated Financial Statements – Continued

4. Acquisitions

The Company accounts for its business combinations under the fundamental requirements of the acquisition method of accounting and under the premise that an acquirer be identified for each business combination. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieves control. The assets acquired and liabilities assumed at the acquisition date are recognized at their fair values as of that date, and the direct costs incurred in connection with the business combination are recorded and expensed separately from the business combination.

On March 14, 2018, GMR completed the acquisition of all of the outstanding equity interests of the Company for a total purchase price of \$2.45 billion, subsequently decreased for working capital adjustments of (\$60.3) million, paid in cash and rollover equity awards valued at \$10.0 million. Since March 14, 2018, the Company has been a wholly-owned subsidiary of GMR. Pursuant to the purchase agreement, the EVHC and GMR agreed to a Section 338(h)(10) election of the Internal Revenue Code allowing GMR to achieve certain tax benefits in exchange for additional purchase consideration reflected in the total purchase price above.

Subsequently, on October 15, 2019, GMR agreed to the assumption of certain potential tax exposures related to the AMR acquisition in exchange for a cash payment from the seller.

The goodwill recognized in connection with the acquisition is primarily attributable to synergies that are expected to be achieved through the integration of AMR under GMR. The total amount of goodwill that is expected to be deductible for tax purposes is \$652.6 million.

The final allocation of the AMR purchase price is in the table below (in thousands):

	Value Assigned
Cash and cash equivalents	\$ 1,580
Insurance collateral	106,084
Accounts receivable	394,294
Spare parts, medical supplies, and fuel	37,019
Prepaid and other current assets	64,800
Property and equipment	385,050
Intangible assets	1,039,000
Goodwill	783,831
Other assets	38,422
Accounts payable	(24,319)
Accrued wages, benefits and taxes	(97,841)
Other accrued liabilities	(152,044)
Capital lease obligations	(1,414)
Deferred income taxes	(34,237)
Insurance reserves	(117,946)
Other long-term liabilities	(33,848)
	<u>\$ 2,388,431</u>

Included in other accrued liabilities and other long-term liabilities is an earn-out provision related to a previous acquisition of approximately \$9.2 million, which was paid in full during 2019.

Notes to Consolidated Financial Statements – Continued

Other Acquisitions

During the years ended December 31, 2019 and 2018, the Company paid \$20.9 million and \$32.7 million, in cash, in total aggregate purchase consideration for certain acquisitions. The Company acquired each of these companies in order to achieve certain operational and strategic benefits.

The other acquisitions completed during the years ended December 31, 2019 and 2018 consist of the following:

Acquired Operation	Location	Date Acquired	Transportation Specialty
Yellow Enterprise Systems, LLC (dba Yellow Ambulance Service)	Kentucky	December 2019	Ground medical
CrowdRX, Inc.	New York	December 2019	Ground medical
Trans-Star Ambulance	Kentucky	April 2019	Ground medical
Cooperstown Medical Transport, Inc.	New York	March 2019	Ground medical
Life Line Emergency Medical Response Service Corporation	Illinois	February 2019	Ground medical
MedCare Emergency Health, Inc.	Massachusetts	December 2018	Ground medical
Physicians Transport Service LLC	Virginia	June 2018	Ground medical
Southern Colorado Rural Emergency Medical Service, Inc.	Colorado	June 2018	Ground medical

The acquisition date fair value of the total consideration transferred and acquisition date fair value of each major class of assets and liabilities for the other acquisitions completed during 2019 and 2018 are as follows (in thousands):

	2019	2018
Spare parts, medical supplies and fuel	163	236
Property and equipment	2,428	1,702
Intangible assets	7,700	22,450
Goodwill	10,812	8,705
Accrued wages, benefits and taxes	(167)	(359)
	<u>\$ 20,936</u>	<u>\$ 32,734</u>

The total amount of goodwill that is expected to be deductible for tax purposes for other acquisitions completed during the years ended December 31, 2019 and 2018 is \$10.8 million and \$8.8 million, respectively.

The accounting for other acquisitions completed during 2019 is currently preliminary. The Company continues to obtain information relative to the fair values of the assets acquired and liabilities assumed in the transactions, which could result in material changes to the amounts allocated above. The Company expects to finalize the purchase price allocations for these other acquisitions as soon as practicable. The purchase price allocation for the other acquisition completed during 2018 is considered final.

5. Fair Value Measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. The inputs used by the Company to measure fair value are classified into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities. The Company does not adjust the quoted price for these assets or liabilities, which include investments held in connection with the Company's captive insurance program.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Notes to Consolidated Financial Statements – Continued

Level 3: Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Balances in this category include the Company’s estimate, using a combination of internal and external fair value analyses, of contingent consideration for certain acquisitions described in Note 4.

The Company classifies its financial instruments that are reported at fair value based on a hierarchal 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.

The following table summarizes the valuation of the Company’s financial instruments by the above fair value hierarchy levels as of December 31, 2019 and 2018 (in thousands):

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 95,531	\$ —	\$ —	\$ 95,531
Marketable equity securities	15,659	—	—	15,659
Liabilities:				
Contingent consideration	—	—	8,177	8,177

Description	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 46,502	\$ —	\$ —	\$ 46,502
Marketable equity securities	9,236	—	—	9,236
Liabilities:				
Contingent consideration	—	—	8,177	8,177

The contingent consideration liability as of December 31, 2018 was paid in full during the year ended December 31, 2019.

Insurance Collateral

Insurance collateral is comprised of investments in U.S. Treasuries and marketable equity and debt securities held by the Company’s wholly-owned captive insurance subsidiary that support the Company’s insurance programs and reserves, as well as cash deposits with third parties. Certain of these investments, if sold or otherwise liquidated or if they decline significantly in value, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted. All debt securities are designated as available-for-sale and reported at fair value with the temporary unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss), net of deferred income tax. Declines in the fair value of debt securities which are determined to be other-than-temporary are recognized in the statements of operations, thus establishing a new cost basis for such investment. All equity securities are carried at fair value with changes in fair value reported as a component of other income (loss), net in the consolidated statements of operations. Investment income earned on these investments is reported as a component of other income, net in the accompanying statements of operations. Realized gains and losses are determined based on an average cost basis.

Investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Notes to Consolidated Financial Statements – Continued

Insurance collateral consisted of the following as of December 31, 2018 and 2019 (in thousands):

	December 31	
	2019	2018
Available-for-sale securities:		
U.S. Treasuries	\$ 244	\$ 118
Corporate bonds/Fixed income	95,287	46,384
Total available-for-sale securities	95,531	46,502
Marketable equity securities	15,659	9,236
Cash deposits and other	12,654	34,364
Insurance Collateral	\$ 123,844	\$ 90,102

Amortized cost basis and aggregate fair value of the Company's marketable securities as of December 31, 2018 were as follows (in thousands):

	December 31, 2019			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description:				
U.S. Treasuries	\$ 235	\$ 9	\$ —	\$ 244
Corporate bonds/Fixed Income	92,195	3,111	(19)	95,287
Total available-for-sale securities	92,430	3,120	(19)	95,531
Marketable equity securities	13,858	1,910	(109)	15,659
Total securities	<u>\$ 106,288</u>	<u>\$ 5,030</u>	<u>\$ (128)</u>	<u>\$ 111,190</u>

	December 31, 2018			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description:				
U.S. Treasuries	\$ 116	\$ 2	\$ —	\$ 118
Corporate bonds/Fixed Income	46,702	155	(473)	46,384
Total available-for-sale securities	46,818	157	(473)	46,502
Marketable equity securities	10,037	8	(809)	9,236
Total securities	<u>\$ 56,855</u>	<u>\$ 165</u>	<u>\$ (1,282)</u>	<u>\$ 55,738</u>

As of December 31, 2019, available-for-sale securities included U.S. Treasuries, corporate bonds and fixed income securities of \$2.2 million with contractual maturities within one year, \$36.4 million with contractual maturities extending longer than one year through five years and \$56.9 million with contractual maturities extending longer than five years. Actual maturities may differ from contractual maturities as a result of the Company's ability to sell these securities prior to maturity.

The Company evaluates the investment securities available-for-sale on a quarterly basis to determine whether declines in the fair value of these securities are other-than-temporary. The evaluation consists of reviewing the fair value of the security compared to the carrying amount, the historical volatility of the price of each security, and any industry and company specific factors related to each security. There were no available-for-sale investment securities that were other-than-temporarily impaired as of December 31, 2019 and 2018.

The Company is not aware of any specific factors indicating that the underlying issuers of the corporate bonds/fixed income securities would not be able to pay interest as it becomes due or repay the principal amount at maturity.

Notes to Consolidated Financial Statements – Continued

Therefore, the Company believes that the changes in the estimated fair values of these debt securities are related to temporary market fluctuations and the Company does not intend to dispose of these investments. Additionally, the Company is not aware of any specific factors which indicate the unrealized losses on the investments in corporate equity securities are due to anything other than temporary market fluctuations.

The Company realized net gains or losses of less than \$0.1 million on the sales and maturities of available-for-sale securities for the year ended December 31, 2019 and the period from March 14, 2018 to December 31, 2018 (Successor). No realized net gain (loss) was incurred for the period from January 1, 2018 to March 13, 2018 (Predecessor) or the year ended December 31, 2017 (Predecessor).

6. Property and Equipment, net

Property and equipment is recorded at cost, except for property and equipment acquired through business acquisitions, which is initially recorded at fair value. Depreciation of property, plant and equipment is provided substantially on a straight line basis over their estimated useful lives, which are as follows:

Buildings	35 to 40 years
Leasehold improvements	Shorter of expected life or life of lease
Vehicles	5 to 10 years
Computer hardware	3 to 5 years
Other	3 to 10 years

Maintenance and repairs that do not extend the useful life of the property are charged to expense as incurred. Gains and losses from dispositions of property and equipment are recorded in the period incurred. Property and equipment, net, consisted of the following (in thousands):

	December 31, 2019	December 31, 2018
Land	\$ 2,958	\$ 3,003
Building and building improvements	7,106	7,305
Leasehold improvements	18,848	15,408
Medical equipment and other	143,415	118,577
Vehicles	241,886	203,686
Computer hardware and software	113,062	86,877
Construction in process	10,870	18,663
Property and equipment	538,145	453,519
Less: Accumulated depreciation	(196,213)	(88,682)
Property and equipment, net	<u>\$ 341,932</u>	<u>\$ 364,837</u>

Depreciation expense was \$123.5 million for the year ended December 31, 2019 (Successor), \$96.1 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$21.5 million and \$117.3 million for the period from January 1, 2018 to March 31, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor), respectively.

Notes to Consolidated Financial Statements – Continued

7. Goodwill and Intangible Assets, net

The Company's intangible assets include goodwill and other intangibles, which include the fair value of both the customer relationships and trade names. The Company's indefinite-lived intangibles include goodwill, trade names and licenses. Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company evaluates indefinite-lived intangible assets, including goodwill, for impairment at least on an annual basis and more frequently if certain indicators are encountered. Goodwill is tested at the reporting unit level, defined as an operating segment or one level below an operating segment (referred to as a component), with the fair value of the reporting unit being compared to its carrying amount. The Company consists of one reporting unit. If the fair value of a reporting unit exceeds its carrying amount, the goodwill associated with the reporting unit is not considered to be impaired.

The Company completed its annual impairment test as of October 1, 2019, using a qualitative assessment and determined that its indefinite-lived intangibles were not impaired. The Company's finite-lived intangibles include its customer relationships and testing for impairment is performed whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company's policy is to recognize an impairment change when the carrying amount is not recoverable and such amount exceeds fair value. During the year ended December 31, 2019, the periods from March 14, 2018 to December 31, 2018 (Successor) and from January 1, 2018 to March 13, 2018 (Predecessor), there were no events or circumstances that indicated a potential impairment in the Company's finite-lived intangibles.

At December 31, 2017, it was determined that the carrying value of the Company exceeded its fair value. Accordingly, under ASU No. 2017-04 the Company recorded a non-cash impairment charge of \$238.7 million to reduce goodwill. No impairment of the Company's indefinite-lived intangibles, excluding goodwill was recorded as of December 31, 2017.

To perform this evaluation, the Company derived fair value from the definitive agreement entered into by the Prior Parent on August 7, 2017 to sell the Company to an entity controlled by funds affiliated with KKR & Co. L.P. for approximately \$2.45 billion in cash. This transaction subsequently closed on March 14, 2018.

The following table presents changes in the carrying amount of goodwill during the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Balance at beginning of period	\$ 794,086	\$ 1,158,652
Measurement period adjustments	(1,551)	5,105
Elimination of Predecessor goodwill	—	(1,163,757)
Goodwill established as a result of the Acquisition	—	772,946
New acquisitions	10,812	21,140
Balance at end of period	\$ 803,347	\$ 794,086

Intangible assets consist primarily of customer relationships, non-amortizing trade names and certain non-amortizable licenses. The table below illustrates the useful lives of each class of intangible assets and the remaining weighted average amortization period.

Amortizable Intangibles Assets	Estimated Useful Life	Weighted Average Amortization Period
Customer relationships	20 years	18 years

Notes to Consolidated Financial Statements – Continued

The Company's intangible assets, net, as of December 31, 2019 and 2018 are as follows (in thousands):

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Customer relationships	\$ 724,750	\$ (64,428)	\$ 660,322	\$ 705,776	\$ (28,079)	\$ 677,697
Total amortizing intangible assets	724,750	(64,428)	660,322	705,776	(28,079)	677,697
Non-amortizable intangible assets						
Licenses	18,400	—	18,400	17,000	—	17,000
Trade names	326,000	—	326,000	326,000	—	326,000
Total non-amortizing intangible assets	344,400	—	344,400	343,000	—	343,000
Total intangibles, net	\$ 1,069,150	\$ (64,428)	\$ 1,004,722	\$ 1,048,776	\$ (28,079)	\$ 1,020,697

The following table shows the expected amortization of long-lived intangible assets for each of the years ending December 31 (in thousands):

2020	\$ 36,238
2021	36,238
2022	36,238
2023	36,238
2024	36,238
Thereafter	479,132
	\$ 660,322

Amortization expense was \$36.4 million for the year ended December 31, 2019, \$28.1 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$7.9 million and \$34.0 million for the period from January 1, 2018 to March 31, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor), respectively

8. Other Accrued Liabilities

Accrued liabilities were as follows as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Insurance reserves	\$ 58,146	\$ 48,805
Deferred revenue	29,033	26,462
Accrued legal fees and settlements	8,570	21,117
Other	68,110	68,144
Total other accrued liabilities	\$ 163,859	\$ 164,528

Notes to Consolidated Financial Statements – Continued

9. Income Taxes

The components of income tax expense (benefit) were as follows (in thousands):

	Successor		Predecessor	
	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018	Year Ended December 31, 2017
Current:				
Federal	\$ (1,727)	\$ (6,670)	\$ 108	\$ 13,079
State	2,293	2,343	242	8,414
Total current	566	(4,327)	350	21,493
Deferred:				
Federal	26,816	20,406	234	(102,308)
State	4,765	658	2,454	1,640
Total deferred	31,581	21,064	2,688	(100,668)
Total tax expense (benefit):				
Federal	25,089	13,736	342	(89,229)
State	7,058	3,001	2,696	10,054
Income tax expense (benefit)	<u>\$ 32,147</u>	<u>\$ 16,737</u>	<u>\$ 3,038</u>	<u>\$ (79,175)</u>

A reconciliation of the provision for income taxes at the federal statutory rate of 21% (35% in 2017) compared to the effective tax rate is as follows (in thousands):

	Successor		Predecessor	
	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018	Year Ended December 31, 2017
Income tax expense (benefit) at the statutory rate	\$ 29,963	\$ 12,817	\$ (610)	\$ (53,925)
Increase (decrease) in income taxes resulting from:				
State taxes, net of federal	4,813	2,878	2,092	(4,189)
Impairment of goodwill	—	—	—	93,672
U.S. tax reform	—	—	—	(118,580)
Political expenses	114	7,013	425	340
Valuation allowance	3,170	3,041	279	1,031
Unrecognized tax benefits	(3,857)	(8,770)	166	548
Tax credits	(2,413)	(528)	—	(956)
Other	357	286	686	2,884
Income tax expense (benefit)	<u>\$ 32,147</u>	<u>\$ 16,737</u>	<u>\$ 3,038</u>	<u>\$ (79,175)</u>

Notes to Consolidated Financial Statements – Continued

Deferred income taxes reflect the impact of temporary differences between the reported amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Significant components of the Company's deferred taxes were as follows at December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Accounts receivable	\$ 5,051	\$ 4,622
Accrued liabilities	9,693	12,226
Operating loss and credit carryforwards	36,220	45,113
Insurance and other long-term liabilities	6,452	7,071
Deferred tax assets	57,416	69,032
Valuation allowances	(7,935)	(4,765)
Total deferred tax assets	<u>49,481</u>	<u>64,267</u>
Deferred tax liabilities:		
Intangible assets	(36,255)	(15,057)
Property and equipment	(58,523)	(62,136)
Attribute reduction	(32,465)	(32,928)
Total deferred tax liabilities	<u>(127,243)</u>	<u>(110,121)</u>
Net deferred income taxes	<u>\$ (77,762)</u>	<u>\$ (45,854)</u>

On December 22, 2017, the Tax Cuts and Jobs Act, (the "Tax Act") was enacted. The Tax Act includes a number of changes to existing U.S. corporate income tax laws that impact the Company, most notably a reduction of the U.S. statutory corporate tax rate from 35% to 21%, for tax years beginning after December 31, 2017. The Tax Act also provides for acceleration of depreciation for certain assets placed into service after September 27, 2017. As of December 31, 2018, the Company had completed its accounting for the tax effects of the Tax Act.

As of December 31, 2019, the Company has federal net operating loss carryforwards of \$143.8 million, of which \$14.7 million may expire in the year 2033. The Company has state and local net operating loss carryforwards of \$100.4 million, of which \$36.1 million may expire in the years 2025-2039. A valuation allowance is established when it is more likely than not that all, or a portion, of net deferred tax assets will not be realized. Based on review of available evidence, the Company has determined that it is more likely than not that certain deferred tax assets may not be realized. The increase in valuation allowance of \$3.2 million is primarily attributable to net operating loss carryforwards.

The Company operates in multiple taxing jurisdictions and in the normal course of business is examined by federal and state tax authorities. The Company considers many factors and uses judgment in estimating and assessing the impact of uncertain tax positions. Final audit results may vary from the Company's estimates. In nearly all jurisdictions, the tax years prior to 2015 are no longer subject to examination.

Notes to Consolidated Financial Statements – Continued

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Balance at beginning of period	\$ 3,857	\$ 13,167
Additions for tax positions of prior years	—	475
Reductions for settlements	—	(2,913)
Reductions for tax positions due to lapse of statute of limitations	(3,857)	(6,872)
Balance at end of period	\$ —	\$ 3,857

The Company recognized zero, \$0.3 million, \$0.1 million, and \$0.8 million within income tax expense in the consolidated statements of operations related to interest and penalties for the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018 (Successor), the period from January 1, 2018 to March 13, 2018 (Predecessor), and the year ended December 31, 2017 (Predecessor), respectively. The Company reversed \$0.5 million, \$2.0 million, zero, and \$0.2 million of the interest and penalties previously recognized for the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018 (Successor), the period from January 1, 2018 to March 13, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor), respectively. The total amount of interest and penalty obligations recognized within other long-term liabilities in the consolidated balance sheets is zero and \$0.5 million as of December 31, 2019 and 2018, respectively. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

10. Insurance

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 a wholly-owned off-shore captive insurance program, GMR Insurance Services, Ltd. (“GMRIS”). In those instances where the Company has obtained third party insurance coverage, the Company normally retains liability for the first \$1 to \$3 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 December 31, 2019.

During the Predecessor periods, the Company utilized an off-shore captive insurance program through a wholly-owned subsidiary of the Prior Parent.

The Company establishes reserves for claims based upon an assessment of claims reported and claims incurred but not reported. The reserves are established based on 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 health care costs and property damage repairs. Provisions for insurance expense included in the statement of operations include annual provisions determined in consultation with third-party actuaries and premiums paid to third party insurers.

Notes to Consolidated Financial Statements – Continued

The table below summarizes the non-health and welfare insurance reserves included in the accompanying balance sheets (in thousands):

	December 31, 2019			December 31, 2018		
	Accrued Liabilities	Insurance Reserves	Total Liabilities	Accrued Liabilities	Insurance Reserves	Total Liabilities
Automobile	\$ 20,776	\$ 47,972	\$ 68,748	\$ 16,845	\$ 39,158	\$ 56,003
Workers' compensation	26,401	62,127	88,528	23,507	56,922	80,429
General/ Professional liability	10,969	20,559	31,528	8,453	18,084	26,537
	<u>\$ 58,146</u>	<u>\$ 130,658</u>	<u>\$ 188,804</u>	<u>\$ 48,805</u>	<u>\$ 114,164</u>	<u>\$ 162,969</u>

11. Other Comprehensive Income (Loss)

The following table presents the tax effect on each component of "Other comprehensive income (loss)" for the year ended December 31, 2019 and the period from March 14, 2018 to December 31, 2018 (Successor) (in thousands):

	For the year ended December 31, 2019			Period from March 14 to December 31, 2018		
	Before Tax Amount	Tax (Benefit) Expense	Net of Tax Amount	Before Tax Amount	Tax (Benefit) Expense	Net of Tax Amount
Unrealized holding gains (losses) on investments	\$ 3,417	\$ (933)	\$ 2,484	\$ (1,117)	\$ 247	\$ (870)
Defined benefit pension plan net gains (loss)	(2,442)	596	(1,846)	6,532	(1,578)	4,954
Other comprehensive income (loss)	<u>\$ 975</u>	<u>\$ (337)</u>	<u>\$ 638</u>	<u>\$ 5,415</u>	<u>\$ (1,331)</u>	<u>\$ 4,084</u>

There was no activity for the period from January 1, 2018 to March 13, 2018 (Predecessor).

The "Accumulated other comprehensive income (loss)" is detailed in the following table, net of tax (in thousands):

Accumulated Other Comprehensive Income (Loss)	Unrealized holding gains (losses) on investments	Defined benefit pension plan net gains (loss)	Total
Balance at December 31, 2017 (Predecessor)	\$ —	\$ (4,447)	\$ (4,447)
Elimination of Predecessor accumulated other comprehensive income	—	4,447	4,447
Other comprehensive income (loss) before reclassification	(893)	4,954	4,061
Amounts reclassified from accumulated other comprehensive income (loss)	23	—	23
Balance at December 31, 2018 (Successor)	\$ (870)	\$ 4,954	\$ 4,084
Reclassification adjustment for losses on marketable equity securities	801	—	801
Other comprehensive income (loss) before reclassification	2,391	(2,465)	(74)
Amounts reclassified from accumulated other comprehensive income (loss)	93	619	712
Balance at December 31, 2019 (Successor)	<u>\$ 2,415</u>	<u>\$ 3,108</u>	<u>\$ 5,523</u>

Notes to Consolidated Financial Statements – Continued

12. Retirement Plans and Employee Benefits

Rural/ Metro Pension Plan

As part of the Company's acquisition of Rural/ Metro on October 28, 2015, the Company acquired a defined benefit pension plan (the "Pension Plan") that covers eligible employees of one of Rural/ Metro's subsidiaries, primarily those covered by collective bargaining arrangements. Eligibility is achieved upon the completion of one year of service. Participants become fully vested in their accrued benefit after the completion of five years of service.

The Pension Plan was amended on April 8, 2016 (the "curtailment date"), whereby the Pension Plan became frozen for all participants as of June 30, 2016. As part of the freezing of the Pension Plan, no new benefits accrue, no hours of service earned after the freeze date will count in determining a participant's credited service, and no earnings earned after the freeze date are counted in determining a participant's average annual earnings. In November 2019, the plan offered lump sum settlements to certain participants, resulting in the settlement of approximately \$10.9 million of accumulated benefit obligations and a \$0.6 million realized gain was recorded for the year ended December 31, 2019, presented within the "Other income (loss)" caption on the consolidated statements of operations. Benefits expense under this plan was approximately \$0.5 million for the year ended December 31, 2019, \$0.4 million for the period from March 14, 2018 to December 31, 2018 (Successor) and approximately \$0.1 million and \$0.5 million for the period from January 1, 2018 to March 13, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor), respectively. The net accrued benefits liability under this plan totaled \$9.5 million and \$7.2 million at December 31, 2019 and 2018, respectively, presented within the "Other long-term liabilities" caption on the consolidated balance sheets.

The Company's general funding policy is to make annual contributions to the Pension Plan as required by the Employee Retirement Income Security Act. No contributions were made during 2019 or 2018.

Other Postemployment Benefits

The Company participates in a 401(k) plan maintained by the Parent, for its employees and employees of certain subsidiaries who meet the eligibility requirements set forth in the Plans. Employees may contribute a maximum of 40% of their compensation each year up to the annual limit established by the Internal Revenue Service (\$19,000 in 2019). The 401(k) Plans provide a 50% match on up to 6% of eligible compensation.

The Company's contributions to the Plans were \$21.7 million for the year ended December 31, 2019, \$16.4 million for the period from March 14, 2018 to December 31, 2018 (Successor), \$3.9 million for the period from January 1, 2018 to March 13, 2018 (Predecessor), and \$18.2 million for the year ended December 31, 2017. Contributions are included in salaries and benefits in the accompanying consolidated statement of operations.

Collective Bargaining Agreements

Approximately 41% of AMR employees are represented by 65 active collective bargaining agreements. There are 18 operational locations representing approximately 2,200 employees currently in the process of negotiations or that will be subject to negotiation in 2020. In 2021, 25 collective bargaining agreements, representing approximately 4,750 employees will be subject to negotiation. While the Company believes it maintains a good working relationship with its employees, the Company has experienced some union work actions. The Company does not expect these actions to have a material adverse effect on its ability to provide service to its patients and communities.

Notes to Consolidated Financial Statements – Continued

13. Commitments and Contingencies

Lease Commitments

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

Rental expense under operating leases was \$60.3 million for the year ended December 31, 2019, \$46.3 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$11.8 million and \$52.4 million for the period from January 1, 2018 to March 13, 2018 (Predecessor) and the year ended December 31, 2017 (Predecessor), respectively.

Future commitments under non-cancellable capital and operating leases for premises, equipment and other recurring commitments are as follows (in thousands):

	Capital Leases	Operating Leases & Other
Year Ended December 31,		
2020	\$ 261	\$ 105,931
2021	261	84,910
2022	261	62,395
2023	87	40,727
2024	—	28,851
Thereafter	1,669	57,002
Total capital lease obligations	2,539	\$ 379,816
Less: amount representing interest	(121)	
Present value of minimum capital lease payments	2,418	
Less: short-term capital lease obligation payments	(605)	
Long-term capital lease obligations	<u>\$ 1,813</u>	

Guarantee of Parent Company Debt and Letters of Credit

Parent company debt of \$4.5 billion is partially guaranteed by the assets and working capital, respectively, of AMR on a full and unconditional and joint and several basis, with limited exceptions considered customary for such guarantees, including the release of the guarantee upon the sale of AMR's assets.

Parent company secured letters of credit outstanding on behalf of AMR as of December 31, 2019 were \$108.5 million. Customary letter of credit fees comprise the majority of interest expense reported in the Consolidated Statement of Operations.

Other Legal Matters

In March 2017, Rural Metro of Florida received a Civil Investigative Demand from an Assistant U.S. Attorney in the Middle District of Florida requesting documentary materials and written interrogatories related to the Rural Metro of Florida's provision of services to a number of Medicare beneficiaries from September 2010 to present. In March 2019, the DOJ presented their view of potential overpayments relating to the submission of basic life support ambulance transport claims billed to the Medicare Program and potential liability under the Federal Civil False Claims Act ("FCA"). Under the FCA, the United States government has the right to seek up to three times the amount paid by the Medicare Program plus additional civil monetary penalties on a per claim basis. The DOJ has offered to settle the matter; however, no written demand has been made on the Company. The Company vigorously disputes the Government's claims that any overpayments, even if substantiated, forms the basis of FCA violation (including any applicable fines or

Notes to Consolidated Financial Statements – Continued

penalties). There is a tolling agreement in effect until June 29, 2020. The Company has presented its response to the government's allegations and is currently awaiting the government's reply. At this time, the Company is uncertain as to the amount of any type of loss related to this matter, however we believe the outcome will not have a material adverse impact on or results of operations.

From time to time we are engaged in various types of litigation or other proceedings, such as federal and state governmental audits and investigations relating to billing and reimbursement (including payment reviews, overpayment demands, ZPIC or UPIC audits and civil investigative demands) and state EMS agency actions and lawsuits from patients challenging the reasonableness of our rates. In addition, from time to time we are engaged in various employment, general liability and professional (medical) liability litigation, for which we maintain insurance. We believe our potential liability with respect to proceedings currently pending is not material to our financial position. Management believes the outcome of these legal proceedings will not have a material adverse impact on its financial condition, results of operations or liquidity.

14. Subsequent Events

The Company has evaluated new information and events through April 22, 2020, which is the date these consolidated financial statements were available to be issued, to determine the need to either update these consolidated financial statements or to provide additional disclosures about those events. No additional disclosures were deemed necessary by the Company, except as noted below.

The recent outbreak of respiratory illness caused by a novel coronavirus known as COVID-19 in the areas in which we operate could adversely affect our business. The transport and treatment of a highly contagious disease patient in our aircraft or ground ambulance units may result in a temporary shutdown, the diversion of patients, quarantine of staff, or staffing shortages. There may also be disruptions or delays in production and delivery of materials and products in the supply chain, e.g. masks or N95 respirators. In the event that the current corona virus outbreak, or any actions governmental authorities take in connection with COVID-19, disrupts the production or supply of pharmaceuticals and medical supplies from China, for example, our business could be adversely affected. The potential impact of the outbreak with respect to our markets or our business is difficult to predict and could adversely impact our business.



AMR HoldCo Inc.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, THE PERIOD FROM MARCH 14, 2018 TO
DECEMBER 31, 2018 AND THE PERIOD FROM JANUARY 1, 2018 TO MARCH 13, 2018**



KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Board of Directors
AMR HoldCo Inc.:

We have audited the accompanying consolidated financial statements of AMR HoldCo Inc., and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in equity, and cash flows for the years in the ending December 31, 2020 and 2019, the period from March 14, 2018 to December 31, 2018, and the period from January 1, 2018 to March 13, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMR HoldCo Inc. as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years ended December 31, 2020 and 2019, the period from March 13, 2018 to December 31, 2018, and the period from January 1, 2018 to March 13, 2018 in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2019, the Company adopted new accounting guidance for revenue due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the consolidated financial statements, in 2020, the Company adopted new accounting guidance for leases due to the adoption of ASU 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

KPMG LLP

Denver, Colorado
April 16, 2021

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 122,616	\$ 194,122
Insurance collateral	200,159	123,844
Accounts receivable, net	444,910	448,830
Supplies inventory	62,839	43,774
Prepaid expenses	34,814	31,704
Other current assets	38,498	16,851
Total current assets	903,836	859,125
Property and equipment, net	329,244	341,932
Operating right-of-use assets	168,055	—
Finance right-of-use assets	5,584	1,637
Intangible assets, net	973,439	1,004,722
Goodwill	813,892	803,347
Other assets	22,908	19,505
Total assets	\$ 3,216,958	\$ 3,030,268
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 38,494	\$ 26,801
Accrued wages, benefits and taxes	171,248	119,852
Other accrued liabilities	183,758	163,859
Current portion of lease obligations and long-term debt	37,533	674
Total current liabilities	431,033	311,186
Operating lease obligations	142,345	—
Finance lease obligations and long-term debt	7,574	1,948
Deferred income taxes	103,348	77,762
Insurance reserves	159,293	130,658
Other long-term liabilities	17,914	11,596
Total liabilities	861,507	533,150
Commitments and contingencies		
Equity:		
Investment by Parent	2,126,188	2,337,562
Accumulated other comprehensive income (loss)	2,817	5,523
Retained earnings	226,446	154,033
Total equity	2,355,451	2,497,118
Total liabilities and equity	\$ 3,216,958	\$ 3,030,268

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Successor			Predecessor
	Year Ended December 31, 2020	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018
Revenue	\$ 2,829,600	\$ 2,686,552	\$ 2,822,887	\$ 798,229
Provision for uncompensated care	—	—	(719,795)	(295,024)
Net revenue	2,829,600	2,686,552	2,103,092	503,205
Operating expenses:				
Employee wages, benefits and taxes	1,632,403	1,556,574	1,191,897	290,208
Maintenance, fuel and other direct expenses	160,547	163,320	130,156	34,981
Insurance expense	121,470	92,983	64,597	24,481
Other operating expenses	657,344	526,390	455,660	115,614
Governmental grants	(34,358)	—	—	—
Acquisition, integration and other charges	31,534	47,420	75,111	11,694
Depreciation and amortization	158,513	160,022	124,159	28,933
Total operating expenses	2,727,453	2,546,709	2,041,580	505,911
Operating income (loss)	102,147	139,843	61,512	(2,706)
Interest income (expense), net	3,426	676	(834)	(252)
Equity in earnings of unconsolidated affiliates	282	478	380	54
Other income (loss), net	692	1,685	(22)	—
Net income (loss) before income taxes	106,547	142,682	61,036	(2,904)
Income tax (benefit) expense	34,134	32,147	16,737	3,038
Net income (loss)	\$ 72,413	\$ 110,535	\$ 44,299	\$ (5,942)
Other comprehensive income (loss):				
Unrealized holding gains (losses) on investments	3,383	3,417	(1,117)	—
Defined benefit pension plan net gain (loss)	(7,062)	(2,442)	6,532	—
Deferred income tax benefit (expense), net	973	(337)	(1,331)	—
Total other comprehensive income (loss), net of income tax	(2,706)	638	4,084	—
Comprehensive income (loss)	\$ 69,707	\$ 111,173	\$ 48,383	\$ (5,942)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Investment by Parent/ Prior Parent	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
Balance at January 1, 2018 (Predecessor)	\$ 2,526,826	\$ (4,447)	\$ (71,423)	\$ 2,450,956
Net working capital distributed to Prior Parent	(71,372)	—	—	(71,372)
Net income (loss)	—	—	(5,942)	(5,942)
Predecessor balance prior to Acquisition on March 14, 2018	\$ 2,455,454	\$ (4,447)	\$ (77,365)	\$ 2,373,642
Elimination of Predecessor equity in connection with the Acquisition	(2,455,454)	4,447	77,365	(2,373,642)
Successor opening equity	2,388,431	—	—	2,388,431
Successor balance at March 14, 2018	\$ 2,388,431	\$ —	\$ —	\$ 2,388,431
Net working capital contributed by Parent	75,390	—	—	75,390
Acquisitions funded by Parent	33,354	—	—	33,354
Net income (loss)	—	—	44,299	44,299
Other comprehensive income (loss), net of tax expense of \$1.3 million	—	4,084	—	4,084
Balance at December 31, 2018 (Successor)	\$ 2,497,175	\$ 4,084	\$ 44,299	\$ 2,545,558
Cumulative-effect adjustment upon application of accounting change	—	801	(801)	—
Net working capital distributed to Parent	(180,850)	—	—	(180,850)
Acquisitions funded by Parent	21,237	—	—	21,237
Net income (loss)	—	—	110,535	110,535
Other comprehensive income (loss), net of tax expense of \$0.3 million	—	638	—	638
Balance at December 31, 2019 (Successor)	\$ 2,337,562	\$ 5,523	\$ 154,033	\$ 2,497,118
Net working capital distributed to Parent	(228,374)	—	—	(228,374)
Acquisitions funded by Parent	17,000	—	—	17,000
Net income (loss)	—	—	72,413	72,413
Other comprehensive income (loss), net of tax benefit of \$1.0 million	—	(2,706)	—	(2,706)
Balance at December 31, 2020 (Successor)	\$ 2,126,188	\$ 2,817	\$ 226,446	\$ 2,355,451

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Successor			Predecessor
	Year Ended December 31, 2020	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018
Cash flows from operating activities:				
Net income (loss)	\$ 72,413	\$ 110,535	\$ 44,299	\$ (5,942)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	158,513	160,022	124,159	28,933
Loss on disposal of property and equipment	3,807	1,780	825	303
Unrealized loss (gain) on marketable equity securities	(3,596)	(2,602)	—	—
Other, net	1,695	1,037	—	—
Equity in earnings of unconsolidated affiliates	(282)	(478)	(380)	(54)
Deferred income taxes	35,451	31,614	21,064	2,688
Change in operating assets/liabilities, net of acquisitions:				
Accounts receivable, net	3,818	(65,662)	10,582	92,542
Accounts payable	11,693	4,163	(1,682)	7,824
Accrued wages, benefits and taxes	51,348	12,482	9,003	14,311
Accrued liabilities	4,254	(10,192)	6,745	(29,022)
Other assets and liabilities, net	(8,217)	22,904	2,496	5,861
Net cash provided by operating activities	330,897	265,603	217,111	117,444
Cash flows from investing activities:				
Purchases of property and equipment	(104,683)	(100,338)	(75,341)	(23,339)
Proceeds from the sale of property and equipment	2,484	554	923	160
Acquisition of businesses, net of cash and restricted cash acquired	(17,000)	(21,237)	(33,354)	(1,396)
Net change in investments held as insurance collateral	642	1,109	351	109
Purchases of marketable securities	(93,025)	(156,513)	(71,717)	—
Sales and maturities of marketable securities	67,239	106,499	15,145	—
Other investing activities, net	296	43	714	(363)
Net cash used in investing activities	(144,047)	(169,883)	(163,279)	(24,829)
Cash flows from financing activities:				
Net working capital, overhead allocations and other transfers contributed by (distributed to) Prior Parent	—	—	—	(77,288)
Net working capital and other transfers contributed by (distributed to) Parent	(211,374)	(159,613)	110,765	—
Payments on finance lease obligations and long-term debt	(3,800)	(282)	(252)	(67)
Proceeds from issuance of long-term debt	2,487	—	—	—
Net cash provided by (used in) financing activities	(212,687)	(159,895)	110,513	(77,355)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(1,477)	(1,060)	—	—
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(27,314)	(65,235)	164,345	15,260
Cash and cash equivalents, beginning of period (including restricted cash and restricted cash equivalents of \$12.7 million, \$34.4 million, \$106.1 million, and \$83.9 million, respectively)	206,774	272,009	107,664	92,404
Cash and cash equivalents, end of period (including restricted cash and restricted cash equivalents of \$56.8 million, \$12.7 million, \$34.4 million, and \$106.1 million, respectively)	\$ 179,460	\$ 206,774	\$ 272,009	\$ 107,664
Supplemental disclosure of cash flow information				
Cash paid during the period for				
Income taxes, net of refunds received	\$ (2,577)	\$ (544)	\$ (3,020)	—

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Description of Business

AMR HoldCo Inc., along with its subsidiaries (collectively, “AMR” or the “Company”) operates in 38 states and the District of Columbia, including monetary assets of an investment held in Trinidad and Tobago, providing a full range of healthcare transportation services, including emergency (“911”), non-emergency, managed transportation, fire protection services, fixed-wing ambulance and disaster response. In addition, AMR operates 911 call and response services for large and small communities all across the United States, offers contracted medical staffing, and provides telephone triage, transportation dispatch and demand management services.

Prior to March 14, 2018, the Company was a wholly-owned subsidiary of Envision Healthcare Corporation (“EVHC” or “Prior Parent”). On March 14, 2018, Global Medical Response, Inc. (“GMR” or “Parent”) completed the acquisition of all outstanding equity interests of AMR (the “Acquisition”). The impacts of this acquisition, as described in Note 4, have been recognized in our financial statements beginning on March 14, 2018. Since March 14, 2018, the Company has been a wholly-owned subsidiary of GMR.

As a result of the application of purchase accounting at the Acquisition date, as well as the adoption by the Company of accounting policies to conform to those of the Parent, the Predecessor and Successor periods presented are not comparable.

As used herein the term “Predecessor” refers to the Company prior to the Acquisition date, while “Successor” refers to the Company subsequent to the Acquisition date.

2. Summary of Accounting Policies

Consolidation

The consolidated financial statements of the Company include all of its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Investment by Parent / Prior Parent

Investment by Parent/ Prior Parent, in the consolidated financial statements represents the Company’s cumulative investment from the Parent or Prior Parent for the accumulation of the following to the extent that they are not cash settled:

- Investments in AMR
- Net cash transfers to and from AMR
- Overhead cost allocations, if any
- Transactions between the Parent or Prior Parent and AMR
- Net cash transactions due to the Parent’s or Prior Parent’s centralized cash management.

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 including, but not limited to, estimates and assumptions for revenue, accounts receivable, insurance-related reserves and acquired or pushed-down intangible assets. Actual results may differ from those estimates under different assumptions or conditions.

Notes to Consolidated Financial Statements – Continued

Cash and Cash Equivalents

Cash and cash equivalents are comprised principally of demand deposits at banks and highly liquid short-term investments with a maturity generally three months or less at acquisition, and are recorded at cost, which approximates market value.

Supplies Inventory

Parts and supplies inventory is valued at cost, determined on a first in, first out basis. Durable medical supplies are capitalized as inventory and expensed as used.

Restricted Cash

At December 31, 2020 and 2019, the Company held restricted cash and cash equivalents of \$56.8 million and \$12.7 million, respectively, classified within “Insurance collateral” in the accompanying consolidated balance sheets. The cash was restricted for the purpose of satisfying the obligations of the Company’s wholly-owned captive insurance subsidiary.

CARES Act

In March 2020, in response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary delay of certain payment requirements for the employer portion of social security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain payroll tax credits associated with the retention of employees. The CARES Act also includes a number of benefits that are applicable to the Company and other healthcare providers including, but not limited to, the appropriation of funding to health care providers for related expenses or lost revenues that are attributable to the COVID-19 pandemic.

During 2020, the Company received approximately \$34.4 million from the initial tranche of funds and other provider relief grants. The fund payments are grants, not loans, however providers are restricted and the funds must be used only for grant approved purposes. Upon receiving and having satisfied the terms and conditions associated with the initial tranche distribution of funds, the Company accounted for these as restricted contributions under ASU 2018-08, “Not-for-Profit Entities – Clarifying the Scope and Guidance for Contributions Received and Contributions Made” and recognized income in the consolidated statements of operations. For the year ended December 31, 2020, net cash provided by operating activities includes the \$34.4 million that the Company received from the provider relief funds that were distributed to healthcare providers under the CARES Act.

The Company’s assessment of whether the terms and conditions for amounts received have been met considers all frequently asked questions and other interpretive guidance issued by HHS through January 15, 2021. After consideration of the guidance provided, the Company believes the governmental grants recognized are appropriately recorded as of December 31, 2020.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Account Standards Board (“FASB”) or other standards setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the impact of any other recently issued standards that are not yet effective are either not applicable to the Company at this time or will not have a material impact on the Company’s consolidated financial statements upon adoption.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”, and has modified the standard thereafter.

Notes to Consolidated Financial Statements – Continued

The Company adopted the new standard, as modified, on January 1, 2020 using the modified retrospective approach. The Company applied the new guidance to all leases that commenced before and were existing as of January 1, 2020. The Company recognized right of use assets and lease liabilities for the majority of our operating leases, which was the primary impact of the standard on our results. Our operating leases consist principally of real estate and other equipment. As permitted under the standard, we do not recognize right of use assets or lease liabilities for leases with a term of 12 months or less. We applied practical expedients that permitted us not to reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases, or (iii) whether previously capitalized initial direct costs would qualify for capitalization under the new standard. The adoption of ASU 2016-02 had no significant impact on our consolidated statement of operations and cash flows from operating, investing and financing activities on our consolidated statements of cash flows. The adoption of ASU 2016-02 impacted our December 31, 2020 consolidated balance sheet including the reclassification of our deferred rent liabilities to an operating lease asset (see Note 7).

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which eliminated the transaction and industry-specific revenue recognition guidance under current GAAP and replaced it with a principle-based approach using the following steps: identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14 “Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date,” which granted a one-year deferral of this ASU. In 2016 and 2017, the FASB issued the following ASUs to provide entities further clarity on the application of ASU 2014-09:

- ASU No. 2016-08 “Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”
- ASU No. 2016-10 “Identifying Performance Obligations and Licensing”
- ASU No. 2016-12 “Narrow-Scope Improvements and Practical Expedients”
- ASU No. 2016-20 “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers”
- ASU No. 2017-13 “Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments (SEC Update)”

The Company adopted the new standard effective January 1, 2019 using the modified retrospective method. No cumulative effect adjustment was recognized as a result of the adoption, other than changes to presentation discussed in Note 3. The adoption of the standard did not have a material impact on the Company’s consolidated financial position, results of operations, or cash flows. However, as a result of certain changes by ASU No. 2014-09 and the related ASUs, the majority of the Company’s provision for uncompensated care is recognized as a direct reduction to revenues, instead of separately as a deduction to arrive at revenue. Penalties incurred related to certain contracts will be recognized as a direct reduction to revenues, instead of separately as other operating expenses.

In January 2016, the FASB issued ASU No. 2016-01 “Financial Instruments – Overall,” as amended by ASU No. 2018-03, “Technical Corrections and Improvements to Financial Instruments (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities” in February 2018, which among other changes in accounting and disclosure requirements, replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes, and also eliminates the available-for-sale classification for marketable equity securities. Under the new guidance, other than when the consolidation or equity method of accounting is utilized, changes in the fair value of equity securities are to be recognized in earnings. The Company adopted the provisions of ASU No. 2016-01 and ASU No. 2018-03 effective for the 2019 annual reporting period. Upon adoption, the Company has recognized a cumulative effect adjustment of approximately \$0.8 million to retained earnings and accumulated other comprehensive income related to the unrealized loss on corporate equity securities and has recognized the change in fair value on these equity securities as a component of other income (expense), net in the consolidated statements of operations.

Notes to Consolidated Financial Statements – Continued

In November 2019, the FASB issued ASU No. 2019-10, “Financial Instrument – Credit Losses (Topic 326), Derivatives and Hedging (Topic 915), and Leases (Topic 842),” which among other changes in accounting and disclosure requirements, provides guidance on how an entity should measure credit losses on financial instruments. The ASU is effective for private entities for fiscal years beginning after December 15, 2022. We are in process of evaluating the impact of this standard to the financial statements.

3. Revenue Recognition and Accounts Receivable

Revenue Recognition

On January 1, 2019, the Company adopted ASU No. 2014-09. The amounts of earnings from operations and net earnings were unchanged upon adoption of the new standard; however adoption of the new standard resulted in changes to the presentation of revenues and the provision for uncompensated care in the consolidated statements of operations. Previously, the estimate for unrealizable amounts was recorded to the provision for uncompensated care and presented as a separate deduction to arrive at net revenue. Upon adoption, the estimate for unrealizable amounts is now reflected as implicit price concessions that are a direct reduction to net revenue. Additionally, penalties incurred related to certain contracts are recognized as a direct reduction to revenues, instead of separately as other operating expenses.

The majority of our revenue is generated from fee for service patient revenue, which is derived principally through contracts originating from ground medical transport services provided to patients of healthcare facilities and communities served. Each transport constitutes a single performance obligation and, in most instances occur at readily determinable transaction prices. As a practical expedient, the Company adopted a portfolio approach to sources of patient revenue, applied by payor type. At this level, each portfolio shares the characteristics conducive to ensuring that the results do not materially differ from the new standard if it were to be applied to each individual patient contract related to each transport. Accordingly, there was not a change in the Company’s method to recognize revenue. Subsequent changes in the customer’s ability to pay, are recorded as bad debt within other operating expenses.

Other revenue primarily represents income earned from fire protection service contracts, standby, special event, community subsidies and income earned from our contract with the Federal Emergency Management Agency for disaster relief efforts and other federal and state agencies to coordinate emergency medical services responses. The transaction price for these arrangements may be fixed or variable, with determination periods generally ranging from one month to 16 months. In these instances, the Company will estimate variable consideration at contract commencement and recognize revenue monthly on a straight-line basis, which correlates with the performance obligation to stand ready.

Estimating revenue is a complex process, largely due to the volume of transactions, the number and complexity of contracts with payors, the limited availability, at times, of certain patient and payor information at the time services are provided, and the length of time it takes for collections to fully mature. Patients are billed for services provided, and the Company receives payments for these services from patients or their third-party payors. Payments for services provided are generally less than billed charges. The Company recognizes fee for service revenue, net of contractual adjustments and discounts for uninsured patients, at the time transport services are provided. In the period services are provided, the Company estimates gross charges based on: billed services plus an estimate for unbilled services based on pending case data collected, estimates of contractual allowances (explicit price concessions) based on contracted rates and historical or actual cash collections (net of recoveries), when available, and estimates of the discount (implicit price concession) for uninsured patients based on historical cash collections (net of recoveries) from uninsured patients. For third-party payors, the specific benefits provided for under each patients’ healthcare plan, mandated payment rates under the Medicare and Medicaid programs, as applicable, and historical cash collections are utilized. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient’s healthcare plans, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries) in combination with expected collections from third party payors. In addition, the Company records net revenue from uninsured patients at an estimated realizable value based on historical cash collections (net of recoveries). The price concession includes an estimate of uncollectible balances due from uninsured patients, uncollectible co-pay and deductible

Notes to Consolidated Financial Statements – Continued

balances due from insured patients and special charges, if any, for uncollectible balances due from managed care, commercial and governmental payors.

The relationship between gross charges and the transaction price recognized is significantly influenced by payor mix, as collections on gross charges may vary significantly depending on whether and with whom the patients the Company provides services to in the period are insured and the Company's contractual relationships with those payors. Payor mix is subject to change as additional patient and payor information is obtained after the period services are provided. The Company periodically assesses the estimates of unbilled revenue, contractual adjustments (explicit price concessions) and discounts (implicit price concessions) for uninsured patients and payor mix for a period of at least one year following the date of service by analyzing actual results, including cash collections, against estimates. Changes in these estimates are charged or credited to the consolidated statement of operations in the period that the assessment is made. Significant changes in payor mix, contractual arrangements with payors, specialty mix, acuity, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on estimates and significantly affect the results of operations and cash flows. Concentration of credit risk with respect to other payors is limited due to the large number of such payors.

In certain circumstances, federal law requires providers to render emergency medical services to any patient who requires care regardless of their ability to pay. Services to these patients are not considered to be charity care and provisions for uncompensated care for these services are estimated accordingly. Although the Company does provide a level of charity care it is not significant to the Company's net revenues.

The Company's billing and accounting systems provide historical trends of cash collections and contractual write-offs, accounts receivable agings and established fee adjustments from third-party payors. These estimates are recorded and monitored monthly as revenues are recognized. The principal exposure for uncollectible fee for service visits is from self-pay patients and, to a lesser extent, for co-payments and deductibles from patients with insurance.

Net revenue (after provision for uncompensated care in 2018) for the years ended December 31, 2020 and 2019, the period from March 14, 2018 to December 31, 2018 (Successor), and the period from January 1, 2018 to March 13, 2018 (Predecessor) consisted of the following (in thousands):

	Successor						Predecessor	
	Year Ended December 31, 2020		Year Ended December 31, 2019		Period from March 14 to December 31, 2018		Period from January 1 to March 13, 2018	
Medicare	\$ 766,688	27 %	\$ 839,445	31 %	\$ 640,424	30 %	\$ 162,516	32 %
Medicaid	308,939	11 %	310,035	12 %	186,859	9 %	47,418	9 %
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	768,014	27 %	898,071	33 %	668,772	32 %	169,709	34 %
Self-pay	103,773	4 %	116,688	4 %	76,636	4 %	19,447	4 %
Net fee for service revenue	1,947,414	69 %	2,164,239	80 %	1,572,691	75 %	399,090	79 %
Other revenue	882,186	31 %	522,313	20 %	530,401	25 %	104,115	21 %
Net revenue	<u>\$ 2,829,600</u>	<u>100 %</u>	<u>\$ 2,686,552</u>	<u>100 %</u>	<u>\$ 2,103,092</u>	<u>100 %</u>	<u>\$ 503,205</u>	<u>100 %</u>

Accounts Receivable

The Company manages accounts receivable by regularly reviewing its accounts and contracts and by providing appropriate adjustments to the estimate of the transaction price. Some of the factors considered by management in determining the adjustments are the historical trends of cash collections, contractual and uninsured write-offs, accounts receivable agings, established fee schedules, contracts with payors, changes in payor mix and procedure statistics. Actual collections of accounts receivable in subsequent periods may require changes in the estimated transaction price.

Notes to Consolidated Financial Statements – Continued

The Company tests its analysis by comparing cash collections to net fee for service revenues and monitoring self-pay utilization. In addition, when actual collection percentages differ from expected results, on a contract by contract basis, supplemental detailed reviews of the outstanding accounts receivable balances may be performed by the Company's billing operations to determine whether there are facts and circumstances existing that may cause a different conclusion as to the estimate of the collectability of that contract's accounts receivable from the estimate resulting from using the historical collection experience. Changes in these estimates, if any, are charged or credited to the consolidated statements of operations in the period of change. Material changes in estimates may result from unforeseen write-offs of patient or third-party accounts receivable, unsuccessful disputes with managed care payors, adverse macro-economic conditions which limit patients' ability to meet their financial obligations, or broad changes to government regulations that adversely impact reimbursement rates for services provided by the Company. Significant changes in payor mix, changes in contractual arrangements with payors, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on the Company's estimates and significantly affect its results of operations and cash flows. Consideration of credit risk is limited by the diversity and number of facilities, patients, payors and by the geographic dispersion of the Company's operations.

4. Acquisitions

The Company accounts for its business combinations under the fundamental requirements of the acquisition method of accounting and under the premise that an acquirer be identified for each business combination. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieves control. The assets acquired and liabilities assumed at the acquisition date are recognized at their fair values as of that date, and the direct costs incurred in connection with the business combination are recorded and expensed separately from the business combination.

On March 14, 2018, GMR completed the acquisition of all of the outstanding equity interests of the Company for a total purchase price of \$2.45 billion, subject to working capital adjustments of (\$60.3) million, paid in cash and rollover equity awards valued at \$10.0 million. Pursuant to the purchase agreement, EVHC and GMR agreed to a Section 338(h)(10) election of the Internal Revenue Code allowing GMR to achieve certain tax benefits in exchange for additional purchase consideration reflected in the total purchase price above. The Company finalized the purchase price allocation of AMR during the first quarter of 2019.

Subsequently, on October 15, 2019, GMR agreed to the assumption of certain potential tax exposures related to the AMR acquisition in exchange for a cash payment from the seller received in full by January 2020.

The goodwill recognized in connection with the acquisition is primarily attributable to synergies that are expected to be achieved through the integration of AMR under GMR. The total amount of goodwill that is expected to be deductible for tax purposes is \$652.6 million.

Notes to Consolidated Financial Statements – Continued

The final allocation of the AMR purchase price is in the table below (in thousands):

	<u>Value Assigned</u>
Cash and cash equivalents	\$ 1,580
Insurance collateral	106,084
Accounts receivable	394,294
Spare parts, medical supplies, and fuel	37,019
Prepaid and other current assets	64,800
Property and equipment	385,050
Intangible assets	1,039,000
Goodwill	783,831
Other assets	38,422
Accounts payable	(24,319)
Accrued wages, benefits and taxes	(97,841)
Other accrued liabilities	(152,044)
Capital lease obligations	(1,414)
Deferred income taxes	(34,237)
Insurance reserves	(117,946)
Other long-term liabilities	(33,848)
	<u>\$ 2,388,431</u>

Included in other accrued liabilities and other long-term liabilities is an earn-out provision related to a previous acquisition of approximately \$9.2 million, which was paid in full during 2019.

Other Acquisitions

During the years ended December 31, 2020 and 2019, the Company paid \$17.0 million and \$20.9 million, in cash, in total aggregate purchase consideration for other acquisitions. The Company acquired each of these companies in order to achieve certain operational and strategic benefits.

The other acquisitions completed during the years ended December 31, 2020 and 2019 consist of the following:

<u>Acquired Operation</u>	<u>Location</u>	<u>Date Acquired</u>
ABC Ambulance, LLC	Arizona	June 2020
Yellow Enterprise Systems, LLC (dba Yellow Ambulance Service)	Kentucky	December 2019
CrowdRX, Inc.	New York	December 2019
Trans-Star Ambulance	Kentucky	April 2019
Cooperstown Medical Transport, Inc.	New York	March 2019
Life Line Emergency Medical Response Service Corporation	Illinois	February 2019

Notes to Consolidated Financial Statements – Continued

The acquisition date fair value of the total consideration transferred and acquisition date fair value of each major class of assets and liabilities for the other acquisitions completed during 2020 and 2019 are as follows (in thousands):

	2020	2019
Supplies inventory	118	334
Property and equipment	1,132	2,428
Intangible assets	5,100	7,682
Goodwill	10,698	10,659
Accrued wages, benefits and taxes	(48)	(167)
	<u>\$ 17,000</u>	<u>\$ 20,936</u>

The goodwill recorded for other acquisitions completed during the years ended December 31, 2020 and 2019 is expected to be fully deductible.

The accounting for other acquisitions completed during 2020 is currently preliminary. The Company continues to obtain information relative to the fair values of the assets acquired and liabilities assumed in the transactions, which could result in material changes to the amounts allocated above. The Company expects to finalize the purchase price allocations for these other acquisitions as soon as practicable. The purchase price allocation for the other acquisitions completed during 2019 is considered final.

5. Fair Value Measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. The inputs used by the Company to measure fair value are classified into the following hierarchy:

Level 1: Quoted prices 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, which include marketable securities held in connection with the Company's captive insurance program.

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.

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. Balances in this category include the Company's estimate, using a combination of internal and external fair value analyses, of contingent consideration for acquisitions described in Note 4.

The Company has adopted the provisions of ASU No. 2016-01 and ASU No. 2018-03 effective for the 2019 annual reporting period, which requires changes in the fair value of equity investment securities to be recognized in net income. In prior periods, the changes in the fair value of equity investment securities were recognized through accumulated other comprehensive income. Upon adoption, the Company has recognized a cumulative effect adjustment of approximately \$0.8 million to retained earnings and accumulated other comprehensive income related to the unrealized loss on corporate equity securities and has recognized the change in fair value on these equity securities as a component of other income (expense), net in the consolidated statements of operations.

Notes to Consolidated Financial Statements – Continued

The following table summarizes the valuation of the Company’s financial instruments by the above fair value hierarchy levels as of December 31, 2020 and 2019 (in thousands):

Description	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 115,938	\$ —	\$ —	\$ 115,938
Marketable equity securities	27,377	—	—	27,377

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 95,531	\$ —	\$ —	\$ 95,531
Marketable equity securities	15,659	—	—	15,659

Insurance Collateral

Insurance collateral is comprised of investments in U.S. Treasuries and marketable equity and debt securities held by the Company’s wholly-owned captive insurance subsidiary that support the Company’s insurance programs and reserves, as well as cash deposits with third parties. Certain of these investments, if sold or otherwise liquidated or if they decline significantly in value, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted. All debt securities are designated as available-for-sale and reported at fair value with the temporary unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss), net of deferred income tax. Declines in the fair value of debt securities which are determined to be other-than-temporary are recognized in the statements of operations, thus establishing a new cost basis for such investment. All equity securities are carried at fair value with changes in fair value reported as a component of other income (loss), net in the consolidated statements of operations. Investment income earned on these investments is reported as a component of other income, net in the accompanying statements of operations. Realized gains and losses are determined based on an average cost basis.

Investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Insurance collateral consisted of the following as of December 31, 2020 and 2019 (in thousands):

	December 31	
	2020	2019
Available-for-sale securities:		
U.S. Treasuries	\$ —	\$ 244
Corporate bonds/Fixed income	115,938	95,287
Total available-for-sale securities	115,938	95,531
Marketable equity securities	27,377	15,659
Cash deposits and other	56,844	12,654
Insurance Collateral	\$ 200,159	\$ 123,844

Notes to Consolidated Financial Statements – Continued

Amortized cost basis and aggregate fair value of the Company's marketable securities as of December 31, 2020 and 2019 were as follows (in thousands):

	December 31, 2020			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description:				
Corporate bonds/Fixed Income	\$ 109,455	\$ 6,492	\$ (9)	\$ 115,938
Total available-for-sale securities	109,455	6,492	(9)	115,938
Marketable equity securities	21,979	5,505	(107)	27,377
Total securities	\$ 131,434	\$ 11,997	\$ (116)	\$ 143,315

	December 31, 2019			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description:				
U.S. Treasuries	\$ 235	\$ 9	\$ —	\$ 244
Corporate bonds/Fixed Income	92,195	3,111	(19)	95,287
Total available-for-sale securities	92,430	3,120	(19)	95,531
Marketable equity securities	13,858	1,910	(109)	15,659
Total securities	\$ 106,288	\$ 5,030	\$ (128)	\$ 111,190

As of December 31, 2020, available-for-sale securities included U.S. Treasuries, corporate bonds and fixed income securities of \$5.2 million with contractual maturities within one year, \$53.0 million with contractual maturities extending longer than one year through five years and \$57.7 million with contractual maturities extending longer than five years. Actual maturities may differ from contractual maturities as a result of the Company's ability to sell these securities prior to maturity.

The Company evaluates the investment securities available-for-sale on a quarterly basis to determine whether declines in the fair value of these securities are other-than-temporary. The evaluation consists of reviewing the fair value of the security compared to the carrying amount, the historical volatility of the price of each security, and any industry and company specific factors related to each security. There were no available-for-sale investment securities that were other-than-temporarily impaired as of December 31, 2020 and 2019.

The Company is not aware of any specific factors indicating that the underlying issuers of the corporate bonds/fixed income securities would not be able to pay interest as it becomes due or repay the principal amount at maturity. Therefore, the Company believes that the changes in the estimated fair values of these debt securities are related to temporary market fluctuations and the Company does not intend to dispose of these investments. Additionally, the Company is not aware of any specific factors which indicate the unrealized losses on the investments in corporate equity securities are due to anything other than temporary market fluctuations.

The Company realized net gains on the sales and maturities of available-for-sale securities of \$1.2 million for the year ended December 31, 2020 and a gain of less than \$0.1 million for the year ended December 31, 2019 as well as for the period from March 14, 2018 to December 31, 2018 (Successor). No realized net gain (loss) was incurred for the period from January 1, 2018 to March 13, 2018 (Predecessor).

Notes to Consolidated Financial Statements – Continued

6. Property and Equipment, net

Property and equipment is recorded at cost, except for property and equipment acquired through business acquisitions, which is initially recorded at fair value. Depreciation of property, plant and equipment is provided substantially on a straight line basis over their estimated useful lives, which are as follows:

Buildings	20 to 40 years
Leasehold improvements	Shorter of 5 years or life of lease
Vehicles	7 to 12 years
Computer hardware	3 years
Other	3 to 15 years

Maintenance and repairs that do not extend the useful life of the property are charged to expense as incurred. Gains and losses from dispositions of property and equipment are recorded in the period incurred. Property and equipment, net, consisted of the following (in thousands):

	December 31, 2020	December 31, 2019
Land	\$ 2,737	\$ 2,958
Building and building improvements	7,776	7,106
Leasehold improvements	23,925	18,848
Medical equipment and other	165,501	143,415
Vehicles	267,416	241,886
Computer hardware and software	138,043	113,062
Construction in process	21,007	10,870
Property and equipment	626,405	538,145
Less: Accumulated depreciation	(297,161)	(196,213)
Property and equipment, net	<u>\$ 329,244</u>	<u>\$ 341,932</u>

Depreciation expense was \$120.6 million and \$123.5 million for the years ended December 31, 2020 and 2019 (Successor), respectively, \$96.1 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$21.5 million for the period from January 1, 2018 to March 31, 2018 (Predecessor).

7. Lease Commitments

On January 1, 2020, the Company adopted ASU No. 2016-02. Upon adoption, we recognized right of use assets and lease liabilities for the majority of our operating leases. We enter into operating and finance leases for aircrafts, vehicles, equipment and real estate, among other things. Lease terms are generally between one to 20 years, some of which include renewal options, and some of which include options to terminate the leases within one year. Variable lease payments were \$6.7 million for the year ended December 31, 2020. Variable expenses include common area maintenance, utilities, and other items as periodically billed by property management or the related lessor. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We determine if an arrangement is a lease and classify that lease as either an operating or finance lease at inception. Operating leases are included in operating right-of-use assets, current portion of lease obligations and operating lease obligations on our consolidated balance sheets. Finance leases are included in finance right-of-use assets, current portion of lease obligations and finance lease obligations on our consolidated balance sheets. As permitted under the standard, leases with an initial term of 12 months or less are not recorded on the balance sheet and we recognize lease expense for these leases on a straight-line basis over the lease term in our consolidated statements of operations.

Notes to Consolidated Financial Statements – Continued

Right of use (“ROU”) assets represent our right to use an underlying asset for the lease term and lease liabilities represent the present value of our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes the impact of prepaid or deferred lease payments. The length of our lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense were as follows (in thousands):

	Year Ended December 31, 2020
Operating lease cost	\$ 54,698
Short-term lease cost ⁽¹⁾	397
Finance lease cost:	
Amortization of right-of-use assets	1,535
Interest on lease liabilities	438
Total finance lease cost	1,973
Total lease costs	\$ 57,068

(1) Leases that have terms of 12 months or less.

Supplemental cash flow information related to leases was as follows (in thousands):

	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 52,120
Operating cash flows from finance leases	\$ 438
Finance cash flows from finance leases	\$ (3,028)
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 47,325
Finance leases	\$ 3,785
Right-of-use assets recognized at January 1, 2020, upon adoption of ASU No. 2016-02	\$ 169,113

Notes to Consolidated Financial Statements – Continued

Supplemental balance sheet information related to leases was as follows (in thousands):

	December 31, 2020
Operating Leases:	
Operating right-of-use assets	\$ 168,055
Current portion of lease obligations	\$ 34,487
Operating lease obligations	142,345
Total operating lease liabilities	\$ 176,832
Finance Leases:	
Finance right-of-use assets	\$ 6,998
Accumulated amortization	(1,414)
Finance right-of-use assets, net	\$ 5,584
Current portion of lease obligations	\$ 2,170
Finance lease obligations	4,401
Total finance lease liabilities	\$ 6,571
Weighted Average Remaining Lease Term (in years):	
Operating leases	6.36
Finance leases	2.99
Weighted Average Discount Rate:	
Operating leases	7.16%
Finance leases	7.31%

Future commitments as of December 31, 2020 for lease liabilities related to premises, equipment and other recurring commitments are as follows (in thousands):

Year Ending December 31,	Maturities of Lease Liabilities		
	Operating Leases	Finance Leases	Total
2021	\$ 45,286	\$ 2,568	\$ 47,854
2022	36,913	2,442	39,355
2023	32,252	1,765	34,017
2024	27,897	520	28,417
2025	23,109	—	23,109
Thereafter	56,738	—	56,738
Total lease payments	\$ 222,195	\$ 7,295	\$ 229,490
Less: Amount representing interest	(45,363)	(724)	(46,087)
Total	176,832	6,571	183,403
Less: Short-term lease obligation payments	(34,487)	(2,170)	(36,657)
Total long-term lease obligations	\$ 142,345	\$ 4,401	\$ 146,746

8. Goodwill and Intangible Assets, net

The Company's intangible assets include goodwill and other intangibles, which include the fair value of both the customer relationships and trade names. The Company's indefinite-lived intangibles include goodwill, trade names and licenses. Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company evaluates indefinite-lived intangible assets, including goodwill, for impairment at least on an annual basis and more frequently if certain indicators are encountered. Goodwill is tested at the reporting unit level, defined as an operating segment or one level below an operating segment (referred to as a component), with the fair value of the reporting unit being compared to

Notes to Consolidated Financial Statements – Continued

its carrying amount. The Company consists of one reporting unit. If the fair value of a reporting unit exceeds its carrying amount, the goodwill associated with the reporting unit is not considered to be impaired.

The Company completed its annual impairment test as of October 1, 2020, using a qualitative assessment and determined that its indefinite-lived intangibles were not impaired. The Company's finite-lived intangibles include its customer relationships and testing for impairment is performed whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company's policy is to recognize an impairment change when the carrying amount is not recoverable and such amount exceeds fair value. During the years ended December 31, 2020 and 2019, and the periods from March 14, 2018 to December 31, 2018 (Successor) and from January 1, 2018 to March 13, 2018 (Predecessor), there were no events or circumstances that indicated a potential impairment in the Company's finite-lived intangibles.

The following table presents changes in the carrying amount of goodwill during the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at beginning of period	\$ 803,347	\$ 794,086
Measurement period adjustments	(153)	(1,551)
New acquisitions	10,698	10,812
Balance at end of period	\$ 813,892	\$ 803,347

Intangible assets consist primarily of customer relationships, non-amortizing trade names and certain non-amortizable licenses. The table below illustrates the useful lives of each class of intangible assets and the remaining weighted average amortization period.

Amortizable Intangibles Assets	Estimated Useful Life	Weighted Average Amortization Period
Customer relationships	20 years	17 years

The Company's intangible assets, net, as of December 31, 2020 and 2019 are as follows (in thousands):

	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Customer relationships	\$ 729,832	\$ (100,793)	\$ 629,039	\$ 724,750	\$ (64,428)	\$ 660,322
Total amortizing intangible assets	729,832	(100,793)	629,039	724,750	(64,428)	660,322
Non-amortizable intangible assets						
Licenses	18,400	—	18,400	18,400	—	18,400
Trade names	326,000	—	326,000	326,000	—	326,000
Total non-amortizing intangible assets	344,400	—	344,400	344,400	—	344,400
Total intangibles, net	\$ 1,074,232	\$ (100,793)	\$ 973,439	\$ 1,069,150	\$ (64,428)	\$ 1,004,722

Notes to Consolidated Financial Statements – Continued

The following table shows the expected amortization of long-lived intangible assets for each of the years ending December 31 (in thousands):

2021	\$ 36,492
2022	36,492
2023	36,492
2024	36,492
2025	36,492
Thereafter	446,579
	<u><u>\$ 629,039</u></u>

Amortization expense was \$36.7 million and \$36.4 million for the years ended December 31, 2020 and 2019, respectively, \$28.1 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$7.9 million for the period from January 1, 2018 to March 31, 2018 (Predecessor).

9. Other Accrued Liabilities

Accrued liabilities were as follows as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020	December 31, 2019
Insurance reserves	\$ 71,035	\$ 58,146
Deferred revenue	27,915	29,033
Patient refunds	18,282	12,896
Accrued legal fees and settlements	2,807	8,570
Other	63,719	55,214
Total other accrued liabilities	<u><u>\$ 183,758</u></u>	<u><u>\$ 163,859</u></u>

10. Income Taxes

The components of income tax expense (benefit) were as follows (in thousands):

	Successor		Predecessor	
	Year Ended December 31, 2020	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018
Current:				
Federal	\$ 1,091	\$ (1,727)	\$ (6,670)	\$ 108
State	6,449	2,293	2,343	242
Total current	<u>7,540</u>	<u>566</u>	<u>(4,327)</u>	<u>350</u>
Deferred:				
Federal	22,403	26,816	20,406	234
State	4,191	4,765	658	2,454
Total deferred	<u>26,594</u>	<u>31,581</u>	<u>21,064</u>	<u>2,688</u>
Total tax expense (benefit):				
Federal	23,494	25,089	13,736	342
State	<u>10,640</u>	<u>7,058</u>	<u>3,001</u>	<u>2,696</u>
Income tax expense (benefit)	<u><u>\$ 34,134</u></u>	<u><u>\$ 32,147</u></u>	<u><u>\$ 16,737</u></u>	<u><u>\$ 3,038</u></u>

Notes to Consolidated Financial Statements – Continued

A reconciliation of the provision for income taxes at the federal statutory rate of 21% compared to the effective tax rate is as follows (in thousands):

	Successor		Predecessor	
	Year Ended December 31, 2020	Year Ended December 31, 2019	Period from March 14 to December 31, 2018	Period from January 1 to March 13, 2018
Income tax expense (benefit) at the statutory rate	\$ 22,375	\$ 29,963	\$ 12,817	\$ (610)
Increase (decrease) in income taxes resulting from:				
State taxes, net of federal	9,372	4,813	2,878	2,092
Political expenses	241	114	7,013	425
Valuation allowance	848	3,170	3,041	279
Unrecognized tax benefits	1,541	(3,857)	(8,770)	166
Tax credits	(2,694)	(2,413)	(528)	—
Other	2,451	357	286	686
Income tax expense (benefit)	<u>\$ 34,134</u>	<u>\$ 32,147</u>	<u>\$ 16,737</u>	<u>\$ 3,038</u>

Deferred income taxes reflect the impact of temporary differences between the reported amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Significant components of the Company's deferred taxes were as follows at December 31, 2020 and 2019 (in thousands):

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Accounts receivable	\$ 4,990	\$ 5,051
Accrued liabilities	23,855	9,693
Operating loss and credit carryforwards	11,652	36,220
Insurance and other long-term liabilities	11,816	6,452
Deferred tax assets	52,313	57,416
Valuation allowances	(8,783)	(7,935)
Total deferred tax assets	<u>43,530</u>	<u>49,481</u>
Deferred tax liabilities:		
Intangible assets	(58,839)	(36,255)
Property and equipment	(55,252)	(58,523)
Attribute reduction	(32,787)	(32,465)
Total deferred tax liabilities	<u>(146,878)</u>	<u>(127,243)</u>
Net deferred income taxes	<u>\$ (103,348)</u>	<u>\$ (77,762)</u>

On March 27, 2020, the CARES Act was enacted. It includes temporary changes to existing U.S. corporate income tax laws that impact the Company, most notably the ability to offset 100% of taxable income with net operating loss carryforwards.

On December 22, 2017, the Tax Cuts and Jobs Act, (the "Tax Act") was enacted. The Tax Act includes a number of changes to existing U.S. corporate income tax laws that impact the Company, most notably a reduction of the U.S. statutory corporate tax rate from 35% to 21%, for tax years beginning after December 31, 2017. The Tax Act also provides for

Notes to Consolidated Financial Statements – Continued

acceleration of depreciation for certain assets placed into service after September 27, 2017. As of December 31, 2018, the Company had completed its accounting for the tax effects of the Tax Act.

As of December 31, 2020, the Company has federal net operating loss carryforwards of \$24.5 million with an indefinite carryforward period. The Company has state and local net operating loss carryforwards of \$85.7 million, of which \$36.8 million may expire in the years 2029-2040. A valuation allowance is established when it is more likely than not that all, or a portion, of net deferred tax assets will not be realized. Based on review of available evidence, the Company has determined that it is more likely than not that certain deferred tax assets may not be realized. The increase in valuation allowance of \$0.8 million is primarily attributable to net operating loss carryforwards.

The Company operates in multiple taxing jurisdictions and in the normal course of business is examined by federal and state tax authorities. The Company considers many factors and uses judgment in estimating and assessing the impact of uncertain tax positions. Final audit results may vary from the Company's estimates. In nearly all jurisdictions, the tax years prior to 2016 are no longer subject to examination.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at beginning of period	\$ —	\$ 3,857
Additions for tax positions for current year	327	—
Additions for tax positions of prior years	1,271	—
Reductions for tax positions due to lapse of statute of limitations	—	(3,857)
Balance at end of period	\$ 1,598	\$ —

As of December 31, 2020, the Company has \$1.6 million of unrecognized tax benefits of which \$1.5 million would affect the effective tax rate, if recognized. The Company does not expect the total amount of unrecognized tax benefits to significantly change within the next twelve months.

The Company recognized zero, zero, \$0.3 million, and \$0.1 million within income tax expense in the consolidated statements of operations related to interest and penalties for the year ended December 31, 2020, the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018 (Successor), and the period from January 1, 2018 to March 13, 2018 (Predecessor), respectively. The Company reversed zero, \$0.5 million, \$2.0 million, and zero of the interest and penalties previously recognized for the year ended December 31, 2020, the year ended December 31, 2019, the period from March 14, 2018 to December 31, 2018 (Successor), and the period from January 1, 2018 to March 13, 2018 (Predecessor), respectively. There are no amounts of interest and penalty obligations recognized within other long-term liabilities in the consolidated balance sheets as of December 31, 2020 and 2019, respectively.

11. Insurance

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 a wholly-owned off-shore captive insurance program, GMR Insurance Services, Ltd. ("GMRIS"). In those instances where the Company has obtained third party insurance coverage, the Company normally retains liability for the first \$1 to \$3 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 December 31, 2020.

During the Predecessor period, the Company utilized an off-shore captive insurance program through a wholly-owned subsidiary of the Prior Parent.

Notes to Consolidated Financial Statements – Continued

The Company establishes reserves for claims based upon an assessment of claims reported and claims incurred but not reported. The reserves are established based on 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 health care costs and property damage repairs. Provisions for insurance expense included in the statement of operations include annual provisions determined in consultation with third-party actuaries and premiums paid to third party insurers.

The table below summarizes the non-health and welfare insurance reserves included in the accompanying balance sheets (in thousands):

	December 31, 2020			December 31, 2019		
	Accrued Liabilities	Insurance Reserves	Total Liabilities	Accrued Liabilities	Insurance Reserves	Total Liabilities
Automobile	\$ 26,772	\$ 58,401	\$ 85,173	\$ 20,776	\$ 47,972	\$ 68,748
Workers' compensation	29,677	63,338	93,015	26,401	62,127	88,528
General/ Professional liability	14,586	37,554	52,140	10,969	20,559	31,528
	<u>\$ 71,035</u>	<u>\$ 159,293</u>	<u>\$ 230,328</u>	<u>\$ 58,146</u>	<u>\$ 130,658</u>	<u>\$ 188,804</u>

12. Other Comprehensive Income (Loss)

The following table presents the tax effect on each component of "Other comprehensive income (loss)" for the years ended December 31, 2020 and 2019 (in thousands):

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
Unrealized holding gains (losses) on investments	\$ 3,383	\$ (752)	\$ 2,631	\$ 3,417	\$ (933)	\$ 2,484
Defined benefit pension plan net gains (loss)	(7,062)	1,725	(5,337)	(2,442)	596	(1,846)
Other comprehensive income (loss)	<u>\$ (3,679)</u>	<u>\$ 973</u>	<u>\$ (2,706)</u>	<u>\$ 975</u>	<u>\$ (337)</u>	<u>\$ 638</u>

Notes to Consolidated Financial Statements – Continued

The “Accumulated other comprehensive income (loss)” is detailed in the following table, net of tax (in thousands):

Accumulated Other Comprehensive Income (Loss)	Unrealized holding gains (losses) on investments	Defined benefit pension plan net gains (loss)	Total
Balance at December 31, 2017 (Predecessor)	\$ —	\$ (4,447)	\$ (4,447)
Elimination of Predecessor accumulated other comprehensive income	—	4,447	4,447
Other comprehensive income (loss) before reclassification	(893)	4,954	4,061
Amounts reclassified from accumulated other comprehensive income (loss)	23	—	23
Balance at December 31, 2018 (Successor)	\$ (870)	\$ 4,954	\$ 4,084
Reclassification adjustment for losses on marketable equity securities	801	—	801
Other comprehensive income (loss) before reclassification	2,391	(2,465)	(74)
Amounts reclassified from accumulated other comprehensive income (loss)	93	619	712
Balance at December 31, 2019 (Successor)	\$ 2,415	\$ 3,108	\$ 5,523
Other comprehensive income (loss) before reclassification	2,432	(5,337)	(2,905)
Amounts reclassified from accumulated other comprehensive income (loss)	199	—	199
Balance at December 31, 2020	\$ 5,046	\$ (2,229)	\$ 2,817

13. Retirement Plans and Employee Benefits

Rural/ Metro Pension Plan

As part of the Company’s acquisition of Rural/ Metro on October 28, 2015, the Company acquired a defined benefit pension plan (the “Pension Plan”) that covers eligible employees of one of Rural/ Metro’s subsidiaries, primarily those covered by collective bargaining arrangements. Eligibility is achieved upon the completion of one year of service. Participants become fully vested in their accrued benefit after the completion of five years of service.

The Pension Plan was amended on April 8, 2016 (the “curtailment date”), whereby the Pension Plan became frozen for all participants as of June 30, 2016. As part of the freezing of the Pension Plan, no new benefits accrue, no hours of service earned after the freeze date will count in determining a participant’s credited service, and no earnings earned after the freeze date are counted in determining a participant’s average annual earnings. In November 2019, the plan offered lump sum settlements to certain participants, resulting in the settlement of approximately \$10.9 million of accumulated benefit obligations and a \$0.6 million realized gain was recorded for the year ended December 31, 2019, presented within the “Other income (loss)” caption on the consolidated statements of operations. Benefits expense under this plan was approximately \$0.3 million and \$0.5 million for the years ended December 31, 2020 and 2019, respectively, \$0.4 million for the period from March 14, 2018 to December 31, 2018 (Successor) and approximately \$0.1 million for the period from January 1, 2018 to March 13, 2018 (Predecessor). The net accrued benefits liability under this plan totaled \$16.6 million and \$9.5 million at December 31, 2020 and 2019, respectively, presented within the “Other long-term liabilities” caption on the consolidated balance sheets.

The Company’s general funding policy is to make annual contributions to the Pension Plan as required by the Employee Retirement Income Security Act. No contributions were made during 2020 or 2019.

Other Postemployment Benefits

The Company participates in a 401(k) plan maintained by the Parent, for its employees and employees of certain subsidiaries who meet the eligibility requirements set forth in the plan. Employees may contribute a maximum of 80% of

Notes to Consolidated Financial Statements – Continued

their gross pay each year up to the annual limit established by the Internal Revenue Service (\$19,500 for 2020). The Company's match is 50% of contributions up to 8% of eligible compensation.

The Company's contributions to the plan were \$24.8 million and \$21.7 million for the years ended December 31, 2020 and 2019, respectively, \$16.4 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$3.9 million for the period from January 1, 2018 to March 13, 2018 (Predecessor). Contributions are included in salaries and benefits in the accompanying consolidated statement of operations.

Collective Bargaining Agreements

Approximately 42% of AMR employees are represented by 63 active collective bargaining agreements. There are three operational locations representing approximately 350 employees currently in the process of negotiations or that will be subject to negotiation in 2020. In 2021, 24 collective bargaining agreements, representing approximately 4,300 employees will be subject to negotiation. While the Company believes it maintains a good working relationship with its employees, the Company has experienced some union work actions. The Company does not expect these actions to have a material adverse effect on its ability to provide service to its patients and communities.

14. Commitments and Contingencies

Lease Commitments

As discussed in Note 7, the Company leases various facilities and equipment under operating lease agreements. On January 1, 2020, the Company adopted ASU No. 2016-02. Upon adoption, we recognized right of use assets and lease liabilities for the majority of our operating leases. Prior to the adoption of ASU No. 2016-02, the Company recorded certain other assets, including leasehold improvements and vehicles, under capital leases. Capital-leased assets were capitalized using implicit interest rates at the inception of the lease and were amortized over the lesser of the contractual lease term or the useful life of the leased asset. Capital leases were collateralized by the underlying assets.

Rent expense for operating leases totaled \$60.3 million for the year ended December 31, 2019, \$46.3 million for the period from March 14, 2018 to December 31, 2018 (Successor) and \$11.8 million for the period from January 1, 2018 to March 13, 2018 (Predecessor). Rent expense is included in the "Other operating expenses" caption on the consolidated statements of operations.

As of December 31, 2019, prior to the adoption of ASU No. 2016-02, future commitments under non-cancellable capital and operating leases for premises, equipment and other recurring commitments were as follows (in thousands):

	Capital Leases	Operating Leases & Other
Year Ended December 31,		
2020	\$ 261	\$ 105,931
2021	261	84,910
2022	261	62,395
2023	87	40,727
2024	—	28,851
Thereafter	1,669	57,002
Total capital lease obligations	2,539	\$ 379,816
Less: Amount representing interest	(121)	
Present value of minimum capital lease payments	2,418	
Less: short-term capital lease obligation payments	(605)	
Long-term capital lease obligations	\$ 1,813	

Notes to Consolidated Financial Statements – Continued

Refer to Note 7 for further information on the impact on the adoption ASU No. 2016-02 on the Company's consolidated financial statements for the year ended December 31, 2020.

Guarantee of Parent Company Debt and Letters of Credit

Parent company debt of \$4.6 billion is partially guaranteed by the assets and working capital, respectively, of AMR on a full and unconditional and joint and several basis, with limited exceptions considered customary for such guarantees, including the release of the guarantee upon the sale of AMR's assets.

Parent company secured letters of credit outstanding on behalf of AMR as of December 31, 2020 were \$103.3 million. Customary letter of credit fees comprise the majority of interest expense reported in the consolidated statements of operations.

Other Legal Matters

In March 2017, Rural Metro of Florida received a Civil Investigative Demand from the U.S. Attorney Office for the Middle District of Florida (DOJ) requesting documentary materials and written interrogatories related to the Rural Metro of Florida's provision of services to a number of Medicare beneficiaries. The government contended that it had certain civil claims against Rural Metro of Florida arising from the submission of claims for basic life support, non-emergency services, which the government contended lacked medical necessity or were improperly documented. This matter was settled in February 2021 for \$650,000.

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.

15. COVID-19

The continued spread of COVID-19 in the areas in which we operate could adversely affect our business. The transport and treatment of highly contagious COVID patients in our aircraft or ground ambulance units or the exposure of our employees during the normal course of their personal and professional lives may result in a temporary shutdown of portions of operations, the diversion of patients, quarantine of staff, or staffing shortages. There may also be disruptions or delays in production and delivery of materials and products in the supply chain. The current corona virus outbreak, or any actions governmental authorities take in connection with COVID-19 may result in a decrease in demand for our services and could adversely impact our business. The potential impact of the outbreak with respect to our markets or our business is difficult to predict.

16. Subsequent Events

The Company has evaluated new information and events through April 16, 2021, which is the date these consolidated financial statements were available to be issued, to determine the need to either update these consolidated financial statements or to provide additional disclosures about those events. No additional disclosures were deemed necessary by the Company.



AMR HoldCo Inc.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**



KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

Board of Directors
AMR HoldCo Inc.:

Opinion

We have audited the consolidated financial statements of AMR HoldCo Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in equity, and cash flows for the each of the years in the three-year period ended December 31, 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the the years in the three-year period ended December 31, 2021 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Denver, Colorado
April 29, 2022

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 379,886	\$ 122,616
Insurance collateral	231,903	200,159
Accounts receivable, net	574,332	444,910
Supplies inventory	56,661	62,839
Prepaid expenses	37,414	34,814
Other current assets	49,317	38,498
Total current assets	1,329,513	903,836
Property and equipment, net	302,370	329,244
Operating right-of-use assets	178,729	168,055
Finance right-of-use assets	4,123	5,584
Intangible assets, net	980,967	973,439
Goodwill	839,975	813,892
Other assets	38,548	22,908
Total assets	\$ 3,674,225	\$ 3,216,958
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 44,125	\$ 38,494
Accrued wages, benefits and taxes	165,524	171,248
Other accrued liabilities	232,845	183,758
Current portion of lease obligations and long-term debt	43,743	37,533
Total current liabilities	486,237	431,033
Operating lease obligations	147,848	142,345
Finance lease obligations and long-term debt	4,670	7,574
Deferred income taxes	123,091	103,348
Insurance reserves	194,829	159,293
Other long-term liabilities	16,346	17,914
Total liabilities	973,021	861,507
Commitments and contingencies		
Equity:		
Investment by Parent	2,364,331	2,126,188
Accumulated other comprehensive income (loss)	1,304	2,817
Retained earnings	335,569	226,446
Total equity	2,701,204	2,355,451
Total liabilities and equity	\$ 3,674,225	\$ 3,216,958

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Net revenue	3,161,096	2,829,600	2,686,552
Operating expenses:			
Employee wages, benefits and taxes	1,709,480	1,632,403	1,556,574
Maintenance, fuel and other direct expenses	183,786	160,547	163,320
Insurance expense	110,390	121,470	92,983
Other operating expenses	891,718	657,344	526,390
Governmental grants	(70,814)	(34,358)	—
Acquisition, integration and other charges	30,387	31,534	47,420
Depreciation and amortization	154,873	158,513	160,022
Total operating expenses	3,009,820	2,727,453	2,546,709
Operating income (loss)	151,276	102,147	139,843
Interest income (expense), net	2,696	3,426	676
Equity in earnings of unconsolidated affiliates	(17)	282	478
Other income (loss), net	716	692	1,685
Net income (loss) before income taxes	154,671	106,547	142,682
Income tax (benefit) expense	45,548	34,134	32,147
Net income (loss)	\$ 109,123	\$ 72,413	\$ 110,535
Other comprehensive income (loss):			
Unrealized holding gains (losses) on investments	(4,698)	3,383	3,417
Defined benefit pension plan net gain (loss)	2,840	(7,062)	(2,442)
Deferred income tax benefit (expense), net	345	973	(337)
Total other comprehensive income (loss), net of income tax	(1,513)	(2,706)	638
Comprehensive income (loss)	\$ 107,610	\$ 69,707	\$ 111,173

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Investment by Parent/ Prior Parent	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
Balance at January 1, 2019	\$ 2,497,175	\$ 4,084	\$ 44,299	\$ 2,545,558
Cumulative-effect adjustment upon application of accounting change	—	801	(801)	—
Net working capital distributed to Parent	(180,850)	—	—	(180,850)
Acquisitions funded by Parent	21,237	—	—	21,237
Net income (loss)	—	—	110,535	110,535
Other comprehensive income (loss), net of tax expense of \$0.3 million	—	638	—	638
Balance at December 31, 2019	\$ 2,337,562	\$ 5,523	\$ 154,033	\$ 2,497,118
Net working capital distributed to Parent	(228,374)	—	—	(228,374)
Acquisitions funded by Parent	17,000	—	—	17,000
Net income (loss)	—	—	72,413	72,413
Other comprehensive income (loss), net of tax benefit of \$1.0 million	—	(2,706)	—	(2,706)
Balance at December 31, 2020	\$ 2,126,188	\$ 2,817	\$ 226,446	\$ 2,355,451
Net working capital contributed by Parent	164,320	—	—	164,320
Acquisitions funded by Parent	73,823	—	—	73,823
Net income (loss)	—	—	109,123	109,123
Other comprehensive income (loss), net of tax benefit of \$0.3 million	—	(1,513)	—	(1,513)
Balance at December 31, 2021	\$ 2,364,331	\$ 1,304	\$ 335,569	\$ 2,701,204

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

AMR HOLDCO INC.
(a wholly-owned subsidiary of Global Medical Response, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 109,123	\$ 72,413	\$ 110,535
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	154,873	158,513	160,022
Loss on disposal of property and equipment	1,470	3,807	1,780
Unrealized loss (gain) on marketable equity securities	(5,078)	(3,596)	(2,602)
Other, net	(5,603)	1,695	1,037
Equity in earnings of unconsolidated affiliates	(17)	(282)	(478)
Deferred income taxes	20,079	35,451	31,614
Change in operating assets/liabilities, net of acquisitions:			
Accounts receivable, net	(128,609)	3,818	(65,662)
Accounts payable	5,631	11,693	4,163
Accrued wages, benefits and taxes	(6,427)	51,348	12,482
Accrued liabilities	40,013	4,254	(10,192)
Other assets and liabilities, net	29,133	(8,217)	22,904
Net cash provided by operating activities	214,588	330,897	265,603
Cash flows from investing activities:			
Purchases of property and equipment	(93,904)	(104,683)	(100,338)
Proceeds from the sale of property and equipment	936	2,484	554
Acquisition of businesses, net of cash and restricted cash acquired	(73,823)	(17,000)	(21,237)
Net change in investments held as insurance collateral	1,581	642	1,109
Purchases of marketable securities	(72,227)	(93,025)	(156,513)
Sales and maturities of marketable securities	42,152	67,239	106,499
Other investing activities, net	(3,529)	296	43
Net cash used in investing activities	(198,814)	(144,047)	(169,883)
Cash flows from financing activities:			
Net working capital and other transfers contributed by (distributed to) Parent	242,478	(211,374)	(159,613)
Payments on finance lease obligations and long-term debt	(3,715)	(3,800)	(282)
Proceeds from issuance of long-term debt	—	2,487	—
Net cash provided by (used in) financing activities	238,763	(212,687)	(159,895)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	5,603	(1,477)	(1,060)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	260,140	(27,314)	(65,235)
Cash and cash equivalents, beginning of period (including restricted cash and restricted cash equivalents of \$56.8 million, \$12.7 million, and \$34.4 million, respectively)	179,460	206,774	272,009
Cash and cash equivalents, end of period (including restricted cash and restricted cash equivalents of \$59.7 million, \$56.8 million, and \$12.7 million, respectively)	<u>\$ 439,600</u>	<u>\$ 179,460</u>	<u>\$ 206,774</u>
Supplemental disclosure of cash flow information			
Cash paid during the period for			
Income taxes, net of refunds received	\$ 2,204	\$ (2,577)	\$ (544)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Description of Business

AMR HoldCo Inc., along with its subsidiaries (collectively, “AMR” or the “Company”) operates in 38 states and the District of Columbia, including monetary assets of an investment held in Trinidad and Tobago, providing a full range of healthcare transportation services, including emergency (“911”), non-emergency, managed transportation, fire protection services, fixed-wing ambulance and disaster response. In addition, AMR operates 911 call and response services for large and small communities all across the United States, offers contracted medical staffing, and provides telephone triage, transportation dispatch and demand management services.

Prior to March 14, 2018, the Company was a wholly-owned subsidiary of Envision Healthcare Corporation (“EVHC” or “Prior Parent”). On March 14, 2018, Global Medical Response, Inc. (“GMR” or “Parent”) completed the acquisition of all outstanding equity interests of AMR (the “Acquisition”). Since March 14, 2018, the Company has been a wholly-owned subsidiary of GMR.

2. Summary of Accounting Policies

Consolidation

The consolidated financial statements of the Company include all of its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Investment by Parent

Investment by Parent, in the consolidated financial statements represents the Company’s cumulative investment from the Parent for the accumulation of the following to the extent that they are not cash settled:

- Investments in AMR
- Net cash transfers to and from AMR
- Overhead cost allocations, if any
- Transactions between the Parent and AMR
- Net cash transactions due to the Parent’s centralized cash management.

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 including, but not limited to, estimates and assumptions for revenue, accounts receivable, insurance-related reserves and acquired or pushed-down intangible assets. Actual results may differ from those estimates under different assumptions or conditions.

Cash and Cash Equivalents

Cash and cash equivalents are comprised principally of demand deposits at banks and highly liquid short-term investments with a maturity generally three months or less at acquisition, and are recorded at cost, which approximates market value.

Supplies Inventory

Parts and supplies inventory is valued at cost, determined on a first in, first out basis. Durable medical supplies are capitalized as inventory and expensed as used.

Notes to Consolidated Financial Statements – Continued

Restricted Cash

At December 31, 2021 and 2020, the Company held restricted cash and cash equivalents of \$59.7 million and \$56.8 million, respectively, classified within “Insurance collateral” in the accompanying consolidated balance sheets. The cash was restricted for the purpose of satisfying the obligations of the Company’s wholly-owned captive insurance subsidiary.

CARES Act

In March 2020, in response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary delay of certain payment requirements for the employer portion of social security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain payroll tax credits associated with the retention of employees. The CARES Act also includes a number of benefits that are applicable to the Company and other healthcare providers including, but not limited to, the appropriation of funding to health care providers for related expenses or lost revenues that are attributable to the COVID-19 pandemic.

The Company received approximately \$70.8 million and \$34.4 million for the years ended December 31, 2021 and 2020, respectively, from the provider relief funds. The fund payments are grants, not loans, however providers are restricted and the funds must be used only for grant approved purposes. Upon receiving and having satisfied the terms and conditions associated with the initial tranche distribution of funds, the Company accounted for these as restricted contributions and recognized income in the consolidated statements of operations. Net cash provided by operating activities includes these grants received in the respective periods.

The Company’s assessment of whether the terms and conditions for amounts received have been met considers all frequently asked questions and other interpretive guidance currently issued by the U.S. Department of Health and Human Services (“HHS”). After consideration of the guidance provided, the Company believes the governmental grants recognized are appropriately recorded as of December 31, 2021 and 2020.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Account Standards Board (“FASB”) or other standards setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the impact of any other recently issued standards that are not yet effective are either not applicable to the Company at this time or will not have a material impact on the Company’s consolidated financial statements upon adoption.

In November 2019, the FASB issued ASU No. 2019-10, “Financial Instrument – Credit Losses (Topic 326), Derivatives and Hedging (Topic 915), and Leases (Topic 842),” which among other changes in accounting and disclosure requirements, provides guidance on how an entity should measure credit losses on financial instruments. The ASU is effective for private entities for fiscal years beginning after December 15, 2022. We currently expect the adoption of ASU 2016-13 will have an immaterial impact on our consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The ASU provides optional transition guidance, for a limited time, to companies that have contracts, hedging relationships or other transactions that reference the London Inter-bank Offered Rate (“LIBOR”) or another reference rate which is expected to be discontinued because of reference rate reform. The amendments provide option expedients and exceptions for applying GAAP to contracts, hedging relationships, or other transactions if certain criteria are met. The amendments in this update are effective as of March 12, 2020 through December 31, 2022. The amendments in this update may be applied as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. All

Notes to Consolidated Financial Statements – Continued

other amendments should be applied on a prospective basis. The Company is in the process of evaluating the effect that the adoption of this standard will have on its consolidated financial statements, but does not expect it will have a material effect.

3. Revenue Recognition and Accounts Receivable

Revenue Recognition

The majority of our revenue is generated from fee for service patient revenue, which is derived principally through contracts originating from ground medical transport services provided to patients of healthcare facilities and communities served. Each transport constitutes a single performance obligation and, in most instances occur at readily determinable transaction prices. As a practical expedient, the Company adopted a portfolio approach to sources of patient revenue, applied by payor type. At this level, each portfolio shares the characteristics conducive to ensuring that the results do not materially differ from the new standard if it were to be applied to each individual patient contract related to each transport. Accordingly, there was not a change in the Company's method to recognize revenue. Subsequent changes in the customer's ability to pay, are recorded as bad debt within other operating expenses.

Estimating revenue is a complex process, largely due to the volume of transactions, the number and complexity of contracts with payors, the limited availability, at times, of certain patient and payor information at the time services are provided, and the length of time it takes for collections to fully mature. Patients are billed for services provided, and the Company receives payments for these services from patients or their third-party payors. Payments for services provided are generally less than billed charges. The Company recognizes fee for service revenue, net of contractual adjustments and discounts for uninsured patients, at the time transport services are provided. In the period services are provided, the Company estimates gross charges based on: billed services plus an estimate for unbilled services based on pending case data collected, estimates of contractual allowances (explicit price concessions) based on contracted rates and historical or actual cash collections (net of recoveries), when available, and estimates of the discount (implicit price concession) for uninsured patients based on historical cash collections (net of recoveries) from uninsured patients. For third-party payors, the specific benefits provided for under each patients' healthcare plan, mandated payment rates under the Medicare and Medicaid programs, as applicable, and historical cash collections are utilized. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient's healthcare plans, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries) in combination with expected collections from third party payors. In addition, the Company records net revenue from uninsured patients at an estimated realizable value based on historical cash collections (net of recoveries). The price concession includes an estimate of uncollectible balances due from uninsured patients, uncollectible co-pay and deductible balances due from insured patients and special charges, if any, for uncollectible balances due from managed care, commercial and governmental payors.

The relationship between gross charges and the transaction price recognized is significantly influenced by payor mix, as collections on gross charges may vary significantly depending on whether and with whom the patients the Company provides services to in the period are insured and the Company's contractual relationships with those payors. Payor mix is subject to change as additional patient and payor information is obtained after the period services are provided. The Company periodically assesses the estimates of unbilled revenue, contractual adjustments (explicit price concessions) and discounts (implicit price concessions) for uninsured patients and payor mix for a period of at least one year following the date of service by analyzing actual results, including cash collections, against estimates. Changes in these estimates are charged or credited to the consolidated statement of operations in the period that the assessment is made. Significant changes in payor mix, contractual arrangements with payors, specialty mix, acuity, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on estimates and significantly affect the results of operations and cash flows. Concentration of credit risk with respect to other payors is limited due to the large number of such payors.

The Company's billing and accounting systems provide historical trends of cash collections and contractual write-offs, accounts receivable agings and established fee adjustments from third-party payors. These estimates are recorded and

Notes to Consolidated Financial Statements – Continued

monitored monthly as revenues are recognized. The principal exposure for uncollectible fee for service visits is from self-pay patients and, to a lesser extent, for co-payments and deductibles from patients with insurance.

Other revenue primarily represents income earned from fire protection service contracts, standby, special event, community subsidies and income earned from our contract with the Federal Emergency Management Agency (“FEMA”) for disaster relief efforts and other federal and state agencies to coordinate emergency medical services responses. Revenue is recognized for these services when our performance obligation is satisfied, which is generally when services are rendered and in an amount that reflects the consideration to which we expect to be entitled. At contract inception, we assess the services specified and identify a performance obligation for each distinct contracted service. These other sources of revenue contracts general consist of fixed-price or variable consideration. Revenue for fixed-price contracts is typically recognized at the time of billing, unless evidence suggests that the revenue is earned or the Company’s obligations are fulfilled in a different pattern. In these instances, revenues are deferred and recognized ratably over the life of the contract. Payment is generally received upfront and revenues are deferred and recognized over the life of the contractual service period. Revenue for variable consideration contracts is typically recognized as the services are performed at the contractually billable rate.

Net revenue for the years ended December 31, 2021, 2020 and 2019, consisted of the following (in thousands):

	Year Ended December 31,					
	2021		2020		2019	
Medicare	\$ 773,128	25 %	\$ 766,688	27 %	\$ 839,445	31 %
Medicaid	315,036	10 %	308,939	11 %	310,035	12 %
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	865,338	27 %	768,014	27 %	898,071	33 %
Self-pay	123,700	4 %	103,773	4 %	116,688	4 %
Net transport revenue	2,077,202	66 %	1,947,414	69 %	2,164,239	80 %
Complementary revenue	1,083,894	34 %	882,186	31 %	522,313	20 %
Net revenue	<u>\$ 3,161,096</u>	<u>100 %</u>	<u>\$ 2,829,600</u>	<u>100 %</u>	<u>\$ 2,686,552</u>	<u>100 %</u>

Net transport revenue includes fee for service patient revenue. Complementary revenue primarily includes income earned from our membership program, community subsidies, fire protection service contracts, standby, special event, coordinated care services, and income earned from our contract with FEMA and other federal and state agencies to coordinate emergency medical services responses.

Accounts Receivable

The Company manages accounts receivable by regularly reviewing its accounts and contracts and by providing appropriate adjustments to the estimate of the transaction price. Some of the factors considered by management in determining the adjustments are the historical trends of cash collections, contractual and uninsured write-offs, accounts receivable agings, established fee schedules, contracts with payors, changes in payor mix and procedure statistics. Actual collections of accounts receivable in subsequent periods may require changes in the estimated transaction price.

The Company tests its analysis by comparing cash collections to net fee for service revenues and monitoring self-pay utilization. In addition, when actual collection percentages differ from expected results, on a contract by contract basis, supplemental detailed reviews of the outstanding accounts receivable balances may be performed by the Company’s billing operations to determine whether there are facts and circumstances existing that may cause a different conclusion as to the estimate of the collectability of that contract’s accounts receivable from the estimate resulting from using the historical collection experience. Changes in these estimates, if any, are charged or credited to the consolidated statements of operations in the period of change. Material changes in estimates may result from unforeseen write-offs of patient or third-party accounts receivable, unsuccessful disputes with managed care payors, adverse macro-economic conditions which limit patients’ ability to meet their financial obligations, or broad changes to government regulations that adversely impact reimbursement rates for services provided by the Company. Significant changes in payor mix, changes

Notes to Consolidated Financial Statements – Continued

in contractual arrangements with payors, business office operations, general economic conditions and health care coverage provided by federal or state governments or private insurers may have a significant impact on the Company's estimates and significantly affect its results of operations and cash flows. Consideration of credit risk is limited by the diversity and number of facilities, patients, payors and by the geographic dispersion of the Company's operations.

4. Acquisitions

The Company accounts for its business combinations under the requirements of the acquisition method of accounting and under the premise that an acquirer be identified for each business combination. The acquirer is the entity that obtains control of one or more businesses in the business combination and the acquisition date is the date the acquirer achieves control. The assets acquired and liabilities assumed at the acquisition date are recognized at their fair values as of that date, and the direct costs incurred in connection with the business combination are recorded and expensed separately from the business combination. Acquisitions in which the Company is able to exert significant influence but does not have control are accounted for using the equity method.

Acquired assets and assumed liabilities include, but are not limited to, accounts receivable, fixed assets, intangible assets, deferred income taxes and insurance liabilities. The valuations are based on comparable market transactions, discounted cash flow analyses, actuarial analyses or other appropriate valuation techniques to determine the fair value of the assets acquired or liabilities assumed.

During the years ended December 31, 2021 and 2020, the Company paid \$77.4 million and \$17.0 million, in cash, in total aggregate purchase consideration for acquisitions. The Company acquired each of these companies in order to achieve certain operational and strategic benefits.

The acquisitions completed during the years ended December 31, 2021 and 2020 consist of the following:

Acquired Operation	Location	Date Acquired
Hunter Ambulance, Inc.	New York	September 2021
Ojai Ambulance, Inc.	California	May 2021
Arizona Ambulance of Douglas, Inc.	Arizona	May 2021
Capstone Fire Management, Inc.	California	March 2021
ABC Ambulance, LLC	Arizona	June 2020

Notes to Consolidated Financial Statements – Continued

The Capstone Fire Management, Inc. acquisition is subject to an earn-out provision estimated at \$0.4 million that the Company expects to pay over a three year period. The Hunter Ambulance, Inc. acquisition is subject to contingent consideration of \$2.5 million expected to be paid by the end of 2025.

The acquisition date fair value of the total consideration transferred and acquisition date fair value of each major class of assets and liabilities for acquisitions completed during 2021 and 2020 are as follows (in thousands):

	2021	2020
Accounts receivable, net	813	—
Spare parts, medical supplies and fuel	—	118
Prepaid expenses	314	—
Property and equipment	6,918	1,132
Finance right-of-use assets	1,045	—
Customer relationship intangible asset	38,809	11,500
Goodwill	32,485	4,298
Other assets	179	—
Accrued wages, benefits and taxes	(703)	(48)
Other accrued liabilities	(1,387)	—
Finance lease obligations	(1,045)	—
	<u>\$ 77,428</u>	<u>\$ 17,000</u>

The goodwill recorded for acquisitions completed during the years ended December 31, 2021 and 2020 is expected to be fully deductible.

The accounting for acquisitions completed during 2021 is currently preliminary. The Company continues to obtain information relative to the fair values of the assets acquired and liabilities assumed in the transactions, which could result in material changes to the amounts allocated above. The Company expects to finalize the purchase price allocations for these acquisitions as soon as practicable. The purchase price allocation for acquisitions completed during 2020 is considered final.

5. Fair Value Measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. The inputs used by the Company to measure fair value are classified into the following hierarchy:

Level 1: Quoted prices 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, which include marketable securities held in connection with the Company's captive insurance program.

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.

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. Balances in this category include the Company's estimate, using a combination of internal and external fair value analyses, of contingent consideration for acquisitions described in Note 4.

The Company has adopted the provisions of ASU No. 2016-01 and ASU No. 2018-03 effective for the 2019 annual reporting period, which required changes in the fair value of equity investment securities to be recognized in net income. In prior periods, the changes in the fair value of equity investment securities were recognized through accumulated other comprehensive income. Upon adoption, the Company recognized a cumulative effect adjustment of approximately \$0.8

Notes to Consolidated Financial Statements – Continued

million to retained earnings and accumulated other comprehensive income related to the unrealized loss on corporate equity securities and has recognized the change in fair value on these equity securities as a component of other income (expense), net in the consolidated statements of operations.

The following table summarizes the valuation of the Company's financial instruments by the above fair value hierarchy levels as of December 31, 2021 and 2020 (in thousands):

Description	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 118,711	\$ 8,505	\$ —	\$ 127,216
Marketable equity securities	44,973	—	—	44,973
Liabilities:				
Contingent consideration	—	—	2,979	2,979

Description	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ 115,938	\$ —	\$ —	\$ 115,938
Marketable equity securities	27,377	—	—	27,377

Insurance Collateral

Insurance collateral is comprised of investments in U.S. Treasuries and marketable equity and debt securities held by the Company's wholly-owned captive insurance subsidiary that support the Company's insurance programs and reserves, as well as cash deposits with third parties. Certain of these investments, if sold or otherwise liquidated or if they decline significantly in value, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted. All debt securities are designated as available-for-sale and reported at fair value with the temporary unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss), net of deferred income tax. Declines in the fair value of debt securities which are determined to be other-than-temporary are recognized in the statements of operations, thus establishing a new cost basis for such investment. All equity securities are carried at fair value with changes in fair value reported as a component of other income (loss), net in the consolidated statements of operations. Investment income earned on these investments is reported as a component of other income, net in the accompanying statements of operations. Realized gains and losses are determined based on an average cost basis.

Investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Insurance collateral consisted of the following as of December 31, 2021 and 2020 (in thousands):

	December 31	
	2021	2020
Available-for-sale securities:		
Corporate and municipal bonds	\$ 118,711	\$ 109,919
Preferred or fixed rate cap securities	8,505	6,019
Total available-for-sale securities	127,216	115,938
Marketable equity securities	44,973	27,377
Cash deposits and other	59,714	56,844
Insurance Collateral	\$ 231,903	\$ 200,159

Notes to Consolidated Financial Statements – Continued

Amortized cost basis and aggregate fair value of the Company's marketable securities as of December 31, 2021 and 2020 were as follows (in thousands):

	December 31, 2021			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description:				
Corporate and municipal bonds	\$ 116,987	\$ 2,444	\$ (720)	\$ 118,711
Preferred or fixed rate cap securities	8,445	123	(63)	8,505
Total available-for-sale securities	125,432	2,567	(783)	127,216
Marketable equity securities	34,497	10,913	(437)	44,973
Total securities	<u>\$ 159,929</u>	<u>\$ 13,480</u>	<u>\$ (1,220)</u>	<u>\$ 172,189</u>

	December 31, 2020			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Description:				
Corporate and municipal bonds	\$ 103,727	\$ 6,201	\$ (9)	\$ 109,919
Preferred or fixed rate cap securities	5,728	291	—	6,019
Total available-for-sale securities	109,455	6,492	(9)	115,938
Marketable equity securities	21,979	5,505	(107)	27,377
Total securities	<u>\$ 131,434</u>	<u>\$ 11,997</u>	<u>\$ (116)</u>	<u>\$ 143,315</u>

As of December 31, 2021, available-for-sale securities included U.S Treasuries, corporate bonds and fixed income securities of \$5.7 million with contractual maturities within one year, \$61.3 million with contractual maturities extending longer than one year through five years and \$60.3 million with contractual maturities extending longer than five years. Actual maturities may differ from contractual maturities as a result of the Company's ability to sell these securities prior to maturity.

The Company evaluates the investment securities available-for-sale on a quarterly basis to determine whether declines in the fair value of these securities are other-than-temporary. The evaluation consists of reviewing the fair value of the security compared to the carrying amount, the historical volatility of the price of each security, and any industry and company specific factors related to each security. There were no available-for-sale investment securities that were other-than-temporarily impaired as of December 31, 2021 and 2020.

The Company is not aware of any specific factors indicating that the underlying issuers of the corporate bonds/fixed income securities would not be able to pay interest as it becomes due or repay the principal amount at maturity. Therefore, the Company believes that the changes in the estimated fair values of these debt securities are related to temporary market fluctuations and the Company does not intend to dispose of these investments. Additionally, the Company is not aware of any specific factors which indicate the unrealized losses on the investments in corporate equity securities are due to anything other than temporary market fluctuations.

The Company realized net gains (loss) on the sales and maturities of available-for-sale securities of \$1.2 million, (\$1.2) million, and \$0.1 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Notes to Consolidated Financial Statements – Continued

6. Property and Equipment, net

Property and equipment is recorded at cost, except for property and equipment acquired through business acquisitions, which is initially recorded at fair value. Depreciation of property, plant and equipment is provided substantially on a straight line basis over their estimated useful lives, which are as follows:

Buildings	20 to 40 years
Leasehold improvements	Shorter of 5 years or life of lease
Vehicles	7 to 12 years
Computer hardware	3 years
Other	3 to 15 years

Maintenance and repairs that do not extend the useful life of the property are charged to expense as incurred. Gains and losses from dispositions of property and equipment are recorded in the period incurred. Property and equipment, net, consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Land	\$ 2,807	\$ 2,737
Building and building improvements	7,807	7,776
Leasehold improvements	25,748	23,925
Medical equipment and other	191,266	165,501
Vehicles	294,456	267,416
Computer hardware and software	160,681	138,043
Construction in process	8,719	21,007
Property and equipment	691,484	626,405
Less: Accumulated depreciation	(389,114)	(297,161)
Property and equipment, net	<u>\$ 302,370</u>	<u>\$ 329,244</u>

Depreciation expense was \$119.4 million, \$120.6 million, and \$123.5 million for the years ended December 31, 2021, 2020 and 2019, respectively.

7. Lease Commitments

Right of use assets and lease liabilities are recorded for the majority of our operating leases. We enter into operating and finance leases for vehicles, equipment and real estate, among other things. Lease terms are generally between one to 20 years, some of which include renewal options, and some of which include options to terminate the leases within one year. Variable lease payments were \$8.1 million and \$6.7 million for the years ended December 31, 2021 and 2020, respectively. Variable expenses include common area maintenance, utilities, and other items as periodically billed by property management or the related lessor. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We determine if an arrangement is a lease and classify that lease as either an operating or finance lease at inception. Operating leases are included in operating right-of-use assets, current portion of lease obligations and operating lease obligations on our consolidated balance sheets. Finance leases are included in finance right-of-use assets, current portion of lease obligations and finance lease obligations on our consolidated balance sheets. As permitted under the standard, leases with an initial term of 12 months or less are not recorded on the balance sheet and we recognize lease expense for these leases on a straight-line basis over the lease term in our consolidated statements of operations.

Notes to Consolidated Financial Statements – Continued

Right of use (“ROU”) assets represent our right to use an underlying asset for the lease term and lease liabilities represent the present value of our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes the impact of prepaid or deferred lease payments. The length of our lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense were as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Operating lease cost	\$ 56,049	\$ 54,698
Short-term lease cost ⁽¹⁾	392	444
Finance lease cost:		
Amortization of right-of-use assets	2,112	1,535
Interest on lease liabilities	435	438
Total finance lease cost	2,547	1,973
Total lease costs	<u>\$ 58,988</u>	<u>\$ 57,115</u>

(1) Leases that have terms of 12 months or less.

Supplemental cash flow information related to leases was as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 54,435	\$ 52,120
Operating cash flows from finance leases	\$ 435	\$ 438
Finance cash flows from finance leases	\$ (2,888)	\$ (3,028)
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 22,114	\$ 9,248
Finance leases	\$ 10	\$ 3,785
Right-of-use assets recognized at January 1, 2020, upon adoption of ASU No. 2016-02		\$ 169,113

Notes to Consolidated Financial Statements – Continued

Supplemental balance sheet information related to leases was as follows (in thousands):

	December 31, 2021		December 31, 2020	
Operating Leases:				
Operating right-of-use assets	\$	178,729	\$	168,055
Current portion of lease obligations	\$	40,456	\$	34,487
Operating lease obligations		147,848		142,345
Total operating lease liabilities	\$	188,304	\$	176,832
Finance Leases:				
Finance right-of-use assets	\$	7,760	\$	6,998
Accumulated amortization		(3,637)		(1,414)
Finance right-of-use assets, net	\$	4,123	\$	5,584
Current portion of lease obligations	\$	2,393	\$	2,170
Finance lease obligations		2,343		4,401
Total finance lease liabilities	\$	4,736	\$	6,571
Weighted Average Remaining Lease Term (in years):				
Operating leases		5.89		6.36
Finance leases		2.07		2.99
Weighted Average Discount Rate:				
Operating leases		6.69%		7.16%
Finance leases		7.19%		7.31%

Future commitments as of December 31, 2021 for lease liabilities related to premises, equipment and other recurring commitments are as follows (in thousands):

Year Ending December 31,	Maturities of Lease Liabilities		
	Operating Leases	Finance Leases	Total
2022	\$ 51,441	\$ 2,641	\$ 54,082
2023	42,792	1,898	44,690
2024	36,219	543	36,762
2025	30,113	—	30,113
2026	20,808	—	20,808
Thereafter	48,026	—	48,026
Total lease payments	\$ 229,399	\$ 5,082	\$ 234,481
Less: Amount representing interest	(41,095)	(346)	(41,441)
Total	188,304	4,736	193,040
Less: Short-term lease obligation payments	(40,456)	(2,393)	(42,849)
Total long-term lease obligations	\$ 147,848	\$ 2,343	\$ 150,191

8. Goodwill and Intangible Assets, net

The Company's intangible assets include goodwill and other intangibles, which include the fair value of both the customer relationships and trade names. The Company's indefinite-lived intangibles include goodwill, trade names and licenses. Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company evaluates indefinite-lived intangible assets, including goodwill, for impairment at least on an annual basis and more frequently if certain indicators are encountered. Goodwill is tested at the reporting unit level, defined as an operating segment or one level below an operating segment (referred to as a component), with the fair value of the reporting unit being compared to

Notes to Consolidated Financial Statements – Continued

its carrying amount. The Company consists of one reporting unit. If the fair value of a reporting unit exceeds its carrying amount, the goodwill associated with the reporting unit is not considered to be impaired.

The Company completed its annual impairment test as of October 1, 2021, using a qualitative assessment and determined that its indefinite-lived intangibles were not impaired. The Company's finite-lived intangibles include its customer relationships and testing for impairment is performed whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company's policy is to recognize an impairment change when the carrying amount is not recoverable and such amount exceeds fair value. During the years ended December 31, 2021, 2020 and 2019, there were no events or circumstances that indicated a potential impairment in the Company's finite-lived intangibles.

The following table presents changes in the carrying amount of goodwill during the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	\$ 813,892	\$ 803,347
Measurement period adjustments	(6,402)	(153)
New acquisitions	32,485	10,698
Balance at end of period	\$ 839,975	\$ 813,892

Intangible assets consist primarily of customer relationships, non-amortizing trade names and certain non-amortizable licenses. The table below illustrates the useful lives of each class of intangible assets and the remaining weighted average amortization period.

Amortizable Intangibles Assets	Estimated Useful Life	Weighted Average Amortization Period
Customer relationships	20 years	16 years

The Company's intangible assets, net, as of December 31, 2021 and 2020 are as follows (in thousands):

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:						
Customer relationships	\$ 775,041	\$ (138,474)	\$ 636,567	\$ 729,832	\$ (100,793)	\$ 629,039
Total amortizing intangible assets	775,041	(138,474)	636,567	729,832	(100,793)	629,039
Non-amortizable intangible assets						
Licenses	18,400	—	18,400	18,400	—	18,400
Trade names	326,000	—	326,000	326,000	—	326,000
Total non-amortizing intangible assets	344,400	—	344,400	344,400	—	344,400
Total intangibles, net	\$ 1,119,441	\$ (138,474)	\$ 980,967	\$ 1,074,232	\$ (100,793)	\$ 973,439

Notes to Consolidated Financial Statements – Continued

The following table shows the expected amortization of long-lived intangible assets for each of the years ending December 31 (in thousands):

2022	\$ 38,760
2023	38,760
2024	38,760
2025	38,760
2026	38,760
Thereafter	442,767
	<u>\$ 636,567</u>

Amortization expense was \$37.7 million, \$36.7 million and \$36.4 million for the years ended December 31, 2021, 2020 and 2019, respectively.

9. Other Accrued Liabilities

Accrued liabilities were as follows as of December 31, 2021 and 2020 (in thousands):

	December 31, 2021	December 31, 2020
Insurance reserves	\$ 81,395	\$ 71,035
Deferred revenue	29,317	27,915
Patient refunds	21,977	18,282
Accrued legal fees and settlements	3,891	2,807
Other	96,265	63,719
Total other accrued liabilities	<u>\$ 232,845</u>	<u>\$ 183,758</u>

10. Income Taxes

The components of income tax expense (benefit) were as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Current:			
Federal	\$ 17,820	\$ 1,091	\$ (1,727)
State	7,649	6,449	2,293
Total current	<u>25,469</u>	<u>7,540</u>	<u>566</u>
Deferred:			
Federal	12,925	22,403	26,816
State	7,154	4,191	4,765
Total deferred	<u>20,079</u>	<u>26,594</u>	<u>31,581</u>
Total tax expense (benefit):			
Federal	30,745	23,494	25,089
State	14,803	10,640	7,058
Income tax expense (benefit)	<u>\$ 45,548</u>	<u>\$ 34,134</u>	<u>\$ 32,147</u>

Notes to Consolidated Financial Statements – Continued

A reconciliation of the provision for income taxes at the federal statutory rate of 21% compared to the effective tax rate is as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Income tax expense (benefit) at the statutory rate	\$ 32,481	\$ 22,375	\$ 29,963
Increase (decrease) in income taxes resulting from:			
State taxes, net of federal	11,315	9,372	4,813
Political expenses	133	241	114
Valuation allowance	1,840	848	3,170
Unrecognized tax benefits	624	1,541	(3,857)
Tax credits	(2,715)	(2,694)	(2,413)
Other	1,870	2,451	357
Income tax expense (benefit)	<u>\$ 45,548</u>	<u>\$ 34,134</u>	<u>\$ 32,147</u>

Deferred income taxes reflect the impact of temporary differences between the reported amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Significant components of the Company's deferred taxes were as follows at December 31, 2021 and 2020 (in thousands):

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Accounts receivable	\$ 8,135	\$ 4,990
Accrued liabilities	21,853	23,855
Lease Obligations	47,538	44,941
Operating loss and credit carryforwards	11,752	11,652
Insurance and other long-term liabilities	12,703	11,816
Deferred tax assets	101,981	97,254
Valuation allowances	(10,664)	(8,783)
Total deferred tax assets	<u>91,317</u>	<u>88,471</u>
Deferred tax liabilities:		
Intangible assets	(82,020)	(58,839)
Property and equipment	(54,820)	(57,600)
Right-of-use assets	(44,962)	(42,593)
Attribute reduction	(32,606)	(32,787)
Total deferred tax liabilities	<u>(214,408)</u>	<u>(191,819)</u>
Net deferred income taxes	<u>\$ (123,091)</u>	<u>\$ (103,348)</u>

On March 27, 2020, the CARES Act was enacted. It includes temporary changes to existing U.S. corporate income tax laws that impact the Company, most notably the ability to offset 100% of taxable income with net operating loss carryforwards.

As of December 31, 2021, the Company has federal net operating loss carryforwards of \$28.3 million with an indefinite carryforward period. The Company has state and local net operating loss carryforwards of \$106.7 million, of which \$41.9 million may expire in the years 2029-2041. A valuation allowance is established when it is more likely than not that all, or a portion, of net deferred tax assets will not be realized. Based on review of available evidence, the Company has determined that it is more likely than not that certain deferred tax assets may not be realized. The increase in valuation allowance of \$1.8 million is primarily attributable to net operating loss carryforwards.

Notes to Consolidated Financial Statements – Continued

The Company operates in multiple taxing jurisdictions and in the normal course of business is examined by federal and state tax authorities. The Company considers many factors and uses judgment in estimating and assessing the impact of uncertain tax positions. Final audit results may vary from the Company's estimates. In nearly all jurisdictions, the tax years prior to 2017 are no longer subject to examination.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Balance at beginning of period	\$ 1,598	\$ —
Additions for tax positions for current year	385	327
Additions for tax positions of prior years	234	1,271
Reductions for tax positions of prior years	(10)	—
Reductions for tax positions due to lapse of statute of limitations	—	—
Balance at end of period	\$ 2,207	\$ 1,598

As of December 31, 2021, the Company has \$2.2 million of unrecognized tax benefits of which \$2.1 million would affect the effective tax rate, if recognized. The Company does not expect the total amount of unrecognized tax benefits to significantly change within the next twelve months.

The Company recognized \$0.1 million and zero, within income tax expense in the consolidated statements of operations related to interest and penalties for the years ended December 31, 2021 and 2020, respectively. The Company recognized a \$0.5 million reduction of the interest and penalties previously recognized during the year ended December 31, 2019. There are \$0.1 million and no amounts of interest and penalty obligations recognized within other long-term liabilities in the consolidated balance sheets as of December 31, 2021 and 2020, respectively.

11. Insurance

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 a wholly-owned off-shore captive insurance program, GMR Insurance Services, Ltd. ("GMRIS"). In those instances where the Company has obtained third party insurance coverage, the Company normally retains liability for the first \$1 to \$3 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 December 31, 2021.

The Company establishes reserves for claims based upon an assessment of claims reported and claims incurred but not reported. The reserves are established based on 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 health care costs and property damage repairs. Provisions for insurance expense included in the statement of operations include annual provisions determined in consultation with third-party actuaries and premiums paid to third party insurers.

Notes to Consolidated Financial Statements – Continued

The table below summarizes the non-health and welfare insurance reserves included in the accompanying balance sheets (in thousands):

	December 31, 2021			December 31, 2020		
	Accrued Liabilities	Insurance Reserves	Total Liabilities	Accrued Liabilities	Insurance Reserves	Total Liabilities
Automobile	\$ 30,343	\$ 70,715	\$ 101,058	\$ 26,772	\$ 58,401	\$ 85,173
Workers' compensation	32,198	87,451	119,649	29,677	63,338	93,015
General/ Professional liability	18,854	36,663	55,517	14,586	37,554	52,140
	<u>\$ 81,395</u>	<u>\$ 194,829</u>	<u>\$ 276,224</u>	<u>\$ 71,035</u>	<u>\$ 159,293</u>	<u>\$ 230,328</u>

12. Other Comprehensive Income (Loss)

The following table presents the tax effect on each component of "Other comprehensive income (loss)" for the years ended December 31, 2021 and 2020 (in thousands):

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
Unrealized holding gains (losses) on investments	\$ (4,698)	\$ 1,042	\$ (3,656)	\$ 3,383	\$ (752)	\$ 2,631
Defined benefit pension plan net gains (loss)	2,840	(697)	2,143	(7,062)	1,725	(5,337)
Other comprehensive income (loss)	<u>\$ (1,858)</u>	<u>\$ 345</u>	<u>\$ (1,513)</u>	<u>\$ (3,679)</u>	<u>\$ 973</u>	<u>\$ (2,706)</u>

The "Accumulated other comprehensive income (loss)" is detailed in the following table, net of tax (in thousands):

Accumulated Other Comprehensive Income (Loss)	Unrealized holding gains (losses) on investments	Defined benefit pension plan net gains (loss)	Total
Balance at December 31, 2018	\$ (870)	\$ 4,954	\$ 4,084
Reclassification adjustment for losses on marketable equity securities	801	—	801
Other comprehensive income (loss) before reclassification	2,391	(2,465)	(74)
Amounts reclassified from accumulated other comprehensive income (loss)	93	619	712
Balance at December 31, 2019	\$ 2,415	\$ 3,108	\$ 5,523
Other comprehensive income (loss) before reclassification	2,432	(5,337)	(2,905)
Amounts reclassified from accumulated other comprehensive income (loss)	199	—	199
Balance at December 31, 2020	\$ 5,046	\$ (2,229)	\$ 2,817
Other comprehensive income (loss) before reclassification	(5,806)	2,143	(3,663)
Amounts reclassified from accumulated other comprehensive income (loss)	2,150	—	2,150
Balance at December 31, 2020	<u>\$ 1,390</u>	<u>\$ (86)</u>	<u>\$ 1,304</u>

Notes to Consolidated Financial Statements – Continued

13. Retirement Plans and Employee Benefits

Rural/ Metro Pension Plan

As part of the Company's acquisition of Rural/ Metro on October 28, 2015, the Company acquired a defined benefit pension plan (the "Pension Plan") that covers eligible employees of one of Rural/ Metro's subsidiaries, primarily those covered by collective bargaining arrangements. Eligibility is achieved upon the completion of one year of service. Participants become fully vested in their accrued benefit after the completion of five years of service.

The Pension Plan was amended on April 8, 2016 (the "curtailment date"), whereby the Pension Plan became frozen for all participants as of June 30, 2016. As part of the freezing of the Pension Plan, no new benefits accrue, no hours of service earned after the freeze date will count in determining a participant's credited service, and no earnings earned after the freeze date are counted in determining a participant's average annual earnings. In November 2019, the plan offered lump sum settlements to certain participants, resulting in the settlement of approximately \$10.9 million of accumulated benefit obligations and a \$0.6 million realized gain was recorded for the year ended December 31, 2019, presented within the "Other income (loss)" caption on the consolidated statements of operations. Benefits expense under this plan was approximately \$0.3 million, \$0.3 million and \$0.5 million for the years ended December 31, 2021, 2020 and 2019, respectively. The net accrued benefits liability under this plan totaled \$14.0 million and \$16.6 million at December 31, 2021 and 2020, respectively, presented within the "Other long-term liabilities" caption on the consolidated balance sheets.

The Company's general funding policy is to make annual contributions to the Pension Plan as required by the Employee Retirement Income Security Act. No contributions were made during 2021 or 2020.

Other Postemployment Benefits

The Company participates in a 401(k) plan maintained by the Parent, for its employees and employees of certain subsidiaries who meet the eligibility requirements set forth in the plan. Employees may contribute a maximum of 80% of their gross pay each year up to the annual limit established by the Internal Revenue Service (\$19,500 for 2021 and 2020). The Company's match is 50% of contributions up to 8% of eligible compensation.

The Company's contributions to the plan were \$28.5 million, \$24.8 million and \$21.7 million for the years ended December 31, 2021, 2020 and 2019, respectively. Contributions are included in salaries and benefits in the accompanying consolidated statement of operations.

Collective Bargaining Agreements

Approximately 36% of AMR employees are represented by 71 active collective bargaining agreements. There are seven operational locations representing approximately 1,000 employees currently in the process of negotiations. In 2022, 21 collective bargaining agreements, representing approximately 5,800 employees will be subject to negotiation. While the Company believes it maintains a good working relationship with its employees, the Company has experienced some union work actions. The Company does not expect these actions to have a material adverse effect on its ability to provide service to its patients and communities.

14. Commitments and Contingencies

Lease Commitments

As discussed in Note 7, the Company leases various facilities and equipment under operating lease agreements. On January 1, 2020, the Company adopted ASU No. 2016-02. Upon adoption, we recognized right of use assets and lease liabilities for the majority of our operating leases. Prior to the adoption of ASU No. 2016-02, the Company recorded certain other assets, including leasehold improvements and vehicles, under capital leases. Capital-leased assets were capitalized using

Notes to Consolidated Financial Statements – Continued

implicit interest rates at the inception of the lease and were amortized over the lesser of the contractual lease term or the useful life of the leased asset. Capital leases were collateralized by the underlying assets.

Rent expense for operating leases totaled \$60.3 million for the year ended December 31, 2019. Rent expense is included in the “Other operating expenses” caption on the consolidated statements of operations.

Principal payments for capital lease obligations totaled \$0.2 million for the year ended December 31, 2019.

Interest payments related to capital lease obligations totaled \$0.5 million for the year ended December 31, 2019. These interest payments are included in the “Interest expense, net” caption on the consolidated statements of operations.

Refer to Note 7 for further information on the impact on the adoption ASU No. 2016-02 on the Company’s consolidated financial statements for the years ended December 31, 2021 and 2020.

Guarantee of Parent Company Debt and Letters of Credit

Parent company debt of \$5.4 billion is partially guaranteed by the assets and working capital, respectively, of AMR on a full and unconditional and joint and several basis, with limited exceptions considered customary for such guarantees, including the release of the guarantee upon the sale of AMR’s assets.

Parent company secured letters of credit outstanding on behalf of AMR as of December 31, 2021 were \$141.9 million. Customary letter of credit fees comprise the majority of interest expense reported in the consolidated statements of operations.

Other Legal Matters

In March 2017, Rural Metro of Florida received a Civil Investigative Demand from the U.S. Attorney Office for the Middle District of Florida (DOJ) requesting documentary materials and written interrogatories related to the Rural Metro of Florida’s provision of services to a number of Medicare beneficiaries. The government contended that it had certain civil claims against Rural Metro of Florida arising from the submission of claims for basic life support, non-emergency services, which the government contended lacked medical necessity or were improperly documented. This matter was settled in February 2021 for \$0.7 million.

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.

15. COVID-19

The continued spread of COVID-19 in the areas in which we operate could adversely affect our business. The transport and treatment of highly contagious COVID patients in our aircraft or ground ambulance units or the exposure of our employees during the normal course of their personal and professional lives may result in a temporary shutdown of portions of operations, the diversion of patients, quarantine of staff, or staffing shortages. There may also be disruptions or delays in production and delivery of materials and products in the supply chain. The current corona virus outbreak, or any actions governmental authorities take in connection with COVID-19 may result in a decrease in demand for our services and could adversely impact our business. The potential impact of the outbreak with respect to our markets or our business is difficult to predict.

16. Subsequent Events

The Company has evaluated new information and events through April 29, 2022, which is the date these consolidated financial statements were available to be issued, to determine the need to either update these consolidated financial

Notes to Consolidated Financial Statements – Continued

statements or to provide additional disclosures about those events. No additional disclosures were deemed necessary by the Company.