UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2010

Or

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

For the transition period from to

Commission file numbers:

001-32701

333-127115

EMERGENCY MEDICAL SERVICES CORPORATION

EMERGENCY MEDICAL SERVICES L.P.

(Exact name of Registrants as Specified in their Charters)

Delaware (State or other jurisdiction of incorporation or organization)	**20-3738384** **20-2076535** (IRS Employer Identification Numbers)
6200 S. Syracuse Way, Suite 200 **Greenwood Village, CO** (Address of principal executive offices)	**80111** (Zip Code)

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

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

Not applicable

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

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Shares of class A common stock outstanding at July 30, 2010 30,265,888; shares of class B common stock outstanding at July 30, 2010 65,052; LP exchangeable units outstanding at July 30, 2010 13,724,676.

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EMERGENCY MEDICAL SERVICES CORPORATION

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ON FORM 10-Q

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2010

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EMERGENCY MEDICAL SERVICES CORPORATION

PART I. FINANCIAL INFORMATION

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2010

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Emergency Medical Services Corporation

Consolidated Statements of Operations and Comprehensive Income

(unaudited; in thousands, except share and per share data)

	Quarter ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net revenue	$ 708,804	$ 637,291	$ 1,388,158	$ 1,250,313
Compensation and benefits	496,443	438,628	976,760	865,162
Operating expenses	90,586	82,173	177,115	166,845
Insurance expense	25,942	28,357	48,012	50,861
Selling, general and administrative expenses	18,298	16,279	35,156	31,315
Depreciation and amortization expense	15,692	16,157	31,872	32,925
Income from operations	61,843	55,697	119,243	103,205
Interest income from restricted assets	859	1,120	1,714	2,386
Interest expense	(5,060)	(10,279)	(13,326)	(20,469)
Realized gain on investments	57	847	149	1,486
Interest and other income	206	423	471	940
Loss on early debt extinguishment	(19,091)		(19,091)	
Income before income taxes and equity in earnings of unconsolidated subsidiary	38,814	47,808	89,160	87,548
Income tax expense	(14,955)	(18,885)	(34,365)	(34,611)
Income before equity in earnings of unconsolidated subsidiary	23,859	28,923	54,795	52,937
Equity in earnings of unconsolidated subsidiary	105	96	199	153
Net income	23,964	29,019	54,994	53,090
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) during the period	1,101	(1,377)	1,543	(2,534)
Unrealized gains (losses) on derivative financial instruments	(563)	916	(85)	1,267
Comprehensive income	$ 24,502	$ 28,558	$ 56,452	$ 51,823
Basic earnings per common share	$ 0.54	$ 0.69	$ 1.26	$ 1.26
Diluted earnings per common share	$ 0.54	$ 0.67	$ 1.23	$ 1.23
Weighted average common shares outstanding, basic	44,011,821	42,354,667	43,792,979	42,140,632

Weighted average common shares outstanding, diluted	44,703,834	43,334,340	44,620,562	43,215,657

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

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Emergency Medical Services Corporation

Consolidated Balance Sheets

(in thousands, except share and per share data)

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 313,033	$ 332,888
Insurance collateral	30,936	24,986
Trade and other accounts receivable, net	483,597	459,088
Parts and supplies inventory	22,392	22,270
Prepaids and other current assets	32,578	19,662
Current deferred tax assets		6,323
Total current assets	882,536	865,217
Non-current assets:		
Property, plant and equipment, net	121,324	125,855
Intangible assets, net	144,567	102,654
Non-current deferred tax assets	5,827	13,468
Insurance collateral	144,740	143,886
Goodwill	386,500	381,951
Other long-term assets	19,301	21,676
Total assets	$ 1,704,795	$ 1,654,707
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 66,832	$ 70,759
Accrued liabilities	267,585	273,704
Current deferred tax liability	11,494	
Current portion of long-term debt	11,848	4,676
Total current liabilities	357,759	349,139
Long-term debt	415,687	449,254
Insurance reserves and other long-term liabilities	166,574	170,227
Total liabilities	940,020	968,620
Equity:		
Preferred stock ($0.01 par value; 20,000,000 shares authorized, 0 issued and outstanding)		
Class A common stock ($0.01 par value; 100,000,000 shares authorized, 30,285,248 and 29,541,411 issued and outstanding in 2010 and 2009, respectively)	303	295
Class B common stock ($0.01 par value; 40,000,000 shares authorized, 65,052 issued and outstanding in 2010 and 2009)	1	1
Class B special voting stock ($0.01 par value; 1 share authorized, issued and outstanding in 2010 and 2009)		
LP exchangeable units (13,724,676 units issued and outstanding in 2010 and 2009)	90,776	90,776
Additional paid-in capital	297,544	275,316
Retained earnings	374,036	319,042
Accumulated other comprehensive income	2,115	657
Total equity	764,775	686,087
Total liabilities and equity	$ 1,704,795	$ 1,654,707

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

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Emergency Medical Services Corporation

Consolidated Statements of Cash Flows

(unaudited; in thousands)

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Cash Flows from Operating Activities				
Net income	$ 23,964	$ 29,019	$ 54,994	$ 53,090
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	16,321	16,661	33,008	33,741
Loss on disposal of property, plant and equipment	45	38	89	36
Equity-based compensation expense	1,441	1,104	2,545	1,754
Excess tax benefits from stock-based compensation	(2,917)		(13,498)	
Loss on early debt extinguishment	19,091		19,091	
Equity in earnings of unconsolidated subsidiary	(105)	(96)	(199)	(153)
Dividends received			403	713
Deferred income taxes	973	17,333	840	31,928
Changes in operating assets/liabilities, net of acquisitions:				
Trade and other accounts receivable	(21,750)	3,499	(19,559)	874
Parts and supplies inventory	75	(87)	(87)	(107)
Prepaids and other current assets	(8,828)	12,530	(12,216)	4,690
Accounts payable and accrued liabilities	7,093	20,120	13,099	11,620
Insurance accruals	4,754	(1,124)	6,232	2,753
Net cash provided by operating activities	40,157	98,997	84,742	140,939
Cash Flows from Investing Activities				
Purchases of property, plant and equipment	(8,652)	(12,878)	(15,168)	(20,085)
Proceeds from sale of property, plant and equipment	66	39	108	60
Acquisition of businesses, net of cash received	(47,675)	(133)	(50,975)	(133)
Net change in insurance collateral	(7,627)	(15,243)	(5,261)	(1,933)
Other investing activities	10,648	27	10,938	(643)
Net cash used in investing activities	(53,240)	(28,188)	(60,358)	(22,734)
Cash Flows from Financing Activities				
EMSC issuance of class A common stock	1,791	3,825	6,193	4,723
Repayments of capital lease obligations and other debt	(451,443)	(1,453)	(452,627)	(2,612)
Borrowings under credit facility	425,000		425,000	
Debt issue costs	(11,749)		(11,749)	
Payment for premiums for debt extinguishment	(14,513)		(14,513)	
Excess tax benefits from stock-based compensation	2,917		13,498	
Net change in bank overdrafts	(6,942)	(190)	(10,041)	650
Net cash (used in) provided by financing activities	(54,939)	2,182	(44,239)	2,761
Change in cash and cash equivalents	(68,022)	72,991	(19,855)	120,966
Cash and cash equivalents, beginning of period	381,055	194,148	332,888	146,173
Cash and cash equivalents, end of period	$ 313,033	$ 267,139	$ 313,033	$ 267,139

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

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Emergency Medical Services Corporation

Notes to Unaudited Consolidated Financial Statements

(in thousands, except share and per share data)

1. General

Basis of Presentation of Financial Statements

The accompanying interim consolidated financial statements for Emergency Medical Services Corporation (EMSC or the Company) have been prepared in accordance with U. S. generally accepted accounting principles (GAAP) for interim reporting, and accordingly, do not include all of the disclosures required for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. All such adjustments are of a normal, recurring nature. Operating results for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2010. For further information, see the Company s consolidated financial statements, including the accounting policies and notes thereto, included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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

The Company is party to a management agreement with a wholly-owned subsidiary of Onex Corporation, the Company s principal equityholder. In exchange for an annual management fee of $1.0 million, the Onex subsidiary provides the Company with corporate finance and strategic planning consulting services. For each of the three and six months ended June 30, 2010 and 2009, the Company expensed $250 and $500, respectively, in respect of this fee.

2. Summary of Significant Accounting Policies

Consolidation

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

Use of Estimates

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

Insurance

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

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

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claims from unknown incidents that may be asserted arising from activities through the balance sheet date.

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

The Company s most recent actuarial valuation was completed in June 2010. As a result of this and previous actuarial valuations, the Company recorded an increase of $1.5 million in its provision for insurance liabilities related to reserves for losses in prior years during the three months ended June 30, 2010. A total decrease of $1.3 million was recorded during the six months ended June 30, 2010. As a result of the actuarial valuation completed in June 2009, the Company recorded an increase in its provision for insurance liabilities of $4.4 million during the three months ended June 30, 2009 and $5.2 million during the six months ended June 30, 2009.

The long-term portion of insurance reserves was $156.1 million and $143.6 million as of June 30, 2010 and December 31, 2009, respectively.

Trade and Other Accounts Receivable, net

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

	June 30, 2010	December 31, 2009
Gross trade accounts receivable	$ 2,050,884	$ 1,955,152
Allowance for contractual discounts	1,058,380	1,001,285
Allowance for uncompensated care	590,954	572,015
Net trade accounts receivable	401,550	381,852
Other receivables, net	82,047	77,236
Net accounts receivable	$ 483,597	$ 459,088

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

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

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

Revenue Recognition

Revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Provisions for estimated contractual discounts are related principally to differences between gross charges and specific payor, including governmental, reimbursement schedules. Provisions for estimated uncompensated care are related principally to the number of self-pay patients treated in the period. Provisions for contractual discounts and estimated uncompensated care as a

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percentage of gross revenue and as a percentage of gross revenue less provision for contractual discounts are as follows:

	Quarter ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Gross revenue	100.0%	100.0%	100.0%	100.0%
Provision for contractual discounts	53.1%	49.4%	52.6%	48.7%
Revenue net of contractual discounts	46.9%	50.6%	47.4%	51.3%
Provision for uncompensated care as a percentage of gross revenue	18.3%	20.4%	18.5%	20.0%
Provision for uncompensated care as a percentage of gross revenue less contractual discounts	39.0%	40.2%	39.1%	39.0%

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing their efforts to control expenditures for healthcare, including proposals to revise reimbursement policies. The Company has from time to time experienced delays in reimbursement from third-party payors. In addition, third-party payors may disallow, in whole or in part, claims for reimbursement based on determinations that certain amounts are not reimbursable under plan coverage, determinations of medical necessity, or the need for additional information. Laws and regulations governing the Medicare and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an estimated basis in the period which related services are rendered. As a result, there is a reasonable possibility that recorded estimates will change materially in the short-term. Such amounts, including adjustments between provisions for contractual discounts and uncompensated care, are adjusted in future periods, as adjustments become known. These adjustments were less than 1% of net revenue for the three and six month periods ending June 30, 2010 and 2009.

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

Equity Structure

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

As of June 30, 2010, the Company holds 68.9% of the equity interests in EMS LP. LP exchangeable units, held by persons affiliated with the Company s principal equity holder, represent the balance of the EMS LP equity. The LP exchangeable units are exchangeable at any time, at the option of the holder, for shares of the Company s class B common stock on a one-for-one basis. The holders of the LP exchangeable units have the right to vote, through the trustee holder of the Company s class B special voting stock, at all stockholder meetings at which holders of the Company s class B common stock or class B special voting stock are entitled to vote.

In the EMS LP partnership agreement, the Company has agreed to maintain the economic equivalency of the LP exchangeable units and the class B common stock, and the holders of the LP exchangeable units have no general voting rights. The LP exchangeable units, when considered with the class B special voting stock, have the same rights, privileges and characteristics of the Company s class B common stock. The LP exchangeable units are intended to be economically equivalent to the class B common stock of the Company in that the LP exchangeable units carry the right to vote (by virtue of the class B special voting stock) with the holders of class B common stock as if one class, and entitle holders to receive distributions only if the equivalent dividends are declared on the Company s class B common stock. Accordingly, the Company accounts for the LP exchangeable units as if the LP

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exchangeable units were shares of its common stock, including reporting the LP exchangeable units in the equity section of the Company s balance sheet and including the number of outstanding LP exchangeable units in both its basic and diluted earnings per share calculations.

Fair Value Measurement

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.

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

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

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

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

The following table summarizes the valuation of EMSC s financial instruments as of June 30, 2010 by the above fair value hierarchy levels:

Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Securities	$ 81,753	$ 67,827	$ 13,926	$
Derivatives	$ 35	$	$ 35	$

3. Acquisitions

During the three months ended March 31, 2010, the Company made a purchase price allocation adjustment related to the acquisition of the management services entity of Pinnacle Anesthesia Consultants, P.A. and Pinnacle Consultants Mid-Atlantic, L.L.C. (together, the Pinnacle

Acquisition) which closed in December 2009. Based on an independent valuation analysis performed, $31.1 million was reclassified from goodwill to intangible assets, and, as a result, an adjustment was also made to amortization expense.

On May 28, 2010, the Company completed the acquisition of V.I.P. Professional Services, Inc., the parent of Gold Coast Ambulance Service, which provides emergency and non-emergency ambulance services in southwest Ventura County, California. On June 4, 2010, an affiliate of the Company completed the acquisition of professional entities which provide anesthesiology services for Clinical Partners Management Company, an existing subsidiary of the Company. On June 30, 2010, the Company completed its acquisition of Affilion, Inc., which provides emergency department physician staffing and related management services to hospitals in Arizona, New Mexico and Texas. Also on June 30, 2010, an affiliate of the Company completed its acquisition of Fredericksburg Anesthesia Consultants, PLLC, a provider of anesthesia services to facilities in south Texas. The total cost of these and other smaller acquisitions was $51.0 million and the Company has recorded $35.0 million of goodwill, which amount is subject to adjustment based upon completion of purchase price allocations.

4. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2010 and December 31, 2009:

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		June 30, 2010		December 31, 2009
Accrued wages and benefits	$	114,760	$	92,721
Accrued paid time-off		27,321		24,290
Current portion of self-insurance reserves		56,542		62,832
Accrued restructuring		171		181
Current portion of compliance and legal		5,758		2,814
Accrued billing and collection fees		4,168		4,093
Accrued profit sharing		18,093		34,000
Accrued interest		1,090		9,773
Accrued income taxes payable				5,454
Other		39,682		37,546
Total accrued liabilities	$	267,585	$	273,704

5. Long-Term Debt

On April 8, 2010, the Company completed the financing of new senior secured credit facilities consisting of a $425 million term loan and a $150 million revolving credit facility. The term loan bears interest at LIBOR, plus a margin of 3.00%, and requires quarterly principal repayments until maturity in 2015. The revolving facility bears interest at LIBOR, plus a margin of 3.00%, and is repayable at maturity in 2015. The senior secured credit facilities can be expanded and the interest rate margins stepped down to 2.75% upon achieving certain leverage ratios. Substantially all of EMS LP s domestic assets are pledged as collateral under the new senior secured credit facilities. The revolving facility is also subject to an annual commitment fee of 0.5% on unutilized commitments.

In conjunction with completing the financing under the new credit facilities, the Company repaid the balance outstanding on the previous senior secured term loan and redeemed the Company s 10% senior subordinated notes. During the three months ended June 30, 2010, the Company recorded a loss on early debt extinguishment of $19.1 million which included certain unamortized debt issuance costs as well as costs associated with the redemption of the senior subordinated notes.

Long-term debt consisted of the following at June 30, 2010 and December 31, 2009:

		June 30, 2010		December 31, 2009
Senior subordinated notes	$		$	250,000
Senior secured term loan due 2015 (3.35% at June 30, 2010)		425,000		199,765
Notes due at various dates from 2010 to 2022 with interest rates from 6% to 10%		1,696		1,249
Capital lease obligations due at various dates from 2010 to 2018 (see note 7)		839		2,916
		427,535		453,930
Less current portion		(11,848)		(4,676)
Total long-term debt	$	415,687	$	449,254

6. Derivative Instruments and Hedging Activities

The Company manages its exposure to changes in market interest rates and fuel prices and from time to time uses highly effective derivative instruments to manage well-defined risk exposures. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate non-performance by the counterparties. The Company does not use derivative instruments for speculative purposes.

At June 30, 2010, the Company was party to a series of fuel hedge transactions with a major financial institution under one master agreement. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from $2.96 to $3.29 per gallon. The Company purchases the diesel fuel at the market rate and periodically settles with its counterparty for the difference between the national average price for the period published by the Department of Energy and the agreed upon fixed price. The transactions fix the price for a total of 6.8 million gallons, which

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represent approximately 32% of the Company s total estimated usage over the hedge period, and are spread over periods from July 2010 through June 2012. As of June 30, 2010, the Company recorded, as a component of other comprehensive income before applicable tax impacts, an asset associated with the fair value of the fuel hedge of less than $0.1 million, compared to $0.2 million as of December 31, 2009. The net additional payments made or received under these hedge agreements did not have a material impact on operating expenses during the six months ended June 30, 2010.

7. Commitments and Contingencies

Lease Commitments

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

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

Forward Purchase Commitment

Beginning in March 2009, AMR entered into a series of forward purchase contracts which fixed the price for a portion of its total monthly diesel fuel usage from April 1, 2009 through June 30, 2010. Based on the terms of the contracts, the Company has concluded they do not quality as derivatives. There was no material impact to operating expenses related to these contracts during the three or six month periods ended June 30, 2010.

Services

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

Other Legal Matters

On December 13, 2005, a lawsuit purporting to be a class action was commenced against AMR in Spokane, Washington in Washington State Court, Spokane County. The complaint alleges that AMR billed patients and third party payors for transports it conducted between 1998 and 2005 at higher rates than contractually permitted. The court has certified a class in this case which is comprised of approximately 15,000 Spokane County residents. At this time, AMR does not believe that any incorrect billings are material in amount.

In December 2006, AMR received a subpoena from the Department of Justice (DOJ). The subpoena requested copies of documents for the period from January 2000 through the present. The subpoena required AMR to produce a broad range of documents relating to the operations of certain AMR affiliates in New York. The Company produced documents responsive to the subpoena. The government has identified claims for reimbursement that the government believes lack support for the level billed, and invited the Company to respond to the identified areas of concern. The Company reviewed the information provided by the government, provided its response, and is currently in discussions with the DOJ and the Office of the Inspector General of Health and Human Services regarding resolution of this matter. During the three months ended June 30, 2010, the Company recorded a $3.1 million reserve for its estimate of likely exposure in this matter.

Four different lawsuits purporting to be class actions have been filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Lori Bartoni commenced a suit in the Superior Court for the State of California, County of Alameda; on July 8, 2008, Vaughn Banta filed suit in the Superior Court of the State of California, County of Los Angeles; on January 22, 2009, Laura Karapetian filed suit in the Superior Court of the State of California, County of Los Angeles; and on March 11, 2010, Melanie Aguilar filed suit in the Superior Court of the State of California County of Los Angeles. The Banta and Karapetian cases have been

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coordinated with the Bartoni case in the Superior Court for the State of California, County of Alameda. At the present time, the courts have not certified classes in any of these cases. Plaintiffs allege principally that the AMR entities failed to pay daily overtime charges pursuant to California law, and failed to provide required meal breaks or pay premium compensation for missed meal breaks. Plaintiffs are seeking to certify the classes and are seeking lost wages, punitive damages, attorneys fees and other sanctions permitted under California law for violations of wage hour laws. The Company is unable at this time to estimate the amount of potential damages, if any.

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.

8. Equity Based Compensation

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

Equity Option Plan

Under the Company s Equity Option Plan, key employees were granted options that permit the individuals to purchase class A common shares and vest ratably generally over a period of four years. In addition, certain performance measures must be met for 50% of the options to become exercisable; these performance measures were satisfied during 2009 with respect to the options granted under the Equity Option Plan. As the vesting period for these options was completed prior to 2010, the Company did not record a compensation charge during each of the three and six months ended June 30, 2010 as well as during the three months ended June 30, 2009. A compensation charge of $97 was recorded for the six months ended June 30, 2009. Options are no longer granted under the Equity Option Plan, but rather under the Company s Second Amended and Restated Long-Term Incentive Plan described below.

Long-Term Incentive Plan

The Company s original 2007 Long-Term Incentive Plan was approved by stockholders in May 2007, amended and restated in May 2008, and a Second Amended and Restated Long-Term Incentive Plan (the Plan) was approved by stockholders in May 2010. The Plan provides for the grant of long-term incentives, including various equity-based incentives, to those persons with responsibility for the success and growth of the Company and its subsidiaries. Options granted under the Plan vest and become exercisable ratably over a period of four years from the date of grant and have a maximum term of ten years. In addition, for options granted under the Plan prior to January 1, 2009, certain performance measures were required to be met for 50% of these options to become exercisable; these performance measures were satisfied during the first quarter of 2010.

The Company granted options and restricted stock to key employees during the three months ended June 30, 2010 under the Plan. The options permit employees to purchase a total of 166,500 shares of class A common stock at a weighted average exercise price of $56.34 per share, vest ratably over a period of four to five years, and have a maximum term of ten years. The Company also granted 166,500 shares of restricted stock pursuant to the Plan, which vest ratably over a period of three years.

The Company recorded a compensation charge of $1,297 and $979 during the three months ended June 30, 2010 and 2009, respectively, and $2,276 and $1,407 during the six months ended June 30, 2010 and 2009, respectively, in connection with the Plan.

Non-Employee Director Compensation Plan

The Non-Employee Director Compensation Plan, approved in May 2007, is available to non-employee directors of the Company, other than the Chair of the Compliance Committee. Under this plan, eligible directors are granted Restricted Stock Units (RSUs) following each annual stockholder meeting with each RSU representing one share of the Company s class A common stock. As of May 2010, eligible directors now receive a grant of RSUs having a fair market value of $133 on the date of grant based on the closing price of the Company s class A common stock on the business day immediately preceding the grant date. The Non-Employee Director

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Compensation Plan allows directors to defer income from the grant of RSUs, which vest immediately prior to the election of directors at the next annual stockholder meeting. In connection with this plan, the Company granted 2,324 RSUs per director in 2010 and 3,018 RSUs per director in 2009. The Company expensed $144 and $125 during the three month periods ended June 30, 2010 and 2009, respectively, and $269 and $250 during the six month periods ended June 30, 2010 and 2009, respectively.

Stock Purchase Plan/Employee Stock Purchase Plan

During the second quarter of 2010, the Company commenced an offering of its class A common stock to eligible employees and independent contractors associated with the Company and its subsidiaries pursuant to a Stock Purchase Plan and the Company s Employee Stock Purchase Plan (together, the SPPs). The purchases of stock under the SPPs will occur in October 2010 at a 5% discount to the closing price of the Company s class A common stock on October 15, 2010, and as such no compensation charge has been recorded for the SPPs in the second quarter of 2010.

9. Segment Information

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

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

	Quarter ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Healthcare Transportation Services				
Net Revenue	$ 344,159	$ 335,504	$ 681,121	$ 671,950
Segment Adjusted EBITDA	31,760	32,425	64,162	66,313
Facility-Based Physician Services				
Net Revenue	$ 364,645	301,787	$ 707,037	578,363
Segment Adjusted EBITDA	46,634	40,549	88,667	72,203
Total				
Total Net Revenue	$ 708,804	637,291	$ 1,388,158	1,250,313
Total Adjusted EBITDA	78,394	72,974	152,829	138,516
Reconciliation of Adjusted EBITDA to Net Income				
Adjusted EBITDA	$ 78,394	$ 72,974	$ 152,829	$ 138,516

Depreciation and amortization expense	(15,692)	(16,157)	(31,872)	(32,925)
Interest expense	(5,060)	(10,279)	(13,326)	(20,469)
Realized gain on investments	57	847	149	1,486
Interest and other income	206	423	471	940
Loss on early debt extinguishment	(19,091)		(19,091)	
Income tax expense	(14,955)	(18,885)	(34,365)	(34,611)
Equity in earnings of unconsolidated subsidiary	105	96	199	153
Net income	$ 23,964	$ 29,019	$ 54,994	$ 53,090

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

	For the quarter ended June 30, 2010	For the quarter ended June 30, 2009	For the six months ended June 30, 2010	For the six months ended June 30, 2009
Adjusted EBITDA	$ 78,394	$ 72,974	$ 152,829	$ 138,516
Interest paid	(4,431)	(9,774)	(12,190)	(19,651)
Change in accounts receivable	(21,750)	3,499	(19,559)	874
Change in other operating assets/liabilities	3,094	31,439	7,028	18,956
Equity based compensation	1,441	1,104	2,545	1,754
Excess tax benefits from stock-based compensation	(2,917)		(13,498)	
Income tax expense, net of change in deferred taxes	(13,982)	(1,552)	(33,525)	(2,683)
Other	308	1,307	1,112	3,173
Cash flows provided by operating activities	$ 40,157	$ 98,997	$ 84,742	$ 140,939

10. Guarantors of Debt

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

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Consolidating Statement of Operations

For the quarter ended June 30, 2010

	EMSC	EMS LP	Issuer AMR HoldCo, Inc.	Issuer EmCare HoldCo, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Net revenue	$	$	$	$	$ 708,804	$ 18,863	$ (18,863)	$ 708,804
Compensation and benefits					496,443			496,443
Operating expenses					90,586			90,586
Insurance expense					25,370	19,435	(18,863)	25,942
Selling, general and administrative expenses					18,298			18,298
Depreciation and amortization expense					15,692			15,692
Income (loss) from operations					62,415	(572)		61,843
Interest income from restricted assets					344	515		859
Interest expense					(5,060)			(5,060)
Realized gain on investments						57		57
Interest and other income					206			206
Loss on early debt extinguishment					(19,091)			(19,091)
Income before income taxes					38,814			38,814
Income tax expense					(14,955)			(14,955)
Income before equity in earnings of unconsolidated subsidiaries					23,859			23,859
Equity in earnings of unconsolidated subsidiaries	23,964	23,964	3,235	20,729	105		(71,892)	105
Net income	$ 23,964	$ 23,964	$ 3,235	$ 20,729	$ 23,964	$	$ (71,892)	$ 23,964

Consolidating Statement of Operations

For the quarter ended June 30, 2009

	EMSC	EMS LP	Issuer AMR HoldCo, Inc.	Issuer EmCare HoldCo, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Net revenue	$	$	$	$	$ 637,291	$ 7,147	$ (7,147)	$ 637,291
Compensation and benefits					438,628			438,628
Operating expenses					82,173			82,173
Insurance expense					26,825	8,679	(7,147)	28,357
Selling, general and administrative expenses					16,279			16,279
Depreciation and amortization expense					16,157			16,157
Income (loss) from operations					57,229	(1,532)		55,697

Interest income from restricted assets					435	685		1,120
Interest expense					(10,279)			(10,279)
Realized gain on investments						847		847
Interest and other income					423			423
Income before income taxes					47,808			47,808
Income tax expense					(18,885)			(18,885)
Income before equity in earnings of unconsolidated subsidiaries					28,923			28,923
Equity in earnings of unconsolidated subsidiaries	29,019	29,019	8,591	20,428	96		(87,057)	96
Net income	$ 29,019	$ 29,019	$ 8,591	$ 20,428	$ 29,019	$	$ (87,057)	$ 29,019

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Consolidating Statement of Operations

For the six months ended June 30, 2010

	EMSC	EMS LP	Issuer AMR HoldCo, Inc.	Issuer EmCare HoldCo, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Net revenue	$	$	$	$	$ 1,388,158	$ 26,101	$ (26,101)	$ 1,388,158
Compensation and benefits					976,760			976,760
Operating expenses					177,115			177,115
Insurance expense					46,837	27,276	(26,101)	48,012
Selling, general and administrative expenses					35,156			35,156
Depreciation and amortization expense					31,872			31,872
Income (loss) from operations					120,418	(1,175)		119,243
Interest income from restricted assets					688	1,026		1,714
Interest expense					(13,326)			(13,326)
Realized gain on investments						149		149
Interest and other income					471			471
Loss on early extinguishment of debt					(19,091)			(19,091)
Income before income taxes					89,160			89,160
Income tax expense					(34,365)			(34,365)
Income before equity in earnings of unconsolidated subsidiaries					54,795			54,795
Equity in earnings of unconsolidated subsidiaries	54,994	54,994	13,521	41,473	199		(164,982)	199
Net income	$ 54,994	$ 54,994	$ 13,521	$ 41,473	$ 54,994	$	$ (164,982)	$ 54,994

Consolidating Statement of Operations

For the six months ended June 30, 2009

	EMSC	EMS LP	Issuer AMR HoldCo, Inc.	Issuer EmCare HoldCo, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Net revenue	$	$	$	$	$ 1,250,313	$ 14,030	$ (14,030)	$ 1,250,313
Compensation and benefits					865,162			865,162
Operating expenses					166,845			166,845
Insurance expense					47,979	16,912	(14,030)	50,861
Selling, general and administrative expenses					31,315			31,315
Depreciation and amortization expense					32,925			32,925
					106,087	(2,882)		103,205

Income (loss) from operations								
Interest income from restricted assets					990	1,396		2,386
Interest expense					(20,469)			(20,469)
Realized gain on investments						1,486		1,486
Interest and other income					940			940
Income before income taxes					87,548			87,548
Income tax expense					(34,611)			(34,611)
Income before equity in earnings of unconsolidated subsidiaries					52,937			52,937
Equity in earnings of unconsolidated subsidiaries	53,090	53,090	17,935	35,155	153		(159,270)	153
Net income	$ 53,090	$ 53,090	$ 17,935	$ 35,155	$ 53,090	$	$ (159,270)	$ 53,090

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Consolidating Balance Sheet

As of June 30, 2010

	EMSC	EMS LP	Issuer AMR HoldCo, Inc.	Issuer EmCare HoldCo, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Assets								
Current assets:								
Cash and cash equivalents	$	$	$	$	$ 297,207	$ 15,826	$	$ 313,033
Insurance collateral					9,600	89,010	(67,674)	30,936
Trade and other accounts receivable, net					483,144	453		483,597
Parts and supplies inventory					22,392			22,392
Prepaids and other current assets					28,705	490	3,383	32,578
Current deferred tax assets					(3,834)	3,834		
Current assets					837,214	109,613	(64,291)	882,536
Non-current assets:								
Property, plant, and equipment, net					121,324			121,324
Intercompany receivable			286,520	127,369			(413,889)	
Intangible assets, net					144,567			144,567
Non-current deferred tax assets					9,953	(6,120)	1,994	5,827
Insurance collateral					34,785	79,798	30,157	144,740
Goodwill					386,042	458		386,500
Other long-term assets			8,578	3,637	7,086			19,301
Investment and advances in subsidiaries	764,775	764,775	419,309	345,452	35,223		(2,329,534)	
Assets	$ 764,775	$ 764,775	$ 714,407	$ 476,458	$ 1,576,194	$ 183,749	$ (2,775,563)	$ 1,704,795
Liabilities and Equity								
Current liabilities:								
Accounts payable	$	$	$	$	$ 66,778	$ 54	$	$ 66,832
Accrued liabilities			802	288	238,993	25,351	2,151	267,585
Current deferred tax liability					11,494			11,494
Current portion of long-term debt			7,331	3,294	1,223			11,848
Current liabilities			8,133	3,582	318,488	25,405	2,151	357,759
Long-term debt			285,919	128,456	1,312			415,687
Insurance reserves and other long-term liabilities					86,568	114,297	(34,291)	166,574
Intercompany payable					405,065	8,824	(413,889)	
Liabilities			294,052	132,038	811,433	148,526	(446,029)	940,020
Equity:								
Class A common stock	303					30	(30)	303
Class B common stock	1							1
Partnership equity	90,776	388,624	318,565	70,059	387,108		(1,164,356)	90,776
Additional paid-in capital	297,544					4,316	(4,316)	297,544
Retained earnings	374,036	374,036	101,780	272,256	375,538	26,522	(1,150,132)	374,036
Comprehensive income	2,115	2,115	10	2,105	2,115	4,355	(10,700)	2,115
Equity	764,775	764,775	420,355	344,420	764,761	35,223	(2,329,534)	764,775
Liabilities and Equity	$ 764,775	$ 764,775	$ 714,407	$ 476,458	$ 1,576,194	$ 183,749	$ (2,775,563)	$ 1,704,795

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Consolidating Balance Sheet

As of December 31, 2009

	EMSC	EMS LP	Issuer AMR HoldCo, Inc.	Issuer EmCare HoldCo, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantor	Eliminations/ Adjustments	Total
Assets								
Current assets:								
Cash and cash equivalents	$	$	$	$	$ 317,538	$ 15,350	$	$ 332,888
Insurance collateral					10,792	19,450	(5,256)	24,986
Trade and other accounts receivable, net					458,558	530		459,088
Parts and supplies inventory					22,270			22,270
Prepaids and other current assets					19,650	12		19,662
Current deferred tax assets					2,489	3,834		6,323
Current assets					831,297	39,176	(5,256)	865,217
Non-current assets:								
Property, plant, and equipment, net					125,855			125,855
Intercompany receivable			268,220	185,153			(453,373)	
Intangible assets, net					102,654			102,654
Non-current deferred tax assets					19,588	(6,120)		13,468
Insurance collateral					56,166	85,165	2,555	143,886
Goodwill					381,493	458		381,951
Other long-term assets			4,281	1,898	15,497			21,676
Investment and advances in subsidiaries	686,087	686,087	394,715	291,358	34,343		(2,092,590)	
Assets	$ 686,087	$ 686,087	$ 667,216	$ 478,409	$ 1,566,893	$ 118,679	$ (2,548,664)	$ 1,654,707
Liabilities and Equity								
Current liabilities:								
Accounts payable	$							