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FORM 10-Q

Envision Healthcare Holdings, Inc. - EVHC

Filed: November 03, 2016 (period: September 30, 2016)

Quarterly report with a continuing view of a company's financial position

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2016

Or

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

For the transition period from _____ to _____

Commission file number: 001-36048



ENVISION HEALTHCARE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-0832318
(IRS Employer
Identification Number)

6363 S. Fiddler's Green Circle, 14th Floor
Greenwood Village, CO
(Address of principal executive offices)

80111
(Zip Code)

Registrant's telephone number, including area code: **303-495-1200**

Former name, former address and former fiscal year, if changed since last report:
Not applicable

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

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

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

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

Accelerated filer
Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

At October 31, 2016, the registrant had 187,318,470 shares of common stock, par value \$0.01 per share, outstanding.

ENVISION HEALTHCARE HOLDINGS, INC.

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ENVISION HEALTHCARE HOLDINGS, INC.

EXPLANATORY NOTE

Unless the context indicates otherwise, any reference in this report to “EVHC,” “Envision Healthcare,” “the Company,” “we,” “our,” or “us” refers to Envision Healthcare Holdings, Inc. and its direct and indirect subsidiaries and any reference to “Corporation” refers to Envision Healthcare Corporation, an indirect wholly-owned subsidiary of the Company.

ENVISION HEALTHCARE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 190,033	\$ 141,677
Insurance collateral	52,646	68,849
Trade and other accounts receivable, net	1,341,202	1,257,021
Parts and supplies inventory	38,739	34,023
Prepays and other current assets	81,265	96,857
Total current assets	1,703,885	1,598,427
Non-current assets:		
Property, plant and equipment, net	383,947	335,869
Intangible assets, net	1,062,400	1,051,631
Goodwill	3,386,263	3,271,933
Other long-term assets	119,313	95,712
Total assets	<u>\$ 6,655,808</u>	<u>\$ 6,353,572</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 65,686	\$ 68,985
Accrued liabilities	666,794	612,445
Current portion of long-term debt and capital lease obligations	24,904	24,550
Total current liabilities	757,384	705,980
Long-term debt and capital lease obligations	3,055,440	2,958,481
Deferred income taxes	388,661	369,110
Insurance reserves	255,674	252,650
Other long-term liabilities	66,946	65,910
Total liabilities	<u>4,524,105</u>	<u>4,352,131</u>
Commitments and contingencies		
Equity:		
Common stock (\$0.01 par value; 2,000,000,000 shares authorized, 187,240,923 and 186,924,004 issued and outstanding as of September 30, 2016 and December 31, 2015, respectively)	1,872	1,869
Preferred stock (\$0.01 par value; 200,000,000 shares authorized, none issued and outstanding as of September 30, 2016 and December 31, 2015)	—	—
Additional paid-in capital	1,690,833	1,677,578
Retained earnings	369,912	288,741
Accumulated other comprehensive income (loss)	(560)	(1,649)
Total Envision Healthcare Holdings, Inc. equity	2,062,057	1,966,539
Noncontrolling interest	69,646	34,902
Total equity	<u>2,131,703</u>	<u>2,001,441</u>
Total liabilities and equity	<u>\$ 6,655,808</u>	<u>\$ 6,353,572</u>

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

ENVISION HEALTHCARE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share amounts, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue, net of contractual discounts	\$ 2,919,477	\$ 2,478,177	\$ 8,661,352	\$ 7,147,906
Provision for uncompensated care	(1,280,727)	(1,110,807)	(3,784,026)	(3,181,776)
Net revenue	1,638,750	1,367,370	4,877,326	3,966,130
Compensation and benefits	1,159,244	997,213	3,427,921	2,874,328
Operating expenses	256,481	165,099	772,877	472,954
Insurance expense	35,925	41,091	108,799	114,783
Selling, general and administrative expenses	42,753	29,463	122,336	87,161
Depreciation and amortization expense	60,886	44,547	178,075	129,364
Restructuring and other charges	164	30,000	7,726	30,000
Income from operations	83,297	59,957	259,592	257,540
Interest income from restricted assets	283	149	749	442
Interest expense, net	(39,300)	(27,579)	(117,751)	(82,360)
Realized gains (losses) on investments	(151)	—	(191)	(34)
Other income (expense), net	756	(221)	743	(593)
Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary	44,885	32,306	143,142	174,995
Income tax benefit (expense)	(16,057)	(13,795)	(53,611)	(69,009)
Income (loss) before equity in earnings of unconsolidated subsidiary	28,828	18,511	89,531	105,986
Equity in earnings of unconsolidated subsidiary	123	59	1,758	202
Net income (loss)	28,951	18,570	91,289	106,188
Less: Net (income) loss attributable to noncontrolling interest	(3,062)	(1,334)	(10,118)	(3,161)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 25,889	\$ 17,236	\$ 81,171	\$ 103,027
Net income (loss) per share attributable to Envision Healthcare Holdings, Inc.:				
Basic	\$ 0.14	\$ 0.09	\$ 0.43	\$ 0.56
Diluted	\$ 0.13	\$ 0.09	\$ 0.42	\$ 0.54
Weighted-average common shares outstanding:				
Basic	187,188,118	185,969,475	187,123,581	185,214,021
Diluted	192,045,426	191,769,107	191,998,390	191,373,606
Comprehensive income (loss):				
Net income (loss)	\$ 28,951	\$ 18,570	\$ 91,289	\$ 106,188
Other comprehensive income (loss), net of tax:				
Unrealized holding gains (losses) during the period	255	(378)	(180)	(480)
Unrealized gains (losses) on derivative financial instruments	332	(348)	1,269	421
Total other comprehensive income (loss), net of tax	587	(726)	1,089	(59)
Comprehensive income (loss)	29,538	17,844	92,378	106,129
Less: Comprehensive (income) loss attributable to noncontrolling interest	(3,062)	(1,334)	(10,118)	(3,161)
Comprehensive income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 26,476	\$ 16,510	\$ 82,260	\$ 102,968

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

ENVISION HEALTHCARE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities		
Net income (loss)	\$ 91,289	\$ 106,188
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	187,435	135,716
(Gain) loss on disposal of property, plant and equipment	220	250
Equity-based compensation expense	9,290	4,786
Excess tax benefits from equity-based compensation	(1,324)	(34,051)
Equity in earnings of unconsolidated subsidiary	(1,758)	(202)
Dividends received	386	370
Deferred income taxes	8,598	3,503
Changes in operating assets/liabilities, net of acquisitions:		
Trade and other accounts receivable, net	(42,014)	(83,065)
Parts and supplies inventory	(596)	(485)
Prepays and other current assets	20,924	(3,696)
Accounts payable and accrued liabilities	454	66,296
Insurance reserves	(22,448)	(2,257)
Other assets and liabilities, net	1,977	1,592
Net cash provided by (used in) operating activities	<u>252,433</u>	<u>194,945</u>
Cash Flows from Investing Activities		
Purchases of available-for-sale securities	(15,459)	(2,507)
Sales and maturities of available-for-sale securities	3,869	9,409
Purchases of property, plant and equipment	(125,738)	(65,687)
Proceeds from sale of property, plant and equipment	202	377
Acquisition of businesses, net of cash received	(180,867)	(568,570)
Net change in insurance collateral	33,859	(1,250)
Other investing activities	(3,033)	(1,226)
Net cash provided by (used in) investing activities	<u>(287,167)</u>	<u>(629,454)</u>
Cash Flows from Financing Activities		
Borrowings under the ABL Facility	315,000	365,000
Repayments of the ABL Facility	(210,000)	(155,000)
Repayments of the Term Loan	(17,529)	(10,029)
Debt issuance costs	(709)	(27)
Proceeds from stock options exercised and issuance of shares under employee stock purchase plan and provider stock purchase plan	2,644	11,767
Excess tax benefits from equity-based compensation	1,324	34,051
Contributions from (distributions to) noncontrolling interest, net	(8,833)	100
Other financing activities	1,193	(358)
Net cash provided by (used in) financing activities	<u>83,090</u>	<u>245,504</u>
Change in cash and cash equivalents	48,356	(189,005)
Cash and cash equivalents, beginning of period	141,677	318,895
Cash and cash equivalents, end of period	<u>\$ 190,033</u>	<u>\$ 129,890</u>

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

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

Basis of Presentation of Financial Statements

Envision Healthcare Holdings, Inc. is organized as a holding company that operates through various subsidiaries. Envision Healthcare Corporation is a wholly-owned subsidiary of the Company.

The accompanying interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") to reflect the consolidated financial position, results of operations and cash flows of the Company for interim reporting, and accordingly, do not include all of the disclosures required for annual financial statements.

In the opinion of management, the consolidated financial statements of the Company include all normal recurring adjustments necessary for a fair presentation of the periods presented. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016. For further information on the Company's significant accounting policies and other information, see the Company's consolidated financial statements, including the accounting policies and notes thereto for the year ended December 31, 2015, which includes all disclosures required by GAAP, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The Company's business is conducted primarily through two operating subsidiaries, EmCare Holdings, Inc. ("EmCare"), its facility-based and post-acute care physician services segment, and American Medical Response, Inc., including its affiliates ("AMR"), its healthcare transportation services segment.

Proposed Merger with AmSurg Corp.

On June 15, 2016, the Company, AmSurg Corp., a Tennessee corporation ("AmSurg"), and New Amethyst Corp., a newly formed Delaware corporation and a direct, wholly-owned subsidiary of AmSurg ("New Amethyst"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which the Company and AmSurg will combine in an all-stock merger of equals. Upon the terms and subject to the conditions set forth in the Merger Agreement, AmSurg will merge with and into New Amethyst ("Merger 1"), with New Amethyst continuing as the surviving corporation, immediately after which the Company will merge with and into New Amethyst ("Merger 2" and together with Merger 1, the "Mergers"), with New Amethyst continuing as the surviving corporation. Upon the closing of the Mergers, the name of the combined company will be changed to "Envision Healthcare Corporation".

Upon the closing of Merger 1, each issued and outstanding share of AmSurg common stock, no par value, will automatically convert into the right to receive one share of common stock, par value \$0.01 per share, of New Amethyst ("New Amethyst Common Stock") and each issued and outstanding share of AmSurg 5.250% Mandatory Convertible Preferred Stock, Series A-1, no par value, will automatically convert into one share of 5.250% Mandatory Convertible Preferred Stock, Series A-1, par value \$0.01 per share, of New Amethyst ("New Amethyst Series A-1 Preferred Stock"). Upon the closing of Merger 2, each issued and outstanding share of the Company's common stock, par value \$0.01 per share (the "Envision Common Stock"), will automatically convert into the right to receive 0.334 shares of New Amethyst Common Stock. Upon the closing of the Mergers, the Company's stockholders will own approximately 53% and AmSurg shareholders will own approximately 47% of the combined company on a fully diluted basis.

Consummation of the Mergers is subject to customary closing conditions, including approvals by the Company's stockholders and AmSurg shareholders, the absence of certain legal impediments, the listing of the New Amethyst Common Stock and the New Amethyst Series A-1 Preferred Stock issuable to the shareholders of AmSurg and the stockholders of the Company, as applicable, on the New York Stock Exchange, (the "Exchange"), and receipt of opinions from legal counsel regarding the intended tax treatment of the Mergers. On October 28, 2016, the Exchange approved the New Amethyst Common Stock and Series A-1 Preferred Stock for listing (subject to official notice of issuance).

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include all of its wholly-owned subsidiaries, including Corporation, EmCare and AMR and their respective subsidiaries and affiliated physician groups. 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 including, but not limited to, estimates and assumptions for accounts receivable, insurance related reserves and acquired intangible assets. Actual results may differ from those estimates under different assumptions or conditions.

Insurance Collateral

Insurance collateral is comprised of investments in marketable equity and debt securities held by the Company's captive insurance subsidiary that supports the Company's insurance program and reserves, as well as cash deposits with third parties. Certain of these investments, if sold or otherwise liquidated, would have to be replaced by other suitable financial assurances and are, therefore, considered restricted. These investments are designated as available-for-sale and reported at fair value with the related 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 a marketable investment security which are determined to be other-than-temporary are recognized in the statements of operations, thus establishing a new cost basis for such investment. Investment income earned on these investments is reported as interest income from restricted assets in the statements of operations.

Realized gains and losses are determined based on an average cost basis.

Insurance collateral also includes a receivable from insurers of \$2.8 million and \$0.6 million as of September 30, 2016 and December 31, 2015, respectively, for liabilities in excess of the Company's self-insured retention.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Company's billing systems do not provide contractual allowances or uncompensated care reserves on outstanding patient accounts. The allowance for uncompensated care is related principally to receivables recorded for self-pay patients and is not recorded on specific accounts due to the volume and variability of individual patient receivable collections. While the billing systems do not specifically record the allowance for uncompensated care to individual accounts owed or specific payor classifications, the portion of the allowance for uncompensated care associated with fee-for-service charges as of December 31, 2015, was equal to approximately 94% and 86% of outstanding self-pay receivables for EmCare and AMR, respectively, consistent with the Company's collection history. Account balances are charged off against the uncompensated care allowance when it is probable the receivable will not be recovered and to the contractual allowance when payment is received. The Company's accounts receivable and allowances as of September 30, 2016, and December 31, 2015, were as follows (in thousands):

	September 30, 2016	December 31, 2015
Gross trade accounts receivable	\$ 6,689,862	\$ 6,375,473
Allowance for contractual discounts	(3,216,027)	(3,340,078)
Allowance for uncompensated care	(2,133,015)	(1,779,200)
Trade accounts receivable, net	1,340,820	1,256,195
Other receivables, net	382	826
Trade and other accounts receivable, net	<u>\$ 1,341,202</u>	<u>\$ 1,257,021</u>

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. The Company compares actual cash collected on a date of service basis to the revenue recorded for that period and records any adjustment necessary for an overage or deficit in these allowances based on actual collections and future estimated collections.

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 based on historical write-off experience and future estimated collections.

Debt Issuance Costs

Debt issuance costs related to the Company's senior secured credit facilities and senior unsecured notes are included as a deduction from the carrying amount of long-term debt in the consolidated balance sheets, and are amortized to interest expense using the effective interest method over the term of the related debt.

Business Combinations

Assets and liabilities of an acquired business are recorded at their fair values at the date of acquisition. The excess of the acquisition consideration over the estimated fair values is recorded as goodwill. All acquisition costs are expensed as incurred. While the Company uses its best estimates and assumptions as a part of the acquisition consideration allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period any subsequent adjustments are recorded as income or expense.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Insurance Reserves

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 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 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 and legal costs, changes in case reserves and the assumed rate of inflation in healthcare costs and property damage repairs. Claims are discounted at a rate of 1.5% which is commensurate with the risk-free rate.

The Company's most recent actuarial valuation was completed in September 2016. As a result of this and previous actuarial valuations, the Company recorded decreases in its provision for insurance liabilities of \$5.6 million and \$7.3 million for the three and nine months ended September 30, 2016, respectively, as compared to increases of \$5.1 million and \$9.1 million for the three and nine months ended September 30, 2015, respectively, related to reserves for losses in prior years.

Financial Instruments and Concentration of Credit Risk

The Company's cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, insurance collateral, long-term debt and other long-term liabilities constitute financial instruments. Based on management's estimates, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and the senior secured credit facility approximates fair value as of September 30, 2016 and December 31, 2015. Concentration of credit risks in accounts receivable is limited, due to the large number of customers comprising the Company's customer base throughout the United States. A significant component of the Company's revenue is derived from Medicare and Medicaid. Given that these are government programs, the credit risk for these customers is considered low. The Company performs ongoing credit evaluations of its other customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for uncompensated care based on the credit risk applicable to particular customers, historical trends and other relevant information. For the nine months ended September 30, 2016 and 2015, the Company derived approximately 34% and 35%, respectively, of its revenue from Medicare and Medicaid, 63% and 62%, respectively, from insurance providers and contracted payors, and 3%, respectively, directly from patients.

The Company estimates the fair value of its fixed-rate senior notes based on an analysis in which the Company evaluates market conditions, related securities, various public and private offerings, and other publicly available information (Level 2, as defined below). The estimated fair value of the senior notes as of September 30, 2016, and December 31, 2015, was approximately \$746.3 million and \$735.0 million, respectively, with a principal carrying amount of \$750.0 million.

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

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, which include investments 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. Balances in this category include derivatives and corporate bonds.

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 following table summarizes the valuation of the Company's financial instruments by the above fair value hierarchy levels as of September 30, 2016, and December 31, 2015 (in thousands):

Description	September 30, 2016			Total
	Level 1	Level 2	Level 3	
Assets:				
Available-for-sale securities (insurance collateral)	\$ 43,149	\$ 4,191	\$ —	\$ 47,340
Liabilities:				
Contingent consideration	—	—	166	166
Fuel hedge	—	752	—	752

Description	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Assets:				
Available-for-sale securities (insurance collateral)	\$ 19,116	\$ 4,076	\$ —	\$ 23,192
Liabilities:				
Contingent consideration	—	—	2,116	2,116
Fuel hedge	—	2,777	—	2,777

The contingent consideration balance classified as Level 3 decreased \$2.0 million during the nine months ended September 30, 2016, due to the Company's final determination that no contingent consideration was payable under the terms of a previously completed acquisition.

During the nine months ended September 30, 2016 and 2015, the Company had no transfers between Level 1 and Level 2 fair value measurements.

Revenue Recognition

Fee-for-service revenue is recognized at the time of service and is recorded net of provisions for contractual discounts and estimated uncompensated care. Fee-for-service revenue represents billings for services provided to patients, for which the Company receives payment from the patient or their third-party payor. Provisions for contractual discounts are related to differences between gross charges and specific payor, including governmental, reimbursement schedules. The Company records fee-for-service revenue net of the contractual discounts, based on the information

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

entered into the Company's billing systems from received medical charts. An estimate for unprocessed medical charts for a given service period is made and adjusted in future periods based on actual medical charts processed. Information entered into the billing systems is subject to change, such as a change in payor status, and may impact recorded fee-for-service revenue, net of the contractual discounts. Such changes are recognized in the period the change is known.

Revenue from home health services, net of revenue adjustments and provisions for contractual discounts, is earned and billed either on an episode-of-care basis ("episodic-based revenue"), on a per-visit basis, or on a daily basis depending upon the payment terms and conditions established with each payor for services provided. Revenue recognized on a non-episodic basis is recorded in a similar manner to the Company's fee-for-service revenue. Home health service revenue under the Medicare prospective payment system is based on a 60-day episode payment rate that is subject to adjustment based on certain variables. Adjustments are estimated based on historical experience and are recorded in the period in which services are rendered.

Revenue from contract staffing assignments, net of sales adjustments and discounts, are recognized when earned, based on the hours worked by the Company's contract professionals. Conversion and direct-hire fees are recognized when the employment candidate accepts permanent employment and all obligations are satisfied. The Company includes reimbursed expenses in revenue, net of contractual discounts and the associated amount of reimbursement expense in compensation and benefits.

Revenue generated under fire protection service contracts is recognized over the life of the contract. Subscription fees, which are generally received in advance, are deferred and recognized on a straight-line basis over the term of the subscription agreement, which is generally one year.

Subsidy and fee revenue primarily represent hospital subsidies and fees at EmCare and fees for standby, special event and community subsidies at AMR. Provisions for estimated uncompensated care, or bad debts, are related principally to the number of self-pay patients treated in the period.

Net revenue for the three and nine months ended September 30, 2016 and 2015, consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue, net of contractual discounts, excluding subsidies and fees:				
Medicare	\$ 474,146	\$ 411,001	\$ 1,421,792	\$ 1,193,665
Medicaid	185,018	155,955	553,430	454,050
Commercial insurance and managed care (excluding Medicare and Medicaid managed care)	838,645	708,149	2,447,983	2,092,339
Self-pay	1,083,752	943,314	3,208,270	2,671,969
Sub-total	2,581,561	2,218,419	7,631,475	6,412,023
Subsidies and fees	337,916	259,758	1,029,877	735,883
Revenue, net of contractual discounts	2,919,477	2,478,177	8,661,352	7,147,906
Provision for uncompensated care	(1,280,727)	(1,110,807)	(3,784,026)	(3,181,776)
Net revenue	\$ 1,638,750	\$ 1,367,370	\$ 4,877,326	\$ 3,966,130

Healthcare reimbursement is complex and may involve lengthy delays. Third-party payors are continuing 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 payment 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

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and Medicaid programs are very complex and subject to interpretation. Revenue is recognized on an estimated basis in the period in 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 in the aggregate decreased the contractual discount and uncompensated care provisions (and correspondingly increased net revenue) by approximately \$0.2 million for the three months ended September 30, 2016, and increased the contractual discount and uncompensated care provisions (and correspondingly decreased net revenue) by approximately \$5.1 million for nine months ended September 30, 2016, and decreased the contractual discount and uncompensated care provisions (and correspondingly increased net revenue) by approximately \$4.2 million and \$11.6 million for the three and nine months ended September 30, 2015, respectively.

The Company 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 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.

Reclassifications

Certain prior period balances in the consolidated balance sheets have been reclassified to conform to the current year presentation. Such reclassifications had no impact on the results of operations or cash flows previously reported.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”) to clarify the principles for recognizing revenue and to develop a common revenue standard for GAAP and International Financial Reporting Standards. The guidance will be effective for public companies for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, with early adoption for annual reporting periods beginning after December 15, 2016, permitted. The Company is currently evaluating the impact and has not yet determined the effects, if any, that adoption of ASU 2014-09 may have on its consolidated financial position or results of operations or the method of adoption.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”), which requires management to evaluate, in connection with preparing financial statements for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and provide related disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. The adoption of ASU 2014-15 is not expected to impact the Company’s consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”), which amends existing accounting standards for consolidation under the variable interest entity and voting interest entity models. The new guidance changes the analysis for determining whether a fee paid to a decision maker or service provider is a variable interest. ASU 2015-02 is effective for interim and annual periods beginning after December 15, 2015. Entities may choose to adopt the standard using either a full retrospective approach or a modified retrospective approach. The Company adopted ASU 2015-02, effective January 1, 2016, under the modified retrospective approach and determined that its adoption does not impact our consolidated financial position or results of operations.

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”), which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company retrospectively adopted ASU 2015-03 effective January 1, 2016 and, as a result, \$34.6 million of debt issuance costs related to the Company’s senior secured credit facilities and senior unsecured notes were reclassified from other long-term assets to long-term debt and capital lease obligations on the Company’s consolidated balance sheets as of December 31, 2015.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), which simplifies the presentation of deferred income taxes and requires that deferred tax liabilities and assets be classified as non-current in the consolidated balance sheets. ASU 2015-17 is effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company retrospectively adopted ASU 2015-17 effective January 1, 2016 and, as a result, \$85.8 million of current deferred tax liabilities were reclassified to deferred income taxes on the Company’s consolidated balance sheets as of December 31, 2015.

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on the consolidated balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective for annual periods beginning after December 15, 2018, with early adoption permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact and has not yet determined the effects, if any, that adoption of ASU 2016-02 may have on its consolidated financial position or results of operations.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718) (“ASU 2016-09”), which was issued as part of the FASB’s simplification initiative and affects all entities that issue share-based payment awards to their employees. This ASU covers accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 will be effective for annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact and has not yet determined the effects, if any, that adoption of ASU 2016-09 may have on its consolidated financial position or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326) (“ASU 2016-13”), which modifies the impairment model for most financial instruments, including trade receivables. The new standard replaces the existing incurred loss methodology with an expected loss methodology and will result in the more timely recognition of losses. ASU 2016-13 will be effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact and has not yet determined the effects, if any, that adoption of ASU 2016-13 may have on its consolidated financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 320): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which addresses eight specific cash flow issues with the objective of reducing diversity in practice. The issues identified within the ASU include: debt prepayments or extinguishment costs; settlement of zero-coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 will be effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the impact and has not yet determined the effects, if any, that adoption of ASU 2016-15 may have on its consolidated financial position or results of operations.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Basic and Diluted Net Income (Loss) Per Share

Basic net income per common share attributable to the Company's common stockholders is determined using the two-class method and is computed by dividing net income attributable to the Company's common stockholders by the weighted-average of common shares outstanding during the period. The two-class method is an earnings allocation formula that determines income per share for each class of common stock and participating security according to participation rights in undistributed earnings. Diluted net income per common share attributable to the Company's common shareholders reflects the more dilutive earnings per share amount calculated using the treasury stock method or the two-class method. The following table presents earnings per share amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation (in thousands, except share and per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to Envision Healthcare Holdings, Inc. stockholders	\$ 25,889	\$ 17,236	\$ 81,171	\$ 103,027
Net income (loss) allocated to participating securities (a)	140	—	359	—
Net income (loss) attributable to Envision Healthcare Holdings, Inc. common stockholders	25,749	17,236	80,812	103,027
Weighted-average common shares outstanding — common stock:				
Basic	187,188,118	185,969,475	187,123,581	185,214,021
Dilutive impact of stock awards outstanding	4,857,308	5,799,632	4,874,809	6,159,585
Diluted	192,045,426	191,769,107	191,998,390	191,373,606
Net income (loss) per share attributable to Envision Healthcare Holdings, Inc. common stockholders:				
Basic	\$ 0.14	\$ 0.09	\$ 0.43	\$ 0.56
Diluted	\$ 0.13	\$ 0.09	\$ 0.42	\$ 0.54

(a) Restricted stock units and market-based performance share units granted to employees and non-employee directors are considered participating securities.

For the three and nine months ended September 30, 2016, there were stock awards to acquire 1,744,960 shares and 1,489,199 shares of common stock outstanding, respectively, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive. For the three and nine months ended September 30, 2015, there were 57,087 shares and 63,654 whose effect was anti-dilutive.

4. Acquisitions

2016 Acquisitions

Emergency Physicians Medical Group ("EPMG"). On April 7, 2016, the Company completed the acquisition of EPMG for \$119.1 million paid in cash, subject to a working capital adjustment of \$0.2 million, and preferred stock issued in the direct parent company of EPMG ("EPMG Holdco"), representing \$10.5 million of total purchase consideration, for aggregate purchase consideration of \$129.8 million. All other outstanding equity of EPMG Holdco is wholly-owned by EmCare. EPMG employs more than 500 clinical providers who staff emergency departments, hospital medicine departments, and urgent care centers at 37 facilities in Michigan, Illinois, Indiana, Ohio, Iowa and Delaware. In addition, EPMG operates community paramedicine programs and provides tele-medicine services in urgent care and post-acute care operations.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The goodwill recognized in connection with the EPMG acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of EPMG into the existing operations of EmCare. Of the goodwill recorded, \$40.1 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

Cash and cash equivalents	\$ 19,310
Insurance collateral	3,886
Accounts receivable	19,621
Prepaid and other current assets	2,078
Property, plant and equipment	2,509
Acquired intangible assets	67,200
Goodwill	55,958
Other long-term assets	13,254
Accounts payable	(1,537)
Accrued liabilities	(34,206)
Deferred income taxes	1,126
Insurance reserves	(11,346)
Other long-term liabilities	(8,050)
Total purchase price	<u>\$ 129,803</u>

During the nine months ended September 30, 2016, the Company made purchase price allocation adjustments including a reclassification of insurance collateral from short-term to other long-term assets of \$13.0 million and other adjustments to opening balances for assets and liabilities.

The Company has accounted for this acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

Other 2016 Acquisitions.

On September 16, 2016, the Company completed the acquisition of ComTrans, Inc. ("ComTrans"), a provider of specialized behavioral health and social service transportation services in the greater Phoenix market for total purchase consideration of \$25.3 million, subject to working capital adjustments. The goodwill recognized in connection with the ComTrans acquisition is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of ComTrans into the existing operations of AMR. Of the goodwill recorded, \$10.0 million is tax deductible.

On September 30, 2016, the Company completed the acquisition of Lincoln Emergency Physicians, PLLC and Sonoran Emergency Physicians, PLLC (together the "Lincoln Entities"), an emergency physician group serving the greater Phoenix market, with 69 physicians and 21 mid-level providers for total purchase consideration of \$42.0 million, subject to working capital adjustments. The goodwill recognized in connection with the Lincoln Entities is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of the Lincoln Entities into the existing operations of EmCare. Of the goodwill recorded, \$22.6 million is tax deductible.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values,

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The total purchase price for these acquisitions was allocated to goodwill of \$32.5 million, other acquired intangible assets of \$29.1 million and net assets of \$5.7 million. These allocations are subject to adjustment based upon the completion of purchase price allocations.

2015 Acquisitions

Scottsdale Emergency Associates, LTD ("SEA"). On January 30, 2015, the Company acquired the stock of SEA for total purchase consideration of \$104.8 million paid in cash. SEA is an emergency physician group serving the greater Phoenix market, with 40 physicians and more than a dozen mid-level providers. The Company acquired SEA to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the SEA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of SEA into the existing operations of EmCare. Of the goodwill recorded, none is tax deductible. Prior to the acquisition, SEA had a pension plan that was terminated and liquidated during the second quarter of 2016.

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

Cash and cash equivalents	\$ 545
Accounts receivable	7,516
Prepaid and other current assets	210
Acquired intangible assets	86,200
Goodwill	46,961
Accounts payable	(1,153)
Accrued liabilities	(182)
Deferred income taxes	(35,263)
Total purchase price	<u>\$ 104,834</u>

During the nine months ended September 30, 2016, the Company made purchase price allocation adjustments including a decrease of deferred income taxes of \$0.4 million.

VISTA Staffing Solutions ("VISTA"). On February 1, 2015, the Company acquired the stock of VISTA, a leading provider of locum tenens staffing and permanent placement services for physicians, nurse practitioners and physician assistants for total purchase consideration of \$123.8 million, subject to a working capital adjustment of \$0.5 million, paid in cash. VISTA operates throughout the United States. The Company acquired VISTA to expand into locum tenens staffing.

The goodwill recognized in connection with the VISTA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of VISTA into the existing operations of EmCare. Of the goodwill recorded, \$15.4 million is tax deductible.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Cash and cash equivalents	\$ 1,062
Accounts receivable	22,219
Prepaid and other current assets	1,245
Property, plant and equipment	2,739
Acquired intangible assets	53,270
Goodwill	73,458
Other long-term assets	5,920
Accounts payable	(1,940)
Accrued liabilities	(5,493)
Deferred income taxes	(13,138)
Insurance reserves	(13,639)
Other long-term liabilities	(1,365)
Total purchase price	<u>\$ 124,338</u>

During the nine months ended September 30, 2016, the Company made purchase price allocation adjustments including a reclassification from goodwill to accounts receivable of \$0.3 million and a decrease to deferred income taxes of \$0.4 million.

Emergency Medical Associates. On February 27, 2015, the Company acquired the stock of Emergency Medical Associates of New Jersey, P.A. and assets of Alpha Physician Resources, LLC (collectively "EMA") for total purchase consideration of \$282.3 million paid in cash. During the first quarter of 2016, the Company executed a purchase agreement amendment that increased the total consideration by \$10.5 million (the "EMA Amendment"). The Company acquired EMA to achieve certain operational and strategic benefits. EMA provides emergency department, hospitalist and urgent care services at 47 facilities in New Jersey, New York, Rhode Island, and North Carolina.

The goodwill recognized in connection with the EMA acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of EMA into the existing operations of EmCare. Of the goodwill recorded, \$108.3 million is tax deductible.

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

Cash and cash equivalents	\$ 7,388
Accounts receivable	53,099
Prepaid and other current assets	5,922
Property, plant and equipment	2,276
Acquired intangible assets	147,300
Goodwill	128,590
Other long-term assets	22,327
Accounts payable	(12,863)
Accrued liabilities	(35,631)
Deferred income taxes	(6,442)
Insurance reserves	(29,700)
Total purchase price	<u>\$ 282,266</u>

During the nine months ended September 30, 2016, goodwill recognized in connection with the EMA acquisition increased by \$10.5 million due to the EMA Amendment. Additionally, the Company made purchase price allocation adjustments including an increase to other current assets of \$1.1 million, an increase to accrued liabilities of \$0.9 million to record an adjustment to accrued benefits, and other adjustments to opening balances for assets and liabilities.

ENVISION HEALTHCARE HOLDINGS, INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Rural/ Metro Corporation. On October 28, 2015, the Company completed the acquisition of Rural/ Metro Corporation ("Rural/ Metro") for total purchase consideration of approximately \$620.0 million, subject to working capital adjustments of \$54.1 million paid in cash. As of the closing date, Rural/ Metro provided ambulance and fire protection services in 19 states and approximately 700 communities throughout the United States. The Company acquired Rural/ Metro to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the Rural/ Metro acquisition is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of Rural/ Metro into the existing operations of AMR. Of the goodwill recorded, \$4.2 million is tax deductible.

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

Cash and cash equivalents	\$ 18,559
Insurance collateral	39,934
Accounts receivable	89,000
Parts and supplies inventory	11,466
Prepaid and other current assets	19,974
Property, plant and equipment	92,037
Acquired intangible assets	226,200
Goodwill	402,237
Other long-term assets	2,650
Accounts payable	(16,609)
Accrued liabilities	(85,050)
Capital lease obligations	(1,408)
Deferred income taxes	(71,438)
Insurance reserves	(25,510)
Other long-term liabilities	(27,899)
Total purchase price	<u>\$ 674,143</u>

During the nine months ended September 30, 2016, the Company made purchase price allocation adjustments including an increase to goodwill of \$6.1 million related to the working capital adjustment paid during the first quarter of 2016, offset by an increase in parts and supplies inventory of \$3.6 million, an increase in other current assets of \$1.7 million, an increase in intangible assets of \$1.4 million, an increase in other long-term liabilities of \$1.0 million, and other adjustments to opening balances for assets and liabilities.

Questcare Medical Services, P.A and QRx Medical Management, LLC. On December 3, 2015, the Company completed the acquisition of Questcare Medical Services, P.A. and QRx Medical Management, LLC (collectively "Questcare") for total purchase consideration of \$136.3 million, subject to a working capital adjustment of \$0.1 million, paid in cash. Questcare has more than 800 clinical providers staffing more than 50 facilities in Texas, Oklahoma and Colorado. Questcare clinicians manage patient care across multiple hospital-based clinical specialties including emergency department, hospitalist, critical care unit and pediatric and obstetric hospitalist care services. In addition, Questcare provides post-acute facility-based care as well as primary care, urgent care and tele-medicine services. The Company acquired Questcare to achieve certain operational and strategic benefits.

The goodwill recognized in connection with the Questcare acquisition is assigned to the EmCare segment and is primarily attributable to synergies that are expected to be achieved through the integration of Questcare into the existing operations of EmCare. Of the goodwill recorded, \$23.2 million is tax deductible.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocation of the purchase price is in the table below, which is subject to adjustment based upon the completion of purchase price allocations and working capital adjustments (in thousands):

Cash and cash equivalents	\$ 2,594
Insurance collateral	6,420
Accounts receivable	22,794
Prepaid and other current assets	2,482
Property, plant and equipment	2,017
Acquired intangible assets	67,200
Goodwill	55,400
Other long-term assets	685
Accounts payable	(2,531)
Accrued liabilities	(12,699)
Deferred income taxes	70
Insurance reserves	(8,047)
Total purchase price	<u>\$ 136,385</u>

During the nine months ended September 30, 2016, the Company made a purchase price allocation adjustment to decrease other long-term assets of \$1.5 million, decrease deferred income taxes by \$1.5 million, and other adjustments to opening balances for assets and liabilities.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

The Company's statements of operations for the three and nine months ended September 30, 2016, include net revenue of \$252.2 million and \$785.9 million, respectively, for SEA, VISTA, EMA and Rural/ Metro.

Other 2015 Acquisitions.

On February 23, 2015, the Company acquired the stock of CareFirst, Inc., a provider of home health services in Birmingham, Alabama and surrounding areas for total purchase consideration of \$7.3 million, subject to a working capital adjustment of \$0.7 million, paid in cash.

On July 10, 2015, the Company completed the acquisition of Vital Enterprises, Inc., Emergency Medical Transportation, Inc., and Marlboro Hudson Ambulance & Wheelchair Service, Inc. (together the "Vital/ Marlboro Entities"), providers of ambulance service operations located in the northeastern United States for total purchase consideration of \$42.5 million, subject to working capital adjustments, paid in cash. The goodwill recognized in connection with the Vital/ Marlboro Entities is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of Vital/ Marlboro Entities into the existing operations of AMR. Of the goodwill recorded, \$10.6 million is tax deductible.

On September 30, 2015, the Company completed the acquisition of Northwest Tucson Emergency Physicians ("NTEP"), an emergency physician group serving the greater Tucson market, with 27 physicians and five mid-level providers for total purchase consideration of \$25.0 million, subject to working capital adjustments, paid in cash. Prior to the acquisition, NTEP had a pension plan that was terminated and liquidated during the second quarter of 2016. The goodwill recognized in connection with the NTEP acquisition is assigned to the EmCare segment and is primarily

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

attributable to synergies that are expected to be achieved through the integration of NTEP into the existing operations of EmCare. Of the goodwill recorded, none is tax deductible.

On December 24, 2015, the Company completed the acquisition of MetroCare Services-Abilene GP, LLC (“MetroCare”), a provider of ambulance service operations located in Texas for total purchase consideration of \$5.0 million, subject to working capital adjustments. The goodwill recognized in connection with the MetroCare acquisition is assigned to the AMR segment and is primarily attributable to synergies that are expected to be achieved through the integration of MetroCare into the existing operations of AMR. Of the goodwill recorded, \$1.1 million is tax deductible.

The Company has accounted for these acquisitions using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The total purchase price for these acquisitions was allocated to goodwill of \$26.1 million, other acquired intangible assets of \$53.0 million, net assets of \$4.4 million and deferred income taxes of \$11.0 million. These allocations are subject to adjustment based upon the completion of purchase price allocations, except for the allocation of the CareFirst, Inc. acquisition, which was complete as of March 31, 2016 and the Vital/Marlboro Entities and NTEP, which were complete as of September 30, 2016.

Pro Forma Information

The following unaudited pro forma operating results give effect to the SEA, VISTA, EMA and Rural/ Metro acquisitions, as if they had been completed as of January 1, 2015. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such date. The pro forma adjustments are based on certain assumptions that the Company believes are reasonable.

(in thousands)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Net revenue	\$ 1,513,705	\$ 4,473,758
Net income (loss)	9,297	88,157

5. Insurance Collateral

Insurance collateral consisted of the following as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Available-for-sale securities:		
U.S. Treasuries	\$ 1,064	\$ —
Corporate bonds/ Fixed income	29,375	13,096
Corporate equity	16,901	10,096
Total available-for-sale securities	47,340	23,192
Insurance receivable	2,751	644
Cash deposits and other	23,444	54,078
Total insurance collateral	<u>\$ 73,535</u>	<u>\$ 77,914</u>

As of September 30, 2016 and December 31, 2015, approximately \$20.9 million and \$9.1 million, respectively, of insurance collateral is included in other long-term assets on the consolidated balance sheets.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortized cost basis and aggregate fair value of the Company's available-for-sale securities as of September 30, 2016 and December 31, 2015 were as follows (in thousands):

Description	September 30, 2016			
	Cost Basis	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
U.S. Treasuries	\$ 1,050	\$ 15	\$ (1)	\$ 1,064
Corporate bonds/ Fixed income	29,276	280	(181)	29,375
Corporate equity	16,992	473	(564)	16,901
Total available-for-sale securities	<u>\$ 47,318</u>	<u>\$ 768</u>	<u>\$ (746)</u>	<u>\$ 47,340</u>

Description	December 31, 2015			
	Cost Basis	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
Corporate bonds/ Fixed income	\$ 13,073	\$ 43	\$ (20)	\$ 13,096
Corporate equity	10,974	—	(878)	10,096
Total available-for-sale securities	<u>\$ 24,047</u>	<u>\$ 43</u>	<u>\$ (898)</u>	<u>\$ 23,192</u>

As of September 30, 2016, available-for-sale securities included U.S. Treasuries and corporate bonds/ fixed income securities of \$2.4 million with contractual maturities within one year, \$24.9 million with contractual maturities extending longer than one year through five years and \$3.1 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's temporarily impaired investment securities available-for-sale as of September 30, 2016 and December 31, 2015 were as follows (in thousands):

	September 30, 2016		December 31, 2015	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasuries:				
Less than 12 months	\$ 155	\$ (1)	\$ —	\$ —
12 months or more	—	—	—	—
Corporate bonds/ Fixed income:				
Less than 12 months	9,069	(181)	6,103	(19)
12 months or more	—	—	250	(1)
Corporate equity:				
Less than 12 months	2,510	(79)	—	—
12 months or more	6,706	(485)	10,096	(878)
Total	<u>\$ 18,440</u>	<u>\$ (746)</u>	<u>\$ 16,449</u>	<u>\$ (898)</u>

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. This quarterly 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.

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

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

temporary market fluctuations. 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 losses of \$0.2 million on the sale and maturities of available-for-sale securities for both the three and nine months ended September 30, 2016, respectively, and net losses of zero and less than \$0.1 million for the three and nine months ended September 30, 2015, respectively.

6. Accrued Liabilities

Accrued liabilities were as follows as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Accrued wages and benefits	\$ 289,045	\$ 285,660
Current portion of self-insurance reserve	99,035	103,922
Current portion of compliance and legal	40,455	34,021
Accrued incentive compensation	36,053	33,090
Accrued income taxes	23,147	17,719
Accrued medical claim liabilities	22,291	6,115
Deferred revenue	31,833	27,461
Other	124,935	104,457
Total accrued liabilities	<u>\$ 666,794</u>	<u>\$ 612,445</u>

7. Debt and Capital Lease Obligations

Debt and capital lease obligations consisted of the following as of September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Senior unsecured notes due 2022	\$ 750,000	\$ 750,000
Senior secured term loans due 2018 and 2022 (4.25% to 4.50% as of September 30, 2016 and December 31, 2015)	2,258,676	2,276,204
ABL Facility	105,000	—
Notes due at various dates from 2016 to 2022 with interest rates from 6% to 10%	394	432
Capital lease obligations due at various dates from 2016 to 2018	4,319	3,089
Total	3,118,389	3,029,725
Less current portion	(24,904)	(24,550)
Discount on senior secured term loan	(10,219)	(12,075)
Debt issuance costs on senior unsecured notes, senior secured term loans and ABL Facility	(27,826)	(34,619)
Total long-term debt and capital lease obligations	<u>\$ 3,055,440</u>	<u>\$ 2,958,481</u>

As of September 30, 2016, letters of credit outstanding, which impact the available credit under the ABL Facility were \$134.8 million and the maximum amount available under the ABL Facility was \$310.2 million. These letters of credit primarily secure the Company's obligations under its captive insurance program.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Debt Commitment Letter

On June 15, 2016, in connection with the Mergers, Corporation and AmSurg entered into a debt commitment letter (the "Commitment Letter") with certain lenders. The lenders committed to provide (i) Corporation and AmSurg a term loan facility (the "New Term Loan Facility") in an aggregate principal amount of up to \$5.3 billion, maturing seven years from the closing date of the Mergers and (ii) a senior secured asset-based revolving credit facility in an aggregate principal amount of up to \$1.0 billion (the "New ABL Facility" and together with the New Term Loan Facility, the "New Credit Facilities") maturing five years from the closing date of the Mergers. On July 25, 2016, pursuant to an amendment, Corporation received a change of control waiver under its existing term loan credit facility, pursuant to which the New Term Loan Facility will be structured as an incremental credit facility under the Term Loan Credit Agreement (as defined below).

The Commitment Letter contemplates that if Corporation is successful in obtaining change in control waivers under either the Term Loan Credit Agreement or ABL Credit Agreement (as defined below), the commitments to provide the New Credit Facilities will be reduced by the amount of any indebtedness outstanding under the existing senior secured credit facilities. As a result of the change of control waiver that Corporation received under its Term Loan Credit Agreement, the lenders' commitments to provide the New Term Loan Facility were reduced by the amount of indebtedness outstanding under the existing Term Loan Facility, which was \$2.26 billion as of September 30, 2016. After giving effect to such reduction and the change in control waiver received by AmSurg with respect to certain of its outstanding senior notes, the lenders' remaining commitment to provide Corporation and AmSurg with a term loan facility is \$1.9 billion.

Proceeds of the New Credit Facilities will be used, among other things, to refinance portions of Corporation's and AmSurg's outstanding debt and to fund expenses incurred in connection with the Mergers. The New Credit Facilities will be guaranteed by various subsidiaries of Corporation and AmSurg. The funding of the New Credit Facilities is subject to customary conditions, including the negotiation of definitive documentation and other customary closing conditions.

8. Derivative Instruments and Hedging Activities

The Company manages its exposure to changes in 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 September 30, 2016, the Company was party to a series of fuel hedge transactions with a major financial institution under one master agreement executed in December 2014. Each of the transactions effectively fixes the cost of diesel fuel at prices ranging from \$3.16 to \$3.58 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 0.6 million gallons, which represents approximately 18% of the Company's total estimated usage during the periods hedged, through December 2016. The Company recorded, as a component of other comprehensive income (loss) before applicable tax impacts, a liability associated with the fair value of the fuel hedge in the amount of \$0.8 million and \$2.8 million as of September 30, 2016 and December 31, 2015, respectively. Over the next three months, the Company expects to reclassify \$0.8 million of deferred loss from accumulated other comprehensive income (loss) as the related fuel hedge transactions mature. Settlement of hedge agreements are included in operating expenses and resulted in net payments to the counterparty of \$0.6 million and \$2.1 million for the three and nine months ended September 30, 2016, respectively, and net payments to the counterparty of \$0.3 million and \$0.7 million for the three and nine months ended September 30, 2015, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Changes in Accumulated Other Comprehensive Income (Loss) by Component

The following table summarizes the changes in the Company's accumulated other comprehensive income (loss) ("AOCI") by component as of September 30, 2016 and December 31, 2015 (in thousands). All amounts are after tax.

	Fuel hedge	Interest rate swap	Unrealized holding gains (losses) on available-for-sale securities	Other	Total
Balance as of January 1, 2015	\$ (897)	\$ (935)	\$ (24)	\$ —	\$ (1,856)
Other comprehensive income (loss) before reclassifications	(1,627)	(6)	(473)	601	(1,505)
Amounts reclassified from accumulated other comprehensive income (loss)	784	941	(13)	—	1,712
Net current-period other comprehensive income (loss)	(843)	935	(486)	601	207
Balance as of December 31, 2015	(1,740)	—	(510)	601	(1,649)
Other comprehensive income (loss) before reclassifications	(25)	—	302	(601)	(324)
Amounts reclassified from accumulated other comprehensive income (loss)	1,294	—	119	—	1,413
Net current-period other comprehensive income (loss)	1,269	—	421	(601)	1,089
Balance as of September 30, 2016	\$ (471)	\$ —	\$ (89)	\$ —	\$ (560)

The following table shows the line on the statements of operations affected by reclassifications out of AOCI (in thousands):

Details about AOCI components	Amount reclassified from AOCI				Statements of Operations
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2016	2015	2016	2015	
Gains and losses on cash flow hedges:					
Fuel hedge	\$ (617)	\$ (294)	\$ (2,071)	\$ (709)	Operating expenses
Interest rate swap	—	(513)	—	(1,506)	Interest expense, net
	(617)	(807)	(2,071)	(2,215)	Total before tax
	231	282	777	810	Tax benefit (expense)
	<u>\$ (386)</u>	<u>\$ (525)</u>	<u>\$ (1,294)</u>	<u>\$ (1,405)</u>	Net of tax
Unrealized holding gains (losses) on available-for-sale securities	\$ (151)	\$ —	\$ (191)	\$ (34)	Realized gains (losses) on investments
	(151)	—	(191)	(34)	Total before tax
	57	—	72	13	Tax benefit (expense)
	<u>\$ (94)</u>	<u>\$ —</u>	<u>\$ (119)</u>	<u>\$ (21)</u>	Net of tax

10. Retirement Plans and Employee Benefits

Defined Benefit Pension Plan

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

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The amendment qualified as a curtailment. The elimination of future years of service and future salaries results in the post-curtailed pension obligation being based on the accumulated benefit obligation rather than the projected benefit obligation. As a result, the Company recognized, effective on the curtailment date, a net curtailment gain of approximately \$1.1 million, consisting of a \$2.2 million gain from the decrease in the projected benefit obligation and a \$1.1 million loss for the elimination of the accumulated net actuarial loss within other comprehensive income (loss) as of the date of the amendment. The net gain of \$1.1 million is included in net periodic pension cost for the three and nine months ended September 30, 2016.

The Company has adopted the fair value provisions (as described in Note 2) for the plan assets. The Company categorizes plan assets within a three-level fair value hierarchy.

The fair values of the Pension Plan assets as of September 30, 2016 and December 31, 2015, by asset class were as follows (in thousands):

Description	September 30, 2016			Total
	Level 1	Level 2	Level 3	
Assets:				
Equity securities	\$ 11,230	\$ 327	\$ —	\$ 11,557
Debt securities	1,761	4,781	—	6,542
Real estate	456	—	1,226	1,682
Total equity securities	<u>\$ 13,447</u>	<u>\$ 5,108</u>	<u>\$ 1,226</u>	<u>\$ 19,781</u>
Description	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Assets:				
Equity securities	\$ 10,350	\$ 277	\$ —	\$ 10,627
Debt securities	1,560	4,679	—	6,239
Real estate	402	—	1,114	1,516
Total equity securities	<u>\$ 12,312</u>	<u>\$ 4,956</u>	<u>\$ 1,114</u>	<u>\$ 18,382</u>

The real estate balance classified as a Level 3 liability has increased approximately \$0.1 million since December 31, 2015 as a result of purchases and net unrealized gains during the nine months ended September 30, 2016.

As of September 30, 2016, there were no amounts of accumulated unrecognized net actuarial gains or losses in accumulated other comprehensive income (loss), before income taxes.

Other Pension Plans

As part of the Company’s acquisitions of SEA and NTEP on January 30, 2015 and September 30, 2015, respectively, the Company acquired defined benefit pension plans with a combined total of \$12.9 million in accumulated benefit obligations. The pension plans were fully funded and frozen upon acquisition. These plans were liquidated in the second quarter of 2016.

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Employee Stock Purchase Plan and Provider Stock Purchase Plan

Beginning on May 1, 2015, the Company's employees may participate in the Envision Healthcare Holdings, Inc. 2015 Employee Stock Purchase Plan (the "ESPP"), pursuant to which the Company is authorized to issue up to 1.2 million shares of common stock. Substantially all full-time employees who have been employed by the Company for at least 60 days prior to the offering period are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions.

Beginning on May 1, 2015, certain individuals who provide clinical services for the Company and its subsidiaries or professional association affiliates may participate in the Envision Healthcare Holdings, Inc. 2015 Provider Stock Purchase Plan (the "PSPP"), pursuant to which the Company is authorized to issue up to 1.2 million shares of common stock. All active service providers that customarily work more than 120 hours per month and have provided at least 240 hours of service prior to the relevant offering period are eligible to participate in the PSPP. Provider stock purchases are made through paycheck deductions.

Under the terms of both the ESPP and PSPP, employees and service providers may not deduct an amount that would permit such employee or service provider to purchase the Company's capital stock under all of the Company's stock purchase plans at a rate that would exceed \$25,000 in fair value of capital stock in any offering period. The purchase price of the stock is 90% of the closing price of the common stock on the last trading day of the offering period.

During the three and nine months ended September 30, 2016, employee and provider purchases of common stock through the ESPP and PSPP totaled less than 0.1 million shares. There were no employee or provider purchases of common stock through the ESPP or the PSPP during the three and nine months ended September 30, 2015. Under the terms of the Merger Agreement, the Company has agreed to terminate the ESPP and PSPP upon the consummation of the Mergers.

11. Equity-Based Compensation

Omnibus Incentive Plan

Upon completion of the Company's initial public offering in August 2013, the then-existing stock compensation plan terminated and the Envision Healthcare Holdings, Inc. 2013 Omnibus Incentive Plan ("Omnibus Incentive Plan") was adopted, pursuant to which options and awards with respect to a total of 16,708,289 shares of common stock are available for grant. As of September 30, 2016, a total of 13,855,157 shares remained available for grant under the Omnibus Incentive Plan. Awards under the Omnibus Incentive Plan include both performance and non-performance based awards. Awards are granted with exercise prices equal to the fair value of the Company's common stock at the date of grant. No participant may be granted in any calendar year awards covering more than 2.5 million shares of common stock or 1.5 million performance awards up to a maximum dollar value of \$5.0 million. Non-performance based awards have time-based vesting and performance-based awards vest upon achievement of certain market-based objectives. All options have 10-year terms.

During February 2016, the Company adopted a long-term incentive plan (the "2016 LTIP") which provides stock options, restricted stock units ("RSUs"), and market-based performance share units ("PSUs") in combination. The stock options and RSUs vest ratably over three years. The PSUs vest based on achievement of both the three-year service condition and market condition. The holders of the RSUs and PSUs are entitled to receive cash dividend equivalents related to regular cash dividends paid by the Company. As of September 30, 2016, the Company had issued awards under the 2016 LTIP including 1,578,173 stock options with grant date fair values of \$8.38 and \$9.21 per option using the Black-Scholes valuation model, 296,983 RSUs with grant date fair values of \$21.99 and \$ 24.37 per RSU using the market price on the date of grant, and 598,868 PSUs with grant date fair values of \$22.41 and \$ 24.84 per PSU using a Monte Carlo simulation model.

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The Monte Carlo simulation used to calculate the fair value of the PSUs simulates the present value of the potential outcomes of future stock prices of the Company and the companies included in the defined performance index over the performance cycle. The projection of stock prices are based on the risk-free rate of return, the volatilities of the stock price of the Company and the companies included in the defined performance index, and the correlation of the stock price of the Company with these companies.

Total equity-based compensation charges of \$3.4 million and \$9.3 million were recorded for the three and nine months ended September 30, 2016, respectively and \$1.8 million and \$4.8 million were recorded for the three and nine months ended September 30, 2015, respectively. As of September 30, 2016, total unrecognized compensation cost related to unvested awards was \$34.4 million, which will be recognized over the weighted average remaining vesting life of 1.7 years.

12. Commitments and Contingencies

Lease Commitments

The Company leases various facilities and equipment under operating lease agreements. Rental expense incurred under these leases was \$19.9 million and \$13.7 million for the three months ended September 30, 2016 and 2015, respectively, and \$58.3 million and \$40.4 million for the nine months ended September 30, 2016 and 2015, respectively.

The Company also records certain leasehold improvements and vehicles 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.

Letters of Credit

As of September 30, 2016 and December 31, 2015, the Company had \$134.8 million and \$140.8 million, respectively, in outstanding letters of credit.

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 agencies 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

In December 2006, AMR received a subpoena from the U.S. 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 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 and provided its response. On May 20,

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2011, AMR entered into a settlement agreement with the DOJ and a Corporate Integrity Agreement (“CIA”) with the Office of Inspector General of the Department of Health and Human Services (“OIG”) in connection with this matter. Under the terms of the settlement, AMR paid \$2.7 million to the federal government. In connection with the settlement, the Company entered into a CIA with a five-year period beginning May 20, 2011. Pursuant to this CIA, the Company is required to maintain a compliance program, which includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for its billing operations as they relate to services provided in New York, including specific training for operations and billing personnel providing services in New York, review by an independent review organization and reporting of certain reportable events. The Company entered into the settlement in order to avoid the uncertainties of litigation, and has not admitted any wrongdoing. In May 2013 a subsidiary of the Company entered into an agreement to divest substantially all the assets underlying AMR’s services in New York, although the obligations of the Company’s compliance program will remain in effect following the expected divestiture. The divestiture was completed on July 1, 2013.

Four different putative class action lawsuits were filed against AMR and certain subsidiaries in California alleging violations of California wage and hour laws. On April 16, 2008, Laura 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 Superior Court of the State of California, County of Los Angeles. The Banta, Aguilar and Karapetian cases have been coordinated in the Superior Court for the State of California, County of Los Angeles, and the Aguilar and Karapetian cases have subsequently been consolidated into a single action. In these cases, the plaintiffs allege principally that the AMR entities failed to pay wages, including overtime wages, in compliance with California law, and failed to provide required meal breaks, rest breaks or pay premium compensation for missed breaks. The plaintiffs are seeking to certify classes on these claims and are seeking lost wages, various penalties, and attorneys’ fees under California law. While certification of the rest period claims in the consolidated Karapetian/ Aguilar case was denied, the Court certified classes on claims alleging that AMR has not provided meal periods in compliance with the law as to dispatchers and call takers, that AMR has an unlawful time rounding policy, and that AMR has an unlawful practice of setting rates for those employees. On October 13, 2015, the Court decertified all classes in the Karapetian/ Aguilar case, a decision that is being appealed. In the Banta case, the Court denied certification of the meal and rest period claims as to EMTs and paramedics, a decision that plaintiff’s counsel appealed. The appeal was denied because of the pendency of other class and representative claims in the case. The Court indicated that it would certify a class on overtime claims; however, in July 2016, Banta’s counsel filed a stipulation requesting that the Court decertify and dismiss the overtime claims. In the Bartoni case, the Court denied certification on the meal and rest period claims of all unionized employees in Northern California, a decision that is being appealed; while the Court certified a class on the overtime claims, plaintiffs’ counsel stipulated to decertify and dismiss those claims as AMR’s policy complies with a recent Court of Appeals decision. The Company is unable at this time to estimate the amount of potential damages, if any.

In September 2009, a qui tam action was filed against Rural/Metro in the U. S. District Court for the Northern District of Alabama. The complaint alleged that Rural/Metro had falsified Medicare required documents and billed Medicare and Medicaid improperly for ambulance services. The federal government intervened in the lawsuit on March 14, 2011, and on June 14, 2012, Rural/Metro entered into a settlement agreement with the DOJ and plaintiff, agreeing to pay \$5.5 million to the federal government. In connection with this settlement, Rural/Metro entered into a CIA with the OIG (the “Rural/Metro CIA”), which requires it to maintain a compliance program. This program includes, among other elements, the appointment of a compliance officer and committee, training of employees nationwide, safeguards for Rural/Metro’s billing operations, review by an independent review organization and reporting of certain reportable events. The term of the Rural/Metro CIA is five years and is set to expire in June 2017. On October 28, 2015, the Company completed its acquisition of Rural/Metro.

On December 10, 2012, an OIG subpoena was served on Mercy Hospital in Buffalo, New York, requesting documents related to interfacility specialty care transports provided by Rural/Metro’s Buffalo division. Rural/Metro provided responsive documents. On April 14, 2014, Rural/Metro received a second subpoena from the DOJ, Western

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District of New York, requesting additional information. The investigation was subsequently expanded to include Rural/Metro's Kentucky market. Rural/Metro is cooperating with the government and is in the process of providing additional responsive documents. The Company is unable to determine the potential impact, if any, that will result from this investigation.

On August 7, 2012, EmCare received a subpoena from the OIG requesting copies of documents for the period from January 1, 2007, through the present that appears to be primarily focused on EmCare's contracts for services at hospitals that are affiliated with Health Management Associates, Inc. ("HMA"). During the months of December 2013 and January 2014, several lawsuits filed by whistleblowers on behalf of the federal and certain state governments against HMA were unsealed; the Company is a named defendant in two of these lawsuits (the "HMA Lawsuits"). Although the federal government intervened in these lawsuits in connection with certain of the allegations against HMA, the federal government has not, at this time, intervened in these matters as they relate to the Company. The Company continues to engage in dialogue with the relevant federal government representatives in an effort to reach a resolution of this matter. As the Company and these government representatives have made significant progress towards resolution of these matters, the Company recorded a reserve of \$30.0 million as of September 30, 2016, based on the Company's estimates of probable exposure resulting from the HMA Lawsuits.

On January 8, 2015, the U.S. Attorney's Office for the District of Arizona issued a Civil Investigative Demand ("CID") for copies of documents pertaining to ambulance transports provided by Rural/ Metro in its San Diego and Arizona markets. Rural/ Metro cooperated with the government during its investigation and provided responsive documents. In October 2016, the Company was advised that the government's investigation has been concluded without further action by the U.S. Attorney's Office.

Following the announcement of the proposed Mergers, a purported stockholder of the Company filed a putative stockholder class action lawsuit against the members of the Company's Board and Barclays PLC in the Court of Chancery of the state of Delaware on July 15, 2016. The case is captioned *Anderson v. Sanger et al.*, C.A.No. 12561-CB (Del. Ch.). On September 22, 2016, the plaintiff filed an amended complaint, which alleges that the members of Envision Healthcare's Board violated their fiduciary duties in connection with the proposed Mergers and that Barclays PLC aided and abetted those breaches. Among other remedies, the plaintiff seeks to enjoin the Mergers from proceeding or, alternatively, damages in the event the Mergers are consummated. The time for defendants to move or answer with respect to the amended complaint has not yet expired. The Company believes this lawsuit is without merit and intends to defend the lawsuit vigorously.

On August 31, 2016, a purported Envision Healthcare stockholder filed a putative stockholder class action against Envision, the members of Envision Healthcare's Board, AmSurg and New Amethyst in the United States District Court for the District of Colorado. The case is captioned *Voth v. Envision Healthcare Holdings, Inc. et al.*, No. 1:16-cv-02213 (D. Colo.). The lawsuit alleges that Envision Healthcare and the members of Envision Healthcare's Board violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by disseminating a false and misleading registration statement in connection with the proposed Mergers and that the members of Envision Healthcare's Board, AmSurg and New Amethyst violated Section 20(a) of the Exchange Act by virtue of their purported status as controlling persons of Envision Healthcare. Among other remedies, the plaintiff seeks to enjoin the Mergers from proceeding or, alternatively, rescission of the Mergers or damages in the event the Mergers are consummated. On September 30, 2016, the plaintiff filed a motion for expedited discovery. On October 20, 2016, the plaintiff filed a notice of withdrawal of the motion for expedited discovery, and on October 21, 2016, the Court denied the motion as moot. The time for defendants to respond to the motion or to move or answer with respect to the complaint has not yet expired. The Company believes this lawsuit is without merit and intends to defend the lawsuit vigorously.

On September 8, 2016, a purported Envision Healthcare stockholder filed a putative stockholder class action against Envision, the members of Envision Healthcare's Board, AmSurg and New Amethyst in the United States District Court for the District of Colorado. The case is captioned *LeMay v. Envision Healthcare Holdings, Inc. et al.*, No. 1:16-cv-02265 (D. Colo.). The lawsuit alleges that Envision Healthcare and the members of Envision Healthcare's Board

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violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by disseminating a false and misleading registration statement in connection with the proposed Mergers and that the members of Envision Healthcare's Board, AmSurg and New Amethyst violated Section 20(a) of the Exchange Act by virtue of their purported status as controlling persons of Envision. Among other remedies, the plaintiff seeks to enjoin the Mergers from proceeding or, alternatively, rescission of the Mergers or damages in the event the Mergers are consummated. The time for defendants to move or answer with respect to the complaint has not yet expired. The Company believes this lawsuit is without merit and intends to defend the lawsuit vigorously.

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.

13. Variable Interest Entities

The Company periodically enters into arrangements with outside partners within the healthcare industry in order to facilitate growth and provide for further investment in patient services provided by EmCare. GAAP requires the assets, liabilities, noncontrolling interests and activities of Variable Interest Entities ("VIEs") to be consolidated if an entity's interest in the VIE has a controlling financial interest. Under the Variable Interest Model, a controlling financial interest is determined based on which entity, if any, has: i) the power to direct the activities of the VIE that most significantly impacts the VIE's economic performance and ii) the obligations to absorb the losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. For all consolidated VIEs, the Company is not contractually obligated to fund losses, if any, in excess of its investment.

The Company's financial statements include the accounts of these arrangements because they both qualify as VIEs and the Company is the primary beneficiary. All of the VIEs which the Company consolidates have relatively few variable interests, and are primarily related to equity investments, subordinated financial support and management services agreements ("MSAs") for which the Company is contracted to manage the VIE. Under the MSAs, EmCare provides management services including recruiting, credentialing, billing, payroll, accounting and other various administrative services. The significant judgments involved in determining whether to consolidate relate to the interaction of the decision making rights of each variable interest holder that most significantly impact economic performance. As of September 30, 2016 and December 31, 2015, current assets of VIEs that were consolidated were \$311.7 million and \$255.9 million, respectively, and current liabilities were \$104.7 million and \$77.6 million, respectively. The Company has no material unconsolidated VIEs as of September 30, 2016 and December 31, 2015, respectively.

14. Segment Information

The Company is organized around two separately managed business units: facility-based and post-acute care physician services and healthcare transportation services, which have been identified as reportable operating segments. The facility-based and post-acute care physician services reportable segment provides physician services to hospitals primarily for emergency department, anesthesiology, hospitalist/inpatient, radiology, tele-radiology and surgery services. It also offers physician-led care management solutions outside the hospital. 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 Chief Executive Officer has been identified as the chief operating decision maker (the "CODM") as he assesses the performance of the business units and decides how to allocate resources to the business units.

Net income (loss) before equity in earnings of unconsolidated subsidiary, income tax benefit (expense), loss on early debt extinguishment, other income (expense), net, realized gains (losses) on investments, interest expense, net, equity-based compensation expense, transaction costs related to acquisition activity, related party management fees, restructuring and other charges, severance and related costs, adjustment to net (income) loss attributable to

ENVISION HEALTHCARE HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

noncontrolling interest due to deferred income taxes, and depreciation and amortization expense (“Adjusted EBITDA”) is the measure of profit and loss that the CODM uses to assess financial performance and make decisions. Adjusted EBITDA is a non-GAAP measure used by management solely as a performance measure. Adjusted EBITDA is not considered a measure of financial performance under GAAP and the items excluded from Adjusted EBITDA are significant components in understanding and assessing the Company’s financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in the Company’s financial statements as an indicator of financial performance. Since Adjusted EBITDA is not a measure determined to be in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. Pre-tax income from continuing operations represents net revenue less direct operating expenses incurred within the operating segments. The accounting policies for reported segments are the same as for the Company as a whole (see Note 2).

The Company’s operating segment results were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Facility-Based and Post-Acute Care Physician Services				
Net revenue	\$ 1,055,156	\$ 933,941	\$ 3,118,613	\$ 2,688,117
Income from operations	73,585	28,858	198,879	158,964
Adjusted EBITDA	113,870	86,367	305,040	268,665
Healthcare Transportation Services				
Net revenue	\$ 583,594	\$ 433,429	\$ 1,758,713	\$ 1,278,013
Income from operations	9,712	31,099	60,713	98,576
Adjusted EBITDA	66,780	56,111	199,200	165,440
Segment Totals				
Net revenue	\$ 1,638,750	\$ 1,367,370	\$ 4,877,326	\$ 3,966,130
Income from operations	83,297	59,957	259,592	257,540
Adjusted EBITDA	180,650	142,478	504,240	434,105

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of net income (loss) to Adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$ 28,951	\$ 18,570	\$ 91,289	\$ 106,188
Add-back of non-operating expense (income):				
Interest expense, net	39,300	27,579	117,751	82,360
Income tax expense (benefit)	16,057	13,795	53,611	69,009
Realized losses (gains) on investments	151	—	191	34
Interest income from restricted assets	(283)	(149)	(749)	(442)
Equity in earnings of unconsolidated subsidiary	(123)	(59)	(1,758)	(202)
Other expense (income), net	(756)	221	(743)	593
Income from operations — segment totals	83,297	59,957	259,592	257,540
Add-back of operating expense (income):				
Depreciation and amortization expense	60,886	44,547	178,075	129,364
Restructuring and other charges	164	30,000	7,726	30,000
Severance and related costs	3,381	863	7,953	3,426
Net (income) loss attributable to noncontrolling interest	(3,062)	(1,334)	(10,118)	(3,161)
Interest income from restricted assets	283	149	749	442
Equity-based compensation expense	3,353	1,761	9,290	4,786
Transaction costs	32,348	6,535	50,973	11,708
Adjusted EBITDA	\$ 180,650	\$ 142,478	\$ 504,240	\$ 434,105

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Facility-Based and Post-Acute Care Physician Services				
Adjusted EBITDA	\$ 113,870	\$ 86,367	\$ 305,040	\$ 268,665
Depreciation and amortization expense	(27,317)	(24,744)	(81,964)	(70,831)
Restructuring and other charges	(164)	(30,000)	(7,726)	(30,000)
Severance and related costs	(1,287)	(448)	(3,574)	(2,480)
Net (income) loss attributable to noncontrolling interest	3,062	1,334	10,118	3,161
Interest income from restricted assets	(172)	(38)	(416)	(109)
Equity-based compensation expense	(1,608)	(793)	(4,644)	(2,154)
Transaction costs	(12,799)	(2,820)	(17,955)	(7,288)
Income from operations	\$ 73,585	\$ 28,858	\$ 198,879	\$ 158,964

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Healthcare Transportation Services				
Adjusted EBITDA	\$ 66,780	\$ 56,111	\$ 199,200	\$ 165,440
Depreciation and amortization expense	(33,569)	(19,803)	(96,111)	(58,533)
Severance and related costs	(2,094)	(415)	(4,379)	(946)
Interest income from restricted assets	(111)	(111)	(333)	(333)
Equity-based compensation expense	(1,745)	(968)	(4,646)	(2,632)
Transaction costs	(19,549)	(3,715)	(33,018)	(4,420)
Income from operations	\$ 9,712	\$ 31,099	\$ 60,713	\$ 98,576

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Consolidating Financial Information

Pursuant to the indenture governing the 2022 Notes, so long as any of the 2022 Notes are outstanding, the Company is required to provide condensed consolidating financial information with a separate column for (i) the Company and its subsidiaries (other than Corporation and its subsidiaries) on a combined basis, (ii) Corporation and its subsidiaries, (iii) consolidating adjustments on a combined basis, and (iv) the total consolidated amount. The consolidating adjustments column represents the elimination of any intercompany activity between EVHC (excluding Corporation and its subsidiaries) and Corporation.

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidating Balance Sheet
As of September 30, 2016
(in thousands, unaudited)

	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 5	\$ 190,028	\$ —	\$ 190,033
Insurance collateral	—	52,646	—	52,646
Trade and other accounts receivable, net	—	1,341,202	—	1,341,202
Parts and supplies inventory	—	38,739	—	38,739
Prepays and other current assets	—	81,265	—	81,265
Total current assets	5	1,703,880	—	1,703,885
Property, plant, and equipment, net	—	383,947	—	383,947
Intangible assets, net	—	1,062,400	—	1,062,400
Goodwill	—	3,386,263	—	3,386,263
Other long-term assets	104	119,313	(104)	119,313
Investment in wholly owned subsidiary	2,061,948	—	(2,061,948)	—
Total assets	<u>\$ 2,062,057</u>	<u>\$ 6,655,803</u>	<u>\$ (2,062,052)</u>	<u>\$ 6,655,808</u>
Liabilities and Equity				
Current liabilities:				
Accounts payable	\$ —	\$ 65,686	\$ —	\$ 65,686
Accrued liabilities	—	666,794	—	666,794
Current portion of long-term debt and capital lease obligations	—	24,904	—	24,904
Total current liabilities	—	757,384	—	757,384
Long-term debt and capital lease obligations	—	3,055,440	—	3,055,440
Deferred income taxes	—	388,765	(104)	388,661
Insurance reserves	—	255,674	—	255,674
Other long-term liabilities	—	66,946	—	66,946
Total liabilities	—	4,524,209	(104)	4,524,105
Equity:				
Common stock	1,872	—	—	1,872
Preferred stock	—	—	—	—
Additional paid-in capital	1,690,833	1,623,331	(1,623,331)	1,690,833
Retained earnings	369,912	439,177	(439,177)	369,912
Accumulated other comprehensive income (loss)	(560)	(560)	560	(560)
Total Envision Healthcare Holdings, Inc. equity	2,062,057	2,061,948	(2,061,948)	2,062,057
Noncontrolling interest	—	69,646	—	69,646
Total equity	<u>2,062,057</u>	<u>2,131,594</u>	<u>(2,061,948)</u>	<u>2,131,703</u>
Total liabilities and equity	<u>\$ 2,062,057</u>	<u>\$ 6,655,803</u>	<u>\$ (2,062,052)</u>	<u>\$ 6,655,808</u>

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidating Balance Sheet
As of December 31, 2015
(in thousands)

	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 5	\$ 141,672	\$ —	\$ 141,677
Insurance collateral	—	68,849	—	68,849
Trade and other accounts receivable, net	—	1,257,021	—	1,257,021
Parts and supplies inventory	—	34,023	—	34,023
Prepays and other current assets	3,650	96,857	(3,650)	96,857
Total current assets	3,655	1,598,422	(3,650)	1,598,427
Property, plant, and equipment, net	—	335,869	—	335,869
Intangible assets, net	—	1,051,631	—	1,051,631
Goodwill	—	3,271,933	—	3,271,933
Other long-term assets	103	95,712	(103)	95,712
Investment in wholly owned subsidiary	1,963,780	—	(1,963,780)	—
Total assets	<u>\$ 1,967,538</u>	<u>\$ 6,353,567</u>	<u>\$ (1,967,533)</u>	<u>\$ 6,353,572</u>
Liabilities and Equity				
Current liabilities:				
Accounts payable	\$ 999	\$ 67,986	\$ —	\$ 68,985
Accrued liabilities	—	616,095	(3,650)	612,445
Current portion of long-term debt and capital lease obligations	—	24,550	—	24,550
Total current liabilities	999	708,631	(3,650)	705,980
Long-term debt and capital lease obligations	—	2,958,481	—	2,958,481
Deferred income taxes	—	369,213	(103)	369,110
Insurance reserves	—	252,650	—	252,650
Other long-term liabilities	—	65,910	—	65,910
Total liabilities	<u>999</u>	<u>4,354,885</u>	<u>(3,753)</u>	<u>4,352,131</u>
Equity:				
Common stock	1,869	—	—	1,869
Preferred stock	—	—	—	—
Additional paid-in capital	1,677,578	1,606,975	(1,606,975)	1,677,578
Retained earnings	288,741	358,454	(358,454)	288,741
Accumulated other comprehensive income (loss)	(1,649)	(1,649)	1,649	(1,649)
Total Envision Healthcare Holdings, Inc. equity	1,966,539	1,963,780	(1,963,780)	1,966,539
Noncontrolling interest	—	34,902	—	34,902
Total equity	<u>1,966,539</u>	<u>1,998,682</u>	<u>(1,963,780)</u>	<u>2,001,441</u>
Total liabilities and equity	<u>\$ 1,967,538</u>	<u>\$ 6,353,567</u>	<u>\$ (1,967,533)</u>	<u>\$ 6,353,572</u>

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statement of Operations
(in thousands, unaudited)

	Three Months Ended September 30, 2016			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	\$ —	\$ 1,638,750	\$ —	\$ 1,638,750
Compensation and benefits	—	1,159,244	—	1,159,244
Operating expenses	—	256,481	—	256,481
Insurance expense	—	35,925	—	35,925
Selling, general and administrative expenses	—	42,753	—	42,753
Depreciation and amortization expense	—	60,886	—	60,886
Restructuring and other charges	—	164	—	164
Income (loss) from operations	—	83,297	—	83,297
Interest income from restricted assets	—	283	—	283
Interest expense, net	—	(39,300)	—	(39,300)
Realized gains (losses) on investments	—	(151)	—	(151)
Other income (expense), net	757	(1)	—	756
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	757	44,128	—	44,885
Income tax benefit (expense)	(286)	(15,771)	—	(16,057)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	471	28,357	—	28,828
Equity in net income (loss) of subsidiary	25,418	—	(25,418)	—
Equity in earnings of unconsolidated subsidiary	—	123	—	123
Net income (loss)	25,889	28,480	(25,418)	28,951
Less: Net (income) loss attributable to noncontrolling interest	—	(3,062)	—	(3,062)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 25,889	\$ 25,418	\$ (25,418)	\$ 25,889

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statement of Operations
(in thousands, unaudited)

	Three Months Ended September 30, 2015			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	\$ —	\$ 1,367,370	\$ —	\$ 1,367,370
Compensation and benefits	—	997,213	—	997,213
Operating expenses	—	165,099	—	165,099
Insurance expense	—	41,091	—	41,091
Selling, general and administrative expenses	—	29,463	—	29,463
Depreciation and amortization expense	—	44,547	—	44,547
Restructuring and other charges	—	30,000	—	30,000
Income from operations	—	59,957	—	59,957
Interest income from restricted assets	—	149	—	149
Interest expense, net	—	(27,579)	—	(27,579)
Realized gains (losses) on investments	—	—	—	—
Other income (expense), net	(154)	(67)	—	(221)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(154)	32,460	—	32,306
Income tax benefit (expense)	63	(13,858)	—	(13,795)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(91)	18,602	—	18,511
Equity in net income (loss) of subsidiary	17,327	—	(17,327)	—
Equity in earnings of unconsolidated subsidiary	—	59	—	59
Net income (loss)	17,236	18,661	(17,327)	18,570
Less: Net (income) loss attributable to noncontrolling interest	—	(1,334)	—	(1,334)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	<u>\$ 17,236</u>	<u>\$ 17,327</u>	<u>\$ (17,327)</u>	<u>\$ 17,236</u>

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statement of Operations
(in thousands, unaudited)

	Nine Months Ended September 30, 2016			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	\$ —	\$ 4,877,326	\$ —	\$ 4,877,326
Compensation and benefits	—	3,427,921	—	3,427,921
Operating expenses	—	772,877	—	772,877
Insurance expense	—	108,799	—	108,799
Selling, general and administrative expenses	—	122,336	—	122,336
Depreciation and amortization expense	—	178,075	—	178,075
Restructuring and other charges	—	7,726	—	7,726
Income from operations	—	259,592	—	259,592
Interest income from restricted assets	—	749	—	749
Interest expense, net	—	(117,751)	—	(117,751)
Realized gains (losses) on investments	—	(191)	—	(191)
Other income (expense), net	720	23	—	743
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	720	142,422	—	143,142
Income tax benefit (expense)	(272)	(53,339)	—	(53,611)
Income (loss) before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	448	89,083	—	89,531
Equity in net income (loss) of subsidiary	80,723	—	(80,723)	—
Equity in earnings of unconsolidated subsidiary	—	1,758	—	1,758
Net income (loss)	81,171	90,841	(80,723)	91,289
Less: Net (income) loss attributable to noncontrolling interest	—	(10,118)	—	(10,118)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 81,171	\$ 80,723	\$ (80,723)	\$ 81,171

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statement of Operations
(in thousands, unaudited)

	Nine Months Ended September 30, 2015			
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Consolidating Adjustments	Total
Net revenue	\$ —	\$ 3,966,130	\$ —	\$ 3,966,130
Compensation and benefits	—	2,874,328	—	2,874,328
Operating expenses	—	472,954	—	472,954
Insurance expense	—	114,783	—	114,783
Selling, general and administrative expenses	—	87,161	—	87,161
Depreciation and amortization expense	—	129,364	—	129,364
Restructuring charges	—	30,000	—	30,000
Income from operations	—	257,540	—	257,540
Interest income from restricted assets	—	442	—	442
Interest expense, net	—	(82,360)	—	(82,360)
Realized gains (losses) on investments	—	(34)	—	(34)
Other income (expense), net	(526)	(67)	—	(593)
Income (loss) before taxes and equity in earnings of unconsolidated subsidiary	(526)	175,521	—	174,995
Income tax benefit (expense)	207	(69,216)	—	(69,009)
Income before equity in net income (loss) of subsidiary and equity in earnings of unconsolidated subsidiary	(319)	106,305	—	105,986
Equity in net income (loss) of subsidiary	103,346	—	(103,346)	—
Equity in earnings of unconsolidated subsidiary	—	202	—	202
Net income (loss)	103,027	106,507	(103,346)	106,188
Less: Net (income) loss attributable to noncontrolling interest	—	(3,161)	—	(3,161)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 103,027	\$ 103,346	\$ (103,346)	\$ 103,027

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statement of Cash Flows
(in thousands, unaudited)

	Nine Months Ended September 30, 2016		
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Total
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	\$ (552)	\$ 252,985	\$ 252,433
Cash Flows from Investing Activities			
Purchases of available-for-sale securities	—	(15,459)	(15,459)
Sales and maturities of available-for-sale securities	—	3,869	3,869
Purchase of property, plant and equipment	—	(125,738)	(125,738)
Proceeds from sale of property, plant and equipment	—	202	202
Acquisition of businesses, net of cash received	—	(180,867)	(180,867)
Net change in insurance collateral	—	33,859	33,859
Other investing activities	—	(3,033)	(3,033)
Net cash provided by (used in) investing activities	—	(287,167)	(287,167)
Cash Flows from Financing Activities			
Borrowings under the ABL Facility	—	315,000	315,000
Repayments of the ABL Facility	—	(210,000)	(210,000)
Repayments of the Term Loan	—	(17,529)	(17,529)
Debt issuance costs	—	(709)	(709)
Proceeds from stock options exercised and issuance of shares under employee stock purchase plan and provider stock purchase plan	—	2,644	2,644
Excess tax benefits from equity-based compensation	—	1,324	1,324
Contributions from noncontrolling interest, net	—	(8,833)	(8,833)
Other financing activities	—	1,193	1,193
Net intercompany borrowings (payments)	552	(552)	—
Net cash provided by (used in) financing activities	552	82,538	83,090
Change in cash and cash equivalents	—	48,356	48,356
Cash and cash equivalents, beginning of period	5	141,672	141,677
Cash and cash equivalents, end of period	\$ 5	\$ 190,028	\$ 190,033

ENVISION HEALTHCARE HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Condensed Consolidating Statement of Cash Flows
(in thousands, unaudited)

	Nine Months Ended September 30, 2015		
	EVHC (excluding Corporation)	Corporation and Subsidiaries	Total
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	\$ (315)	\$ 195,260	\$ 194,945
Cash Flows from Investing Activities			
Purchases of available-for-sale securities	—	(2,507)	(2,507)
Sales and maturities of available-for-sale securities	—	9,409	9,409
Purchase of property, plant and equipment	—	(65,687)	(65,687)
Proceeds from sale of property, plant and equipment	—	377	377
Acquisition of businesses, net of cash received	—	(568,570)	(568,570)
Net change in insurance collateral	—	(1,250)	(1,250)
Other investing activities	—	(1,226)	(1,226)
Net cash provided by (used in) investing activities	—	(629,454)	(629,454)
Cash Flows from Financing Activities			
Borrowings under the ABL Facility	—	365,000	365,000
Repayments of the ABL Facility	—	(155,000)	(155,000)
Repayments of the Term Loan	—	(10,029)	(10,029)
Debt issuance costs	—	(27)	(27)
Proceeds from stock options exercised and issuance of shares under employee stock purchase plan and provider stock purchase plan	—	11,767	11,767
Excess tax benefits from equity-based compensation	—	34,051	34,051
Contributions from noncontrolling interest, net	—	100	100
Other financing activities	—	(358)	(358)
Net intercompany borrowings (payments)	315	(315)	—
Net cash provided by (used in) financing activities	315	245,189	245,504
Change in cash and cash equivalents	—	(189,005)	(189,005)
Cash and cash equivalents, beginning of period	5	318,890	318,895
Cash and cash equivalents, end of period	\$ 5	\$ 129,885	\$ 129,890

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

Forward-Looking Statements and Factors That May Affect Results

Certain statements and information herein may be deemed to be "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Any forward-looking statements herein are made as of the date this Quarterly Report on Form 10-Q is filed with the SEC, and we undertake no duty to update or revise any such statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in this Quarterly Report on Form 10-Q and in our other filings with the SEC from time to time, including the risks described in Item 1A "Risk Factors" of Part II of this Form 10-Q, each of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, respectively, and Item 1A "Risk Factors" of Part I of our Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K").

Among the factors that could cause future results to differ materially from those provided in this Quarterly Report on Form 10-Q are: decreases in our revenue and profit margin under our fee-for-service contracts due to changes in volume, payor mix and third party reimbursement rates, including from political discord in the federal budgeting process; the loss of existing contracts; failure to accurately assess costs under new contracts; difficulties in our ability to recruit and retain qualified physicians and other healthcare professionals, and enforce our non-compete agreements with our physicians; failure to implement some or all of our business strategies, including our efforts to grow our post-acute care physician services business and cross-sell our services; lawsuits for which we are not fully reserved; the adequacy of our insurance coverage and insurance reserves; our ability to successfully integrate strategic acquisitions, including the acquisition of Rural/ Metro; expected synergies and other financial benefits of the acquisition may not be realized; unanticipated restructuring costs may be incurred or undisclosed liabilities assumed from the acquisition; attempts to retain key personnel and customers from Rural/ Metro may not succeed; the high level of competition in the markets we serve; the cost of capital expenditures to maintain and upgrade our vehicle fleet and medical equipment; the loss of one or more members of our senior management team; our ability to maintain or implement complex information systems; disruptions in disaster recovery systems, management continuity planning or information systems; our ability to adequately protect our intellectual property and other proprietary rights or to defend against intellectual property infringement claims; challenges by tax authorities on our treatment of certain physicians as independent contractors; the impact of labor union representation; the impact of fluctuations in results due to our national contract with the Federal Emergency Management Agency ("FEMA"); potential penalties or changes to our operations, including our ability to collect accounts receivable, if we fail to comply with extensive and complex government regulation of our industry; the impact of changes in the healthcare industry, including changes due to healthcare reform; our ability to timely enroll our providers in the Medicare program; our ability to restructure our operations to comply with future changes in government regulation; the outcome of government investigations of certain of our business practices; our ability to comply with the terms of our settlement agreements with the government; our ability to generate cash flow to service our substantial debt obligations; risks associated with the ability to consummate the Mergers between us and AmSurg and the timing of the closing of the Mergers; the ability to successfully integrate our and AmSurg's operations and employees; the potential impact of the announcement of the Mergers or consummation of the transaction on relationships, including with employees, customers and competitors; and risks related to other factors discussed in this Quarterly Report on Form 10-Q and in the 2015 Form 10-K.

Words such as "anticipates," "believes," "continues," "estimates," "expects," "goal," "objectives," "intends," "may," "opportunity," "plans," "potential," "near-term," "long-term," "projections," "assumptions," "projects," "guidance," "forecasts," "outlook," "target," "trends," "should," "could," "would," "will" and similar expressions are intended to identify such forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

Healthcare Reform

As currently enacted the Patient Protection and Affordable Care Act (the “PPACA”) changes how health care services are delivered and reimbursed, and increases access to health insurance benefits to the uninsured and underinsured population in the United States. On June 28, 2012, the U.S. Supreme Court upheld the constitutionality of the individual mandate provisions of the PPACA, but struck down the provisions that would have allowed the Department of Health and Human Services (“HHS”) to penalize states that do not implement Medicaid expansion provisions through the loss of existing federal Medicaid funding.

Most of the provisions of the PPACA that seek to decrease the number of uninsured became effective January 1, 2014. Based on the government’s March 2016 projection, by 2025, the PPACA will expand coverage to 24 million additional individuals. This increased coverage will occur through a combination of public program expansion and private sector health insurance and other reforms. The employer mandate, which requires firms with 100 or more full-time employees to offer health insurance or pay fines, became effective on January 1, 2015.

A number of states have opted out of the Medicaid expansion, but these states could choose to implement the expansion at a later date. It is unclear how many states will ultimately decline to implement the Medicaid expansion provisions of the law. At this point, we cannot quantify or predict with any certainty the likely impact of the PPACA on our business model, financial condition or results of operations.

Company Overview

We are a leading provider of physician-led, medical services in the United States with more than 52,000 employees and affiliated clinicians. We market our services on a stand-alone, multi-service and integrated basis, primarily under our EmCare and AMR brands. EmCare is a leading provider of integrated facility-based physician services, including emergency, anesthesiology, hospitalist/inpatient care, radiology, tele-radiology and surgery. EmCare also offers physician-led care management solutions outside the hospital through its Evolution Health business unit. AMR is a leading provider and manager of community-based healthcare transportation services, including emergency (“911”), non-emergency, managed transportation, fire protection services, fixed-wing ambulance and disaster response.

Key Factors and Measures We Use to Evaluate Our Business

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

We evaluate our revenue net of provisions for contractual payor discounts and provisions for uncompensated care. Medicaid, Medicare and certain other payors receive discounts from our standard charges, which we refer to as contractual discounts. In addition, individuals we treat and transport may be personally responsible for a deductible or co-pay under their third party payor coverage, and most of our contracts require us to treat and transport patients who have no insurance or other third party payor coverage. Due to the uncertainty regarding collectability of charges associated with services we provide to these patients, which we refer to as uncompensated care, our net revenue recognition is based on expected cash collections. Our net revenue represents gross billings after provisions for contractual discounts and estimated uncompensated care. Provisions for contractual discounts and uncompensated care have increased historically primarily as a result of increases in gross billing rates without corresponding increases in payor reimbursement.

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The table below summarizes our approximate payor mix as a percentage of both net revenue and total transports and patient encounters. In determining the net revenue payor mix, we use cash collections in the period as an approximation of net revenue recorded. With the expansion of the Medicaid program in certain states, we expect cash collections related to the Medicaid payor class to continue to increase over time as those collections are received. The 2015 payor mix as a percentage of cash collections (net revenue) gives effect to currently available information for certain prior year acquisitions.

Percentage of Cash Collections (Net Revenue)							
For the quarter ended							
	2016				2015		
	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
Medicare	24.5 %	25.2 %	24.5 %	24.7 %	25.3 %	25.2 %	25.4 %
Medicaid	9.7	9.8	9.7	9.7	9.0	8.7	9.0
Commercial insurance and managed care	42.3	40.9	41.7	42.9	44.3	45.8	44.7
Self-pay	2.6	2.6	2.5	2.4	2.2	2.4	2.5
Fees	12.4	12.6	12.8	11.3	9.8	9.4	9.0
Subsidies	8.5	8.9	8.8	9.0	9.4	8.5	9.4
Total	100.0 %						

Percentage of Total Volume							
For the quarter ended							
	2016				2015		
	September 30,	June 30,	March 31,	December 31,	September 30,	June 30,	March 31,
Medicare	32.0 %	32.5 %	33.1 %	31.4 %	31.1 %	31.8 %	31.8 %
Medicaid	25.4	26.0	25.2	25.2	23.9	24.8	24.3
Commercial insurance and managed care	27.8	27.1	27.5	28.9	30.3	29.1	29.2
Self-pay	14.8	14.4	14.2	14.5	14.7	14.3	14.7
Total	100.0 %						

As illustrated above, Commercial insurance and managed care, which excludes Medicare and Medicaid managed care, has consistently represented our largest payor group based on net revenue. Separately, given the emergency nature of many of our services, self-pay (primarily uninsured patients) has represented approximately 14% to 15% of our total patient volume, but is only 2% to 3% of our total cash collections.

EmCare

Of EmCare’s net revenue for the nine months ended September 30, 2016, approximately 65% was derived from our hospital contracts for emergency department staffing, 11% from our hospitalist/inpatient services, 11% from our post-acute care services, 6% from contracts related to anesthesiology services, 4% from our locum tenens services, 2% from our surgery services, 1% from our radiology/tele-radiology services, and less than 1% from other hospital management services. Approximately 80% of EmCare’s net revenue was generated from billings to third-party payors and patients for patient encounters and approximately 20% was generated from billings to hospitals and affiliated physician groups for professional services. EmCare’s key net revenue measures are:

- Patient encounters.* We utilize patient encounters to evaluate net revenue and as the basis by which we measure certain costs of the business. Excluded from our patient encounter data are encounters from our post-acute care services. We segregate patient encounters into four main categories—emergency department visits, hospitalist encounters, radiology reads, and anesthesiology cases—due to the differences in reimbursement rates for and associated costs of providing the various services. As a result of these differences, in certain analyses we weight our patient encounter numbers according to category in an effort to better measure net revenue and costs. In calculating “weighted patient encounters,” each radiology read and anesthesiology case is not counted as a full patient encounter as we apply a discount factor to reflect differences in reimbursement rates for and associated costs of providing such services.

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- *Number of contracts.* This reflects the number of contractual relationships we have for emergency department staffing, anesthesiology, hospitalist/inpatient, radiology, tele-radiology, surgery and other hospital management services. We analyze the change in our number of contracts from period to period based on “net new contracts,” which is the difference between total new contracts and contracts that have terminated.
- *Revenue per patient encounter.* This reflects the expected net revenue for each patient encounter based on gross billings less all estimated provisions for contractual discounts and uncompensated care. Net revenue per patient encounter also includes net revenue from billings to third-party payors and hospitals.

The change from period to period in the number of patient encounters under our “same store” contracts is influenced by general conditions affecting community health, as well as hospital-specific elements, many of which are beyond our direct control. The general conditions include: (i) the timing, location and severity of influenza, allergens and other annually recurring viruses and (ii) severe weather that affects a region’s health status and/or infrastructure. Hospital specific elements include the timing and extent of facility renovations, hospital staffing issues and regulations that affect patient flow through the hospital.

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

- *Provider compensation per hour of coverage.* Provider compensation per hour of coverage includes all compensation and benefit costs for all professional providers, including physicians, physician assistants and nurse practitioners, during each patient encounter. Providers include all full-time, part-time and independently contracted providers. Analyzing provider compensation per hour of coverage enables us to monitor our most significant cost in performing services under our contracts.
- *Professional liability costs.* These costs include provisions for estimated losses for actual claims and claims likely to be incurred in the period, based on our past loss experience and actuarial analysis provided by a third party, as well as actual direct costs, including investigation and defense costs, claims payments, and other costs related to provider professional liability.

EmCare’s business is not as capital intensive as AMR’s and EmCare’s depreciation expense relates primarily to charges for usage of computer hardware and software, and other technologies. Amortization expense relates primarily to intangibles recorded for customer relationships.

AMR

Approximately 80% of AMR’s net revenue for the nine months ended September 30, 2016, was transport revenue derived from the treatment and transportation of patients, including fixed-wing air ambulance services, based on billings to third party payors, healthcare facilities and patients. The balance of AMR’s net revenue is derived from direct billings to communities and government agencies, including FEMA, for the provision of training, dispatch centers and other services. AMR’s measures for transport net revenue include:

- *Transports.* We utilize transport data, including the number and types of transports, to evaluate net revenue and to measure certain costs of the business. Excluded from our transport data are transports which are brokered through our managed transportation business. We segregate transports into two main categories—ambulance transports (including emergency, as well as non-emergency, critical care and other inter-facility transports) and wheelchair transports—due to the differences in reimbursement and the associated costs of providing ambulance and wheelchair transports. As a result of these differences, in certain analyses we weight our transport numbers by category in an effort to better measure net revenue and costs. In calculating “weighted transports,” each wheelchair transport is not counted as a full transport, as we apply a discount factor to reflect differences in reimbursement rates for and associated costs of providing such services.

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- *Net revenue per transport.* Net revenue per transport reflects the expected net revenue for each transport based on gross billings less provisions for contractual discounts and estimated uncompensated care. In order to better understand the trends across service lines and in our transport rates, we analyze our net revenue per transport based on weighted transports to reflect the differences in our transportation mix.

The change from period to period in the number of transports and net revenue per transport is influenced by changes in transports in existing markets from both new and existing facilities we serve for non-emergency transports, and the effects of general community conditions affecting the need for emergency transports. The general community conditions may include: (i) the timing, location and severity of influenza, allergens and other annually recurring viruses; (ii) severe weather that affects a region's health status and/or infrastructure; and (iii) community-specific demographic changes.

The costs we incur in our AMR business segment consist primarily of compensation and benefits for ambulance crews and support personnel, direct and indirect operating costs to provide transportation services, and costs related to accident and insurance claims. AMR's key cost measures include:

- *Unit hours and cost per unit hour.* Our measurement of a unit hour is based on a fully staffed ambulance or wheelchair van for one operating hour. We use unit hours and cost per unit hour to measure compensation-related costs and the efficiency of our deployed resources. We monitor unit hours and cost per unit hour on a combined basis, as well as on a segregated basis between ambulance and wheelchair transports.
- *Operating costs per transport.* Operating costs per transport is comprised of certain direct operating costs, including vehicle operating costs, medical supplies and other transport-related costs, but excluding compensation-related costs. Monitoring operating costs per transport allows us to better evaluate cost trends and operating practices of our regional and local management teams.
- *Accident and insurance claims.* We monitor the number and magnitude of all accident and insurance claims in order to measure the effectiveness of our risk management programs. Depending on the type of claim (workers-compensation, auto, general or professional liability), we monitor our performance by utilizing various bases of measurement, such as net revenue, miles driven, number of vehicles operated, compensation dollars, and number of transports.

We have focused our risk mitigation efforts on employee training for proper patient handling techniques, development of clinical and medical equipment protocols, driving safety, implementation of equipment to reduce lifting injuries and other risk mitigation processes.

AMR's business requires various investments in long-term assets and depreciation expense relates primarily to charges for usage of these assets, including vehicles, computer hardware and software, medical equipment, and other technologies. Amortization expense relates primarily to intangibles recorded for customer relationships.

Factors Affecting Operating Results

Healthcare Reform

The PPACA, contains a number of provisions that could materially impact our operating results in the coming years. The PPACA increased access to health insurance benefits for the uninsured and underinsured populations in the United States. Specifically, the PPACA increased the number of individuals with Medicaid eligibility, established health insurance exchanges to facilitate private insurance coverage, implemented reimbursement policies that tie payment to quality, and facilitated the creation of organizations that may use capitation and other alternative payment methodologies.

Rate Changes by Other Government Sponsored Programs

Medicare reimburses us for ambulance services based on its national fee schedule for payment of ambulance transport services. While additional ambulance fee schedule reductions were scheduled to go into effect in 2014,

congressional action delayed the reduction, and Congress has extended Medicare ambulance add-on payments, until January 1, 2018. Reductions in the ambulance service rate under the national ambulance fee schedule have adversely impacted AMR's net revenues in prior years. We cannot predict whether Congress may make further refinements and technical corrections to the law or pass a new cost containment statute in a manner and in a form that could adversely impact our business. Although we have previously been able to substantially mitigate the impact of previous reductions in AMR's rate changes through additional fee and subsidy increases, we may not be able to do so in the future.

Medicare reimburses us for physician services provided to Medicare beneficiaries based upon reimbursement rates in the Medicare Physician Fee Schedule ("MPFS"). For 2016, all payment rates under the MPFS will be 0.29% less than 2015 payment rates. The Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), provides for 0.5% annual increases in the MPFS through 2019, which will be offset by a 0.77% expenditure savings reduction and 0.02% budget neutrality decrease. Starting in 2020, through the end of 2025, there will be no annual increases to the payment rates, but physicians will have the opportunity to receive additional payment adjustments through an incentive-based payment program that rewards quality performance based on clinical and other assessment criteria.

Federal deficit reduction initiatives have resulted in lower levels of Medicare spending and decreased reimbursements rates since 2011. The Budget Control Act of 2011, as amended by the American Taxpayer Relief Act of 2012, sets forth across-the-board cuts ("sequestrations") to Medicare reimbursement rates, which began in April 2013. These annual reductions of 2%, on average, apply to mandatory and discretionary spending. Unless Congress takes action in the future to modify these sequestrations, Medicare reimbursements will continue to be reduced by 2%, on average, annually.

The regulations implementing PPACA increased Medicaid payments for specified primary care services in both the fee for service and managed care settings to Medicare levels for certain primary care physicians in 2013 and 2014. Federal funding for the enhanced Medicaid payments expired on December 31, 2014, and was not reauthorized, which adversely impacted our 2015 operating results.

Changes in Net New Contracts

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

Inflation and Fuel Costs

Certain of our expenses, such as wages and benefits, insurance, fuel and equipment repair and maintenance costs, are subject to normal inflationary pressures. Fuel expense represented 8.2% and 7.5% of AMR's operating expenses for the three and nine months ended September 30, 2016, respectively, as compared to 9.6% and 8.9% for the corresponding periods in 2015, respectively. Although we have generally been able to offset inflationary cost increases through increased operating efficiencies and successful negotiation of fees and subsidies, we can provide no assurance that we will be able to offset any future inflationary cost increases through similar efficiencies and fee changes.

Critical Accounting Policies

For a discussion of accounting policies that we consider critical to our business operations and the understanding of our results of operations that affect the more significant judgments and estimates used in the preparation of our unaudited consolidated financial statements, please refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" contained in the Company's 2015 Form 10-K. As of September 30, 2016, there were no significant changes in our critical accounting policies or estimation procedures.

Non-GAAP Measures

Adjusted EBITDA is defined as net income (loss) before equity in earnings of unconsolidated subsidiary, income tax benefit (expense), loss on early debt extinguishment, other income (expense), net, realized gains (losses) on investments, interest expense, net, equity-based compensation expense, transaction costs related to acquisition activity, related party management fees, restructuring and other charges, severance and related costs, adjustment to net (income) loss attributable to noncontrolling interest due to deferred income taxes, and depreciation and amortization expense. Adjusted EBITDA is commonly used by management and investors as a measure of financial performance, and is used by management solely as a performance measure. Adjusted EBITDA is not considered a measure of financial performance under GAAP and the items excluded from Adjusted EBITDA are significant components in understanding and assessing our financial performance. Adjusted EBITDA should not be considered in isolation or as an alternative to such GAAP measures as net income, cash flows provided by or used in operating, investing or financing activities or other financial statement data presented in our financial statements as an indicator of financial performance. Since Adjusted EBITDA is not a measure determined in accordance with GAAP and is susceptible to varying calculations, Adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

The Company's reportable operating segment results were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Facility-Based and Post-Acute Care Physician Services				
Net revenue	\$ 1,055,156	\$ 933,941	\$ 3,118,613	\$ 2,688,117
Income from operations	73,585	28,858	198,879	158,964
Adjusted EBITDA	113,870	86,367	305,040	268,665
Healthcare Transportation Services				
Net revenue	\$ 583,594	\$ 433,429	\$ 1,758,713	\$ 1,278,013
Income from operations	9,712	31,099	60,713	98,576
Adjusted EBITDA	66,780	56,111	199,200	165,440
Segment Totals				
Net revenue	\$ 1,638,750	\$ 1,367,370	\$ 4,877,326	\$ 3,966,130
Income from operations	83,297	59,957	259,592	257,540
Adjusted EBITDA	180,650	142,478	504,240	434,105

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A reconciliation of net income (loss) to Adjusted EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$ 28,951	\$ 18,570	\$ 91,289	\$ 106,188
Add-back of non-operating expense (income):				
Interest expense, net	39,300	27,579	117,751	82,360
Income tax expense (benefit)	16,057	13,795	53,611	69,009
Realized losses (gains) on investments	151	—	191	34
Interest income from restricted assets	(283)	(149)	(749)	(442)
Equity in earnings of unconsolidated subsidiary	(123)	(59)	(1,758)	(202)
Other expense (income), net	(756)	221	(743)	593
Income from operations — segment totals	83,297	59,957	259,592	257,540
Add-back of operating expense (income):				
Depreciation and amortization expense	60,886	44,547	178,075	129,364
Restructuring and other charges	164	30,000	7,726	30,000
Severance and related costs	3,381	863	7,953	3,426
Net (income) loss attributable to noncontrolling interest	(3,062)	(1,334)	(10,118)	(3,161)
Interest income from restricted assets	283	149	749	442
Equity-based compensation expense	3,353	1,761	9,290	4,786
Transaction costs	32,348	6,535	50,973	11,708
Adjusted EBITDA	\$ 180,650	\$ 142,478	\$ 504,240	\$ 434,105

Facility-Based and Post-Acute Care Physician Services	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	\$113,870	\$ 86,367	\$305,040	\$268,665
Depreciation and amortization expense	(27,317)	(24,744)	(81,964)	(70,831)
Restructuring and other charges	(164)	(30,000)	(7,726)	(30,000)
Severance and related costs	(1,287)	(448)	(3,574)	(2,480)
Net (income) loss attributable to noncontrolling interest	3,062	1,334	10,118	3,161
Interest income from restricted assets	(172)	(38)	(416)	(109)
Equity-based compensation expense	(1,608)	(793)	(4,644)	(2,154)
Transaction costs	(12,799)	(2,820)	(17,955)	(7,288)
Income from operations	\$ 73,585	\$ 28,858	\$198,879	\$158,964

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Healthcare Transportation Services	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 66,780	\$ 56,111	\$199,200	\$165,440
Depreciation and amortization expense	(33,569)	(19,803)	(96,111)	(58,533)
Severance and related costs	(2,094)	(415)	(4,379)	(946)
Interest income from restricted assets	(111)	(111)	(333)	(333)
Equity-based compensation expense	(1,745)	(968)	(4,646)	(2,632)
Transaction costs	(19,549)	(3,715)	(33,018)	(4,420)
Income from operations	\$ 9,712	\$ 31,099	\$ 60,713	\$ 98,576

Results of Operations

The following tables present a comparison of financial data from our unaudited consolidated statements of operations for the three and nine months ended September 30, 2016 and 2015 for the Company and our two reportable operating segments.

**Consolidated Results of Operations and as a Percentage of Net Revenue
(dollars in thousands, unaudited)**

	Three Months Ended September 30,			
	2016	% of net revenue	2015	% of net revenue
Net revenue	\$ 1,638,750	100.0 %	\$ 1,367,370	100.0 %
Compensation and benefits	1,159,244	70.7	997,213	72.9
Operating expenses	256,481	15.7	165,099	12.1
Insurance expense	35,925	2.2	41,091	3.0
Selling, general and administrative expenses	42,753	2.6	29,463	2.2
Depreciation and amortization expense	60,886	3.7	44,547	3.2
Restructuring and other charges	164	0.0	30,000	2.2
Income from operations	83,297	5.1	59,957	4.4
Interest income from restricted assets	283	0.0	149	0.0
Interest expense, net	(39,300)	(2.4)	(27,579)	(2.0)
Realized gains (losses) on investments	(151)	(0.0)	—	—
Other income (expense), net	756	0.0	(221)	(0.0)
Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary	44,885	2.7	32,306	2.4
Income tax benefit (expense)	(16,057)	(0.9)	(13,795)	(1.0)
Income (loss) before equity in earnings of unconsolidated subsidiary	28,828	1.8	18,511	1.4
Equity in earnings of unconsolidated subsidiary	123	0.0	59	0.0
Net income (loss)	28,951	1.8	18,570	1.4
Less: Net (income) loss attributable to noncontrolling interest	(3,062)	(0.2)	(1,334)	(0.1)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 25,889	1.6 %	\$ 17,236	1.3 %

**Consolidated Results of Operations and as a Percentage of Net Revenue
(dollars in thousands, unaudited)**

	Nine Months Ended September 30,			
	2016	% of net revenue	2015	% of net revenue
Net revenue	\$ 4,877,326	100.0 %	\$ 3,966,130	100.0 %
Compensation and benefits	3,427,921	70.3	2,874,328	72.5
Operating expenses	772,877	15.8	472,954	11.9
Insurance expense	108,799	2.2	114,783	2.9
Selling, general and administrative expenses	122,336	2.5	87,161	2.2
Depreciation and amortization expense	178,075	3.7	129,364	3.3
Restructuring and other charges	7,726	0.2	30,000	0.8
Income from operations	259,592	5.3	257,540	6.4
Interest income from restricted assets	749	0.0	442	0.0
Interest expense, net	(117,751)	(2.4)	(82,360)	(2.1)
Realized gains (losses) on investments	(191)	(0.0)	(34)	(0.0)
Other income (expense), net	743	0.0	(593)	(0.0)
Income (loss) before income taxes and equity in earnings of unconsolidated subsidiary	143,142	2.9	174,995	4.3
Income tax benefit (expense)	(53,611)	(1.1)	(69,009)	(1.7)
Income (loss) before equity in earnings of unconsolidated subsidiary	89,531	1.8	105,986	2.6
Equity in earnings of unconsolidated subsidiary	1,758	0.1	202	0.0
Net income (loss)	91,289	1.9	106,188	2.6
Less: Net (income) loss attributable to noncontrolling interest	(10,118)	(0.2)	(3,161)	(0.1)
Net income (loss) attributable to Envision Healthcare Holdings, Inc.	\$ 81,171	1.7 %	\$ 103,027	2.5 %

**Segment Results of Operations and as a Percentage of Net Revenue
(in thousands, unaudited)
EmCare**

	Three Months Ended September 30,			
	2016	% of net revenue	2015	% of net revenue
Net revenue	\$ 1,055,156	100.0 %	\$ 933,941	100.0 %
Compensation and benefits	816,349	77.3	758,379	81.2
Operating expenses	92,687	8.8	46,417	5.0
Insurance expense	22,026	2.1	28,511	3.1
Selling, general and administrative expenses	23,028	2.2	17,032	1.8
Depreciation and amortization expense	27,317	2.6	24,744	2.6
Restructuring and other charges	164	0.0	30,000	3.2
Income from operations	\$ 73,585	7.0 %	\$ 28,858	3.1 %

	Nine Months Ended September 30,			
	2016	% of net revenue	2015	% of net revenue
Net revenue	\$3,118,613	100.0 %	\$2,688,117	100.0 %
Compensation and benefits	2,420,857	77.6	2,175,715	81.0
Operating expenses	278,161	8.9	124,638	4.6
Insurance expense	64,021	2.1	77,645	2.9
Selling, general and administrative expenses	67,005	2.2	50,324	1.9
Depreciation and amortization expense	81,964	2.6	70,831	2.6
Restructuring and other charges	7,726	0.2	30,000	1.1
Income from operations	<u>\$ 198,879</u>	<u>6.4 %</u>	<u>\$ 158,964</u>	<u>5.9 %</u>

Segment Results of Operations and as a Percentage of Net Revenue
(in thousands, unaudited)
AMR

	Three Months Ended September 30,			
	2016	% of net revenue	2015	% of net revenue
Net revenue	\$583,594	100.0 %	\$433,429	100.0 %
Compensation and benefits	342,895	58.7	238,834	55.1
Operating expenses	163,794	28.1	118,682	27.4
Insurance expense	13,899	2.4	12,580	2.9
Selling, general and administrative expenses	19,725	3.4	12,431	2.9
Depreciation and amortization expense	33,569	5.7	19,803	4.5
Income from operations	<u>\$ 9,712</u>	<u>1.7 %</u>	<u>\$ 31,099</u>	<u>7.2 %</u>

	Nine Months Ended September 30,			
	2016	% of net revenue	2015	% of net revenue
Net revenue	\$1,758,713	100.0 %	\$1,278,013	100.0 %
Compensation and benefits	1,007,064	57.3	698,613	54.7
Operating expenses	494,716	28.1	348,316	27.2
Insurance expense	44,778	2.5	37,138	2.9
Selling, general and administrative expenses	55,331	3.1	36,837	2.9
Depreciation and amortization expense	96,111	5.5	58,533	4.6
Income from operations	<u>\$ 60,713</u>	<u>3.5 %</u>	<u>\$ 98,576</u>	<u>7.7 %</u>

Three months ended September 30, 2016, compared to the three months ended September 30, 2015

Consolidated

Our results for the three months ended September 30, 2016, reflect an increase in net revenue of \$271.4 million and an increase in net income of \$10.4 million compared to the three months ended September 30, 2015. The increase in net income was attributable primarily to the increase in net revenue in the quarter and a \$30.0 million reserve recorded during the third quarter of 2015 for the HMA Lawsuits, partially offset by increased acquisition-related depreciation and amortization expense, interest expense on the additional \$1.0 billion of term loans borrowed during the fourth quarter of 2015, and higher transaction costs during 2016, largely related to the proposed Mergers and the integration of the Rural/ Metro acquisition.

Net revenue. For the three months ended September 30, 2016, we generated net revenue of \$1,638.8 million compared to \$1,367.4 million for the three months ended September 30, 2015, an increase of 19.8%. The increase was attributable primarily to an increase in net revenue from acquisitions of 16.1%, combined with organic net revenue growth of 3.7%.

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Adjusted EBITDA. For the three months ended September 30, 2016, Adjusted EBITDA was \$180.7 million, or 11.0% of net revenue, compared to \$142.5 million, or 10.4% of net revenue, for the three months ended September 30, 2015. Adjusted EBITDA margin was favorably impacted by lower provider compensation and reduced insurance expense.

Restructuring and other charges. For the three months ended September 30, 2016, restructuring and other charges was \$0.2 million compared to \$30.0 million for the three months ended September 30, 2015. The decrease was attributable to the \$30.0 million reserve recorded for the HMA Lawsuits in the third quarter of 2015.

Interest expense, net. For the three months ended September 30, 2016, interest expense was \$39.3 million compared to \$27.6 million for the three months ended September 30, 2015. The increase was primarily attributable to the \$1.0 billion of term loans borrowed during the fourth quarter of 2015.

Other income (expense), net. For the three months ended September 30, 2016, other income (expense), net was \$0.8 million of income compared to \$0.2 million of expense for the three months ended September 30, 2015.

Income tax benefit (expense). For the three months ended September 30, 2016, income tax expense was \$16.1 million compared to income tax expense of \$13.8 million for the three months ended September 30, 2015. Our effective tax rate was 35.8% and 42.7% for the three months ended September 30, 2016 and 2015, respectively. Our effective tax rate for the three months ended September 30, 2016 was impacted by non-controlling interests.

EmCare

Net revenue. For the three months ended September 30, 2016, EmCare generated net revenue of \$1,055.2 million compared to \$933.9 million for the three months ended September 30, 2015, an increase of \$121.3 million, or 13.0%. The increase was due to acquisition growth, net revenue growth at existing contracts, the Florida health plan contract at Evolution Health, which commenced in the fourth quarter of 2015, and initial benefits from our participation in bundled payment models.

Net revenue from recent acquisitions increased by \$83.7 million during the three months ended September 30, 2016. Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased \$47.5 million, or 6.0%, for the three months ended September 30, 2016. The change was due to a 4.3% increase in revenue per weighted patient encounter. Rate grew by 3.4% from hospital-based services, driven primarily by an increase in anesthesia yield, and a positive rate impact of 0.9% from Evolution Health. Patient volume from hospital-based services grew by 1.7%.

Net new contracts since September 30, 2015 accounted for a net revenue decrease of \$9.9 million for the three months ended September 30, 2016, consisting of a net decrease of \$12.3 million from net new contracts added in 2016 driven by the exit of certain unprofitable contracts and the restructuring of an EmCare contract to a master services agreement, partially offset by an increase of \$2.4 million from net new contracts added in 2015.

Compensation and benefits. For the three months ended September 30, 2016, compensation and benefits costs were \$816.3 million, or 77.3% of net revenue, compared to \$758.4 million, or 81.2% of net revenue, for the three months ended September 30, 2015. As a percentage of net revenue, the decrease primarily relates to Evolution Health's recently launched contract with a Florida health plan. Under this contract, we are responsible for the cost of patient care, the majority of which is included within operating expenses. Additionally, the decrease as a percentage of net revenue reflects the impact of increases in provider compensation costs in the third quarter of 2015 based on anticipated volume and hospital expectations. Provider compensation costs increased \$12.6 million from net new contract additions and acquisitions and \$23.7 million from same store contracts. Non-provider compensation and total benefits costs increased by \$21.6 million for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 due primarily to costs from acquisition growth.

Operating expenses. For the three months ended September 30, 2016, operating expenses were \$92.7 million, or 8.8% of net revenue, compared to \$46.4 million, or 5.0% of net revenue, for the three months ended September 30, 2015.

The increase was due primarily to operating expenses from Evolution Health's recently launched contract with a Florida health plan, which commenced in the fourth quarter of 2015 and transaction costs largely related to the proposed Mergers.

Insurance expense. For the three months ended September 30, 2016, professional liability insurance expense was \$22.0 million, or 2.1% of net revenue, compared to \$28.5 million, or 3.1% of net revenue, for the three months ended September 30, 2015. We recorded a decrease of prior year insurance provisions of \$1.8 million during the three months ended September 30, 2016 compared to an increase of \$4.2 million for the three months ended September 30, 2015.

Selling, general and administrative. For the three months ended September 30, 2016, selling, general, and administrative expense was \$23.0 million, or 2.2% of net revenue, compared to \$17.0 million, or 1.8% of net revenue, for the three months ended September 30, 2015. The increase was due primarily to acquisitions completed during the 2016 period.

Depreciation and amortization. For the three months ended September 30, 2016, depreciation and amortization expense was \$27.3 million, or 2.6% of net revenue, compared to \$24.7 million, or 2.6% of net revenue, for the three months ended September 30, 2015. The increase was due primarily to acquisitions completed during the 2016 period.

AMR

Net revenue. For the three months ended September 30, 2016, AMR generated net revenue of \$583.6 million compared to \$433.4 million for the three months ended September 30, 2015, representing an increase of \$150.2 million, or 34.6%. The increase in net revenue was due primarily to recent acquisition growth of \$136.2 million, or 31.4%, combined with net new contract growth of \$9.4 million, or 2.2%, and existing market growth of \$4.6 million, or 1.0%.

Weighted transports increased 335,300 from the period last year. The change was due to an increase of 328,700 weighted transports from recent acquisitions and our entry into new markets and an increase of 1.8%, or 13,300 weighted transports, in existing markets, offset by a decrease of 6,700 weighted transports from exited markets. From a volume perspective, net revenue increased by \$171.2 million from increased weighted transport volume attributable to recent acquisitions and our entry into new markets, offset by a decrease of \$21.0 million in net revenue per weighted transport.

Compensation and benefits. For the three months ended September 30, 2016, compensation and benefits costs were \$342.9 million, or 58.7% of net revenue, compared to \$238.8 million, or 55.1% of net revenue, for the three months ended September 30, 2015. The increase in expense was primarily due to additional compensation and benefits costs from recent acquisitions and our entry into new markets. Ambulance crew wages per ambulance unit hour increased by approximately 1.2%, equating to a total increase of \$2.5 million, and ambulance unit hours increased period over period by 42.8%, or \$61.2 million due to staffing level increases necessary to improve compliance with response-time commitments within certain Rural/Metro markets. Non-crew compensation increased period over period by \$26.3 million primarily due to increased costs from recent acquisitions. Total benefits related costs increased \$13.6 million for the three months ended September 30, 2016, compared to the three months ended September 30, 2015, due primarily to the impact from markets entered and recent acquisitions. Other compensation costs increased \$0.5 million for the three months ended September 30, 2016 compared to the three months ended September 30, 2015.

Operating expenses. For the three months ended September 30, 2016, operating expenses were \$163.8 million, or 28.1% of net revenue, compared to \$118.7 million, or 27.4% of net revenue, for the three months ended September 30, 2015. The change was due primarily to increased costs of \$24.2 million associated with recent acquisitions and net new markets, increased transaction costs largely related to the proposed Mergers and the Rural/ Metro acquisition of \$14.9 million and increased other miscellaneous net operating costs of \$6.0 million.

Insurance expense. For the three months ended September 30, 2016, insurance expense was \$13.9 million, or 2.5% of net revenue, compared to \$12.6 million, or 2.9% of net revenue, for the three months ended September 30, 2015. We recorded a decrease of prior year insurance provisions of \$3.8 million during the three months ended September 30, 2016 compared to an increase of \$0.9 million during the three months ended September 30, 2015.

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Selling, general and administrative. For the three months ended September 30, 2016, selling, general, and administrative expense was \$19.7 million, or 3.4% of net revenue, compared to \$12.4 million, or 2.9% of net revenue, for the three months ended September 30, 2015. The increase was primarily due to additional costs from our entry into new markets and recent acquisitions.

Depreciation and amortization. For the three months ended September 30, 2016, depreciation and amortization expense was \$33.6 million, or 5.7% of net revenue, compared to \$19.8 million, or 4.5% of net revenue, for the three months ended September 30, 2015. The increase was primarily due to recent acquisitions.

Nine months ended September 30, 2016, compared to the Nine months ended September 30, 2015

Consolidated

Our results for the nine months ended September 30, 2016, reflect an increase in net revenue of \$911.2 million and a decrease in net income of \$14.9 million compared to the nine months ended September 30, 2015. The decrease in net income was attributable primarily to acquisition-related depreciation and amortization expense, interest expense on the additional \$1.0 billion of term loans borrowed during the fourth quarter of 2015, restructuring charges related to the efforts to enhance EmCare's operational efficiency, and transaction costs largely related to the proposed Mergers and the integration of the Rural/ Metro acquisition, offset by the \$30.0 million reserve recorded during the third quarter of 2015 for the HMA Lawsuits.

Net revenue. For the nine months ended September 30, 2016, we generated net revenue of \$4,877.3 million compared to \$3,966.1 million for the nine months ended September 30, 2015, an increase of 23.0%. The increase was attributable primarily to higher volume from acquisitions of 18.4%, combined with organic net revenue growth of 4.6%.

Adjusted EBITDA. For the nine months ended September 30, 2016, Adjusted EBITDA was \$504.2 million, or 10.3% of net revenue, compared to \$434.1 million, or 10.9% of net revenue, for the nine months ended September 30, 2015. Adjusted EBITDA margin was primarily impacted by increased operating expense related to the initial phase of the Florida health plan contract at Evolution Health and results of Rural/ Metro. During the nine months ended September 30, 2016, staffing levels were increased to improve compliance with response-time commitments within certain Rural/Metro markets.

Restructuring and other charges. For the nine months ended September 30, 2016, restructuring and other charges was \$7.7 million related primarily to the efforts to enhance EmCare's operational efficiency. For the nine months ended September 30, 2015, restructuring and other charges was \$30.0 million related to the reserve recorded for the HMA Lawsuits.

Interest expense, net. For the nine months ended September 30, 2016, interest expense was \$117.8 million compared to \$82.4 million for the nine months ended September 30, 2015. The increase was primarily attributable to the \$1.0 billion of term loans borrowed during the fourth quarter of 2015.

Other income (expense), net. For the nine months ended September 30, 2016, other income (expense), net, was \$0.7 million of income compared to \$0.6 million of expense for the nine months ended September 30, 2015.

Income tax benefit (expense). For the nine months ended September 30, 2016, income tax expense was \$53.6 million compared to income tax expense of \$69.0 million for the nine months ended September 30, 2015. Our effective tax rate was 37.5% and 39.4% for the nine months ended September 30, 2016 and 2015, respectively. Our effective tax rate for the nine months ended September 30, 2016 was impacted by non-controlling interests.

EmCare

Net revenue. For the nine months ended September 30, 2016, EmCare generated net revenue of \$3,118.6 million compared to \$2,688.1 million for the nine months ended September 30, 2015, an increase of \$430.5 million, or 16.0%.

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The increase was due to acquisition growth and organic net revenue growth, including the Florida health plan contract at Evolution Health.

Net revenue from recent acquisitions increased \$292.8 million during the nine months ended September 30, 2016. Net revenue under our same store contracts (contracts in existence for the entirety of both periods) increased \$90.7 million, or 5.0%, for the nine months ended September 30, 2016. The change was due to a 1.5% increase in revenue per weighted patient encounter. Rate grew by 1.7% from hospital-based services, driven primarily by an increase in anesthesia yield, and a negative rate impact of 0.2% from Evolution Health. Patient volume from hospital-based services grew by 3.5%.

Net new contracts since September 30, 2015 accounted for a net revenue increase of \$47.0 million for the nine months ended September 30, 2016, of which there was a net increase of \$9.2 million from net new contracts added in 2016, and an increase of \$37.8 million from net new contracts added in 2015.

Compensation and benefits. For the nine months ended September 30, 2016, compensation and benefits costs were \$2,420.9 million, or 77.6% of net revenue, compared to \$2,175.7 million, or 81.0% of net revenue, for the nine months ended September 30, 2015. As a percentage of net revenue, the decrease primarily relates to Evolution Health's recently launched contract with a Florida health plan. Under this contract, we are responsible for the cost of patient care, the majority of which is included within operating expenses. Provider compensation costs increased \$92.3 million from net new contract additions and acquisitions and \$55.8 million from same store contracts. Non-provider compensation and total benefits costs increased by \$97.1 million for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 due primarily to costs from acquisition growth.

Operating expenses. For the nine months ended September 30, 2016, operating expenses were \$278.2 million, or 8.9% of net revenue, compared to \$124.6 million, or 4.6% of net revenue, for the nine months ended September 30, 2015. The increase was due primarily to operating expenses from Evolution Health's recently launched contract with a Florida health plan, which commenced in the fourth quarter of 2015 and transaction costs largely related to the proposed Mergers.

Insurance expense. For the nine months ended September 30, 2016, professional liability insurance expense was \$64.0 million, or 2.1% of net revenue, compared to \$77.6 million, or 2.9% of net revenue, for the nine months ended September 30, 2015. We recorded a decrease of prior year insurance provisions of \$6.1 million during the nine months ended September 30, 2016 compared to an increase of \$7.1 million for the nine months ended September 30, 2015.

Selling, general and administrative. For the nine months ended September 30, 2016, selling, general, and administrative expense was \$67.0 million, or 2.2% of net revenue, compared to \$50.3 million, or 1.9% of net revenue, for the nine months ended September 30, 2015. The increase was due primarily to acquisitions.

Depreciation and amortization. For the nine months ended September 30, 2016, depreciation and amortization expense was \$82.0 million, or 2.6% of net revenue, compared to \$70.8 million, or 2.6% of net revenue, for the nine months ended September 30, 2015. The increase was due to amortization of acquired intangible assets.

AMR

Net revenue. For the nine months ended September 30, 2016, AMR generated net revenue of \$1,758.7 million compared to \$1,278.0 million for the nine months ended September 30, 2015, representing an increase of \$480.7 million, or 37.6%. The increase in net revenue was due primarily to recent acquisition growth of \$436.2 million, or 34.1%, combined with existing market growth of \$27.0 million, or 2.1%, and net new contract growth of \$17.5 million, or 1.4%.

Weighted transports increased 1,039,300 from the period last year. The change was due to an increase of 1,002,800 weighted transports from recent acquisitions and our entry into new markets and an increase of 3.1%, or 68,600 weighted transports, in existing markets, offset by a decrease of 32,100 weighted transports from exited markets. From a volume perspective, net revenue increased \$530.5 million from increased weighted transport volume attributable to recent acquisitions and our entry into new markets, offset by a decrease of \$49.8 million in net revenue per weighted transport.

Compensation and benefits. For the nine months ended September 30, 2016, compensation and benefits costs were \$1,007.1 million, or 57.3% of net revenue, compared to \$698.6 million, or 54.7% of net revenue, for the nine months ended September 30, 2015. The increase in expense was primarily due to additional compensation and benefits costs from recent acquisitions and new markets. Ambulance crew wages per ambulance unit hour increased by approximately 1.3%, equating to a total increase of \$7.5 million, and ambulance unit hours increased period over period by 44.5%, or \$184.2 million due to staffing level increases necessary to improve compliance with response-time commitments within certain Rural/Metro markets. Non-crew compensation increased period over period by \$64.1 million primarily due to increased costs from recent acquisitions. Total benefits related costs increased \$51.1 million for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, due primarily to the impact from markets entered and recent acquisitions. Other compensation costs increased \$1.6 million for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.

Operating expenses. For the nine months ended September 30, 2016, operating expenses were \$494.7 million, or 28.1% of net revenue, compared to \$348.3 million, or 27.2% of net revenue, for the nine months ended September 30, 2015. The change was due primarily to increased costs of \$99.1 million associated with recent acquisitions and net new markets, increased transaction costs of \$27.6 million, largely related to the proposed Mergers and the integration of the Rural/ Metro acquisition, increased costs of \$5.9 million associated with our existing managed transportation business and increased other miscellaneous net operating costs of \$13.8 million.

Insurance expense. For the nine months ended September 30, 2016, insurance expense was \$44.8 million, or 2.5% of net revenue, compared to \$37.1 million, or 2.9% of net revenue, for the nine months ended September 30, 2015. We recorded a decrease of prior year insurance provisions of \$1.2 million during the nine months ended September 30, 2016 compared to an increase of \$2.0 million during the nine months ended September 30, 2015.

Selling, general and administrative. For the nine months ended September 30, 2016, selling, general, and administrative expense was \$55.3 million, or 3.1% of net revenue, compared to \$36.8 million, or 2.9% of net revenue, for the nine months ended September 30, 2015. The increase was primarily due to additional costs from our entry into new markets and recent acquisitions.

Depreciation and amortization. For the nine months ended September 30, 2016, depreciation and amortization expense was \$96.1 million, or 5.5% of net revenue, compared to \$58.5 million, or 4.6% of net revenue, for the nine months ended September 30, 2015. The increase was primarily due to recent acquisitions.

Liquidity and Capital Resources

Our primary source of liquidity is cash flows provided by the operating activities of our subsidiaries. The Company and its subsidiaries also have the ability to use the ABL Facility, described below, to supplement cash flows provided by our operating activities for strategic or operating reasons. Our liquidity needs are primarily to service long-term debt and to fund working capital requirements, to fund acquisitions, capital expenditures related to the acquisition of vehicles and medical equipment, technology-related assets and insurance-related deposits.

As of September 30, 2016, we had total indebtedness, including capital leases, of \$3,118.4 million, including \$750.0 million of the 2022 Notes, \$2,258.7 million of borrowings under the Term Loan Facility, \$105.0 million of borrowings under our ABL Facility, which provides for up to \$550 million of senior secured first priority borrowings, and approximately \$4.7 million of other long-term indebtedness.

On October 21, 2015, the Company's board of directors authorized a share repurchase program of up to \$500 million of the Company's common stock. Purchases under the share repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors including compliance with the Company's debt covenants, including limitations on our ability to make restricted payments. The Company may elect not to purchase the maximum amount of shares allowable under this program. The Company expects to fund its repurchase program from operating cash flows and new borrowings as needed. The timing of share repurchases depends upon marketplace conditions and other factors. The share repurchase authorization has no

expiration. As of September 30, 2016, the Company had not repurchased any shares under its share repurchase program. The Merger Agreement contains certain interim covenants that restrict the Company's business conduct prior to the completion of the Mergers without AmSurg's consent, including the Company's ability to repurchase shares of its common stock.

Based on our current assumptions, we believe that our cash and cash equivalents, cash provided by our operating activities and amounts available under our senior secured credit facilities will be adequate to meet the liquidity requirements of our business through at least the next 12 months. If our assumptions prove to be incorrect, if there are other factors that adversely affect our cash position or cash flows, or if we make substantial acquisitions in the future, we may need to seek additional funds through financing activities.

Debt Commitment Letter

On June 15, 2016, in connection with the Mergers, Corporation and AmSurg entered into a debt commitment letter (the "Commitment Letter") with certain lenders. The lenders committed to provide (i) Corporation and AmSurg a term loan facility (the "New Term Loan Facility") in an aggregate principal amount of up to \$5.3 billion, maturing seven years from the closing date of the Mergers and (ii) a senior secured asset-based revolving credit facility in an aggregate principal amount of up to \$1.0 billion (the "New ABL Facility" and together with the New Term Loan Facility, the "New Credit Facilities") maturing five years from the closing date of the Mergers. On July 25, 2016, pursuant to an amendment, Corporation received a change of control waiver under its existing term loan credit facility, pursuant to which the New Term Loan Facility will be structured as an incremental credit facility under the Term Loan Credit Agreement. The New ABL Facility may be structured as a new credit agreement or, if Corporation receives a change of control waiver under its existing asset-based revolving credit facility, as an incremental facility under the ABL Credit Agreement.

The Commitment Letter contemplates that if Corporation is successful in obtaining change in control waivers under either the Term Loan Credit Agreement or ABL Credit Agreement, the commitments to provide the New Credit Facilities will be reduced by the amount of any indebtedness outstanding under the existing senior secured credit facilities. As a result of the change of control waiver that Corporation received under its Term Loan Credit Agreement, the lenders' commitments to provide the New Term Loan Facility were reduced by the amount of indebtedness outstanding under the existing Term Loan Facility, which was \$2.26 billion as of September 30, 2016. After giving effect to such reduction and the change of control waiver received by AmSurg with respect to certain of its outstanding senior notes, the lenders' remaining commitment to provide Corporation and AmSurg with a term loan facility is \$1.9 billion.

Proceeds of the New Credit Facilities will be used, among other things, to refinance portions of Corporation's and AmSurg's outstanding debt and to fund expenses incurred in connection with the Mergers. The New Credit Facilities will be guaranteed by various subsidiaries of Corporation and AmSurg. The funding of the New Credit Facilities is subject to customary conditions, including the negotiation of definitive documentation and other customary closing conditions.

Subject to market conditions, in lieu of a portion of the borrowings under the Credit Facilities pursuant to the Commitment Letter, New Amethyst may seek to issue senior unsecured fixed-rate debt securities, the principal amount of which would reduce the amount funded pursuant to the Commitment Letter by a corresponding amount. In the event New Amethyst issues such debt securities, Envision Healthcare and AmSurg will publicly disclose that fact and the material terms of such debt securities by filing current reports on Form 8-K.

Term Loan Facility

We have made the following borrowings under the Term Loan Facility: (i) the \$1.44 billion initial term loan borrowing on May 25, 2011, (the "Initial Term Loan Borrowing"), (ii) the \$150 million incremental term loan borrowing on February 7, 2013, (the "2013 Incremental Borrowing"), and (iii) the \$635 million and \$365 million Tranche B-2 borrowings on October 28, 2015 and November 12, 2015, respectively (collectively, the "2015 Borrowings"). Currently, the Initial Term Loan and the 2013 Incremental Borrowings bear interest at LIBOR plus an applicable margin of 3.25%

and the 2015 Borrowings bear interest at LIBOR plus an applicable margin of 3.50%, in each case subject to a LIBOR floor of 100 basis points, as described below.

On February 7, 2013, Corporation, the borrower under the Term Loan Facility, entered into a First Amendment (the “Term Loan Amendment”) to the credit agreement governing the Term Loan Facility (as amended, the “Term Loan Credit Agreement”). Under the Term Loan Amendment, Corporation incurred the 2013 Incremental Borrowing under the Term Loan Facility, the proceeds of which were used to pay down the ABL Facility. In addition, the rate at which the loans under the Term Loan Credit Agreement bear interest was amended to equal (i) the higher of (x) LIBOR and (y) 1.00%, plus, in each case, 3.00% (with a step-down to 2.75% in the event that we meet a consolidated first lien net leverage ratio of 2.50:1.00), or (ii) the alternate base rate, which will be the highest of (w) the corporate base rate established by the administrative agent from time to time, (x) 0.50% in excess of the overnight federal funds rate, (y) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% and (z) 2.00%, plus, in each case, 2.00% (with a step-down to 1.75% in the event that Corporation meets a consolidated first lien net leverage ratio of 2.50:1.00). If the effective yield applicable to any new incremental term loans issued under the Term Loan Facility (the “Incremental Term Loans”) exceeds the effective yield on the term loans outstanding prior to the incremental borrowing (the “Initial Term Loans”) by more than 50 basis points, giving effect to original issue discount, if any, the interest rate on the Initial Term Loans will increase to within 50 basis points of the interest rate on the Incremental Term Loans, and in such case, the applicable margin step-down will no longer apply.

On October 28, 2015, Corporation borrowed \$635 million of Tranche B-2 incremental term loans (the “Initial October 2022 Tranche B-2 Term Loans”) under the Term Loan Facility, pursuant to a Second Amendment to Credit Agreement (the “Second Amendment”) among Corporation, the incremental term loan lenders party thereto, Deutsche Bank AG New York Branch, as administrative agent and collateral agent (the “Administrative Agent”) and each of the other parties thereto. The Initial October 2022 Tranche B-2 Term Loans were issued with 50 basis points of original issue discount and the proceeds were used to fund the Company’s acquisition of Rural/Metro.

On November 12, 2015, Corporation borrowed an additional \$365 million of Tranche B-2 incremental term loans (the “Additional October 2022 Tranche B-2 Term Loans,” and together with the Initial October 2022 Tranche B-2 Term Loans, the “Tranche B-2 Term Loans”). The Additional October 2022 Tranche B-2 Term Loans were issued with 100 basis points of original issue discount, and were used to repay outstanding ABL revolving credit facility borrowings, to pay related fees and expenses and for general corporate purposes. All of the Tranche B-2 Term Loans mature on October 28, 2022 and bear interest at LIBOR plus an applicable margin of 3.50%, subject to a 100 basis point LIBOR floor. While the Initial October 2022 Tranche B-2 Term Loans initially bore interest at a rate of LIBOR plus an applicable margin of 3.25% under the terms of the Second Amendment, on November 12, 2015, the applicable margin applicable to such loans was increased by 25 basis points pursuant to the Third Amendment to Credit Agreement among Corporation, the incremental term loan lenders party thereto, the Administrative Agent and each of the other parties thereto. All Tranche B-2 Term Loans were issued with six-month soft call protection, running from November 12, 2015, at 101% of the principal amount outstanding. All Tranche B-2 Term Loans otherwise have substantially the same terms as Corporation’s term loans outstanding under the Term Loan Facility prior to November 12, 2015.

On November 12, 2015, Corporation’s term loans outstanding prior to the borrowing of the Tranche B-2 Term Loans were subject to repricing under the terms of the Term Loan Credit Agreement and bear interest at a rate of LIBOR plus an applicable margin equal to 3.25%, which represents an increase of 25 basis points.

The credit agreement governing the Term Loan Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on the incurrence of debt, liens, fundamental changes, restrictions on subsidiary distributions, transactions with affiliates, further negative pledge, asset sales, restricted payments, including repurchases of our capital stock, investments and acquisitions, repayment of certain junior debt (including the senior notes) or amendments of junior debt documents related thereto and line of business. The negative covenants are subject to the customary exceptions.

ABL Facility

Corporation's ABL Facility provides for up to \$550 million of senior secured first priority borrowings, subject to a borrowing base of \$550 million as of September 30, 2016. The ABL Facility is available to fund working capital and for general corporate purposes. As of September 30, 2016, we had available borrowing capacity of \$310.2 million and \$134.8 million of letters of credit issued, which impact the available credit under the ABL Facility.

Loans borrowed under the ABL credit agreement, dated as of May 25, 2011, among Corporation and certain of its subsidiaries, as borrowers, Deutsche Bank AG New York Branch, as administrative agent and collateral agent, and the lenders party thereto (as amended by Amendment No. 1, dated as of February 27, 2013, and Amendment No. 2, dated as of February 6, 2015, and as may be further amended, waived, supplemented or otherwise modified from time to time, the "ABL Credit Agreement") bear interest at a rate of (i) LIBOR plus, (x) 2.00% in the event that average daily excess availability is less than or equal to 33% of availability, (y) 1.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (z) 1.50% in the event that average daily excess availability is greater than 66% of availability, or (ii) the alternate base rate, which will be the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the one-month LIBOR (adjusted for maximum reserves) plus 1.00% plus, in each case, (A) 1.00% in the event that average daily excess availability is less than or equal to 33% of availability, (B) 0.75% in the event that average daily excess availability is greater than 33% but less than or equal to 66% of availability and (C) 0.50% in the event that average daily excess availability is greater than 66% of availability. The ABL Facility bears a commitment fee that ranges from 0.500% to 0.375%, payable quarterly in arrears, based on the utilization of the ABL Facility. The ABL Facility also bears customary letter of credit fees. On February 6, 2015, Corporation entered into a Second Amendment to the ABL Credit Agreement, under which certain lenders under the ABL Facility increased the commitments available to Corporation under the ABL Facility to \$550 million.

While the ABL Facility generally does not contain financial maintenance covenants, a springing fixed charge coverage ratio of not less than 1.0 to 1.0 will be tested if our excess availability (as defined in the credit agreement governing the ABL Facility) falls below specified thresholds at any time. If we require additional financing to meet cyclical increases in working capital needs, to fund acquisitions or unanticipated capital expenditures, we may need to access the financial markets.

The credit agreements governing the ABL Facility and the Term Loan Facility contain significant covenants, including prohibitions on our ability to incur certain additional indebtedness, to make certain investments and to make certain restricted payments, including share repurchases and dividends.

The credit agreement governing the ABL Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on indebtedness, dividends and distributions, investments, acquisitions, prepayments or redemptions of junior indebtedness, amendments of junior indebtedness, transactions with affiliates, asset sales, mergers, consolidations and sales of all or substantially all assets, liens, negative pledge clauses, changes in fiscal periods, changes in line of business and hedging transactions. The negative covenants are subject to the customary exceptions and also permit the payment of dividends and distributions, repurchases of our capital stock, investments, permitted acquisitions and payments or redemptions of junior indebtedness upon satisfaction of a "payment condition." The payment condition is deemed satisfied upon 30-day average excess availability exceeding agreed upon thresholds and, in certain cases, the absence of specified events of default and compliance with a fixed charge coverage ratio of 1.0 to 1.0.

2022 Notes

The 2022 Notes have a fixed interest rate of 5.125%, payable semi-annually on January 1 and July 1 with the principal due at maturity on July 1, 2022. The 2022 Notes are general unsecured obligations of Corporation and are guaranteed by each of Corporation's domestic subsidiaries, except for any of Corporation's subsidiaries subject to regulation as an insurance company, including Corporation's captive insurance subsidiary.

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Corporation may redeem the 2022 Notes, in whole or in part, at any time prior to July 1, 2017, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the applicable make-whole premium. Corporation may redeem the 2022 Notes, in whole or in part, at any time (i) on and after July 1, 2017 and prior to July 1, 2018, at a price equal to 103.844% of the principal amount of the 2022 Notes, (ii) on or after July 1, 2018, and prior to July 1, 2019, at a price equal to 102.563% of the principal amount of the 2022 Notes, (iii) on or after July 1, 2019, and prior to July 1, 2020, at a price equal to 101.281% of the principal amount of the 2022 Notes, and (iv) on or after July 1, 2020, at a price equal to 100.000% of the principal amount of the 2022 Notes, in each case, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to July 1, 2017, Corporation at its option may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the proceeds of certain equity offerings at a redemption price of 105.125%, plus accrued and unpaid interest, if any, to the applicable redemption date.

The indenture governing the 2022 Notes contains covenants that, among other things, limit the Company's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends on, redeem or repurchase stock or make other distributions in respect of its capital stock; repurchase, prepay or redeem subordinated indebtedness; make investments; create restrictions on the ability of Corporation's restricted subsidiaries to pay dividends to Corporation or make other intercompany transfers; create liens; transfer or sell assets; consolidate, merge or sell or otherwise dispose of all or substantially all of its assets; enter into certain transactions with affiliates; and designate subsidiaries as unrestricted subsidiaries. Upon the occurrence of certain events constituting a change of control, Corporation is required to make an offer to repurchase all of the 2022 Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. If Corporation sells assets under certain circumstances, it must use the proceeds to make an offer to purchase the 2022 Notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

We may from time to time repurchase or otherwise retire or extend our debt or take other steps to reduce our debt or otherwise improve our financial position. These actions may include open market debt repurchases, negotiated repurchases, other retirements of outstanding debt, or opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired or refinanced, if any, will depend on market conditions, trading levels of our debt, our cash position, compliance with debt covenants and other considerations. Our affiliates may also purchase our debt from time to time, through open market purchases or other transactions. In such cases, our debt may not be retired, in which case we would continue to pay interest in accordance with the terms of the debt, and we would continue to reflect the debt as outstanding in our consolidated statements of financial position.

Cash Flow

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

	Nine Months Ended September 30,	
	2016	2015
Net cash provided by (used in):		
Operating activities	\$ 252,433	\$ 194,945
Investing activities	(287,167)	(629,454)
Financing activities	83,090	245,504

Operating activities. Net cash provided by operating activities was \$252.4 million for the nine months ended September 30, 2016, compared to \$194.9 million for the nine months ended September 30, 2015. Operating cash flows for the nine months ended September 30, 2016, include payments of \$26.0 million comprised of \$6.5 million related to restructuring costs and \$19.5 million related to pre-acquisition payroll accruals (the "2016 Payments"). Cash flow from operating activities for the nine months ended September 30, 2016, excluding the 2016 Payments, represents an increase of \$83.5 million in net cash provided by operating activities relating primarily to acquisition-related and organic growth and working capital improvement, including better cash collections of our outstanding accounts receivable at EmCare.

Accounts receivable increased \$42.0 million and \$83.1 million during the nine months ended September 30, 2016 and 2015, respectively. Days sales outstanding ("DSO") decreased two days during the nine months ended September 30, 2016.

We regularly analyze DSO, which is calculated by dividing our net revenue for the quarter by the number of days in the quarter, and dividing that result into net accounts receivable at the end of the period. DSO provides us with a gauge to measure receivables, revenue and collection activities.

The following table outlines our DSO by segment and in total, excluding the impact of acquisitions, completed within the specific quarter:

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
EmCare	75	75	77	79	79	76
AMR	75	70	69	71	70	67
Company	75	73	74	77	76	73

Investing activities. Net cash used in investing activities was \$287.2 million for the nine months ended September 30, 2016, compared to \$629.5 million for the nine months ended September 30, 2015. The decrease was primarily related to the decrease in cash outflow for acquisitions of \$387.7 million.

Financing activities. Net cash provided by financing activities was \$83.1 million for the nine months ended September 30, 2016, compared to \$245.5 million for the nine months ended September 30, 2015. For the nine months ended September 30, 2016, we borrowed \$315.0 million under our ABL Facility to fund acquisitions, offset by our partial repayment of \$210.0 million. Additionally, we received \$2.6 million in proceeds from the exercise of stock options during the nine months ended September 30, 2016. For the nine months ended September 30, 2015, we borrowed \$365.0 million under our ABL Facility to fund acquisitions, offset by our partial repayment of \$155.0 million. Additionally, we received \$11.8 million in proceeds from the exercise of stock options during the nine months ended September 30, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We manage our exposure to changes in fuel prices and, as appropriate, use highly effective derivative instruments to manage well-defined risk exposures. As of September 30, 2016, we were 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 \$3.16 to \$3.58 per gallon. We purchase the diesel fuel at the market rate and periodically settle with our 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 0.6 million gallons during the periods hedged through December 2016.

As of September 30, 2016, we had \$3,114.1 million of debt, excluding capital leases, of which \$2,363.7 million was variable rate debt under our senior secured credit facilities and the balance was fixed rate debt. An increase or decrease in interest rates of 1.0%, above our LIBOR floor of 1.0%, will impact our interest costs by \$23.6 million annually.

We are exposed to changes in stock prices primarily as a result of our holdings in publicly traded securities. We believe that changes in stock prices can be expected to vary as a result of general market conditions, specific industry changes, and other factors. As of September 30, 2016, the fair value of our available-for-sale securities was \$65.4 million, inclusive of \$18.1 million of debt and equity securities collateralizing the Rural/ Metro pension plan. Had the market price of such securities been 10% lower as of September 30, 2016, the aggregate fair value of such securities would have been \$6.5 million lower.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Based on the evaluation of the Company’s management of the Company’s disclosure controls and procedures conducted as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company’s principal executive officer and principal financial officer have concluded that, as of the date of their evaluation, the Company’s disclosure controls and procedures (as defined in Rules 13e-15(e) promulgated under the Exchange Act) were effective as of September 30, 2016.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, please refer to Note 12 to the accompanying unaudited consolidated financial statements included herein and in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 and in the Company’s Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2016, respectively; other than as set forth below.

Risks Related to the Company’s Proposed Merger with AmSurg

AmSurg and Envision Healthcare may be unable to obtain the regulatory approvals required to complete the Mergers or, in order to do so, AmSurg and Envision Healthcare may be required to comply with material restrictions or conditions that may negatively affect the combined company after the Mergers are completed or cause them to abandon the Mergers. Failure to complete the Mergers could negatively affect the future business and financial results of AmSurg and Envision Healthcare.

AmSurg and Envision Healthcare must obtain certain regulatory authorizations, approvals and consents in connection with the Mergers. Although these authorizations, approvals and consents are not a condition to closing the Mergers under the Merger Agreement, the failure to obtain these approvals could disrupt or adversely impact our

operations. AmSurg and Envision Healthcare have agreed to use their reasonable best efforts to obtain these approvals, but we can provide no assurances that all required regulatory authorizations, approvals or consents will be obtained or that the approvals will not contain terms, conditions or restrictions that would be detrimental to the combined company after completion of the Mergers. Although AmSurg and Envision Healthcare believe that the transactions do not raise substantial regulatory concerns and that all remaining regulatory approvals will be obtained on a timely basis, we cannot be certain when, if or under what conditions these approvals will be obtained. Failure to obtain such approvals may result in the delay or abandonment of the Mergers.

Although the waiting period under the antitrust laws has expired, regulatory approvals that are a condition to the closing of the Mergers have been obtained and we believe that the transactions do not raise substantial regulatory concerns, we can provide no assurances that the transactions will not be challenged. Governmental authorities could seek to block or challenge the Mergers, including after the completion of the Mergers. In addition, private parties who may be adversely affected by the Mergers and individual states may bring legal actions under the antitrust laws in certain circumstances. We may not prevail and may incur significant costs in settling or defending any action under the antitrust laws. Although the parties believe the completion of the Mergers will not likely be prevented by antitrust laws, there can be no assurances that a challenge to the Mergers on antitrust grounds will not be made or, if a challenge is made, what the result will be.

The Mergers are subject to certain conditions and if these conditions are not satisfied or waived, the Mergers may not be completed.

The obligations of AmSurg and Envision Healthcare to complete the Mergers are subject to the satisfaction or waiver of a number of conditions set forth in the Merger Agreement, including: (a) the receipt of AmSurg common shareholder and Envision Healthcare stockholder approval; (b) the absence of any law or order from any court or governmental entity preventing or prohibiting the consummation of the transactions contemplated by the Merger Agreement; and (c) other customary conditions for a transaction of this type.

Shareholder litigation against AmSurg and Envision Healthcare could result in an injunction preventing completion of the Mergers, the payment of damages in the event the Mergers are completed and/or an adverse effect on the combined company's business, financial condition or results of operations following the Mergers.

On July 15, 2016, a purported Envision Healthcare stockholder filed a putative stockholder class action lawsuit against the members of Envision Healthcare's Board and Barclays PLC in the Court of Chancery of the State of Delaware. The case is captioned *Anderson v. Sanger et al.*, C.A.No. 12561-CB (Del. Ch.). On September 22, 2016, the plaintiff filed an amended complaint, which alleges that the members of Envision Healthcare's Board violated their fiduciary duties in connection with the proposed Mergers and that Barclays PLC aided and abetted those breaches. Among other remedies, the plaintiff seeks to enjoin the Mergers from proceeding or, alternatively, damages in the event the Mergers are consummated. The time for defendants to move or answer with respect to the amended complaint has not yet expired.

On August 31, 2016, a purported Envision Healthcare stockholder filed a putative stockholder class action against Envision, the members of Envision Healthcare's Board, AmSurg and New Amethyst in the United States District Court for the District of Colorado. The case is captioned *Voth v. Envision Healthcare Holdings, Inc. et al.*, No. 1:16-cv-02213 (D. Colo.). The lawsuit alleges that Envision Healthcare and the members of Envision Healthcare's Board violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by disseminating a false and misleading registration statement in connection with the proposed Mergers and that the members of Envision Healthcare's Board, AmSurg and New Amethyst violated Section 20(a) of the Exchange Act by virtue of their purported status as controlling persons of Envision Healthcare. Among other remedies, the plaintiff seeks to enjoin the Mergers from proceeding or, alternatively, rescission of the Mergers or damages in the event the Mergers are consummated. On September 30, 2016, the plaintiff filed a motion for expedited discovery. The time for defendants to respond to the motion or to move or answer with respect to the complaint has not yet expired.

On September 8, 2016, a purported Envision Healthcare stockholder filed a putative stockholder class action against Envision, the members of Envision Healthcare's Board, AmSurg and New Amethyst in the United States District Court

for the District of Colorado. The case is captioned *LeMay v. Envision Healthcare Holdings, Inc. et al.*, No. 1:16-cv-02265 (D. Colo.). The lawsuit alleges that Envision Healthcare and the members of Envision Healthcare's Board violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by disseminating a false and misleading registration statement in connection with the proposed Mergers and that the members of Envision Healthcare's Board, AmSurg and New Amethyst violated Section 20(a) of the Exchange Act by virtue of their purported status as controlling persons of Envision. Among other remedies, the plaintiff seeks to enjoin the Mergers from proceeding or, alternatively, rescission of the Mergers or damages in the event the Mergers are consummated. The time for defendants to move or answer with respect to the complaint has not yet expired.

The outcome of any such litigation, including the lawsuits described above, is uncertain. The lawsuits could prevent or delay completion of the Mergers and result in substantial costs to AmSurg or Envision Healthcare, including any costs associated with the indemnification of directors and officers. Other purported stockholders of Envision Healthcare or shareholders of AmSurg may file additional lawsuits against us, our directors and officers, AmSurg or AmSurg's directors and officers in connection with the Mergers. The defense or settlement of any lawsuit or claim that remains unresolved at the time the Mergers are completed may adversely affect the combined company's business, financial condition, results of operations and cash flows. One of the conditions to the closing of the Mergers is that no governmental entity or competent jurisdiction has issued a final and non-appealable order permanently prohibiting, restraining or otherwise making illegal the consummation of the transactions contemplated by the Merger Agreement. Consequently, if a settlement or other resolution is not reached in the lawsuit referenced above and the plaintiffs secure injunctive or other relief prohibiting AmSurg's or Envision Healthcare's ability to complete the Mergers, then such injunctive or other relief may prevent the Mergers from becoming effective within the expected timeframe or at all.

AmSurg's and Envision Healthcare's executive officers and directors have certain interests in the Mergers that may be different from, or in addition to, the interests of AmSurg shareholders and Envision Healthcare stockholders generally.

AmSurg's and Envision Healthcare's executive officers and directors have certain interests in the Mergers that may be different from, or in addition to, the interests of AmSurg shareholders and Envision Healthcare stockholders generally. AmSurg's executive officers and Envision Healthcare's executive officers negotiated the terms of the Merger Agreement. The executive officers of AmSurg and Envision Healthcare have arrangements with AmSurg or Envision Healthcare, as applicable, that provide for severance benefits if their employment is terminated under certain circumstances following the completion of the Mergers, including, in the case of the Envision Healthcare officers and Mr. Christopher A. Holden, severance benefits to which they would not have been entitled in the absence of the Mergers. Mr. William A. Sanger's employment agreement with us expired in 2016 and he will be entering into a new agreement in respect of his service as Executive Chairman of New Amethyst in connection with the Mergers. In addition, certain of AmSurg's (but not Envision Healthcare's) compensation and benefit plans and arrangements provide for payment or accelerated vesting or distribution of certain rights or benefits upon completion of the Mergers. Executive officers and directors also have rights to indemnification and directors' and officers' liability insurance that will survive completion of the Mergers.

Upon completion of the Mergers, the New Amethyst Board will be comprised of 14 members, consisting of seven of AmSurg's current directors and seven of Envision Healthcare's current directors. Mr. Sanger, the current Chairman, President and Chief Executive Officer of Envision Healthcare, will serve as Executive Chairman of the New Amethyst Board, and Mr. Holden, currently a director and the President and Chief Executive Officer of AmSurg, will serve as a director and as Chief Executive Officer and President of New Amethyst. Additionally, New Amethyst's management team will include executives from each of AmSurg and Envision Healthcare. Executive Officers from AmSurg will be, as follows: Ms. Claire M. Gulmi (the current Executive Vice President, Chief Financial Officer and Secretary of AmSurg) will serve as Executive Vice President and Chief Financial Officer of New Amethyst, Mr. Robert J. Coward (the current Executive Vice President, Chief Development Officer and President – Physician Services of AmSurg) will serve as Executive Vice President and President – Physician Services Group of New Amethyst, Mr. Kevin D. Eastridge (the current Senior Vice President, Finance and Chief Accounting Officer of AmSurg) will serve as Senior Vice President and Chief Accounting Officer of New Amethyst, and Mr. Patrick Solomon (the current Senior Vice President and Chief Strategy Officer of AmSurg) will serve as Senior Vice President and Chief Strategy Officer of New Amethyst. Executive Officers from Envision Healthcare will be, as follows: Mr. Steve W. Ratton, Jr. (the current Executive Vice

President, Chief Strategy Officer and Treasurer of Envision Healthcare) will serve as Executive Vice President and Chief Development Officer of New Amethyst, Mr. Randel G. Owen (the current Executive Vice President, Chief Operating Officer and Chief Financial Officer of Envision Healthcare) will serve as the Executive Vice President and President – Ambulatory Services Group of New Amethyst and Mr. Craig A. Wilson (the current Senior Vice President, General Counsel and Secretary of Envision Healthcare) will serve as Senior Vice President, General Counsel and Secretary of New Amethyst.

The AmSurg Board and Envision Healthcare Board were aware of these interests at the time each approved the Mergers and the transactions contemplated by the Merger Agreement. These interests, including the continued employment of certain executive officers of AmSurg and Envision Healthcare by New Amethyst, the continued positions of certain directors of AmSurg and Envision Healthcare as directors of New Amethyst and the indemnification of former directors and officers by New Amethyst, may cause AmSurg's and Envision Healthcare's directors and executive officers to view the Mergers differently and more favorably than you may view it.

AmSurg and Envision Healthcare will incur substantial transaction fees and costs in connection with the Mergers and those fees and costs could exceed current estimates.

AmSurg and Envision Healthcare have incurred and expect to incur non-recurring costs associated with the Mergers. These costs and expenses include financial advisory, legal, accounting, consulting and other advisory fees and expenses, reorganization, financing and restructuring costs, litigation defense costs, severance/employee benefit-related expenses, filing fees, printing expenses and other related charges. Some of these costs are payable by AmSurg and Envision Healthcare regardless of whether the Mergers are completed. The current estimate of the aggregate amount of such expenses to be incurred by AmSurg and Envision Healthcare is approximately \$150.0 million. There are also a large number of processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the Mergers. While both AmSurg and Envision Healthcare have assumed that a certain level of expense would be incurred in connection with the Mergers and the other transactions contemplated by the Merger Agreement, there are many factors beyond their respective control that could affect the ultimate amount or the timing of the integration and implementation expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings. These integration expenses likely will result in New Amethyst taking significant charges against earnings following the completion of the Mergers, and the amount and timing of such charges are currently not known.

There may also be additional unanticipated significant costs in connection with the Mergers that the combined company may not recoup. These costs and expenses could reduce the benefits and additional income New Amethyst expects to achieve from the Mergers. Although New Amethyst expects that these benefits will offset the transaction expenses and implementation costs over time, this net benefit may not be achieved in the near term or at all.

The combined company may fail to realize the anticipated benefits of the Mergers.

The success of the Mergers will depend on, among other things, the combined company's ability to combine the AmSurg and Envision Healthcare businesses in a manner that facilitates growth opportunities, realizes anticipated synergies, and achieves the projected stand-alone cost savings, revenue and earnings growth trends identified by each company. On a combined basis, New Amethyst expects to benefit from operational synergies resulting from the consolidation of capabilities and elimination of redundancies, as well as greater efficiencies from increased scale and integration. Management also expects the combined company will enjoy other benefits, including expanded service offerings and increased geographic reach of the combined businesses.

However, management of the combined company must successfully combine the businesses of AmSurg and Envision Healthcare in a manner that permits these cost savings, synergies and other benefits to be realized. Actual synergies, if achieved, may be lower than what New Amethyst expects or may take longer to achieve than anticipated. In addition, New Amethyst must achieve the anticipated savings, synergies and benefits without adversely affecting current revenues, earnings and investments in future growth. An inability to realize the full extent of the anticipated benefits of the Mergers and the other transactions contemplated by the Merger Agreement, as well as any delays encountered in the

integration process, could have an adverse effect upon the revenues, earnings, level of expenses and operating results of the combined company, which may adversely affect the value of New Amethyst common stock after the completion of the Mergers.

Following the consummation of the Mergers, the New Amethyst Board will undertake a strategic review of the combined company's businesses, and may pursue strategic initiatives in the future. Strategic initiatives could include divestitures, spin-offs, split-offs, strategic partnerships or joint ventures. Any strategic initiatives could involve implementation challenges, execution risks or other risks, or significantly change the combined company's business profile or strategies. Any such strategic initiatives could have an adverse impact on New Amethyst's revenues, earnings, cash flows and operating results, which may adversely affect the value of New Amethyst common stock after completion of the Mergers.

New Amethyst will have substantial indebtedness and New Amethyst's debt service obligations could harm its ability to operate its business, remain in compliance with debt covenants and make payments on its debt.

New Amethyst will have substantial indebtedness. AmSurg and Corporation entered into the Commitment Letter with JPMorgan Chase Bank ("JPM") and Barclays PLC, pursuant to which JPM and Barclays PLC committed to provide the New Term Loan Facility in an aggregate principal amount of up to \$1.9 billion, subject to certain increases as described therein. For a more detailed description of the Commitment Letter, see "Management's Discussion & Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" herein. The commitment of JPM and Barclays PLC under the Commitment Letter is subject to various conditions, including the negotiation and execution of a definitive financing agreement and the consummation of the Mergers prior to the 12-month anniversary of the Commitment Letter in accordance with the terms and conditions set forth in the Merger Agreement. New Amethyst expects to borrow at or before the effective time of the Mergers the funds available at such time and to use the proceeds therefrom to refinance and repay, in full, Corporation's existing indebtedness under the ABL Credit Agreement, to refinance and repay, in full, AmSurg's existing indebtedness under its Indenture, dated as of July 16, 2014 (as amended and supplemented), under its Indenture (as amended and supplemented), dated as of November 20, 2012 and under its credit agreement (as amended and supplemented), dated as of July 16, 2014, to finance the Mergers and to pay fees and transaction costs related to the Mergers and the New Term Loan Facility, for working capital, capital expenditure and other lawful corporate purposes of New Amethyst and its subsidiaries. After the effective time of the Mergers, New Amethyst expects to use the proceeds of any borrowings for corporate purposes of New Amethyst and its subsidiaries.

New Amethyst's substantial indebtedness increases the possibility that it may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of such indebtedness. In addition, New Amethyst and its subsidiaries may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents that will govern its indebtedness. If New Amethyst incurs additional debt, the risks associated with its substantial indebtedness, including New Amethyst's ability to service debt, would increase.

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New Amethyst's debt could have other important consequences, which include, but are not limited to, the following:

- a substantial portion of New Amethyst's cash flow from operations could be required to pay principal and interest on its debt;
- New Amethyst's interest expense will increase if interest rates increase because the loans under the New Term Loan Facility would generally bear interest at floating rates;
- New Amethyst's substantial indebtedness could increase its vulnerability to general economic downturns and adverse competitive and industry conditions, placing it at a disadvantage compared to those of its competitors that have less indebtedness;
- New Amethyst's debt service obligations could limit its flexibility in planning for, or reacting to, changes in its business and in the health care industry;
- New Amethyst's failure to comply with the financial and other restrictive covenants in the documents governing its indebtedness could result in an event of default that, if not cured or waived, results in foreclosure on substantially all of its assets; and
- New Amethyst's substantial indebtedness may restrict it from raising additional financing on satisfactory terms to fund strategic acquisitions, investments, joint ventures and other general corporate requirements.

AmSurg and Envision Healthcare (and after the completion of the Mergers, New Amethyst) cannot be certain that New Amethyst's earnings will be sufficient to allow it to pay principal and interest on its debt and meet its other obligations. If AmSurg and Envision Healthcare (and after the completion of the Mergers, New Amethyst) do not have sufficient earnings, AmSurg and Envision Healthcare may be required to seek to refinance all or part of their then existing debt, sell assets, borrow more money or sell more securities, none of which AmSurg and Envision Healthcare can guarantee that they will be able to do and which, if accomplished, may adversely affect AmSurg, Envision Healthcare and New Amethyst.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENVISION HEALTHCARE HOLDINGS, INC.

(registrant)

November 3, 2016

Date

By: /s/ William A. Sanger

William A. Sanger
Chairman, President and Chief Executive Officer

By: /s/ Randel G. Owen

Randel G. Owen
Chief Financial Officer, Chief Operating Officer and
Executive Vice President

EXHIBIT INDEX

- 10.1* Sixth Amendment to the Term Loan Credit Agreement (the “Term Loan Amendment”), among the Corporation, the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent and collateral agent.
- 31.1* Certification of the Chief Executive Officer of Envision Healthcare Holdings, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of the Chief Financial Officer of Envision Healthcare Holdings, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of the Chief Executive Officer and the Chief Financial Officer of Envision Healthcare Holdings, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101* The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed on November 3, 2016, formatted in eXtensible Business Reporting Language (“XBRL”): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Operations and Comprehensive Income (Loss), (3) the Consolidated Statements of Cash Flows and (4) related notes to these financial statements.

*Filed with this Report

SIXTH AMENDMENT

SIXTH AMENDMENT TO CREDIT AGREEMENT (this “Sixth Amendment”), dated as of July 25, 2016 among Envision Healthcare Corporation (the “Borrower”), the several banks and financial institutions party hereto that constitute the Required Lenders and Deutsche Bank AG New York Branch, as Administrative Agent (the “Administrative Agent”). Unless otherwise indicated, all capitalized terms used herein and not otherwise defined shall have the respective meanings provided to such terms in the Credit Agreement referred to below (as amended by this Sixth Amendment).

WITNESSETH :

WHEREAS, the Borrower, the Lenders from time to time party thereto and the Administrative Agent are parties to a Credit Agreement, dated as of May 25, 2011 (as amended, supplemented, waived or otherwise modified from time to time, the “Credit Agreement”); and

WHEREAS, Holdings has entered into an Agreement and Plan of Merger (the “Merger Agreement”) with AmSurg Corp., a Tennessee corporation (“AmSurg”), and New Amethyst Corp., a Delaware corporation and a wholly owned subsidiary of AmSurg, pursuant to which AmSurg and Holdings will combine in an all stock merger of equals; and

WHEREAS, the Borrower has requested that certain provisions of the Credit Agreement be amended as set forth herein; and

WHEREAS, the Lenders party to this Sixth Amendment (which constitute the Required Lenders) are willing to effect the amendments described herein on the terms and subject to the conditions of this Sixth Amendment.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Amendment to Credit Agreement. Subject to the satisfaction of the conditions set forth in Section Three hereof:

a. Subsection 1.1 of the Credit Agreement is hereby amended as follows:

i. by adding the following new definitions, to appear in proper alphabetical order:

“2016 Merger Agreement”: that certain Agreement and Plan of Merger among Holdings, AmSurg Corp., a Tennessee corporation, and New Amethyst Corp., a Delaware corporation and a wholly owned subsidiary of AmSurg Corp., pursuant to which AmSurg Corp. and Holdings will combine in an all stock merger of equals.

“2016 Mergers”: the consummation of Mergers (as defined in the Merger Agreement) and all other transactions relating to any of the foregoing (including payment of fees and expenses related thereto).

“Acknowledging Party”: as defined in Subsection 11.21.

“Acknowledging Lender”: as defined in Subsection 11.21.

“Bail-In Action”: the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation”: with respect to any EEA Member Country implementing Article 55 of the Bank Recovery and Resolution Directive, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Bank Recovery and Resolution Directive”: Directive 2014/59/EU of the European Parliament and of the Council of the European Union.

“Covered Liability”: as defined in Subsection 11.21.

“EEA Financial Institution”: (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition and is subject to the supervision of an EEA Resolution Authority, or (c) any institution established in an EEA Member Country which is a Subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision of an EEA Resolution Authority with its parent.

“EEA Member Country”: any of the member states of the European Union, Iceland, Liechtenstein and Norway.

“EEA Resolution Authority”: any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“EU Bail-In Legislation Schedule”: the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Excluded Liability”: any liability that is excluded under the Bail-In Legislation from the scope of any Bail-In Action including, without limitation, any liability excluded pursuant to Article 44 of the Bank Recovery and Resolution Directive.

“LCA Election”: as defined in Subsection 1.2(i).

“LCA Test Date”: as defined in Subsection 1.2(i).

“Limited Condition Acquisition”: any acquisition by one or more of the Borrower and its Restricted Subsidiaries of any assets, business or Person permitted by this Agreement whose consummation is not conditioned on the availability of, or on obtaining, third party financing. In addition, for purposes of this Agreement, the 2016 Mergers shall be deemed to be a Limited Condition Acquisition.

“Sixth Amendment”: the Sixth Amendment to the Credit Agreement, dated as of the Sixth Amendment Effective Date, among the Borrower, the several banks and financial institutions party thereto and the Administrative Agent.

“Write-Down and Conversion Powers”: with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

ii. by amending and restating the definition of “Change of Control” as follows:

““Change of Control”: (i) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Closing Date), shall be the “beneficial owner” of (A) so long as Holdings is a Subsidiary of any Parent Entity, shares of Voting Stock having more than 35.0% of the total voting power of all outstanding shares of such Parent Entity (other than a Parent Entity that is a Subsidiary of another Parent Entity) and (B) if Holdings is not a Subsidiary of any Parent Entity, shares of Voting Stock having more than 35.0% of the total voting power of all outstanding shares of Holdings; (ii) the Continuing Directors shall cease to constitute a majority of the members of the Board of Directors of Holdings; or (iii) a “Change of Control” as defined in the Senior ABL Facility Agreement or the Senior Notes Indenture (or any indenture or agreement governing Refinancing Indebtedness in respect of the Senior Notes, in each case relating to Indebtedness in an aggregate principal amount equal to or greater than \$50.0 million). Notwithstanding anything to the contrary in the foregoing, neither the Transaction nor the 2016 Mergers and other transactions contemplated by the 2016 Merger Agreement shall constitute or give rise to a Change of Control.”

iii. by amending and restating the definition of “Federal Funds Effective Rate” as follows:

““Federal Funds Effective Rate”: for any day, the rate calculated by the Federal Reserve Bank of New York based on such day’s federal funds transactions by depository institutions, as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time, and published on the next succeeding Business Day by the Federal Reserve Bank of New York as the federal funds effective rate. If the Federal Funds Effective Rate is less than zero, it shall be deemed zero for purposes of this Agreement.”

iv. by deleting in its entirety the definition of “Permitted Holders” and each reference to such definition therein.

b. Subsection 1.2 of the Credit Agreement is hereby amended as follows:

i. by inserting the following as new clause (h) thereof:

“(h) In connection with any action being taken in connection with a Limited Condition Acquisition, for purposes of determining compliance with any provision of this Agreement which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Borrower, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreements for such

Limited Condition Acquisition are entered into. For the avoidance of doubt, if the Borrower has exercised its option under the first sentence of this clause (h), and any Default or Event of Default occurs following the date the definitive agreements for the applicable Limited Condition Acquisition were entered into and prior to the consummation of such Limited Condition Acquisition, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition is permitted hereunder.”

ii. by inserting the following as new clause (i) thereof:

“(i) In connection with any action being taken in connection with a Limited Condition Acquisition, for purposes of:

(a) determining compliance with any provision of this Agreement which requires the calculation of the Consolidated Coverage Ratio, the Consolidated First-Lien Net Leverage Ratio or the Consolidated Net Leverage Ratio; or

(b) testing baskets set forth in this Agreement (including baskets measured as a percentage of Consolidated Total Assets);

in each case, at the option of the Borrower (the Borrower’s election to exercise such option in connection with any Limited Condition Acquisition, an “LCA Election”), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreements for such Limited Condition Acquisition are entered into (the “LCA Test Date”), and if, after giving pro forma effect to the Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent four consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of the Borrower (or, as applicable, any Parent Entity) are available, the Borrower could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with. For the avoidance of doubt, if the Borrower has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date in connection with any action taken with respect to such Limited Condition Acquisition are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in exchange rates or in Consolidated EBITDA or Consolidated Total Assets of the Borrower or the Person subject to such Limited Condition Acquisition, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Borrower has made an LCA Election for any Limited Condition Acquisition, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Restricted Payments, Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Borrower or the designation of an Unrestricted Subsidiary on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition is consummated or the definitive agreement for such Limited Condition Acquisition is terminated or expires without consummation of such Limited Condition

Acquisition, any such ratio or basket shall be calculated on a pro forma basis assuming such Limited Condition Acquisition and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated.”

c. The Credit Agreement is hereby amended by inserting the following new Subsection 11.21:

“11.21 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary herein or in any other Loan Document, the Borrower, each Lender party to the Sixth Amendment or who becomes party to this Agreement after the Sixth Amendment Effective Date (each an “Acknowledging Lender”), and Deutsche Bank AG New York Branch, in its capacity as the Administrative Agent and the Collateral Agent, solely on its own behalf and not in any other capacity (the Borrower, the Acknowledging Lenders and Deutsche Bank AG New York Branch (in such capacity and solely on its own behalf), an “Acknowledging Party”), acknowledges that any liability of any Acknowledging Lender that is an EEA Financial Institution arising hereunder or under any other Loan Document, to the extent such liability is unsecured, to such Acknowledging Party (all such liabilities other than any Excluded Liability, the “Covered Liabilities”), may be subject to Write-down and Conversion Powers and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of Write-Down and Conversion Powers to any Covered Liability arising hereunder or under any other Loan Document which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-in Action on any such Covered Liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such Covered Liability;
 - (ii) a conversion of all, or a portion of, such Covered Liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such Covered Liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such Covered Liability in connection with the exercise of Write-down and Conversion Powers.

Notwithstanding anything to the contrary herein, nothing contained in this Subsection 11.21 shall (i) modify or otherwise alter the rights or obligations under this Agreement (including those rights and obligations set forth in Subsection 11.7 of or to any Person other than an Acknowledging Party) or any other Loan Document of any Person party hereto (other than an Acknowledging Party to the extent set forth in this Subsection 11.21) or with respect to any liability that is not a Covered Liability or (ii) modify, amend or otherwise alter those provisions of this Agreement and the Loan Documents that may not be amended without the written consent of all the Lenders, all adversely affected Lenders or any Agent or Other Representative not party to the Sixth Amendment.

SECTION 2. Subsequent Amendment to Credit Agreement Subject to the satisfaction of the conditions set forth in Sections Three and Four hereof.

(a) Subsection 1.1 of the Credit Agreement is hereby by amending and restating the definition of “Maximum Incremental Facilities Amount” as follows:

“Maximum Incremental Facilities Amount”: at any date of determination, the sum of (i) \$1.3 billion plus (ii) an additional amount if, after giving effect to the Incurrence of such additional amount (or, after giving pro forma effect to the Incurrence of the entire committed amount of such additional amount), the Consolidated First-Lien Net Leverage Ratio shall not exceed 4.00 to 1.00 (as set forth in an officer’s certificate of a Responsible Officer of the Borrower delivered to the Administrative Agent at the time of such Incurrence, together with calculations demonstrating compliance with such ratio) (it being understood that (A) if pro forma effect is given to the entire committed amount of any such additional amount, such committed amount may thereafter be borrowed and reborrowed, in whole or in part, from time to time, without further compliance with this clause, (B) for purposes of calculating the Consolidated First-Lien Net Leverage Ratio, any additional amount Incurred pursuant to this clause (ii) shall be treated as if such amount is Consolidated First-Lien Net Indebtedness, regardless of whether such amount is actually secured and (C) the 2013 Supplemental Term Loans shall not reduce borrowing capacity under the foregoing clause (i)).”

(b) Subsection 8.1(b)(i) of the Credit Agreement is hereby amended by replacing “\$1,590.0 million” with “\$2,270.0 million” and “\$450.0 million” with “\$1,000.0 million”.

SECTION 3. Conditions to Effectiveness relating to Initial Credit Agreement Amendments. This Sixth Amendment relating to the amendments set forth in Section 1 above shall become effective on the date (the “Sixth Amendment Effective Date”) when each of the following conditions shall have been satisfied:

- a. the Borrower, the Lenders constituting Required Lenders and the Administrative Agent shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile or other electronic transmission) the same to Cahill Gordon & Reindel LLP, 80 Pine Street, New York, NY 10005 (email address: Envision-Amendment6@cahill.com); and
- b. the Administrative Agent, for the ratable benefit of each Lender party hereto who shall have submitted its signature page to the email address listed in clause (a) at or prior to 12:00 p.m., New York time on Thursday, July 21, 2016, shall have received a consent fee equal to 0.125% of the aggregate principal amount of the Term Loans held by such Lender as of the Sixth Amendment Effective Date, with such payment to be earned by, and payable to, each such Lender on the Sixth Amendment Effective Date.

SECTION 4. Conditions to Effectiveness relating to Subsequent Credit Agreement Amendments. This Sixth Amendment relating to the amendments set forth in Section 2 above shall become effective on the date when each of the following conditions shall have been satisfied:

- a. the Sixth Amendment Effective Date shall have occurred; and
- b. the Mergers (as defined in the Merger Agreement) shall have been consummated, or shall be substantially concurrently consummated, in all material respects in accordance with the terms of the Merger Agreement.

SECTION 5. Representations and Warranties; No Default. In order to induce the Lenders party hereto and the Administrative Agent to enter into this Sixth Amendment, the Borrower represents and warrants to each of such Lenders and the Administrative Agent that on and as of the date hereof after giving effect to this Sixth Amendment, (i) no Default or Event of Default exists; (ii) the representations and warranties of each Loan Party contained in Section 5 of the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of the date hereof except to the extent that such representations and warranties relate to an earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date; (iii) the execution, delivery and performance of this Sixth Amendment has been duly authorized by all necessary corporate action on the part of the Borrower, has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; and (iv) the execution and delivery hereof by the Borrower and the performance and observance by the Borrower of the provisions hereof do not violate or conflict with (A) any Organizational Document of the Borrower or (B) any Requirement of Law applicable to the Borrower or result in a breach of any provision of any Contractual Obligation of the Borrower, in each case, in any respect that would reasonably be expected to have a Material Adverse Effect.

SECTION 6. Reference to and Effect on the Credit Agreement and the Notes. On and after the effectiveness of this Sixth Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Sixth Amendment. The Credit Agreement, the Notes and each of the other Loan Documents, as specifically amended by this Sixth Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Sixth Amendment shall not, except as expressly provided herein, operate as an amendment or waiver of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, nor constitute an amendment or waiver of any provision of any of the Loan Documents. The Borrower hereby expressly acknowledges the terms of this Sixth Amendment and reaffirms, as of the date hereof, (i) the covenants and agreements contained in each Loan Document to which it is a party, including, in each case, such covenants and agreements as in effect immediately after giving effect to this Sixth Amendment and the transactions contemplated hereby and (ii) its grant of Liens on the Collateral to secure the Secured Obligations pursuant to the Security Documents.

SECTION 7. Execution in Counterparts. This Sixth Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract. Delivery of an executed counterpart of this Sixth Amendment by facsimile transmission or electronic photocopy (i.e., "pdf") shall be effective as delivery of a manually executed counterpart of this Sixth Amendment.

SECTION 8. Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS SIXTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ITS PRINCIPLES OR RULES OF CONFLICT OF LAWS TO THE EXTENT SUCH PRINCIPLES OR RULES ARE NOT MANDATORILY APPLICABLE BY STATUTE AND WOULD REQUIRE OR PERMIT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION.

IN WITNESS WHEREOF, the parties hereto have caused this Sixth Amendment to be duly executed and delivered as of the day and year first above written.

ENVISION HEALTHCARE CORPORATION

By: /s/ Steve W. Ratton

Name: Steve W. Ratton

Title: Senior Vice President & Treasurer

[Amendment No. 6 to Envision Term Loan Credit Agreement]

DEUTSCHE BANK AG NEW YORK BRANCH,
as Administrative Agent

By: /s/ Peter Cucchiara
Name: Peter Cucchiara
Title: Vice President

By: /s/ Benjamin Souh
Name: Benjamin Souh
Title: Vice President

[Amendment No. 6 to Envision Term Loan Credit Agreement]

[Lender signature pages on file with the Administrative Agent]

[Amendment No. 6 to Envision Term Loan Credit Agreement]

CERTIFICATION

I, William A. Sanger, certify that:

1. I have reviewed this Form 10-Q of Envision Healthcare Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2016

/s/ WILLIAM A. SANGER

Name: William A. Sanger

Title: Chief Executive Officer

CERTIFICATION

I, Randel G. Owen, certify that:

1. I have reviewed this Form 10-Q of Envision Healthcare Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2016

/s/ RANDEL G. OWEN

Name: Randel G. Owen

Title: Chief Financial Officer

Written Statement of the Chief Executive Officer and Chief Financial Officer

Pursuant to Section 906

of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Envision Healthcare Holdings, Inc., a Delaware corporation (the "Company"), each hereby certifies that, to his knowledge on the date hereof:

- (a) the Form 10-Q of the Company for the quarter ended September 30, 2016, filed on the date hereof with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM A. SANGER

William A. Sanger
Chief Executive Officer
November 3, 2016

/s/ RANDEL G. OWEN

Randel G. Owen
Chief Financial Officer
November 3, 2016
