

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In re: Rural Metro Corporation, et al.,<sup>1</sup>

Case No. 13-11952 (KJC)  
Reporting Period: 8/5/2013 - 8/31/2013

Monthly Operating Report For the Period  
From August 5, 2013 to August 31, 2013

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached
Schedule of Cash Receipts and Disbursements	MOR-1	x	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	x	
Declaration Regarding the Status of Bank Reconciliations	MOR-1a(Dec)	x	
Schedule of Cash Disbursements by Legal Entity and Estimated Trustee Fees	MOR-1b	x	
Declaration Regarding the Schedule of Cash Disbursements	MOR-1b(Dec)	x	
Schedule of Professional Fees Paid	MOR-1c	x	
Copies of bank statements			x
Cash disbursements journals			x
Statement of Operations	MOR-2	x	
Balance Sheet	MOR-3	x	
Status of Post-petition Taxes	MOR-4	x	
Declaration Regarding the Status of Post-Petition Taxes	MOR-4(Dec)	x	
Copies of IRS Form 6123 or payment receipt			x
Copies of tax returns filed during reporting period			x
Consolidated Aging of Accounts Payable not Subject to Compromise	MOR-4	x	
Accounts Receivable Reconciliation and Aging	MOR-5	x	
Debtor Questionnaire	MOR-5	x	

This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in these chapter 11 cases and is in a format acceptable to the United States Trustee. The financial information contained herein is limited in scope and covers a limited time period. Moreover, such information is preliminary and unaudited, and is not prepared in accordance with generally accepted accounting principles ("GAAP") in the United States.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

October 15, 2013

\_\_\_\_\_  
Signature of Authorized Individual<sup>2</sup>

\_\_\_\_\_  
Date

Stephen Farber  
\_\_\_\_\_  
Printed Name of Authorized Individual

Chief Financial Officer  
\_\_\_\_\_  
Title of Authorized Individual

<sup>1</sup> A list of the Debtors in these chapter 11 cases and the last four digits of each Debtor's taxpayer identification number is attached as Schedule 1 to the Declaration of Stephen Farber in Support of Chapter 11 Petition and First Day Pleadings [Docket No. 2] and at [www.donlinrecano.com/rmc](http://www.donlinrecano.com/rmc).

<sup>2</sup> Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
Reporting Period: 8/5/2013 - 8/31/2013

**MOR-1: CONSOLIDATED STATEMENT OF CASH FLOWS**  
(in thousands)

Cash flows from operating activities:	
Net (loss) income	\$ (14,282)
Adjustments to reconcile net (loss) income to net cash used in operating activities:	
Depreciation and amortization	3,552
Accretion of debt	40
Amortization of debt issuance costs	755
Accreted interest on DIP financing	28
Deferred income tax (benefit) expense	(9,925)
Share-based compensation expense	25
Reorganization items	21,087
Loss (gain) on sale/disposal of property and equipment	(1)
Impairment of goodwill and intangible assets	-
Items expensed related to acquisition	-
Other non-cash adjustments	1
Change in assets and liabilities	
Accounts receivable	(688)
Inventories	75
Prepaid expenses and other	2,736
Other assets	797
Accounts payable	2,376
Accrued and other current liabilities	(9,544)
Deferred revenue	(171)
Other long-term liabilities	200
<b>Net cash used in operating activities</b>	<b><u>(2,939)</u></b>
Cash flows from investing activities:	
Capital expenditures	(216)
Cash paid for acquisitions - other	(42)
Proceeds from the sale/disposal of property and equipment	1
Increase in restricted cash	(1,322)
<b>Net cash used in investing activities</b>	<b><u>(1,579)</u></b>
Cash flows from financing activities:	
Borrowings on Revolver	-
Borrowings on DIP financing	40,000
Payments on Revolver	-
Debt issuance costs	(3,262)
Payment of capital to Parent	-
Capital contribution from Parent	-
Payment on capital lease obligation	(54)
<b>Net cash provided by (used in) financing activities</b>	<b><u>36,684</u></b>
Increase (decrease) in cash and cash equivalents	32,166
Restricted Cash	1,322
Cash and cash equivalents, beginning of period	16,964
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 50,452</u></b>

Notes:

Reporting period 8/1/2013 - 8/31/2013.

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
Reporting Period: 8/5/2013 - 8/31/2013

**MOR-1a: BANK RECONCILIATIONS**

BANK NAME	Account Description	Account Number	GL Balance
Bank of Arizona	Operating	xxxxxx8648	\$ 78,781
Bank of Arizona	Lockbox	xxxxxx8670	-
Bank of Arizona	Lockbox	xxxxxx8681	371,358
Bank of Arizona	Lockbox	xxxxxx1736	(898)
Bank of Arizona	Lockbox	xxxxxx8418	290,904
Bank of Arizona	Lockbox	xxxxxx8429	3,361
Bank of Arizona	Lockbox	xxxxxx8440	18,956
Bank of Arizona	Lockbox	xxxxxx8451	32,793
Bank of Arizona	Petty Cash	xxxxxx8659	2,500
Bank of Arizona	Cash Collateral	xxxxxx8016	-
Wells Fargo Bank	Operating	xxxxxx0962	2,155,761
Wells Fargo Bank	Lockbox	xxxxxx7284	-
Wells Fargo Bank	Lockbox	xxxxxx1989	-
Wells Fargo Bank	Lockbox	xxxxxx1911	-
Wells Fargo Bank	Lockbox	xxxxxx7764	-
Wells Fargo Bank	Lockbox	xxxxxx7288	-
Wells Fargo Bank	Lockbox	xxxxxx8080	227,553
Wells Fargo Bank	Lockbox	xxxxxx0610	-
Wells Fargo Bank	Lockbox	xxxxxx0628	-
Wells Fargo Bank	Lockbox	xxxxxx0644	-
Wells Fargo Bank	Lockbox	xxxxxx0677	-
Wells Fargo Bank	Payroll	xxxxxx1077	(29,717)
Wells Fargo Bank	Petty Cash	xxxxxx0345	3,900
Wells Fargo Bank	Petty Cash	xxxxxx3199	2,000
Wells Fargo Bank	Petty Cash	xxxxxx2687	1,500
Wells Fargo Bank	Petty Cash	xxxxxx7867	5,000
Wells Fargo Bank	Petty Cash	xxxxxx9346	5,000
Wells Fargo Bank	Petty Cash	xxxxxxxx3415	2,000
Wells Fargo Bank	Petty Cash	xxxxxx2368	4,000
Wells Fargo Bank	Petty Cash	xxxxxx7473	3,000
Wells Fargo Bank	Petty Cash	xxxxxx7465	2,100
Chase	Equity	xxxxx7893	-
Chase	Operating	xxxxx5580	14,086,236
Chase	Operating	xxxxx7420	162,035
Bank One, Cleveland	Lockbox	xxxxx1533	14,887
Bank One, Kentucky	Lockbox	xxxxx8900	54,557
Chase	Lockbox	xxx3826	-
Chase	Lockbox	xxxxx9684	-
Chase	Lockbox	xxxxx5866	(133)
Chase	Lockbox	xxxxx9232	-
Chase	Lockbox	xxxxx8579	-
Chase	Lockbox	xxxxx2957	-
Chase	Lockbox	xxxxx0164	-
Chase	Cont. Disb.	xxxxx1488	(2,191,996)
Chase	Cont. Disb. - Tax	xxxxx9438	-
Bank One, Indiana	Deposit	xxxxx3698	1,000
Chase	Payroll	xxxxx8083	(680,705)
Chase	Payroll-Dir Dep	xxxxx3357	284,207
Chase	Petty Cash	xxxxx7215	5,000

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
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**MOR-1a: BANK RECONCILIATIONS**

BANK NAME	Account Description	Account Number	GL Balance
Chase	Petty Cash	xxxxx6037	2,500
Chase	Refund Account	xxxxx8533	(1,816,695)
Chase	Cont. Disb. - Kaiser	xxxxx0320	(80,975)
Chase	Cash Collateral - Utilities	xxxxx5283	422,125
Chase	Cash Collateral - DIP	xxxxxx6837	36,211,588
US Bank	Lockbox	xxxxxxxx2916	15,348
First Tennessee Bank	Petty Cash	xxxxx8989	2,000
First Tennessee Bank	Petty Cash	xxxxx8597	59,727
M&T Bank	Petty Cash	xxxxxx6037	2,500
M&T Bank	Cash Collateral	xxxxxx1181	900,000
Wells Fargo Bank	Lockbox	xxxxxxxx7763	-
Pacific Western Bank	Operating	xxxxx3121	53,119
Pacific Western Bank	Lockbox	xxxxx3012	-
Pacific Western Bank	Lockbox	xxxxx2920	-
Pacific Western Bank	Lockbox	xxxxx3317	-
Pacific Western Bank	Lockbox	xxxxx3219	-
Total			50,452,558 (1)

Notes:

- (1) - Total amount excludes \$9,050 in petty cash and (\$242,667.96) for AR cash clearing that is not tied to a bank account.  
(2) - Due to the voluminous nature of the request for the Debtors' bank statements and disbursement journals, summaries of these requests have been provided.

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
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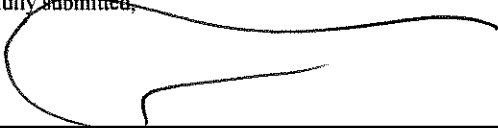
**MOR 1a(Dec): DECLARATION REGARDING THE STATUS OF BANK  
RECONCILIATIONS OF THE DEBTORS**

Stephen Farber hereby declares under penalty of perjury:

1. I am the Chief Financial Officer for Rural/Metro Corporation, et al., the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I am familiar with the Debtors day-to-day operations, business affairs and books and records.
2. All statements in the Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.
3. To the best of my knowledge, all of the Debtors' bank balances as of August 31, 2013 have been reconciled in an accurate and timely manner.

Dated October 15, 2013

Respectfully submitted,



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By: Stephen Farber  
Title: Chief Financial Officer

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
Reporting Period: 8/5/2013 - 8/31/2013

**MOR-1b: SCHEDULE OF DISBURSEMENTS BY LEGAL ENTITY**

Debtor Entity	Bankruptcy Case Number	Disbursements (1)	Estimated Trustee Fees
Bowers Companies, Inc.	13-11955	\$ 779,426	\$ 4,875
Pacific Ambulance, Inc.	13-11972	491,107	4,875
Professional Medical Transport, Inc.	13-11973	1,126,448	6,500
Rural/Metro Corporation (AZ)	13-11980	35,939,513	30,000
SW General Inc.	13-12011	3,659,419	10,400
Total		\$ 41,995,912	\$ 56,650

Notes:

- (1) - Disbursement amounts include all payments issued during the reporting period. Intercompany transfers are not included.
- (2) - All disbursements from company are made by Rural/Metro Corporation (AZ) with the exception of payroll which is paid on behalf of the additional legal entities included in this report. Due to the number of Debtors, only those Debtors who made disbursements during the reporting period are included in this schedule.

**Rural Metro Corporation, et al.**  
Debtor

**Case No. 13-11952 (KJC)**  
**Reporting Period: 8/5/2013 - 8/31/2013**

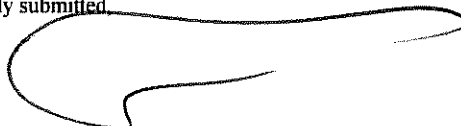
**MOR 1b(Dec): DECLARATION REGARDING THE SCHEDULE OF DISBURSEMENTS**

Stephen Farber hereby declares under penalty of perjury:

1. I am the Chief Financial Officer for Rural/Metro Corporation, et al., the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I am familiar with the Debtors day-to-day operations, business affairs and books and records.
2. The Debtors submit the Declaration regarding cash disbursements in lieu of providing copies of the cash disbursements schedules.
3. All statements in the Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.
4. The Debtors have, on a timely basis, disbursed approximately \$42,000,000 for post-petition and allowable pre-petition amounts for the period August 5, 2013 through August 31, 2013. Copies of the cash disbursement schedules are available for inspection upon request b the Office of the United States Trustee.

Dated October 15, 2013

Respectfully submitted



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By: Stephen Farber  
Title: Chief Financial Officer

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
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**MOR 1c: SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID**

PAYEE	Period Covered	Amount Approved	Payment Date	Amount Paid		Year-To-Date	
				Fees	Expenses	Fees	Expenses
Capstone Advisory Group, LLC	July 2013 - August 2013		8/7/2013	\$ 449,817	\$ 33,626	\$ 449,817	\$ 33,626
Gibson, Dunn & Crutcher LLP	June 2013 - August 2013		8/7/2013	786,386	4,234	786,386	4,234
Total				\$ 1,236,203	\$ 37,859	\$ 1,236,203	\$ 37,859

**Notes:**

(1) Payments above were netted from the gross proceeds received from the DIP financing that occurred on August 7, 2013.



Rural Metro Corporation, et al.  
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**MOR-2: STATEMENT OF OPERATIONS (Income Statement)**  
(in thousands)

	Month Ending 8/31/2013	Cumulative Filing to Date
Net revenue	\$ 55,266	\$ 55,266
Operating expenses:		
Payroll and employee benefits	35,127	35,127
Depreciation and amortization	3,552	3,552
Other operating expenses	14,458	14,458
General/auto liability insurance expense	1,637	1,637
Gain on sale/disposal of assets	(1)	(1)
Total operating expenses	<u>54,774</u>	<u>54,774</u>
Operating income (loss)	492	492
Interest expense	(3,621)	(3,621)
Interest income	10	10
(Loss) income before reorganization items, net	<u>(3,119)</u>	<u>(3,119)</u>
Reorganization items, net (2)	21,087	21,087
(Loss) income from continuing operations before income taxes	(24,206)	(24,206)
Income tax benefit (expense)	9,924	9,924
(Loss) income from continuing operations	<u>(14,282)</u>	<u>(14,282)</u>
Loss from discontinued operations, net of income taxes	-	-
<b>Net (loss) income</b>	<b>(14,282)</b>	<b>(14,282)</b>
Other comprehensive (loss) income, net of tax	(10)	(10)
<b>Comprehensive (loss) income</b>	<b>\$ (14,292)</b>	<b>\$ (14,292)</b>
<b>Consolidated EBITDAR (1)</b>	<b>\$ 4,437</b>	<b>\$ 4,437</b>
(1) Consolidated EBITDAR pursuant to DIP Agreement		
(2) Reorganization items, net:		
Unamortized discount on unsecured debt	\$ 12,108	\$ 12,108
Unamortized deferred debt issuance costs related to unsecured debt	5,057	5,057
Professional fees	3,747	3,747
All Other	175	175
	<b>\$ 21,087</b>	<b>\$ 21,087</b>

Notes:

Reporting period 8/1/2013 - 8/31/2013.

**Rural Metro Corporation, et al.**  
**Debtor**

**Case No. 13-11952 (KJC)**  
**Reporting Period: 8/5/2013 - 8/31/2013**

**MOR-3: BALANCE SHEET**  
(in thousands)

	<b>Month Ending</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 49,130
Restricted cash	1,322
Accounts receivable, net	91,882
Inventories	7,412
Deferred income taxes	22,569
Prepaid expenses and other	23,099
<b>Total current assets</b>	<b>195,414</b>
Property and equipment, net	85,538
Goodwill	372,017
Intangibles assets, net	285,579
Other assets	13,608
<b>Total assets</b>	<b>\$ 952,156</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
Current liabilities:	
Accounts payable	\$ 12,340
Accrued and other current liabilities	58,152
Deferred revenue	21,464
Current portion of long-term debt	3,198
<b>Total current liabilities</b>	<b>95,154</b>
Long-term debt, net of current portion	423,512
Deferred income taxes	5,725
Other long-term liabilities	38,682
<b>Total long-term liabilities</b>	<b>467,919</b>
Liabilities subject to compromise (1)	359,794
<b>Total liabilities</b>	<b>922,867</b>
Stockholder's equity:	
Common stock	-
Additional paid-in capital	243,272
Accumulated other comprehensive income	4,638
Accumulated deficit	(218,621)
<b>Total stockholder's equity</b>	<b>29,289</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 952,156</b>
 (1) Liabilities subject to compromise:	
Unsecured debt	\$ 308,000
Accrued interest on unsecured debt	17,295
Accounts payable and other accrued liabilities	34,499
	<b>\$ 359,794</b>

Notes:

Reporting period 8/1/2013 - 8/31/2013.

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
Reporting Period: 8/5/2013 - 8/31/2013

**MOR-4: STATUS OF POST-PETITION TAXES**

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No. or EFT	Ending Tax Liability
<b>FEDERAL</b>						
Payroll taxes	\$ 1,253,706	\$ 1,116,346	\$ (1,840,463)	Various	Various	\$ 529,589
Income tax						-
<b>Total Federal Taxes</b>	<b>\$ 1,253,706</b>	<b>\$ 1,116,346</b>	<b>\$ (1,840,463)</b>			<b>\$ 529,589</b>
<b>STATE AND LOCAL</b>						
Payroll taxes	39,980	8,801	(32,410)	Various	Various	16,372
Sales & Use	(243,915)	(1,526)				(245,441)
Excise						-
Unemployment						-
Real & Personal Property	(775,095)	(119,342)	38,511	Various	Various	(855,926)
Income tax	396,488					396,488
Franchise				Various	Various	-
<b>Total State and Local Taxes</b>	<b>\$ (582,542)</b>	<b>\$ (112,067)</b>	<b>\$ 6,102</b>			<b>\$ (688,507)</b>

NOTES:

- (1) - Payments made were recorded on the Debtors' books and Records in the current reporting period, but were not remitted until September 5, 2013.
- (2) - Due to the voluminous nature of the request, the Debtors' have not included copies of Form 6123 and tax returns filed during this period.

**MOR-4: SUMMARY OF UNPAID POST-PETITION DEBTS**

	Current	NUMBER OF DAYS PAST DUE				Total
		0-30	31-60	61-90	Over 90	
Total Gross Accounts Payable	\$ 3,218,304	-	-	-	-	3,218,304

Notes:

- (1) - The Debtors' are paying post-petition debts as they become due in the ordinary course.
- (2) - The Debtors' maintain accruals for goods and services received but not invoiced. They do not consider these due until they are invoiced, therefore certain payables may not be included based on timing of invoicing from vendor.

**Rural Metro Corporation, et al.**  
Debtor

**Case No. 13-11952 (KJC)**  
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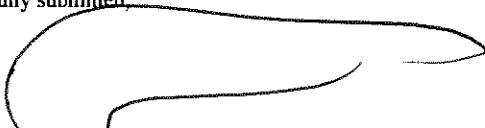
**MOR 4(Dec): DECLARATION REGARDING THE STATUS OF POST-PETITION TAXES**

Stephen Farber hereby declares under penalty of perjury:

1. I am the Chief Financial Officer for Rural/Metro Corporation, et al., the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I am familiar with the Debtors day-to-day operations, business affairs and books and records.
2. All statements in the Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtors, or my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents or opinion. I am authorized to submit this Declaration on behalf of the Debtors.
3. To the best of my knowledge, all of the Debtors have filed all necessary federal, state and local tax returns and made all required post-petition tax payments in connection therewith on a timely basis or are in the process of promptly remediating any late filing or payments that may have occurred due to unintentional oversights.

Dated October 15, 2013

Respectfully submitted,



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By: Stephen Farber  
Title: Chief Financial Officer

Rural Metro Corporation, et al.  
Debtor

Case No. 13-11952 (KJC)  
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**MOR-5: ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**  
(in thousands)

<b>Accounts Receivable Reconciliation</b>		<b>Amount</b>
Total Accounts Receivable at the beginning of the reporting period, net (1)	\$	87,937
+ Amounts billed during the period		45,769
- Amounts collected during the period		(45,742)
Total Accounts Receivable at the end of the reporting period, net (2)		87,964
<b>Net Accounts Receivable Aging</b>		<b>Amount</b>
< 90 Days		55,178
91 - 120 Days		8,741
121 - 180 Days		12,687
181 - 270 Days		9,292
271 - 360 Days		2,066
361+ Days		-
Total Aged Accounts Receivable		87,964
Other Accounts Receivable (3)		3,918
Total Accounts Receivable (Net) (4)		91,882

Notes:

- (1) - Beginning of reporting period is 7/31/2013
- (2) - Does not include certain other accounts receivable amounts detailed below.
- (3) - Includes month-end accruals, ATS A/R, Master Contracts, Subsidies and Suspense/Clearing that are not aged in the Debtors' books and records.
- (4) - All aged accounts receivable balances include amounts considered uncollectable or bad debt.

**DEBTOR QUESTIONNAIRE**

<b>Must be completed each month</b>	<b>Yes</b>	<b>No</b>
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all post petition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3. (1)	X	

Notes:

- (1) The Debtors' opened two new bank accounts in this reporting period. All necessary information has been provided to UST.