

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE

In re: Rural Metro Corporation, et al.,  
Debtor

Case No. 13-11952 (KJC)  
Reporting Period: 9/1/2013 - 9/30/2013

Monthly Operating Report For the Period  
From September 1, 2013 to September 30, 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

November 14, 2013

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

\_\_\_\_\_  
Date

Stephen Farber

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Printed Name of Authorized Individual

\_\_\_\_\_  
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.donlinirecano.com/rmc](http://www.donlinirecano.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.

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

	One Month Ended September 30, 2013
<b><u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</u></b>	
Net loss	(\$716)
Adjustments to reconcile net loss to cash provided by operations:	
Depreciation and amortization	4,372
Other non-cash adjustments	1
Accretion of debt discount	39
Amortization of debt issue costs	863
Accreted interest on DIP Financing	39
Deferred income tax benefit	(280)
Loss on sale of property and equipment	73
Stock based compensation expense	24
Reorganization items	4,649
Changes in operating assets and liabilities:	
Accounts receivable	(2,553)
Inventories	(257)
Prepaid expenses and other	(5,539)
Other assets	(45)
Accounts payable	9,811
Accrued liabilities	(8,513)
Deferred revenue	(173)
Other liabilities	2,252
Net cash provided by operating activities	4,047
<b><u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u></b>	
Purchase of property and equipment	(856)
Proceeds from sale of fixed assets	22
Net cash used in investing activities	(834)
<b><u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u></b>	
Borrowings on DIP Financing	15,000
Payments on Term Loan	(813)
Debt issuance costs	(350)
Payment on capital lease obligations	(120)
Net cash provided by financing activities	13,717
Net increase in cash	16,930
Cash balance - beginning *	50,452
Cash balance - ending *	\$67,382

\* including \$1,322 of Restricted cash

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MOR-1a: BANK RECONCILIATIONS

BANK NAME	Account Description	Account Number	GL Balance
Bank of Arizona	Operating	xxxxxx8648	\$ 72,131
Bank of Arizona	Lockbox	xxxxxx8670	491,859
Bank of Arizona	Lockbox	xxxxxx8681	537,306
Bank of Arizona	Lockbox	xxxxxx1736	678,610
Bank of Arizona	Lockbox	xxxxxx8418	554,517
Bank of Arizona	Lockbox	xxxxxx8429	12,084
Bank of Arizona	Lockbox	xxxxxx8440	113,139
Bank of Arizona	Lockbox	xxxxxx8451	34,117
Bank of Arizona	Petty Cash	xxxxxx8659	2,500
Bank of Arizona	Cash Collateral	xxxxx8016	-
Wells Fargo Bank	Operating	xxxxxx0962	2,484,092
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	-
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	8,366
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	2,000
Chase	Equity	xxxxx7893	-
Chase	Operating	xxxxx5580	14,368,704
Chase	Operating	xxxxx7420	287,230
Bank One, Cleveland	Lockbox	xxxxx1533	38,788
Bank One, Kentucky	Lockbox	xxxxx8900	122,108
Chase	Lockbox	xxx3826	-
Chase	Lockbox	xxxxx9684	-
Chase	Lockbox	xxxxx5866	(1,204)
Chase	Lockbox	xxxxx9232	-
Chase	Lockbox	xxxxx8579	-
Chase	Lockbox	xxxxx2957	-
Chase	Lockbox	xxxxx0164	-
Chase	Cont. Disb.	xxxxx1488	(2,210,595)

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**MOR-1a: BANK RECONCILIATIONS**

BANK NAME	Account Description	Account Number	GL Balance
Chase	Cont. Disb. - Tax	xxxxx9438	-
Bank One, Indiana	Deposit	xxxxx3698	1,026
Chase	Payroll	xxxxx8083	(471,094)
Chase	Payroll-Dir Dep	xxxxx3357	(2,238)
Chase	Petty Cash	xxxxx7215	5,000
Chase	Petty Cash	xxxxx6037	2,500
Chase	Refund Account	xxxxx8533	(2,070,408)
Chase	Cont. Disb. - Kaiser	xxxxx0320	(49,636)
Chase	Cash Collateral - Utilities	xxxxx5283	422,078
Chase	Cash Collateral - DIP	xxxxxx6837	50,869,764
US Bank	Lockbox	xxxxxxxx2916	35,019
First Tennessee Bank	Petty Cash	xxxxx8989	2,000
First Tennessee Bank	Petty Cash	xxxxx8597	56,682
M&T Bank	Petty Cash	xxxxxx6037	2,500
M&T Bank	Cash Collateral	xxxxxx1181	900,000
Wells Fargo Bank	Lockbox	xxxxxx7763	-
Pacific Western Bank	Operating	xxxxx3121	55,141
Pacific Western Bank	Lockbox	xxxxx3012	-
Pacific Western Bank	Lockbox	xxxxx2920	-
Pacific Western Bank	Lockbox	xxxxx3317	-
Pacific Western Bank	Lockbox	xxxxx3219	-
Total			67,380,484 (1)

Notes:

- (1) - Total amount excludes \$9,050 in petty cash and (\$7,156.55) 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.

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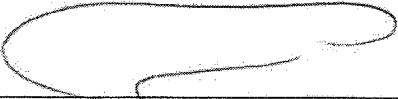
**MOR 1a(Dec): DECLARATION REGARDING THE STATUS OF BANK  
RECONCILIATIONS OF THE DEBTORS**

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 September 30, 2013 have been reconciled in an accurate and timely manner.

Dated November 14, 2013

Respectfully submitted,

  
\_\_\_\_\_  
By: Stephen Farber  
Title: Chief Financial Officer

In re: Rural Metro Corporation, et al.,  
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Case No. 13-11952 (KJC)  
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**MOR-1b: SCHEDULE OF DISBURSEMENTS BY LEGAL ENTITY**

Debtor Entity	Bankruptcy Case Number	Disbursements (1)	Estimated Trustee Fees
Bowers Companies, Inc.	13-11955	\$ 759,912	\$ 4,875
Pacific Ambulance, Inc.	13-11972	497,631	4,875
Professional Medical Transport, Inc.	13-11973	1,111,818	6,500
Rural/Metro Corporation (AZ)	13-11980	42,055,016	30,000
SW General Inc.	13-12011	3,704,157	10,400
Total		\$ 48,128,534	\$ 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. For the entities not listed that had no disbursements, the minimum fee will be remitted.

In re: Rural Metro Corporation, et al.,  
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**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 \$48 million for post-petition and allowable pre-petition amounts for the period September 1, 2013 through September 30, 2013. Copies of the cash disbursement schedules are available for inspection upon request by the Office of the United States Trustee.

Dated November 14, 2013

Respectfully submitted,



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By: Stephen Farber  
Title: Chief Financial Officer

In re: Rural Metro Corporation, et al.,  
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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	August 2013 - September 2013		9/12/2013 & 9/17/2013	\$ 273,338	\$ 9,007	\$ 723,155	\$ 42,633
Gibson, Dunn & Crutcher LLP	August 2013		9/17/2013	391,278	5,410	1,177,664	9,643
Pepper Hamilton LLP	August 2013		9/17/2013	10,864	745	10,864	745
Houlihan Lokey	September 2013		9/18/2013	125,000	1,427	125,000	1,427
Joele Frank Wilkinson Brimmer	August 2013		9/19/2013	22,579	1,880	22,579	1,880
Total				\$ 823,059	\$ 18,469	\$ 2,059,262	\$ 56,328



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**MOR-2: STATEMENT OF OPERATIONS (Income Statement)**  
(in thousands)

	One Month Ended September 30, 2013	Cumulative Filing to Date
Net revenue	\$ 52,573	\$ 107,839
Operating expenses:		
Payroll and employee benefits	32,992	68,119
Depreciation and amortization	4,372	7,924
Other operating expenses	6,402	20,860
General/auto liability insurance expense	1,629	3,266
Impairment of goodwill and intangible assets	-	-
Loss on sale/disposal of assets	73	72
Total operating expenses	<u>45,468</u>	<u>100,241</u>
Operating income	7,105	7,598
Interest expense	(3,467)	(7,088)
Interest income	15	25
Income before reorganization items, net	<u>3,653</u>	535
Reorganization items, net (2)	<u>4,649</u>	<u>25,736</u>
Loss from continuing operations before income taxes	(996)	(25,201)
Income tax benefit	280	10,204
Loss from continuing operations	<u>(716)</u>	<u>(14,997)</u>
Loss from discontinued operations, net of income taxes	-	-
<b>Net loss</b>	<b>(716)</b>	<b>(14,997)</b>
Other comprehensive loss, net of tax	(10)	(20)
<b>Comprehensive loss</b>	<b>\$ (726)</b>	<b>\$ (15,017)</b>
 <b>Consolidated EBITDAR (1)</b>	 <b>\$ 4,267</b>	 <b>\$ 8,704</b>
(1) Consolidated EBITDAR pursuant to DIP Agreement		
(2) Reorganization items, net:		
Unamortized discount on unsecured debt	\$ -	\$ 12,108
Unamortized deferred debt issuance costs related to unsecured debt	-	5,057
Professional fees	4,387	8,134
All Other	262	437
	<u>\$ 4,649</u>	<u>\$ 25,736</u>

In re: Rural Metro Corporation, et al.,  
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Case No. 13-11952 (KJC)  
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**MOR-3: BALANCE SHEET**  
(in thousands)

	<b>Month Ended</b>	
	<b>September 30, 2013</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	66,060
Restricted cash		1,322
Accounts receivable, net		94,435
Inventories		7,569
Deferred income taxes		22,569
Prepaid expenses and other		28,695
<b>Total current assets</b>		<b>220,651</b>
Property and equipment, net		80,780
Assets held for sale		3,649
Goodwill		372,017
Intangibles assets, net		284,173
Other assets		13,138
<b>Total assets</b>	<b>\$</b>	<b>974,409</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Accounts payable	\$	17,749
Accrued and other current liabilities		57,679
Deferred revenue		21,291
Current portion of long-term debt		3,146
<b>Total current liabilities</b>		<b>99,865</b>
Long-term debt, net of current portion		438,904
Deferred income taxes		5,445
Other long-term liabilities		40,906
<b>Total long-term liabilities</b>		<b>485,255</b>
Liabilities subject to compromise (1)		<b>361,430</b>
<b>Total liabilities</b>		<b>946,549</b>
Stockholder's equity:		
Common stock		-
Additional paid-in capital		243,296
Accumulated other comprehensive income		4,627
Accumulated deficit		(220,064)
<b>Total stockholder's equity</b>		<b>27,859</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>974,409</b>
 (1) Liabilities subject to compromise:		
Unsecured debt	\$	308,000
Accrued interest on unsecured debt		17,295
Accounts payable and other accrued liabilities		36,135
	<b>\$</b>	<b>361,430</b>

In re: Rural Metro Corporation, et al.,  
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**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	\$ (529,589)	\$ (1,965,602)	\$ 1,843,463	Various	Various	\$ (651,727)
Income tax						-
<b>Total Federal Taxes</b>	<b>\$ (529,589)</b>	<b>\$ (1,965,602)</b>	<b>\$ 1,843,463</b>			<b>\$ (651,727)</b>
<b>STATE AND LOCAL</b>						
Payroll taxes	\$ (16,371.60)	\$ (52,411.40)	\$ 49,037.91	Various	Various	(19,745)
Sales & Use	(245,441)	(42,931)	21,442			(266,930)
Excise	-					-
Unemployment	-					-
Real & Personal Property	(855,926)	(119,342)	2,703	Various	Various	(972,564)
Income tax	396,488		26,703	Various	Various	423,191
Franchise						-
<b>Total State and Local Taxes</b>	<b>\$ (721,250)</b>	<b>\$ (214,684)</b>	<b>\$ 99,886</b>			<b>\$ (836,048)</b>

NOTES:

(1) - 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	\$ 1,865,372	974,830	175,954	14,356	2,441	3,032,952

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.
- (3) - The Debtors are continuing to bifurcate pre and post-petition invoices in their AP system as they come in from vendors. In September, the Debtors identified certain invoices that relate to post-petition services that were invoiced pre-petition, but which inadvertently were not being picked up through the Debtors' AP process. They have subsequently paid these invoices and are in compliance with paying their invoices as they become due.

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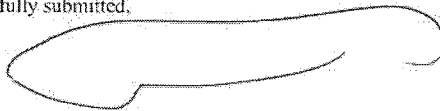
**MOR 4(Dec): DECLARATION REGARDING THE STATUS OF POST-PETITION TAXES**

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 November 14, 2013

Respectfully submitted,



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By: Stephen Farber  
Title: Chief Financial Officer

In re: Rural Metro Corporation, et al.,  
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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	\$	87,964
+ Amounts billed during the period		45,342
- Amounts collected during the period		(41,336)
Total Accounts Receivable at the end of the reporting period, net (1)		91,970
<b>Net Accounts Receivable Aging</b>		<b>Amount</b>
< 90 Days		67,731
91 -120 Days		6,823
121 -180 Days		8,996
181 - 270 Days		6,821
271 -360 Days		1,599
361+ Days		-
Total Aged Accounts Receivable		91,970
Other Accounts Receivable (2)		2,465
Total Accounts Receivable (Net) (3)		94,435

Notes:

- (1) - Does not include certain other accounts receivable amounts detailed below.  
(2) - Includes month-end accruals, ATS A/R, Master Contracts, Subsidies and Suspense/Clearing that are not aged in the Debtors' books and records.  
(3) - 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.  The Debtors consummated one or more sales of assets pursuant to the <i>Order Establishing Procedures for the Sale or Abandonment of Miscellaneous Assets Free and Clear of All Liens, Claims and Encumbrances Pursuant to Sections 105, 363 and 554 of the Bankruptcy Code</i> , dated September 12, 2013 [Docket No. 242].	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